

2024/2025

# 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 2025 the Fund was valued at £7025.1m, having paid out £242.9m during the year for the benefit of Scheme members. This is an increase in the Fund value of £240.8m from 31 March 2024. Investment performance over the year was slightly below the long-term target return. Cumulative performance over the three years since valuation date of 31 March 2022 was broadly in line with this target. However, the overall funding level is expected to have improved. This is because pension fund liabilities have fallen, due to changes to the financial assumptions used to assess the value of future pension benefits.

Interest rates remained high throughout the year, and inflation fell more slowly than forecast, making financial market conditions challenging. The imposition of tariffs by the United States in the first quarter of 2025 added to market volatility. However, despite this backdrop, there was a modest positive return over the year. Alternatives was the best performing category of investments, largely due to being insulated from short-term investor sentiment. Throughout 2024-25 the number of Scheme Employers in the Fund with active members was 347 (31 March 2024: 328). There were 25 new Scheme Employers joining the Fund during 2024-25 with 6 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 57 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 2025 the total membership records administered by the East Riding Pension Fund was 131,408 an increase of 1.75% in the year (2024: 129,145). 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 reduced by 3.67% to 41,588 (2024: 43,172). 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 4.27% to 40,991 (2024: 39,314). 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 £5,770 per annum, equivalent to a weekly payment of £110.66.

The Fund generated a return of 4.3% for the year to 31 March 2025 compared to the strategic benchmark return of 5.3%. Over the three years to 31 March 2025 the Fund returned 4.5% per annum, compared to the benchmark return of 4.0% 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 0.11% (2024: 0.13%) of funds under management.

The challenge for the Fund in the year ahead continues to be maintaining investment performance in an environment of higher interest rates and inflation, and a volatile geopolitical environment.

Julian Neilson  
 Director of Finance  
 East Riding of Yorkshire Council  
 31 August 2025

# 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 cohabitating 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 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 86 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. Teachers, Police Officers and Firefighters are excluded from the LGPS as they are members of separate statutory pension schemes.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 make the provision in relation to the management and investment of pension funds held by administering authorities required to maintain pension funds by the Local Government Pension Scheme Regulations 2013.

## 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. The 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 <https://www.erpf.org.uk/local-pension-board/>.

## Fund Membership

The **347** employers, including East Riding of Yorkshire Council, with active members in the Pension Fund in 2024/25 are listed below: -

### ADMINISTERING AUTHORITY

East Riding of Yorkshire Council

### SCHEDULE 2 EMPLOYERS (290)

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

|  |  |
|--|--|
| Driffeld Town Council                                    | Healing Primary School                         |
| Dunswell Primary Academy                                 | Healing Science Academy Limited                |
| Easington CE Primary Academy                             | Hedon Town Council                             |
| East Ravendale Academy                                   | Hessle Community Academy                       |
| Eastfield Primary Academy (Immingham)                    | Hessle Town Council                            |
| Eastfield Academy (Hull)                                 | Hibaldstow Academy                             |
| Edward Heneage Academy                                   | Hibaldstow Parish Council                      |
| Elliston Primary Academy                                 | Highlands Primary Academy                      |
| Elloughton cum Brough Town Council                       | Holderness Academy and Sixth Form College      |
| Emergency Services Fleet Management (Humberside) Limited | Hook C of E Primary School                     |
| Endike Primary School                                    | Hornsea Town Council                           |
| Endsleigh Holy Child VC Academy                          | Horizon MAT – Hedon Academy                    |
| Enfield Academy of New Waltham                           | Howden C of E Infant School                    |
| Engineering UTC Northern Lincolnshire                    | Howden School                                  |
| Epworth Academy  | Howden Junior School                           |
| Epworth Town Council                                     | Hull & East Yorkshire Combined Authority       |
| Estcourt Primary Academy                                 | Hull Collaborative Academy Trust Central Team  |
| Euler Academy  | Hull Collaborative Academy Trust Catering Team |
| Fairfield Academy  | Hull College                                   |
| Francis Askew Primary School                             | Hull Culture and Leisure Limited               |
| Franklin College   | Hull Trinity House Academy                     |
| Frederick Holmes Academy                                 | Humber Bridge Board                            |
| Ganton School  | Humber Education Trust – Central Team          |
| Gilberdyke Academy                                       | Humberside Fire Authority                      |
| Gillshill Primary Academy                                | Humberston Academy                             |
| Goole High School  | Humberston C of E Primary School               |
| Goole Town Council                                       | Humberston Cloverfields Academy                |
| Great Coates Primary Academy                             | Humberston Park Academy                        |
| Greater Lincolnshire Combined County Authority           | Hunsley Primary School                         |
| Griffin Primary Academy                                  | Huntcliff Academy                              |
| Hall Road Academy  |  |
| Harbour Learning Trust – Central Team                    |  |
| Havelock Academy   |  |

|   |  |
|---|--|
| Immingham Town Council  | Newington Academy  |
| Infinity Academies Trust – St Martins CE Primary Academy      | Newland School for Girls                                   |
| Infinity Academies Trust – West Butterwick CE Primary Academy | Newland St John’s CE Academy                               |
| Infinity Academies Trust – Haxey CE Primary Academy           | North Cave Church of England Primary Academy               |
| Ings Primary School   | North Cave Parish Council                                  |
| John Leggott College  | North East Lincolnshire Council                            |
| JLSFC Services Ltd  | North Eastern Inshore Fisheries and Conservation Authority |
| Kelvin Hall School  | North Ferriby Parish Council                               |
| Keyingham Primary School                                      | North Lincolnshire Council                                 |
| Kingston upon Hull City Council                               | Oasis Academy Henderson Avenue                             |
| Kingstown Works Limited                                       | Oasis Academy Immingham                                    |
| Kingswood Academy   | Oasis Academy Nunsthorpe                                   |
| Kingswood Parks Primary Academy                               | Oasis Academy Parkwood                                     |
| Kirk Ella and West Ella Parish Council                        | Oasis Academy Wintringham                                  |
| Lacey Acres   | Old Cleve Primary Academy                                  |
| Lisle Marsden Academy   | Oldfleet Primary Foundation Trust School                   |
| Littlecoates Primary Academy                                  | Ormiston Maritime Academy                                  |
| Lincolnshire Gateway Academies Trust – Kirton Academy         | Ormiston South Parade Academy                              |
| Longhill Primary Academy                                      | Our Lady and St Peter Catholic Primary School              |
| Macaulay Academy  | Ouse and Humber Drainage Board                             |
| Malet Lambert Academy   | Outwood Academy Brumby                                     |
| Malton Primary Academy  | Outwood Academy Foxhills                                   |
| Marfleet Primary Academy                                      | Outwood Junior Academy Brumby                              |
| Market Weighton Town Council                                  | Paisley Primary Academy                                    |
| Maybury Primary Academy                                       | Parkstone Primary Academy                                  |
| Melbourne Community Academy                                   | Patrington CE Primary Academy                              |
| Melior Community College Academy                              | Pearson Primary School                                     |
| Mersey Academy  | Phoenix Park Academy                                       |
| Middlethorpe Academy  | Pilgrim Academy  |
| Mountbatten Academy   | Pocklington Junior School                                  |
| Neasden Primary Academy                                       | Priory Primary Academy                                     |
| New Waltham Academy   |  |
| Newbald Parish Council  |  |

|   |   |
|---|---|
| Quay Academy  | Signhills Academy   |
| Reynolds Primary Academy                                    | Signhills Infants Academy                                 |
| Rise Academy  | Sirius Academy North                                      |
| Riston Primary Academy                                      | Sirius Academy West                                       |
| Rokeby Park Academy   | South Axholme Academy                                     |
| Ron Dearing UTC   | South Cave Parish Council                                 |
| Rowley Parish Council                                       | South Hunsley School and Sixth Form College               |
| St Anthonys Primary Academy                                 | Southcoates Primary Academy                               |
| St Augustine Webster Academy                                | Spring Cottage Academy                                    |
| St Bede's Academy   | Springfield Primary Academy                               |
| St Bernadette's Academy                                     | Sproatley Endowed Primary Academy                         |
| St Charles RC Primary Academy                               | Stamford Bridge Primary School                            |
| St George's Primary Academy                                 | Stepney Primary Academy                                   |
| St James' CE Academy  | Stockwell Academy   |
| St John of Beverley Catholic Primary School                 | Stoneferry Primary School                                 |
| St Joseph's Catholic Primary Academy (Goole)                | Strand Academy  |
| St Joseph's Catholic Primary Academy (Cleethorpes)          | Sullivan Centre   |
| St Mary and St Joseph Catholic Primary School (Pocklington) | Sutton Park Primary Academy                               |
| St Mary Queen of Martyrs VC Academy                         | Swanland Parish Council                                   |
| St Mary's Academy (Brigg)                                   | Swanland Primary School Academy Trust                     |
| St Mary's Catholic Primary Voluntary Academy (Grimsby)      | TEC Partnership   |
| St Marys College  | Thanet Primary Academy                                    |
| St Mary's Catholic Primary School (Market Weighton)         | The Axholme Academy                                       |
| St Nicholas Primary Academy                                 | The Boulevard Academy                                     |
| St Norbert's Catholic Primary Academy                       | The Boulevard Centre                                      |
| St Peter's CE Primary Academy                               | The Chief Constable of Humberside Police                  |
| St Richards RC Primary Academy                              | The Education Alliance – Beverley Minster Primary Academy |
| St Thomas More Academy                                      | The Green Way Academy                                     |
| St Vincents VC Academy                                      | The Hub   |
| Scartho Junior Academy                                      | The Marvell College                                       |
| Scawby Academy  | The Parks Academy   |
| Sevenhills Academy  | The Police and Crime Commissioner for Humberside          |
| Sidmouth Primary Academy                                    |   |
| Sigglesthorpe Primary Academy                               |   |

The St. Lawrence Academy  
The Snaith School  
The Vale Academy  
Thoresby Primary Academy  
Thorpepark Academy  
Thrunsoe Primary Academy  
Trent View College  
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  
Wellsprings Academy trust – Stanford Juniors & infants Academy  
Wellspring Academy Trust – Scartho Infants School and Nursery  
Westcott Primary Academy  
Westwoodside Academy  
Wheeler Academy  
Whitehouse Pupil Referral Unit  
Whitgift Academy  
Wilberforce College  
Wilberfoss Primary Academy  
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  
Wolfeaton 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 (56)**

- ABM Catering – Consortium Academy Trust
- Aramark limited – Wyke College
- Aspens Services – St Lawrence Academy
- Aspens Services – Lincolnshire Gateway Academies Trust
- Aspens Services – Our Lady of Lourdes
- Cater Link Ltd (Humberston Academy)
- Caterlink Limited – St Cuthberts MAT
- Caterlink limited – Lincoln Anglican Academy Trust
- City Health Care Partnership
- 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 (Sir John Nelthorpe School)
- Compass Contract Services (UK) Ltd (Waltham Leas)
- Compass Contract Services UK Ltd (Winterton Infants School)
- Compass Contract Services UK Ltd (Winterton Community Academy)
- Compass Contract Services – Stallingborough Primary School
- Compass Contract Services UK Ltd (Winterton Junior School)
- Compass Contract Services UK Ltd (Wolds Learning Partnership)
- Dolce Ltd (DRET)
- Equans Services Limited
- Hull and Goole Port Health Authority
- Hull Resettlement Project Ltd
- Humber NHS Foundation Trust (ERYC)
- Humber NHS Foundation Trust (Hull)
- Hutchison Catering Ltd (Ebor Academy Trust)
- Hutchison Catering Ltd (Academies Enterprise Trust)
- Hutchison Catering Ltd (Hope Sentamu Learning Trust)
- Hutchison Catering Ltd – St Cuthberts MAT
- Independent Cleaning Services Ltd (Driffield)
- Independent Cleaning Services Ltd (Hibaldstow)
- Independent Cleaning Services Ltd (Scawby)
- Independent Cleaning Services Ltd (Sir John Nelthorpe School)
- Independent Cleaning Services Ltd (Axholme)
- Independent Cleaning Services Ltd (Winterton Community Academy)
- Independent Cleaning Services Ltd (Delta Academies Trust)
- Independent Cleaning Services Ltd – Outwood Foxhills
- Independent Cleaning Services Ltd – Delta Academies Grimsby
- ISS Mediclean (Outwood Academy)
- LA's Community Care Limited
- Lincs Inspire Limited
- Lincolnshire Housing Partnership Ltd
- Mellors Catering Services Ltd (Delta Academies Grimsby)
- Mellors Catering Services Ltd (Delta Academies Hull)
- Mellors Catering Services – Harbour Learning Trust
- Mountain Healthcare Ltd
- NHS Humber & North Yorkshire ICB
- Ongo Homes Ltd
- Pinnacle Housing Ltd
- Robertson Facilities Management Ltd
- Robertsons Facilities Management Ltd PFI
- Sodexo Ltd Nunsthorpe
- Sodexo Ltd (Oasis Community Learning)
- T(n)S Catering Management Ltd (Delta – Willoughby)
- Taylor Shaw Ltd (Frederick Gough)
- The Deep (EMIH) Ltd
- University of Lincoln Students' Union

## Scheme Management and Advisers

### Fund Managers

Executive Director of  
Corporate Resources  
East Riding of Yorkshire Council  
County Hall Beverley HU17 9BA

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Management (UK) Limited  
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London EC2Y 5AU

[www.schroders.com](http://www.schroders.com)

### Pool Provider

Border to Coast  
Pensions Partnership Limited  
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Leeds LS1 2HJ

[www.bordertocoast.org.uk](http://www.bordertocoast.org.uk)

### Secretary to

Executive Director of  
Corporate Resources

### The Pensions Committee

East Riding of Yorkshire Council  
County Hall  
Beverley HU17 9BA

### Custodian

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Edinburgh EH3 9EG

[www.statestreet.com](http://www.statestreet.com)

### AVC Provider

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## Officers

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Goole DN14 5YU

## 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 four meetings being held to consider other 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

### Risk Management

East Riding Pension Fund recognises the role of effective risk management, including the identification and control of key risks. The Fund's approach to risk management is outlined in its risk management policy, which is available at <https://www.erpf.org.uk/risk-management-policy/>.

Risk management practices are incorporated into the Fund's activities, with an emphasis on maintaining a risk-aware culture throughout all teams. Oversight and strategic responsibility for risk management rest with the Head of Investments and the Pensions Manager, who establish the Fund's framework for risk management. They are supported by the Fund's management team, and all officers are expected to support and scrutinise risk management processes to promote their effectiveness.

The initial step is setting objectives to identify relevant risks. The Fund's key objectives are to:

- maintain long-term solvency and ensure adequate funds are available to meet benefit payments as they become due;
- administer the fund efficiently and in accordance with regulations; and
- communicate with all key stakeholders.

The Fund's business plan and the operational plans for each service area also outline priorities and actions.

### Identifying risk

Risk management involves identifying, assessing, and mitigating risks to keep them at an acceptable level. The Fund identifies risks by reviewing its business objectives, gathering feedback from stakeholders (such as the Local Pension Board, Pensions Committee, employers, officers, and staff), holding workshops and meetings with relevant groups, staying informed about industry trends and emerging risks, and maintaining business continuity and project management practices.

Risk management is integrated into all decision making and reflected in key Fund documents, including:

- Business plan and operational plans
- Funding Strategy Statement
- Breaches of the Law policy
- Business Continuity plan
- Cyber Policy

### The Risk Register

The Pension Fund's risk register identifies key risks to the Fund and is reviewed by the Pensions Management team at least quarterly. It covers both internal and external risks, including potential future risks, but does not record low-risk items that are well managed.

The register details existing controls, their RAG ratings, and any further actions needed if controls are not highly effective. These measures are also reviewed quarterly to ensure effectiveness, efficiency, and proportionality to risk.

The Board reviews the risk register at every quarterly meeting, with emphasis on recent changes and the option to request in-depth analysis of specific risks. The Chair reports Board feedback and recommendations to the Pensions Committee.

Pensions Committee receives a bi-annual risk management report, which includes an update on the risk register.

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 97 to 119) and Note S Disclosure Relating to Financial Instruments (page 108).

The latest risk register is included below. In the interest of brevity the risk scores, which are based on the likelihood of risk occurring and the potential impact on the Fund, have been omitted from the table.

| 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 reviews every three years alongside each valuation or more frequently if required.</li> <li>• Annual review of performance and asset allocation every year in November, most recently on 1 November 2024.</li> <li>• Quarterly review of performance and asset allocation.</li> <li>• Diversification of investments across many asset classes.</li> <li>• Independent assurance on risk controls on the Fund's operational arrangements, and its custodian and investment managers.</li> <li>• Triennial valuation to assess the value of liabilities, most recently in March 2022. The 2025 valuation is underway.</li> </ul> |

|                       |   |  |
|-----------------------|---|--|
| <p><b>F/SLR02</b></p> | <p>Staffing resources are insufficient to adequately meet the needs of the Pensions service</p> | <ul style="list-style-type: none"> <li>• Review by continuous assessment team resources, monitor workloads and performance.</li> <li>• Key performance targets, workload data and staffing vacancies are reported to the Board and Committee.</li> <li>• A review of the current section structure and resources is underway.</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>• Controls are in place to manage customer contact, including shared arrangements with Council's Customer Service Network in place to reduce impact of increased customer contact on administration teams. Regular contact with contact centre managers ensures partnership arrangements are monitored and improvements identified as required.</li> </ul> |
| <p><b>F/SLR03</b></p> | <p>Failure to establish adequate cyber security controls and business continuity</p>            | <ul style="list-style-type: none"> <li>• Council has in place a disaster recovery and business continuity plan which is regularly reviewed. IT Protocols in place for both ERYC ICT and Civica</li> <li>• IT systems operated in line with corporate policies and procedures. The Fund has protocols in place for password security on the administration system and ensures relevant access profiles are in place for each of its users.</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> <li>• A Fund specific cyber security policy in place</li> </ul>  |

| Risk Ref. | Risk Name   | Controls   |
|-----------|---|--|
| F/SLR04   | Failure to apply regulatory requirements and statutory guidance correctly | <ul style="list-style-type: none"> <li>• Membership of officer groups, and attendance at external webinars and conferences. Ministry of Housing, Communities and Local Government (MHCLG) Consultation papers and bulletins issued for LGPS, LGA and SAB are considered and reviewed at monthly office management team meetings. Membership of PLSA</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 for 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>• Procedures for testing is documented and findings recorded.</li> <li>• Relevant knowledge and skills in place to improve resilience.</li> <li>• Breaches of the law are monitored, recorded and reported as required. These are reported to the Board with the quarterly risk register update. The Board receives service delivery and key performance reports at each meeting.</li> <li>• Business plan is in place which confirms key objectives including ensuring that regulations and statutory guidance are implemented effectively. Horizon scanning takes place.</li> </ul> |

|                |  |  |
|----------------|--|--|
| <p>F/SLR05</p> | <p>Failure to ensure adequate data presence and quality</p>  | <ul style="list-style-type: none"> <li>• Internal controls, including processes and systems support record keeping and 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 including an online learning platform</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 and staff have knowledge and skills in place to identify and correct data issues at a Fund and employer level</li> <li>• Pensions Administration Strategy is in place and reviewed every three years. Data Improvement Strategy sets out clear objectives to achieve ongoing data improvement and is reviewed annually.</li> <li>• Contract in place with third party provider to trace missing members and carry out mortality screening for pensioner and beneficiary pensioners</li> </ul> |
| <p>F/SLR06</p> | <p>ERPF scheme employers are not conversant or compliant with statutory requirements or ERPF policies and procedures</p> | <ul style="list-style-type: none"> <li>• Data Improvement Strategy sets out clear objectives to identify employers who have high number of data issues and team in place to manage employer performance in accordance with strategy</li> <li>• Additional policies implemented from 1 April 2023 support Funding Strategy Statement to manage employer admissions, exits and ongoing risk. Admissions policy sets out policy and pension obligations for admitting scheme employers into ERPF, including requirements for admission bodies.</li> <li>• Dedicated training officer provides induction, training and online tools to support scheme employers.</li> <li>• Bi-monthly meetings with Fund actuary to discuss / identify individual employer funding matters. Scheme employer database maintained.</li> <li>• Pensions Administration Strategy and Communications policy in place and reviewed annually. Employers consulted.</li> <li>• Data and employer services team provide support to employers</li> </ul>  |

| Risk Ref. | Risk Name   | Controls  |
|-----------|---|---|
| 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, and detailed annual reviews of every investment fund.</li> <li>• Monitoring and oversight of governance and performance through the S151 Officer, Pensions Committee and the Joint Committee, periodically reviewed by the officer operations group.</li> <li>• 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.</li> </ul>  |
| F/SLR089  | Technology and IT systems are unable to adequately meet the needs of the Pensions Service | <ul style="list-style-type: none"> <li>• Continue to develop the digitalisation and automation of administration processes, procedures and platforms</li> <li>• Dedicated digital solutions team have responsibility for the development and maintenance of the pensions administration software</li> <li>• Contract in place with Civica to provide Pensions Administration Software until September 2028</li> <li>• Ongoing staff training is provided, including external training delivered by Civica in respect of maintenance of UPM</li> <li>• Part of working groups with Civica particularly for projects, including McCloud and Dashboards</li> <li>• Work closely with Councils ICT department and have dedicated resource to support in house team</li> </ul> |
| F/SLR10   | Scheme Employer covenant risk is not well managed   | <ul style="list-style-type: none"> <li>• A quarterly review of employers, to monitor covenant risk, is carried out by Fund officers.</li> <li>• Funding Strategy Statement sets out funding approach for active and ceased employers and is reviewed tri-annually as part of valuation or as required</li> </ul>  |

|                       |  |  |
|-----------------------|--|--|
|                       |  | <ul style="list-style-type: none"> <li>• A policy for the admission of new employers, a template for admission agreements and application forms are in place to support the admission process and manage employer risk.</li> <li>• An employer database is maintained, including employer body type, indemnity arrangements, funding approaches and contract end dates. This is reviewed with the actuary at least quarterly.</li> <li>• Late and non-payment of employer contributions are monitored, recorded and investigated.</li> <li>• A review of Bonds and guarantees is carried out at least annually.</li> </ul>   |
| <p><b>F/SLR11</b></p> | <p>Inadequate governance arrangements for Local Pension Board and Pensions Committee</p>   | <ul style="list-style-type: none"> <li>• Roles and responsibilities of the Board are clearly set out in the Terms of Reference and for the Pensions Committee in the Council's Constitution</li> <li>• Conflicts of interest are managed in accordance with the current governance documents.</li> <li>• A joint training strategy for Board and Committee is in place</li> <li>• A programme of training is agreed annually with the Board and Committee and the training completed is reported in the Pension Fund Report and Accounts</li> <li>• Board governance documents are reviewed in line with policy cycle</li> <li>• Board and Committee carry out an annual self-assessment of knowledge and understanding</li> </ul> |
| <p><b>F/SLR12</b></p> | <p>Internal controls are not effective leading to an act of fraud or breach of the law</p> | <ul style="list-style-type: none"> <li>• Separation of duties on pensions administration software, workflow controls and written procedures in place</li> <li>• Secure digital submission of data from employers reduces likelihood of manually manipulating data</li> <li>• Staff training, including pension scams, fraud overview, data protection is completed by all staff</li> <li>• NFI and mortality screening carried out on a regular basis to identify deceased members; and</li> </ul>   |

|                |   |
|----------------|---|
|                | <p>procedures in place to recover overpayments identified</p> <ul style="list-style-type: none"> <li>• Breaches of the law are monitored, recorded and reported as required. These are reported to the Board with the quarterly risk register update.</li> <li>• The Board receives service delivery and key performance reports at each meeting.</li> </ul>  |
| <p>F/SLR13</p> | <p>ESG issues are inadequately or inappropriately addressed, leading to criticism and reputational damage</p> <ul style="list-style-type: none"> <li>• Responsible Investment Policy, Corporate Governance &amp; Voting Guidelines document, Climate Change Policy, detail integration of ESG issues into investment decision making processes, all documents reviewed every year in collaboration with Border to Coast and other partner funds</li> <li>• 2024/25 investment strategy review included consideration of the strategy under three stressed climate scenarios</li> <li>• Border to Coast report quarterly on each investment fund, including ESG and climate metrics, and there are regular stewardship, voting and engagement and climate change reports</li> <li>• Detailed review of the legal framework (KC's advice, law commission report and case law) as it relates to fiduciary duty and the consideration of non-financial factors in investment decision making.</li> <li>• Membership of bodies supporting collaboration on ESG issues such as LAPFF, Climate Action 100+ and NZAM, either directly or through Border to Coast</li> <li>• Engagement with lobbying groups, the media, unions, members of the public (through FOI's and other means) and other stakeholders, and formally responding to Council resolutions</li> </ul> |

### 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 31 to 42.

| Fund Account  | 2023/24   | 2024/25   |
|---|-----------|-----------|
|   | £000      | £000      |
| Net Contributions/ - Benefits                       | 43,674    | -41,945   |
| Return on Investments                               | 530,784   | 240,816   |
| Net increase / decrease in the Fund                 | 574,458   | 240,816   |
| Net Asset Statement                                 | 2023/24   | 2024/25   |
|   | £000      | £000      |
| Bonds   | 164,678   | 169,099   |
| Equities  | 1,181     | 1,456     |
| Pooled Funds  | 6,453,642 | 6,707,377 |
| Cash  | 49,769    | 121,970   |
| Other   | 149,833   | 25,200    |
| Net Assets of the Scheme Available to Fund Benefits | 6,819,103 | 7,025,102 |

### Analysis of Pension Contributions

The following table provides an analysis of contributions:

|                    | 2023/24 |         |      |       |     | 2024/25 |         |       |       |      |
|--------------------|---------|---------|------|-------|-----|---------|---------|-------|-------|------|
|                    | Total   | On Time |      | Late  |     | Total   | On Time |       | Late  |      |
|                    | £000    | £000    | %    | £000  | %   | £000    | £000    | %     | £000  | %    |
| Employer – Primary | 201,582 | 199,191 | 98.8 | 2,391 | 1.2 | 131,591 | 128,745 | 97.8  | 2,846 | 2.16 |
| Employee – Primary | 49,190  | 48,398  | 98.4 | 792   | 1.6 | 53,210  | 52,269  | 98.2  | 941   | 1.77 |
|                    | 250,772 | 247,589 | 98.7 | 3,183 | 1.3 | 184,801 | 181,014 | 98.03 | 3,787 | 1.97 |

In total, 118 monthly contribution payments were received late, of which 72 were received within 1 month of the due date, 21 were received within 1 and 3 months, and 25 were received after more than 3 months.

## Outturn

The following table show the outturn for the Fund Account for the two years to 31 March 2025.

| Fund Account             | Forecast  | Actual    | Forecast  | Actual    |
|--------------------------|-----------|-----------|-----------|-----------|
|                          | £000      | £000      | £000      | £000      |
| Contributions            | 270,000   | 279,807   | 270,000   | 223,495   |
| Payments                 | (206,500) | (236,133) | (206,500) | (265,440) |
| Management expenses      | (8,173)   | (8,990)   | (8,173)   | (6,438)   |
| Net investment income    | 163,000   | 186,190   | 163,000   | 225,609   |
| Change in market value   | (85,000)  | 353,584   | (85,000)  | 28,773    |
| Net increase in the Fund | 133,327   | 574,458   | 133,327   | 205,999   |

## Operational Expenses

|                                | 2023/24 | 2024/25 | 2025/26 |
|--------------------------------|---------|---------|---------|
|                                | Budget  | Budget  | Budget  |
|                                | £000    | £000    | £000    |
| <b>Pensions Administration</b> |         |         |         |
| Employees                      | 2,131   | 2,488   | 2872    |
| Supplies and Services          | 312     | 333     | 213     |
| Professional Fees              | 566     | 733     | 735     |
| Central costs                  | 199     | 199     | 199     |
|                                | 3,208   | 3,753   | 4,019   |
| <b>Investment Management</b>   |         |         |         |
| Employees                      | 440     | 440     | 470     |
| Supplies and Services          | 420     | 480     | 480     |
| External Fund Managers         | 3,150   | 3,935   | 3,945   |

|                    |              |              |              |
|--------------------|--------------|--------------|--------------|
| Custodian          | 100          | 15           | 15           |
| Central costs      | 70           | 70           | 70           |
| LGPS Pooling Costs | 785          | 355          | 520          |
|                    | 4,965        | 5,295        | 5,500        |
| <b>Total</b>       | <b>8,713</b> | <b>9,028</b> | <b>9,519</b> |

### Analysis of Pension Overpayments

|  | 2020-21      | 2021-22      | 2022-23      | 2023-24      | 2024-25        | Total         |
|--|--------------|--------------|--------------|--------------|----------------|---------------|
|  | £            | £            | £            | £            | £              | £             |
| Overpayments recovered                   | 46,868       | 45,853       | 41,166       | 39,777       | 42,422         | 226,007       |
| Overpayments written off                 |              |              |              |              |                |               |
| Deaths                                   | 7,701        | 6,176        | 6,878        | 5,512        | 106,578        | 31,095        |
| GMP                                      | -            | -            | -            | -            |                | -             |
| <b>Total</b>                             | <b>7,701</b> | <b>6,176</b> | <b>6,878</b> | <b>5,512</b> | <b>106,578</b> | <b>31,095</b> |
| Annual Payroll (net)                     | 133,948,529  | 137,155,569  | 143,388,571  | 156,487,050  | 166,940,786    | 700,817,642   |
| Write offs as % of Payroll               | <0.1%        | <0.1%        | <0.1%        | <0.1%        | <0.1%          | <0.1%         |
| Number of cases - Written off            | 231          | 209          | 364          | 286          | 406            | 1,248         |
| Number of cases - Recovered              | 240          | 232          | 128          | 134          | 119            | 936           |
| Number of cases - in process of recovery | 10           | 13           | 12           | 11           | 9              | 58            |

## Pooled Investments

|   | Pooled           | Under Pool Management | Not Pooled       | Total            |
|---|------------------|-----------------------|------------------|------------------|
| Equities(including convertible shares)                    | 3,477,913        |                       | 1,456            | 3,479,369        |
| Bonds   | 380,588          |                       | 169,099          | 549,687          |
| Property  | 7,662            |                       | 507,462          | 515,124          |
| Hedge Funds   |                  |                       |                  |                  |
| Diversified Growth Funds<br>(including multi-asset funds) | 300,803          |                       | 113,846          | 414,646          |
| Private Equity  | 119,921          |                       | 276,991          | 396,912          |
| Private Debt  | 96,278           |                       | 193,667          | 289,954          |
| Infrastructure  | 114,422          |                       | 387,650          | 502,072          |
| Derivatives   |                  |                       |                  | 0                |
| Cash and net current assets                               |                  |                       | 147,170          | 147,170          |
| Other   | 412,666          |                       | 317,502          | 730,168          |
| <b>Total</b>  | <b>4,910,262</b> |                       | <b>2,114,840</b> | <b>7,025,102</b> |

## Pooling Cost and Savings

The table below shows pooling costs and savings as reported by Border to Coast Pensions Partnership based on industry average standards, which therefore might not reflect actual savings.

|   | 2017/18<br>Actual<br>£m | 2018/19<br>Actual<br>£m | Cumulative<br>2018/19<br>Actual<br>£m | 2019/20<br>Actual<br>£m | 2020/21<br>Actual<br>£m | 2021/22<br>Actual<br>£m | 2022/23<br>Actual<br>£m | 2023/24<br>Actual<br>£m | 2024/25<br>Actual<br>£m |
|---|-------------------------|-------------------------|---------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Border to Coast Implementation Costs - pre-incorporation        | 0.15                    | 0                       | 0.19                                  |                         |                         |                         |                         |                         |                         |
| Border to Coast Implementation Costs - post-incorporation       |                         | 0.24                    | 0.24                                  |                         |                         |                         |                         |                         |                         |
| Border to Coast Share Purchase / Subscription Costs             |                         | 0.83                    | 0.83                                  |                         | 0.35                    |                         |                         |                         |                         |
| Border to Coast Share Purchase / Subscription Costs (adj)       |                         | -0.83                   | -0.83                                 |                         | -0.35                   |                         |                         |                         |                         |
| Border to Coast Governance Costs                                |                         | 0.17                    | 0.17                                  | 0.19                    | 0.23                    | 0.3                     | 0.3                     | 0.34                    | 0.30                    |
| Border to Coast Development Costs                               |                         | 0.44                    | 0.44                                  | 0.26                    | 0.1                     | 0.06                    | 0.14                    | 0.03                    | 0.09                    |
| Border to Coast Project Costs                                   |                         |                         |                                       | 0.09                    | 0.14                    | 0.18                    | 0.2                     |                         | 0.02                    |
| <b>Total Set up and Operating Costs</b>                         | <b>0.03</b>             | <b>0.03</b>             | <b>0.03</b>                           | <b>0.03</b>             | <b>0.03</b>             | <b>0.03</b>             | <b>0.03</b>             | <b>0.03</b>             | <b>0.41</b>             |
| Transition Costs  |                         | 2.13                    | 2.13                                  | 0.02                    |                         | 0.28                    |                         |                         |                         |
| Fee savings due to pooling                                      | 0.14                    | 0.14                    | 0.42                                  | 0.14                    | 0.45                    | 0.77                    | 0.7                     | 0.17                    |                         |
| Border to Coast fee savings - Private markets                   |                         |                         |                                       | -0.11                   | 0                       | 0.34                    | 1.38                    | 1.55                    | 3.29                    |
| Border to Coast fee savings - Public markets                    |                         | 2.29                    | 2.29                                  | 3.23                    | 2.7                     | 3.64                    | 4.66                    | 5.33                    | 6.10                    |
| Border to Coast fee savings - Public markets (additional costs) |                         |                         |                                       | -0.1                    | -0.15                   | -0.27                   | -0.43                   | -0.64                   | -0.49                   |
| Border to Coast fee savings - Real Estate - UK                  |                         |                         |                                       |                         |                         |                         |                         |                         |                         |
| Border to Coast fee savings - Real Estate - Global              |                         |                         |                                       |                         |                         |                         |                         |                         | -0.03                   |
| One offs (Crossing deals)                                       |                         |                         |                                       |                         | 0.14                    |                         |                         |                         |                         |
|   |                         | 0.32                    | 0.32                                  | 0.45                    | 0.47                    | 0.48                    | 0.5                     | 0.52                    | 0.54                    |
| Other savings   |                         |                         |                                       |                         |                         |                         |                         |                         |                         |
| <b>Total Fee Savings</b>  | <b>0.14</b>             | <b>0.14</b>             | <b>0.14</b>                           | <b>0.14</b>             | <b>0.14</b>             | <b>0.14</b>             | <b>0.14</b>             | <b>6.93</b>             | <b>9.41</b>             |
| Net Position  | -0.01                   | -0.23                   | -0.13                                 | 3.13                    | 3.13                    | 4.15                    | 6.16                    | 6.57                    | 8.99                    |
| Cumulative Position   |                         |                         | -0.13                                 | 3                       | 6.13                    | 10.28                   | 16.44                   | 23.01                   | 32.00                   |

## 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 2024 CIPFA Pensions Administration benchmarking club report, compared the performance of ERYC in 2023/24 with other participating local authorities who administer the Local Government Pension Scheme (LGPS). The key findings for 2023/24 were:

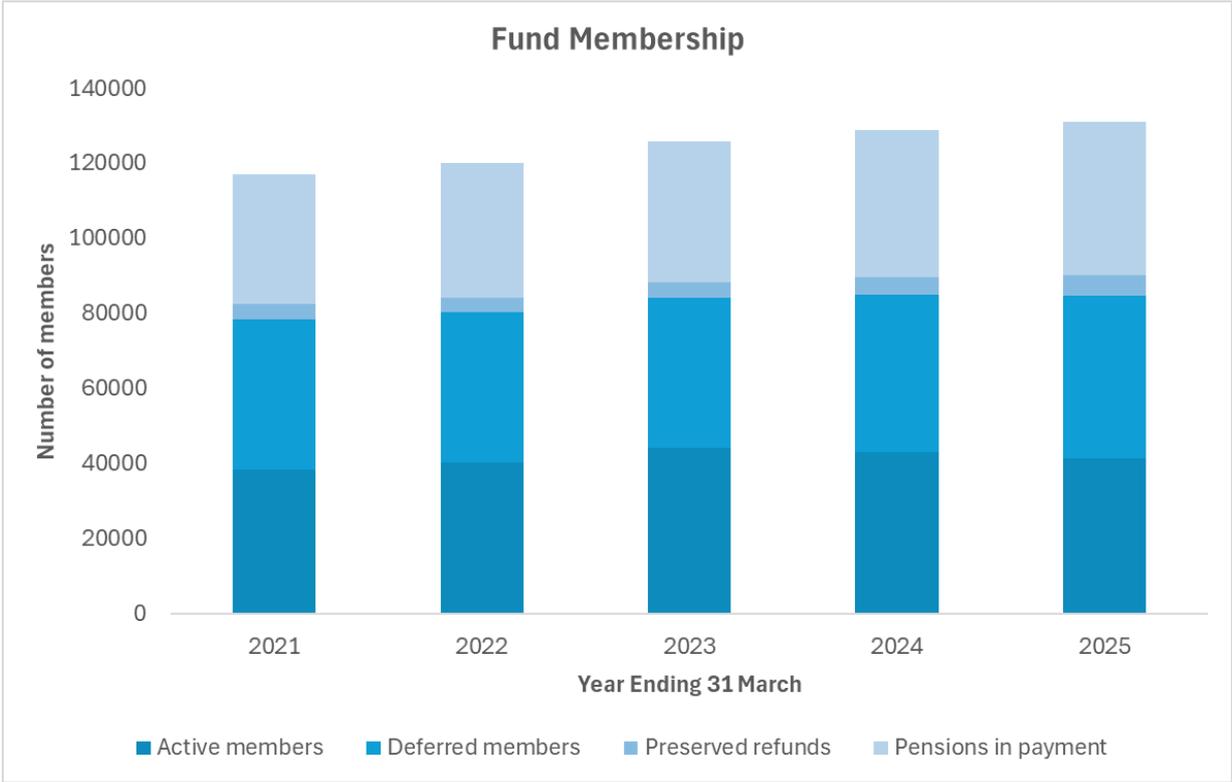
- The annual cost of administering the LGPS per member. The key benchmark for Pensions Administration is the cost of administering the LGPS per member and the Fund's cost for 2023/24 was £23.33 (2022/23 £23.94) compared to the average of £26.71 (2022/23 £22.55).
- The annual cost administering the LGPS per FTE member of staff is £57,000. The benchmarking average is £57,971.

### 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:

|                        | 2021    | 2022    | 2023    | 2024    | 2025    |
|------------------------|---------|---------|---------|---------|---------|
| Active Members         | 38,417  | 40,299  | 44,336  | 43,172  | 41,588  |
| Deferred Beneficiaries | 40,202  | 40,185  | 40,077  | 41,884  | 43,306  |
| Deferred Members       | 4,015   | 3,754   | 4,003   | 4,775   | 5,523   |
| Frozen Refunds         | 34,528  | 36,189  | 37,715  | 39,314  | 40,991  |
| Pensions in Payment    | 38,417  | 40,299  | 44,336  | 43,172  | 41,588  |
| Total Membership       | 117,162 | 120,427 | 126,131 | 129,145 | 131,408 |

**Five Year Analysis of Fund Membership**



## Investment Policy and Performance

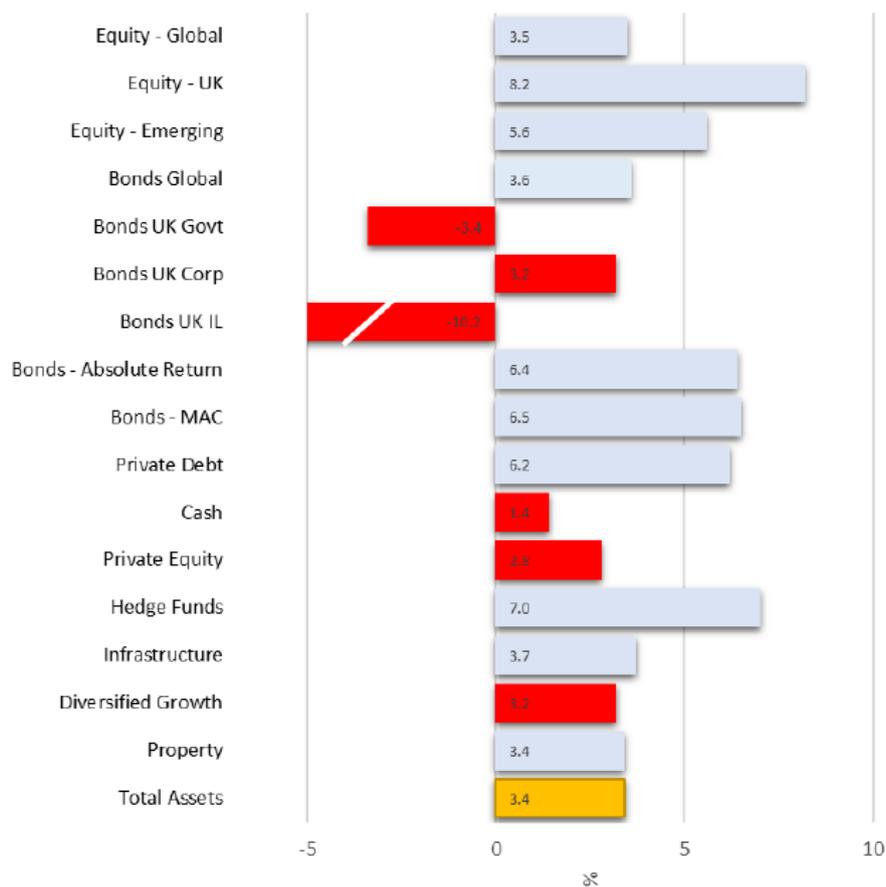
### Asset Allocation

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 considering 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%  |



## Market Performance

### Equities

The global equity landscape in the year to 31 March 2025 was shaped by a blend of optimism and volatility. Growth stocks outpaced value stocks by a significant margin, buoyed by continued investor enthusiasm around artificial intelligence and technology innovation. Emerging markets outperformed developed markets, led by a strong rebound in Chinese stocks following the extension of the US-China trade truce. Despite concerns over high valuations, speculative trading in technology companies surged, reflecting broader optimism in the bull market stage of the cycle.

However, the rally was not without turbulence. US mega-cap stocks faced headwinds amid renewed tariff fears and questions about the sustainability of AI-driven growth. Meanwhile, European equities provided some relative stability and benefited from investor rotation into markets with lower valuations. The investment environment was further complicated by shifting expectations around central bank policy, particularly the Federal Reserve, where markets priced in potential rate cuts over the coming year. Overall, while equities markets navigated a complex macroeconomic backdrop, the year ended with modest gains in most markets.

### Fixed Income

Global bond markets experienced a nuanced recovery over the year, with investment grade credit and government bonds outperforming high-yield investments. In the US, Treasury yields declined as investors priced in multiple rate cuts by the Federal Reserve, responding to signs of economic deceleration.

In Europe, the fixed income landscape was shaped by Germany's fiscal pivot, which led to higher inflation expectations and modest yield increases. For UK government bonds, investor concerns about sticky inflation and the Bank of England's cautious approach to monetary easing pushed up yields and drove performance negative.

### Property and other Alternatives

Property performed reasonably well, after a difficult few years where high interest rates and high inflation had driven down property values. While values remained under pressure in some sectors, the reliability of rental income from this asset class helped to support a cautiously optimistic recovery.

Alternative investments beyond property showed varied outcomes. Private equity and infrastructure delivered modest returns for long-term investors, particularly in resilient sectors like renewable energy and digital infrastructure. Although returns on these asset classes suffering from macroeconomic uncertainty and tariff-driven inflation pressures, private credit continued to do well, benefiting from floating rate returns and consistently low default rates.

## Market Outlook

The second quarter of 2025 began with a jolt as reciprocal tariffs between major economies—most notably the United States and China—sparked widespread equity market corrections. Although a temporary pause in hostilities led to a brief rebound in early April, investor confidence remained fragile. Global GDP growth forecasts for both 2025 and 2026 were revised downwards.

Central banks responded cautiously. The Federal Reserve signalled potential rate cuts amid signs of cooling inflation and slowing economic momentum, while the European Central Bank and Bank of England maintained a more hawkish tone.

Subsequently, global equity markets are showing signs of renewed momentum, and bond markets are stabilizing, with long-dated yields in the US and UK declining from recent highs. However, risks remain, particularly around inflation and fiscal policy, as well as continuing geopolitical tensions.

## 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 | 4.3%   | 4.5%    | 7.9%    | 6.5%     |
| Strategic benchmark      | 5.3%   | 4.0%    | 7.5%    | 5.8%     |

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 |
|--------------------|-----------------------|--|--|
| 672                | 8,652                 | 7,647                                  | 1,005                                      |

## 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  |
|---|---|
| <p><b>Effective Decision Making</b></p> | <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 made 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> |
| <p><b>Clear Objectives</b></p>          | <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>   |
| <p><b>Risk and Liabilities</b></p>      | <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>  |

|  |   |
|--|---|
| <p><b>Performance Assessment</b></p>     | <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> |
| <p><b>Responsible Ownership</b></p>      | <p>The Committee’s policies on corporate governance, socially responsible investment, and shareholder voting are outlined in the Investment Strategy Statement.</p>   |
| <p><b>Transparency and Reporting</b></p> | <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 2024-25

There are 58 full time equivalent staff involved in the administration function for the Fund and its 347 employers, made up of the following teams:

- The Member Services team is responsible for providing a benefits administration service for active, beneficiary, and deferred scheme 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, pay refunds and provide scheme members with options to aggregate benefits as well as dealing with ad-hoc projects that directly impact on member benefit entitlement, for example, the McCloud remedy. The team also manage the response to member enquiries through the telephone helpline, online messaging facility, 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 and 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 and Pensions Payroll 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 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 cleansing is performed to improve and maintain accurate data, including the calculation of the data scores for The Pensions Regulator and liaising with scheme employers to ensure accurate data is received and recorded.

### Review of 2024-25: Achievements and Challenges

In 2024/25, the Pensions Administration teams remained committed to delivering a high standard of service to both scheme members and employers. Presented below is an overview of the key achievements and challenges encountered by the Pensions Administration team.

## Achievements

- Digital technology remains central to the communication strategy and plays a vital role in ensuring the ongoing enhancement of data quality, thereby enabling the Fund to effectively address the evolving requirements of both scheme members and employers.
- The member registration rate for the self-service platform, ERPFMSS, has increased to over 38% of the Fund's total membership. ERPFMSS allows members immediate access to pension information, the ability to review and update personal details, and use the benefits modeller for retirement planning calculations.
- Accurate maintenance of scheme member records through Monthly Data Collection has ensured that membership data is routinely validated and precisely recorded.
- The exceptionally high quality of the data has facilitated the introduction of automation into specific processes, improving efficiency by significantly reducing the number of cases requiring manual intervention due to failed validations.
- A comprehensive review of procedures for completing transfer payments has considerably enhanced service delivery for members and mitigated the risk of exposure to potential scams.
- An address tracing exercise has been conducted, with all records of incorrect member addresses thoroughly assessed. Ongoing address verification is performed monthly alongside mortality screening.
- The successful migration of the pensions administration software ensures long-term security and future development of the platform.
- In January 2025, the Fund received Internal Audit's final report on Pensions Administration for 2024/25, which provided substantial assurance that robust governance systems are in place.

## Challenges

- Recruitment and retention have become more complex due to a national skills shortage in the LGPS and increased competition within the pensions industry.
- Ensuring adequate staffing resources to meet service requirements has been identified as a significant risk. Efforts are ongoing to enhance resilience, particularly in key roles, and to identify skills gaps. The administration management team regularly reviews team resources, and further evaluation of additional resource needs is in progress.
- Changes to regulations affecting the LGPS, including those resulting from the McCloud high court ruling, have increased administrative demands.
- Workloads across all areas of pensions administration continue to rise, placing additional pressure on staffing resources.
- The number and variety of scheme employers influence employer engagement, the management of admissions and exits, and monthly data and contribution reconciliations.

- Greater focus on data quality and the implementation of Pension Dashboards requires active engagement from employers to support improvements in data accuracy.
- The Fund continues to develop new digital solutions for members and scheme employers, such as launching an employer online platform.

## Key Objectives in 2025-26

- Strengthen resilience and succession planning for key roles, addressing skills gaps to meet evolving LGPS pension administration needs.
- Advance technology solutions to improve data quality, focusing on the new employer hub.
- Regularly review, update, and test cyber security procedures.
- Implement new statutory governance guidance, including the General Code of Practice, through gap analysis to ensure robust compliance.
- Collaborate with the Fund's ISP for timely connection to the Pensions Dashboard.
- Complete the GMP Rectification exercise.
- Stay current with McCloud cases and establish a plan for necessary retrospective pension amendments.

## On the Horizon

Beyond the main 2025-26 objectives, the Fund faces upcoming reforms likely to affect LGPS operations and management:

- Ensuring officers and Committee/Board members maintain required skills and knowledge.
- Adhering to new statutory guidance, including greater governance demands and mandatory independent governance reviews.
- Addressing pensions adequacy and the gender pensions gap in phase two of the Government's review.
- Navigating possible inheritance tax on pension death benefits and addressing scheme discrimination remedies.
- Preparing for LGPS Pension Dashboards from October 2026, including data standardisation and software testing, with unknown staffing impacts.
- Managing the ongoing resource pressures and member contact needs caused by the McCloud remedy.

## Scheme Employers

In the 2024/25 period, there were 347 Scheme employers with active members in the Fund. The Fund has also listed employers without active members but with outstanding liabilities. The following table presents the total number of employers by employer type:

|                 | Active Employers (with active members) | Ceased Employers (no active members but with outstanding liabilities) | Total Employers 31 March 2025 |
|-----------------|--|---|-------------------------------|
| Scheduled body  | 257                                    | 52  | 309                           |
| Admitted body   | 56                                     | 68  | 124                           |
| Designated body | 34                                     | 10  | 44                            |
| Total           | 347                                    | 130   | 477                           |

The Fund's Admissions Policy explains the Fund's approach to admitting new employers, including the calculation of contribution rates and how risks are shared, and outlines the process required for admitting new employers into the Fund. 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.

### 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 2024 CIPFA Pensions Administration benchmarking club report compared the performance of the Fund in 2023-24 with 13 other LGPS funds and the Environment Agency. The key findings for 2023-24 were:

1. **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 2023-24 was £23.33 per member compared to the average of £26.71. This is a decrease from the previous year, when there had been significant one-off investments in new software. This return to a below average cost represents a saving of £436,510 compared to an average fund with similar membership. 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 2023/24                          | East Riding Pension Fund<br>£ | Average Fund<br>£ |
|--|-------------------------------|-------------------|
| Benefits Processing                              | 15.32                         | 12.29             |
| Employer Engagement – training and communication | 2.86                          | 2.41              |
| IT/Systems                                       | 2.20                          | 5.74              |
| Pensioner Payroll                                | 1.32                          | 1.93              |
| Membership Engagement – helpdesk/member event    | 0.35                          | 1.75              |
| Management costs                                 | 1.32                          | 3.59              |
| Income   | -0.04                         | -1.00             |
| <b>Total cost per member</b>                     | <b>23.33</b>                  | <b>26.71</b>      |

2. **Annual cost of employing a full time equivalent (FTE) member of staff to administer the LGPS.**

The Fund's staff cost for 2023-24 was £57,000 pa per FTE staff compared to the average of £57,971.

During 2024/25, a total of 2,385 new pensioners were set up. These are analysed by ill-health, early and normal retirement.

| Type of Pensioner | Number set up during 2024/25 |
|-------------------|------------------------------|
| Ill Health        | 83                           |
| Early             | 1,090                        |
| Normal            | 1,212                        |

## Communications and engagement

The Fund aims to deliver high-quality service and operational efficiency by communicating effectively with all stakeholders. The Fund's communication and engagement support member retention in the LGPS, discourage opt-outs, inform non-members about the potential benefits of joining, and facilitate informed decisions through accessible, two-way communication.

Recognising varied needs, the Fund prioritises digital channels for both members and employers when possible.

Key communication goals are to:

- Provide clear, accurate, and timely information centred on customer needs
- Meet all legislative requirements
- Use multiple channels, with an emphasis on digital communication
- Help members make informed pension decisions
- Minimise jargon

The Communications Policy was updated for 2024/2025 to reflect ongoing developments in digital services and communication methods. Approved by the Pensions Committee in March 2024, it took effect on 1 April 2024. (See page 175 for details.)

## Member Engagement Strategy

Member engagement with the Fund is shifting to digital platforms, driven by new technology and changing expectations. Most services are now provided online through the secure online portal, East Riding Pension Fund Member Self Service (ERPFMSS), which allows members to:

- Access pension accounts online
- Model pension benefits
- View documents
- Complete administrative forms

The Fund's Member Engagement Strategy outlines its plan to communicate with and involve members through access to the ERPFMSS portal.

The objectives of this strategy are to:

- Centralise digital communication within the Fund's member communication approach
- Provide members with the ability to access administration services digitally and perform self-service functions
- Describe how the Fund will use ERPFMSS for service delivery, efficiency improvements, and cost savings by reducing postage and printing
- Develop practices and services that facilitate engagement via digitisation
- Ensure compliance with all legislative requirements

The strategy promotes a digital-first approach, encouraging members to sign up for ERPFMSS, but also allows opt-outs for those preferring other communication methods.

During the year member letters, deferred and active annual benefit statements, pensioner P60s and pensioner payslips were made available to members online. Members who opted out of using ERPFMSS and receiving digital communications were issued paper correspondence to their home address.

## Scheme employers

When engaging with Scheme employers, the Fund aims to:

- Build better relationships
- Clarify cost and funding matters
- Collaborate for accurate data
- Support smooth staff transfers
- Highlight LGPS employer benefits
- Advise on discretionary LGPS options

The Fund uses a digital-first approach, offering a secure self-service portal (ERPF Online Services) for data exchange with Scheme employers. This ensures data security and provides employers access to key information for themselves and their members. Employers can view and respond to Fund queries and submit member or regulatory questions through the portal.

Our website, [erpf.org.uk](http://erpf.org.uk), includes a section for Scheme employers. The Fund's key documents, strategies, and policies are available online, along with guidance documents for Scheme employers where needed.

Employer Bulletins and alerts are e-mailed regularly to the contacts provided by Scheme employers with important regulatory and procedural information.

Scheme employers can request meetings with the Fund, either in person or online, to address questions or issues.

Workshops are available on request and may be held remotely or face-to-face. Employers are also invited to the Annual General Meeting and ad-hoc forums for detailed updates and discussions.

Regular employer bulletins and alerts are emailed to designated contacts, providing key regulatory and procedural updates, including information about training opportunities.

## Communication Activity in 2024/25

During the year, main communication activities included:

- Sending annual benefit statements to 38,057 deferred and 35,180 active members
- Generating 32,557 combined P60/payslip newsletters for distribution or online access on ERPFMSS
- Notifying 332 active members by letter about unavailable annual statements due to missing information
- Holding the Employers' Annual General Meeting
- Maintaining up-to-date information on [www.erpf.org.uk](http://www.erpf.org.uk) for employers and members
- Publishing the Fund's 2024–25 Report and Accounts online

Further communications and engagement details are provided in Table C.

**Table C: Communications and engagement 2024/25**

| Engagement with East Riding Pension Fund Member Self Service (ERPFMSS)    | Percentage (%) or number |        |
|---|--------------------------|--------|
| % of active members registered  | 54.50%                   |        |
| % of deferred members registered  | 32.10%                   |        |
| % of pensioner and survivor members registered                            | 32.10%                   |        |
| % total of all scheme members registered                                  | 39.60%                   |        |
| % of registered users that logged on to ERPFMSS within the last 12 months | 58.50%                   |        |
| Number of registered users by age   | 16–20                    | 136    |
|   | 21-30                    | 3,032  |
|   | 31-40                    | 5,427  |
|   | 41-50                    | 6,535  |
|   | 51-60                    | 10,214 |
|   | 61-70                    | 11,160 |
|   | 71-100                   | 3,684  |
| <b>Communication</b>  |                          |        |
| Total number of telephone calls received                                  | 25,107                   |        |
| Total number of emails and ERPFMSS queries received                       | 20,193                   |        |
| Number of scheme member events held in year (in-person and online)        | 8                        |        |
| Number of employer engagement events held in year (in-person and online)  | 5                        |        |
| Number of active members who received a one-to-one (in-person and online) | 0                        |        |
| Number of times a communication was issued to:                            |                          |        |
| Active members  | 52,323                   |        |
| Deferred members  | 52,723                   |        |
| Pensioners  | 33,347                   |        |

## Resources

There are 58 full-time equivalent staff managing the Fund's administration. The Fund regularly reviews its structure to ensure adequate resources for daily operations, essential data tasks, and key projects. Table D presents staffing resource data.

A training officer provides comprehensive instruction on the UPM system and scheme regulations, while coaching and mentoring support succession planning.

**Table D: Resources 2024/25**

| Resources  | Percentage (%) or number |
|--|--------------------------|
| Total number of all administration staff (FTE)   | 58.5                     |
| Average service length of administration staff   | 11 years                 |
| Staff vacancy rate   | 8.13%                    |
| Ratio of administration staff to total number of scheme members (including management) | 2208:1                   |
| Ratio of administration staff to total number of scheme members (excluding management) | 2532:1                   |

## Data Quality

Accurate, secure data is vital for managing member records, processing payments, and meeting regulatory standards such as those from the Pensions Regulator and GDPR.

The Fund's Data Improvement Strategy focuses on continuous data quality enhancement to support core operations, compliance, risk management, and initiatives like the Pensions Dashboard.

Employers and members submit information via secure portals for real-time validation. Monthly Data Collection (MDC) streamlines electronic data gathering and verification, allowing errors to be corrected promptly before Annual Benefit Statements are issued. Yearly valuation extracts help identify data issues early and flag employers with unresolved matters. Pensioner payroll is reviewed twice a year, supported by biennial fraud checks and monthly mortality checks by third parties. Additional specialists trace members to provide updates.

Annual reporting to the Pensions Regulator tracks the accuracy of 'Common' and 'Scheme Specific' data, which in 2024 reached rates of 99.85% and 95.27%, respectively. Table E shows other areas where data quality is measured.

Annual reporting to the Pensions Regulator records the accuracy levels of 'Common' and 'Scheme Specific' data, which in 2024 were 99.85% and 95.27%, respectively. Table E presents additional categories where data quality is assessed.

**Table E: Data Quality 2024/25**

| Annual Benefit Statements  | Percentage (%) or number |
|--|--------------------------|
| % of Annual Benefit Statements issued at 31 August 2024  | 95.00%*                  |
| <b>Data Category</b>   |                          |
| Common data score  | 99.85%                   |
| Scheme specific data score   | 95.27%                   |
| % of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date | 3.54%                    |
| % of active, deferred and pensioner members with an email address held on file   | 61.57%                   |
| <b>Employer Performance</b>  |                          |
| % of employers set up to make monthly data submissions   | 100%                     |
| % of employers who submitted monthly data on time during 2024/25   | 30%                      |

\*Annual Benefit Statements were not sent to 1944 members by 31 August 2024, either due to outstanding work processes on their records at the time, missing or inaccurate information from employers, or because their address was 'gone away'. These statements are generated and sent when outstanding information is received and processes completed. 332 of these members were notified via letter or ERPFMSS that their ABS could not be produced on time due to missing or inaccurate information that had been requested from their employer.

## Audit

Pension administration is a key financial system for the Council and is reviewed annually. The February 2025 internal audit report provided strong assurance, confirming effective governance, risk management, and internal controls that consistently support objective achievement.

## Internal Dispute Resolution Procedure

The Internal Dispute Resolution Procedure (IDRP) provides a structured mechanism for addressing complaints from active, deferred, or pensioner members of the Local Government Pension Scheme (LGPS) regarding decisions related 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.

IDRP is a two-stage process:

Scheme employers and the Council, as the administering authority, are required to make determinations concerning a member's benefits under the LGPS regulations. If a member is dissatisfied with any decision, or the absence of a decision, relating to their LGPS membership or benefits, they are encouraged to contact the Assistant Pensions Manager at the Fund. The Assistant Pensions Manager will endeavour to clarify or rectify any misunderstandings or inaccuracies. Should

the member remain dissatisfied, they may apply to the Fund to have their complaint formally reviewed under stage 1 of the IDRP. For complaints concerning the administering authority, the stage 1 review is conducted by an independent administering authority specified by the Council, ensuring impartiality in the decision-making process. Applications for a stage 1 review must be submitted within six months following the date of the notification of the decision being contested.

If the member does not accept the outcome of the stage 1 review, they may proceed to stage 2 of the IDRP within six months of receipt of the stage 1 decision. At this stage, the Pensions Manager, who will have had no prior involvement in the matter, will undertake a further review.

Should the member remain dissatisfied after both stages of the IDRP, they have the right to refer their case to The Pensions Ombudsman (TPO), free of charge. There is no financial limit on any award that TPO may order in favour of the member. Decisions issued by TPO are legally binding upon all parties and enforceable in court.

Complaints to TPO must generally be made within three years of the incident(s) which gave rise to the complaint, or, if later, within three years of the date when the member first became aware (or ought reasonably to have been aware) of the issue. The Ombudsman retains discretion to extend these time limits where appropriate.

## Ombudsman

The Fund has had two cases with The Pensions Ombudsman (TPO) in 2024/25. The first involves an appeal regarding a denied survivor pension, with the Ombudsman's determination pending. The second concerns a former member's claim about insufficient due diligence during a 2015 transfer to a scam scheme; TPO is discontinuing action as the Fraud Compensation Fund is handling the case.

## IDRP

In 2024/25, three IDRPs were filed against Fund decisions: one regarding a transfer request and another about pension benefit payment delays were both rejected at stage 1; the transfer request proceeded to stage 2 and was still declined. The third concerned payment timing despite completed claim forms and was also not upheld at stage 1.

Four IDRP appeals were lodged against employer decisions. Three involved ill health retirement: one was rejected at stage 1 but upheld at stage 2 (prompting further medical review), another was upheld at stage 1, and the third was rejected. The fourth appeal related to administrative issues with deferring a pension record and was not upheld at stage 1.

The prior Scheme year saw six employer appeals and one Fund appeal.

## Complaints

Twelve formal complaints were received during the year outside the IDRP process: four through the Administering Authority's feedback procedure and eight sent directly to the Fund. Nine concerned delays in administrative processes, some beyond the Fund's control. Eleven formal complaints were received the previous year.

## Compliments

The Fund received 14 compliments from members and Scheme employers regarding the service, expertise, and quality of information provided by the administration teams. In the previous Scheme year, 32 compliments were recorded.

**Table A: Total number of caseworks 2024/25**

| Process  | No. cases outstanding at start of period | No. cases commenced in year | No. cases completed in year | % cases completed in year | No. cases completed previous year | % cases completed in previous year |
|--|--|-----------------------------|-----------------------------|---------------------------|-----------------------------------|------------------------------------|
| Deaths recorded of active, deferred, pensioner and dependent members | 122                                      | 1140                        | 1064                        | 84.31%                    | 1055                              | 89.60%                             |
| New dependent member benefits  | 48                                       | 1425                        | 1227                        | 83.30%                    | 966                               | 95.30%                             |
| Deferred member retirements  | 310                                      | 1309                        | 1445                        | 89.25%                    | 1166                              | 79.00%                             |
| Active member retirements  | 70                                       | 970                         | 940                         | 90.38%                    | 986                               | 93.40%                             |
| Deferred benefits  | 4372                                     | 5202                        | 3164                        | 33.05%                    | 5372                              | 55.10%                             |
| Transfers in   | 9  | 373                         | 369                         | 96.59%                    | 374                               | 92.20%                             |
| Transfers out  | 5  | 349                         | 328                         | 92.66%                    | 284                               | 91.70%                             |
| Refunds  | 16                                       | 392                         | 383                         | 93.87%                    | 394                               | 96.10%                             |
| Divorce quotations issued  | 22                                       | 270                         | 255                         | 87.33%                    | 58                                | 72.50%                             |
| Actual divorce cases   | 7  | 6                           | 5                           | 38.46%                    | 3                                 | 30.00%                             |
| Member estimates requested either by scheme member or employer       | 193                                      | 1117                        | 785                         | 59.92%                    | 947                               | 66.10%                             |

|  |                |                |      |                |                 |                |
|--|----------------|----------------|------|----------------|-----------------|----------------|
| New joiner notifications                       | 30             | 7556           | 7182 | 94.67%         | 8081            | 99.60%         |
| Aggregation cases                              | 2617           | 3302           | 2051 | 34.65%         | 921             | 26.00%         |
| Optants out received after 3 months membership | Not available* | Not available* | 276  | Not available* | Not available** | Not available* |

\*It is not possible to report on cases open at the start of year or created during the year because the reason for leaving cannot be identified and reported upon until the case has been either refunded or deferred.

\*\*Not reported in 2023/24

**Table B: Time taken to process casework 2024/25**

| Communication issued in respect of:  | Fund Target | % Completed within Fund target in year | % Completed within Fund target in previous year |
|--|-------------|--|---|
| Acknowledgement of death of active, deferred, pensioner and dependent member | 5 days      | 79.04%                                 | 87.80%  |
| Confirming the amount of dependants' benefits payable                        | 10 days     | 62.35%                                 | 79.90%  |
| Deferred member with pension and lump sum options (quotation)                | 15 days     | 93.16%                                 | 90.87%  |
| Active member with pension and lump sum options (quotation)                  | 15 days     | 42.60%                                 | 90.87%  |
| Deferred member with confirmation of pension and lump sum options (actual)   | 15 days     | 98.48%                                 | 97.72%  |
| Active member with confirmation of pension and lump sum options (actual)     | 15 days     | 54.47%                                 | 97.72%  |
| Payment of lump sum (both actives and deferreds)                             | 15 days     | 81.13%                                 | 97.70%  |
| Deferred benefit options   | 30 days     | 70.95%                                 | 68.50%  |

|  |         |        |        |
|--|---------|--------|--------|
| Completion of a transfer in                              | 15 days | 89.51% | 53.72% |
| Completion of a transfer out                             | 15 days | 52.24% | 69.12% |
| Payment of refund  | 10 days | 98.69% | 97.70% |
| Divorce quotation  | 45 days | 82.35% | 77.60% |
| Application of a Pension Sharing Order                   | 15 days | 80.00% | 66.70% |
| New Joiners  | 40 days | 99.85% | 99.40% |
| Member estimates requested by scheme member and employer | 15 days | 89.94% | 66.10% |

## Pension Administration Strategy

### Introduction

This is the Pensions Administration Strategy (PAS) 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 and Scheme members.

It sets out how the Fund will administer the Scheme on behalf of Scheme employers, its requirements for Scheme employers in terms of the timely and accurate provision of information for Scheme members and the procedure to be applied to those Scheme employers failing to meet their duties, responsibilities and obligations as detailed within this strategy. The strategy has been developed and adopted in consultation with the participating Scheme employers and will be reviewed as follows:

- Every 3 years.
- Where regulatory or other legislative changes require it.
- As required by operational changes and demands.

### Scope of the Strategy

The purpose of this strategy is to:

- Ensure the Fund and Scheme employers work together to provide a high-quality and efficient service to Scheme members by setting out the processes and procedures that both the Fund and its Scheme employers will follow.
- Ensure the effective communication and transfer of information between both parties.
- Define the roles and expected performance of the Fund and Scheme employers in meeting both the legal and regulatory duties of the Scheme administration as set out in the Pension Regulator's Code of Practice.
- Set out how underperformance will be monitored and managed.

### Key objectives

The key objectives of the strategy are to set out:

- The responsibilities under the Scheme regulations and over-riding legislation for the Fund and Scheme employers.
- How the fund will ensure sufficient funds are available to meet all benefits as they fall due.
- How the Fund and Scheme employers will deliver their administrative functions.
- How benefits are administered in line with the Scheme regulations.
- How records are maintained for accurately calculating Scheme member benefits and Scheme employer liabilities.

- Standards for both the Fund and Scheme employers, and details how these standards are monitored and published.
- An effective method of communication for the Fund, the Scheme employers and Scheme members.
- How training will be provided to ensure the Fund and Scheme employers have the necessary skills to perform their functions.
- How the Fund will deliver an online efficient and secure administrative service for Scheme employers and Scheme members.

### Regulatory framework

The Fund have developed this strategy under regulation 59 of the Local Government Pension Scheme Regulations 2013. This regulation requires 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.
- Levels of performance which the administering authority and Scheme employers are expected to achieve in carrying out their duties under the Scheme which includes:-
  - setting performance targets.
  - defining levels of performance
- Detail procedures which must be followed to ensure compliance with statutory requirements; and set out expectations and actions to be taken on levels of performance.
- Detail procedures for improving communication by the administering authority and Scheme employers of information relating to those functions.
- The circumstances and procedures in which the administering authority may consider giving written notice to its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of a Scheme employer's unsatisfactory performance in carrying out its Scheme functions
- The publication by the administering authority of annual reports dealing with the extent to which that authority and Scheme employers have achieved the levels of performance established and such other matters that it considers appropriate.

### Communication

The Fund has a digital first approach to communication, providing secure online areas to transfer data between Scheme employers and its members. However, the Fund realises that not everyone will want to contact us in this way and therefore will continue to provide contact details for each area of the section to allow Scheme employers to receive the support and information that they require. The Fund has a digital telephony system with a single helpline number which directs callers to the correct department. A video conferencing feature allows our members to converse face to face with our officers where needed and in person meetings for member's are strictly by appointment only. The

Fund has a Communication Policy detailing how they communicate with Scheme members, representatives of Scheme members, prospective Scheme members, Scheme employers and prospective Scheme employers.

### **Responsibilities and Duties of the Fund**

The Fund will administer the Scheme in line with the current Scheme regulations and any overriding legislation in force at the time.

The administration of the Scheme will take account of the statutory disclosure requirements and timescales. The levels of the Fund's performance will be measured and reported to the East Riding Pension Board (ERPB) for review and published in the Annual Report and Accounts each year.

The main tasks of the Fund are as follows:

- Create a Scheme member record for all new employees admitted to the Scheme.
- Maintain and update Scheme members records with any changes received by the Fund.
- Process Monthly Data Collection (MDC) files each month, including performing relevant validations and raise any relevant queries.
- Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with the Scheme rules, Scheme members' options and statutory time limits.
- Notify Scheme members of a decision made regarding the Scheme benefits including their right of appeal under the Internal Dispute Resolution Procedure (IDRP).
- Provide one estimate per member, per year of any associated cost of potential retirement on request by the Scheme employer. The Fund also provides the facility for Scheme employers to perform their own estimate of any associated cost relating to a potential retirement using the online services.
- Provide every active, deferred and pension credit member with access to a benefit statement each year.
- Collect and reconcile Scheme employer and Scheme employee contributions.
- Secure a triennial actuarial valuation, at which time the Fund will submit the required data in respect of each Scheme member and provide statistical information over the valuation period to the Fund actuary so the assets and liabilities for each Scheme employer can be determined.
- Communicate the results of the triennial actuarial valuation to each Scheme employer.
- Publish a statement of the Funds policy on the use of its discretions. This policy will be reviewed, amended and publicised in line with the relevant regulations; A copy of the Fund's discretions can be found here: <https://www.erpf.org.uk/key-policies-and-documents/administering-authority-discretions/>.
- Nominate an officer to act as the adjudicator at both Stage 1 and Stage 2 of the appeals procedure where the appeal is received against the Fund under IDRP. The Fund will also nominate an officer to deal with Stage 2 appeals, where the Stage 1 appeal was made against the Scheme employer.
- Prepare, publish and maintain its Communications Policy.
- Prepare, publish and maintain its Funding Strategy Statement.
- Comply with HMRC legislation and requirements of the Pension Regulator.
- Comply with the requirements of the Pensions Dashboard.

The above list is not exhaustive, and the main duties and responsibilities are detailed in the Local Government Pension Scheme Regulations 2013, Part 2 – Administration.

### Responsibilities and Duties of the Scheme Employer

#### Disclosure and regulatory requirements

The main duties and responsibilities of a Scheme employer are detailed in the Local Government Pension Scheme Regulations 2013, Part 2 – Administration.

Scheme employers are responsible for providing timely and accurate data to allow the Fund to fulfil their legal obligations. This includes submitting monthly information to the Fund for the following events:

| Event for notification   | Timescale for submission   |
|--|--|
| A new Scheme joiner  | Within 6 weeks of the employee joining or the 15th of the following month if MDC |
| A change in the Scheme section (50/50 or main)   | Within 6 weeks of the change or the 15th of the following month if MDC           |
| A member leaves the Scheme without a right to immediate payment of benefits (including opting out of the Scheme) | Within 6 weeks of leaving the scheme or the 15th of the following month if MDC   |
| A member leaves the Scheme with a right to immediate payment of benefits   | Within 2 weeks of leaving the Scheme   |
| The death of an active member  | Within 2 weeks of the date of death or date of notification if later             |
| Changes to working pattern including contractual hours   | Within 6 weeks of the change or the 15th of the following month if MDC           |
| Changes to an active member’s name, address or other personal details  | Within 6 weeks of the change or the 15th of the following month if MDC           |
| A period of authorised absence commences or ends (including child related absence and unpaid leave)              | Within 6 weeks of the date of absence commencing or the date of absence ending   |
| A member’s intention to retire   | Within 2 weeks prior to intended retirement date                                 |

The Fund 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 Scheme. The Fund, however, will do their best to verify the reasonableness of data upon receipt but to be clear the responsibility for providing accurate information rests with the Scheme employer even where the payroll or HR function is carried out by a third party.

Any over payment of pension benefits resulting from inaccurate information being supplied by the Scheme employer may be recovered by the Fund from that Scheme employer.

In the event of the Fund being fined by the Pensions Regulator, this fine will be passed on to the relevant Scheme employer where that Scheme employer's action or inaction caused the fine.

### ERPF Online services

Scheme employers will administer the Scheme using ERPF Online services as it gives access to relevant data and information for their Scheme members. ERPF Online services ensures security of data transferred between Scheme employers and the Fund.

ERPF Online services allows Scheme employers to view and update their members records online using secure individual users accounts. New account holders will need to complete a User Declaration Form, that must be authorised by one of the following Scheme employer contacts:

- Organisation Contact
- Payroll contact
- HR contact

An individual account and login will be created for use by the authorised user only. As this portal contains personal member data it is important that Scheme employers consider who these contacts will be and that they have the relevant data protection agreements in place with any third-party providers. When a user no longer requires access to ERPF Online services it is the responsibility of one of the three Scheme employer contacts above to inform the Fund to deactivate the account.

Scheme employers must undertake an annual review of the users who have access to their data on the ERPF Online Services and must ensure that account holders are deactivated as soon as they are no longer entitled to access the Scheme employer's data.

Scheme employers will need to ensure that their main contacts monitor all work trays allocated, including the employer work tray and the authorised user work trays, to ensure that all work and queries in those work trays are responded to in a timely manner. Ideally all queries should be responded to within 10 days and queries which are marked as '\*\* urgent \*\*' should be given priority.

### Payroll services and providers

If a Scheme employer changes their payroll provider, it is their responsibility to:

- Ensure all outstanding queries are cleared before moving to the new payroll provider, as access to the ERPF Online Services, for the old payroll provider will be removed after 1 month, unless permission for an extension is granted.
- To cleanse all member data before moving to the new payroll provider, as the new payroll provider will be unable to provide historic information. The Fund's Data and Employer Governance team will co-ordinate this.
- Submit a 'part year' submission for the period from 1 April to the date of change in payroll provider if the Scheme employer is not on Monthly Data Collection (MDC). If the Scheme employer is on MDC, they should ensure that the new payroll provider is able to continue uploading an accurate MDC submission, on time, each month.

- If a member leaves, to ensure a leaver form is provided to the Fund which covers the full 365 days prior the date of leaving and also for the provision of previous years pay details, if applicable.

### Contracts for service provision with third party contractors

Scheme employers are responsible for:

- Advising the Fund of any planned outsourcing contracts to ensure that Scheme member pension provision is considered as part of the process.
- Ensuring that any members TUPE transferred to a third-party contractor as part of an outsourced service provision are entered into the Scheme if required in a timely manner and the relevant information is provided to allow the Fund's actuary to accurately calculate the relevant employer contribution rate.
- Monitoring the performance of third-party contractors to ensure that they are adhering to the requirements of the Fund as set out in this strategy.

### Scheme member contributions

Scheme members contributions are fixed within bands by the Regulations. Scheme employers are responsible for:

- Assessing and reassessing the contribution band that is allocated to a Scheme member.
- Informing the Scheme member of the contribution band that they have been allocated on joining the Scheme and when they have been reallocated to a different contribution band.

### Monthly data collection (MDC)

From 1 April 2023 all Scheme employers must be signed up to Monthly Data Collection (MDC). Scheme employers are responsible for submitting MDC files in accordance with the specification and Principles of Submission issued by the Fund. The MDC submission should contain accurate Scheme member and Scheme employer contributions and accurate pay information. This will allow the Fund to reconcile the pension contributions and calculate Scheme member benefits. The file must be received by 15<sup>th</sup> day of the following month and the amount must match the payment received into the Fund's bank account.

Scheme employers will need to respond or action any individual queries raised, resulting from the previous MDC submission, before the next file can be submitted. Scheme employers must ensure that all 12 months MDC files are submitted by 15<sup>th</sup> April each year to allow the Fund to reconcile their pension contributions and to send Scheme members an annual benefit statement and pension savings statements where applicable.

### Year-end submission

Where a new Scheme employer is admitted to the Fund and the date of entry is retrospective, it is the Scheme employer's responsibility to submit the year end returns detailing Scheme member and Scheme employer contributions and the accurate pay information for all years since the date of entry. This will allow the Fund to reconcile the pension contributions, calculate Scheme member benefits

and provide Scheme members with an annual benefit statement and pension savings statements where applicable. This submission must be made by the date instructed by the Fund when admitted to the Fund. Once all financial years are up to date MDC submissions will be required.

**Discretionary powers**

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

The Fund provide guidance and a standard template for discretionary policies which are available here:

<https://www.erpf.org.uk/employers/employer-responsibilities/>

**Internal Disputes Resolution Procedure (IDRP)**

Under regulation 74 of the Local Government Pension Scheme Regulations 2013, Scheme employers must nominate an adjudicator to deal with any appeals in relation to a decision made by their organisation at Stage 1 of the IDRP. When concluding a Stage 1 appeal, Scheme employers are responsible for providing the Scheme member with details of the Stage 2 IDRP, the contact details of the Stage 2 adjudicator and the relevant deadlines for invoking the next stage.

**Scheme employer authorised contacts**

Scheme employers are required to submit contact details for their organisation as they are responsible for all aspects of administration for the Fund. Some of these responsibilities can be delegated to a third-party provider, but ultimately the information belongs to the Scheme employer, therefore they must have a nominated contact at the organisation. The Fund also asks that these details are reviewed and verified annually.

| Contact              | Purpose  |
|----------------------|--|
| Organisation Contact | This will be the main point of contact for information and pension updates including important events such as actuarial valuations and changes to Scheme regulations as well as discretions policies, agreeing the Fund policies, and resolving any issues that may arise. The organisation contact will need to consider all information provided and assess what impact this will have on their organisation and employees and will be responsible for ensuring that the Scheme employer and any contracted third parties perform their duties on their behalf satisfactorily. The organisation contact will automatically be given a login to the ERPF Online Services to enable them to view all outstanding work in relation to their Scheme Employers. |

|   |  |
|---|--|
| Payroll                                       | This is the individual responsible for submitting a Scheme employer’s pension information/forms and responding to queries from the Fund. This can be a third-party payroll provider, or a Scheme employer can nominate someone at the Scheme employer to co-ordinate sending and receiving pension information and queries. Scheme employers should ensure that they are aware of the performance of any third-party payroll provider, as poor performance can affect the Scheme employer’s contribution rate. The Fund will provide performance information on request. |
| Human Resource (HR)                           | This is the individual responsible for estimates, ill health retirements and any queries around contractual arrangements. This can be a third-party HR provider, or a Scheme employer can nominate someone at the Scheme employer to co-ordinate sending and receiving pension information and queries. Scheme employers should ensure that they are aware of the performance of any third-party HR provider, as poor performance can affect the Scheme employer’s contribution rate. The Fund will provide performance information request.                             |
| Data Protection Officer*                      | For GDPR compliance purposes, a Scheme employer must have an appointed Data Protection Officer (DPO) or nominated person who will be informed of any personal data breach or security incident and updated of the impact of GDPR on the Scheme and the Fund.   |
| Over 12 Month Transfer Request                | To consider transfer requests made by Scheme members received after the expiry of the regulatory 12-month deadline. If a separate nomination is not made, the Fund will use the organisation contact provided.   |
| Internal Dispute Resolution Procedure (IDRP)* | The adjudicator appointed to deal with Stage 1 IDRP cases against the employer. If a separate nomination is not made, the Fund will use the organisation contact provided.   |
| Monthly Data Collection (MDC)*                | The contact for all aspects of Monthly Data Collection (MDC) submissions and requirements.   |
| Statement of Contributions/Finance*           | The contact for the submission of the annual Statement of Contributions.   |
| IAS19/FRS17/FRS102*                           | The contact dealing with the annual accounting exercise, where required.   |

## Payment of Contributions

Scheme employers will make all payments required under the Scheme regulations, to the Fund and /or its Additional Voluntary Contribution (AVC) provider, the Prudential, as appropriate.

Scheme member and Scheme employer contributions must be received by the Fund no later than the 19<sup>th</sup> of the month (or the last working day where the 19<sup>th</sup> falls on a weekend or bank holiday) following the month the contributions relate to and must be accompanied by a member breakdown using the Funds standard template, if requested by the Fund. In accordance with the Scheme regulations, interest may be charged on any payment of contributions which are received late by the Fund.

All costs associated to early retirement should be paid by lump sum prior to the payment of the Scheme members retirement benefits.

Any Additional Voluntary Contributions payments should be made directly to the AVC Provider by the 19<sup>th</sup> day of the month following the month the contributions relate to.

Scheme employers may be reported to The Pensions Regulator (tPR) where contributions are persistently received late, in accordance with the Pension Regulator's code of practice.

## Actuarial Services

Actuarial services are provided by the Fund actuary. This independent service is subject to periodic tender, and the appointed actuary may change.

The actuarial valuation is a statutory requirement which is undertaken every three years. The actuary balances the Fund's assets and liabilities, which allows them to assess the necessary Scheme employer contribution rate for the subsequent three years.

The Fund will consult and work closely with Scheme employers to ensure that member and financial data relating to the Scheme employer's cash flow is accurate and up to date at all times. The Fund will also ensure that year end data or monthly data submissions, are accurate, timely and usable.

The Fund, working with our actuary, will consider a variety of factors in setting a Scheme employers contribution rate and may amend a rate between valuations where it believes there is a reasonable likelihood that there has been either:

- A change in liabilities arising or likely to arise.
- A change in the Scheme employer's ability to meet their obligations.

For the Fund to consider the need for a review, Scheme employers are required to notify the Fund when one or more of the following events occur or are likely to occur:

- Material change in Scheme membership.
- Material change in total Scheme employer payroll and Scheme pensionable pay.
- Change in Scheme employer legal status or constitution.
- A decision which will restrict the Scheme employer's active membership in the future.
- Any restructuring or other event which could materially affect the Scheme employer's membership.

- Confirmation of wrongful trading.
- Conviction of senior personnel.
- Decision to cease business.
- Breach of banking covenant.

Scheme employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.

### **Administration charges**

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

### **Scheme employer Performance**

The performance of Scheme employers will be monitored quarterly using the pensions software system. Where a Scheme employer is performing at a satisfactory level, no action will be taken.

The Fund will seek, at the earliest opportunity, to work closely with its Scheme employers to identify any areas of poor performance or misunderstanding of responsibilities, provide opportunities for necessary training and development. The Fund will initiate the Scheme Employer Unsatisfactory Performance Procedure, attached as appendix 1, which will assist the Scheme employer to improve the quality of their data and their performance which will increase the level of service delivery to their Scheme members.

If the Scheme employer does not engage or the Scheme Employer Unsatisfactory Performance Procedure is not successful, the Fund will:

- Add the Scheme employer to the Fund's Risk Register.
- Report the Scheme employer to tPR or Scheme Advisory Board.
- Escalate the situation to the ERPB/Pensions Committee.

### **When costs associated with Scheme employer's poor performance may be levied**

Regulation 70 of the Local Government Pension Scheme 2013 Regulations provide that an administering authority may recover from a Scheme employer, any additional costs associated with the administration of the Scheme incurred because of any unsatisfactory level of performance of that Scheme employer. Whilst the Fund 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 Fund 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 the Fund has incurred as a result of the Scheme employer's action or failure.
- Scheme employers who enter Level 3 and 4 of the Scheme Employer Unsatisfactory Performance Procedure will have the costs of increased administration recovered from them in line with the

charging structure detailed in the Scheme Employer Unsatisfactory Performance Procedure contained in Appendix 1.

## Appendices

Appendix 1 - Scheme Employer Unsatisfactory Performance Procedure

### Appendix 1 - Scheme Employer Unsatisfactory Performance procedure

Where a Scheme employer fails to meet the required performance levels the Fund will commence action under the Scheme Employer Unsatisfactory Performance Procedure.

| Performance trigger   | Action  |
|---|---|
| <b>Level 1</b>  |   |
| <p>Scheme employer has not met up to three administration targets for a period of 1 month, but performance is otherwise satisfactory.</p> <p>One late payment (deemed to not be of material significance* by the Fund) in the financial year, but performance is otherwise satisfactory.</p> <p>One Monthly Data Collection (MDC) submission or Year-end return not received within agreed timetable.</p> | <p>The Fund will contact the Scheme employer to find out any issues or if they need any support or guidance.</p>  |
| <b>Level 2</b>  |   |
| <p>Scheme employer has not met more than three administration targets for a period of 1 month or more.</p> <p>More than one late payment (deemed to not be of material significance* by the Fund) in the financial year.</p> <p>More than one Monthly Data Collection (MDC) submission outstanding or Year-end return not received by the last working day in May following discussion with ERPF.</p>     | <p>The Fund 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.</p> <p>Letter sent to confirm agreement with the Scheme employer and the next steps of:</p> <ul style="list-style-type: none"> <li>• Improvement notice</li> <li>• Administration charge; and</li> <li>• Interest for late payment if applicable.</li> </ul> |
| <p><b>Level 3</b><br/>Administration charges in line with the Scheme Employer Performance Levels table will be applied</p>  |   |

|   |   |
|---|---|
| <p>Informal discussions and action plan have been unsuccessful in resolving the unsatisfactory performance.</p> | <p>Where an informal improvement plan has failed to improve the Scheme employer’s performance to a satisfactory level, the Fund will invite the Scheme employer to attend a formal improvement meeting.</p> <p>A further plan of improvement will be put in place with the Scheme employer. The details of this agreement will be sent as a mandatory improvement notice.</p> <p>Where a Scheme employer declines to discuss performance issues, a mandatory improvement notice will be sent and an administration charge will be made.</p> <p>Interest on late payments will be charged.</p> |
|---|---|

**Level 4  
Administration charges in line with the Scheme Employer Performance Levels table will be applied**

|   |  |
|---|--|
| <p>Where a mandatory improvement notice has been unsuccessful in improving Scheme employer performance.<br/>Late payments deemed to be of material significance* by the Fund.</p> | <p>The Fund will add the Scheme employer to the Pension Fund Risk Register and will report the Scheme employer The Pensions Regulator (tPR).</p> <p>East Riding Pension Board (ERPb) and the Pensions Committee will be made aware of any unsatisfactory performing Scheme employers.</p> <p>The Fund will continue to support and work with the Scheme employer to resolve any performance issues. An administrative charge will be made for all additional work due to unsatisfactory performance.</p> <p>The Fund may also write to affected Scheme members to inform them that they are unable to calculate the members benefits due to outstanding information for the Scheme employer.</p> |
|---|--|

- Material significance will be determined by the Fund using the guidelines set out by the Pensions Regulator in force at the time.

### Scheme Employer Performance Levels

The table below details the timescales for Scheme employers providing information and notifications to the Fund. The Scheme regulation provide the Fund with the ability to recover from a Scheme employer any additional costs associated with the administration of the scheme incurred as a poor level of performance of that employer. Interest for late payment may be added at 1% above the bank base rate to the costs above if not paid within one month

| Scheme Employer Performance Levels  |  |  |   |
|---|--|--|---|
| Event for notification  | Timescale for submission   | Performance target                         | Additional Administration Costs to be recovered |
| A new scheme joiner   | Within 6 weeks of the employee joining or the 15th of the following month if MDC | 90% of new starter forms received          | £15 per member record                           |
| A change in the scheme section (50/50 or main)  | Within 6 weeks of the change or the 15th of the following month if MDC           | 90% of change of Scheme elections notified | £15 per member record                           |
| Scheme leaver without a right to immediate payment of benefits (including opting out of the Scheme) | Within 6 weeks of leaving the scheme or the 15th of the following month if MDC   | 90% of notifications received              | £15 per member record                           |
| Scheme leaver with a right to immediate payment of benefits   | Within 2 weeks of leaving the scheme   | 90% of Web Leaver Forms received           | £15 per member record                           |

|  |   |   |  |
|--|---|---|--|
| A member's intention to retire including providing all the information required to calculate a member's benefits | Within 2 weeks prior to intended retirement date.                           | 100% of Notification of Retirement forms received | £25 per member plus £5 per chaser correspondence |
| The death of a member including providing all the information required to calculate a member's benefits          | Within 2 weeks of the date of death or date of notification if later        | 100% of notifications received                    | £25 per member plus £5 per chaser correspondence |
| Changes to working pattern including contractual hours   | Within 6 weeks of the change or the 15th of the following month if MDC      | 90% of work pattern changes notified              | £15 per change                                   |
| Changes to an active member's name, address, or other personal details   | Within 6 weeks of the change or the 15th of the following month if MDC      | 95% of updates notified                           | £15 per member                                   |
| A period of authorised absence commences or ends (including child related absence and unpaid leave)              | Within 6 weeks of the date absence commencing or the date of absence ending | 90% of absences notified                          | £15 per absence                                  |

|   |  |  |   |   |
|---|--|--|---|---|
| MDC Queries; Year End Queries; Leaver Queries; General Member Queries   | Response submitted within 10 working days  | 90% of submissions received                    | £15 per query   |   |
| Monthly Data Collection submission<br><br>(membership is determined by the number of active members the Fund holds including unprocessed leavers) | Received by the 15th day of the month following the month in which events occurred | 100% of submissions received                   | Fewer than 50 members:  |   |
|   |  |  | £5 per working day per employer   |   |
|   |  |  | Between 51 and 100 members: £10 per working day per Scheme employer     |   |
|   |  |  | Between 101 and 400 members:<br>£15 per working day per Scheme employer |   |
| 401 members or more: £20 per working day per Scheme employer  |  |  |   |   |
| Year-end submission (membership is determined by the number of active members the Fund holds)   | Received by the date set by the Fund for each of the Scheme years (31 March)       | 100% received within timescales for submission | Fewer than 50 members   | £250 per employer if not received by date set by Fund<br><br>Plus £250 if not received by statutory deadline of 30 June |

|   |  |  |                            |  |
|---|--|--|----------------------------|--|
| including unprocessed leavers)                        |  |  |                            | Plus £250 for each subsequent month, pro rata for part months  |
|   |  |  | Between 51 and 400 members | £500 per employer if not received by date set by Fund<br><br>Plus £500 if not received by statutory deadline of 30 June<br>Plus £500 for each subsequent month, pro rata for part months |
|   |  |  | 401 members or more        | £750 per employer if not received by date set by Fund<br>Plus £750 if not received by statutory deadline of 30 June<br>Plus £750 for each subsequent month, pro rata for part months     |
| Failure to provide valuation data in a valuation year | Received by the date set by the Fund for each of the Scheme years (31 March) included in the valuation | 100% received within timescales for submission | Fewer than 50 members      | £250 per employer if not received by date set by Fund<br>Plus £250 if not received by statutory deadline of 30 June<br>Plus £250 for each subsequent month, pro rata for part months     |
|   |  |  | Between 51 and 400 members | £500 per employer if not received by date set by Fund<br><br>Plus £500 if not received by statutory deadline of 30 June<br>Plus £500 for each subsequent month, pro rata for part months |
|   |  |  | 401 members or more        | £750 per employer if not received by date set by Fund  |

|   |   |   |  |   |
|---|---|---|--|---|
|   |   |   |  | Plus £750 if not received by statutory deadline of 30 June<br>Plus £750 for each subsequent month, pro rata for part months |
| Payment of contributions to the Fund              | Received no later than the 19th of the month following the month the contributions relate to                        | 100% received within timescales for submission  | Fewer than 50 members: £5 per working day per Scheme employer        |   |
|   |   |   | Between 51 and 100 members: £10 per working day per Scheme employer  |   |
|   |   |   | Between 101 and 400 members: £15 per working day per Scheme employer |   |
|   |   |   | 401 members or more: £20 per working day per Scheme employer         |   |
| Make correct payment of contributions to the Fund | Payment of contributions to match contributions recorded on the Monthly Data Collection (MDC) submission each month | 100% of payments received match MDC submissions | Fewer than 50 members: £5 per working day per Scheme employer        |   |
|   |   |   | Between 51 and 100 members: £10 per working day per Scheme employer  |   |
|   |   |   | Between 101 and 400 members: £15 per working day per Scheme employer |   |
|   |   |   | 401 members or more: £20 per working day per Scheme employer         |   |
| Statement of Contributions                        | Statement of Contributions Received by the date set by the Fund for each of the Scheme                              | 100% received within timescales for submission  | Fewer than 50 members: £5 per working day per Scheme employer        |   |

|   |  |   |  |
|---|--|---|--|
|   | years (31 March) - If required                   |   |  |
|   |  |   | Between 51 and 100 members: £10 per working day per Scheme employer            |
|   |  |   | Between 101 and 400 members: £15 per working day per Scheme employer           |
|   |  |   | 401 members or more: £20 per working day per Scheme employer                   |
| Failure to make a policy on Scheme employer discretions                           | As soon as join the Scheme and reviewed annually | Current Discretions Policy is in place with the Fund                          | £150 per Scheme employer   |
| Failure to consult with the Fund on outsourcing prior to a contract being awarded | Within 3 months of a contract award              | Admitted Body application received within 3 months of the contract start date | Additional costs in respect of a backdated admission agreement will be charged |
| Failure to provide new employer information including membership data             | To provide a reply with 4 weeks                  | Reply received within 4 weeks   | £25 per chaser per employer  |

## Report of the Actuary

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme 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), dated March 2023. In summary, the key funding principles are to

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants.
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency.
- where appropriate, ensure stable employer contribution rates.
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- use reasonable measures to reduce the risk of 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 70% 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 £6263 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 £1043 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%          |

### \*Consumer Prices Index

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on the 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 were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however, the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher-than-expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has

reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

**Jamie Baxter FFA C.Act**

For and on behalf of Hymans Robertson LLP  
13 May 2025



**Hymans Robertson**

20 Waterloo Street  
GLASGOW G2 6BD

## 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 table below:

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

The improvement in the funding position in the three years to 31 March 2022 was mainly due to strong investment performance over the period. The liabilities increased broadly in line with expectations.

## Governance

### East Riding Pension Fund Board – Appendix 1

#### TERMS OF REFERENCE FOR THE EAST RIDING PENSION BOARD

##### 1. Introduction

The purpose of this document is to set out the Terms of Reference for the Pension Board ('the Board') of East Riding Pension Fund ('the Fund') as required under the Public Service Pensions Act 2013 (PSPA13).

The Local Pension Board (LPB) is established by East Riding of Yorkshire Council, as the administering authority for the East Riding Pension Fund, and will operate independently of the Pensions Committee, set up by the Council under Sections 101 and 102 of the Local Government Act 1972.

This document will be reviewed and updated at least every three years.

##### 2. Definitions and Interpretations

The undernoted terms shall have the following meaning when used in this document:

|                           |  |
|---------------------------|--|
| “Administering Authority” | Means a body listed in Part 1 of Schedule 3 of the Local Government Pension Scheme Regulations 2013 (as amended) that is required to hold a fund for the purposes of those Regulations.  |
| “Chair”                   | Reference to duties to be performed, or authorities exercised, by the Chair of the Local Pension Board.  |
| “Fund”                    | Means the Fund managed and administered by the Administering Authority   |
| “LGPS”                    | The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013 (as amended), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. |
| “Local Pension Board”     | Means the Local Pension Board for East Riding of Yorkshire Council as Administering Authority for the East Riding Pension Fund as required under the PSPA13.   |
| “Pensions Committee”      | Means the committee that has delegated decision making powers for the Fund in accordance with Section 101 of the   |

Local Government Act 1972.

|                  |   |
|------------------|---|
| “Scheme”         | Means the Local Government Pension Scheme in England and Wales, as defined under “LGPS” above.  |
| “Scheme Manager” | Means East Riding of Yorkshire Council as Administering Authority of the East Riding Pension Fund and as formally delegated under the Scheme of Delegation. |

**3. 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

It should be noted that the Administering Authority retains ultimate responsibility for the administration and governance of the scheme. It should also be noted that the role of the Board is to assist the Pensions Committee, it does not replace the Committee, nor can it make decisions which are the responsibility of the Pensions Committee.

A summary of the roles and responsibilities of each Board Member type can be found on the ERPF website <https://www.erpf.org.uk/local-pension-board/job-description-and-person-specification/>

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.

The activity of the Board will include:

- Reviewing the Fund’s governance and policy / strategy documents.
- Reviewing compliance with the Fund’s governance and policy / strategy documents.
- Reviewing the administrative and investment performance of the Fund.
- Reviewing the Fund’s Risk Register.
- Reviewing Audit and Assurance reports.

The duties of the Chair of the Board include:

- Ensuring the Board delivers its purpose as set out in this Terms of Reference.
- Ensuring that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
- Seeking to reach consensus and ensure that decisions are properly put to a vote when a consensus cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

#### 4. Membership

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

- three scheme employers from:
  - the Administering Authority (1),
  - other scheme employers (organisations other than the AA who, under the Regulations, can participate in the LGPS) (2); and,
- three scheme members including: -
  - active members (1),
  - pensioner members (1),
  - active/pensioner or deferred member (1).

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

The term of office for Board members is three years. A Board member may be appointed for further terms of office.

Board members must be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required. In the event of consistent non-attendance by any Board member, the tenure of that membership should be reviewed by the other Board members.

Board membership may be terminated prior to the end of the term of office due to:

- A scheme member representative appointed based on their membership of the Fund no longer being a scheme member in the Fund.
- A scheme employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
- A Board member no longer being able to demonstrate to the Fund their capacity to attend and prepare for meetings or failing to participate in required training.
- A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
- A Board member who is an Elected Member becomes a member of the Pensions Committee.
- A Board member becomes responsible for the discharge of any function of the Administering Authority under the LGPS Regulations.
- Resignation of the Board member.

The Board may, with the approval of the Administering Authority, co-opt persons to advise and support them. Co-opted persons are not Board members and do not have voting rights.

#### 5. **Appointment of Board Members**

The Board shall consist of six voting members, as follows:

- Three member representatives; and
- Three employer representatives.

This ensures there are an equal number of member and employer representatives on the Board.

The process for selecting Board members is outlined below:

##### **Scheme Employer Representatives:**

- One Scheme 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 Scheme Employer Representatives, who have expressed a wish to be considered for the role, which should include their capacity to represent other scheme employers and demonstrate the relevant knowledge and understanding of the LGPS.
- In the event of there being more than two expressions of interest, the Administering Authority will make a final decision.

##### **Scheme Member Representatives:**

- A total of three employee representatives shall be appointed following a recruitment process which will be open to all scheme members.
- Individual scheme members may put themselves forward; there will be a selection process carried out by the Administering Authority to assess relevant experience, their capacity to represent scheme members and their knowledge and understanding of the LGPS.
- Scheme member representatives should be flexible, mobile and prepared when attending Board training and meetings.

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 or commit to do so within six months of the appointment date.

Upon joining the Local Pension Board, a Board member is also required to familiarise themselves with the following documents:

- The Fund Annual Reports and Accounts
- Communication Policy Statement
- Pension Administration Strategy
- Member Engagement Strategy
- Funding Strategy Statement
- Fund Risk Register
- Governance Policy Statement
- Investment Strategy Statement
- Responsible Investment Policy
- Local Pension Board Code of Conduct Policy
- Fund Conflicts of Interest Policy

The above documents and further information on the East Riding Pension Fund are available on the Fund website: [www.erpf.org.uk](http://www.erpf.org.uk)

It is also recommended that LPB members regularly view the Local Government Scheme Advisory Board website: [www.lgpsboard.org/](http://www.lgpsboard.org/) to keep updated on best practice, transparency and technical and standards issues.

### **Appointment of Board Chair**

The Chair of the Board will be elected by the Board on term of three years. As far as reasonably possible, the Chair shall have previous experience of being a Pension Board Member.

When the Chair leaves the Board, or otherwise resigns as Chair, part way through the term, the Board shall appoint a new Chair for the remaining duration of that term.

### **Notification of appointments**

When appointments to the Board have been made, the Administering Authority shall publish on the Fund's website the details of Board members.

## **6. Meetings**

The Board shall meet four times a year.

Board meetings will normally take place at County Hall, Beverley, on the dates specified on the Committee report schedule. These dates will be agreed by the Chair of the Board, members of the Board and representatives of the Fund to ensure maximum participation

An extraordinary meeting will be called if 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. Urgent business of the Board between meetings may be conducted via telephone conferencing calls or emails.

Due to the specialist knowledge and understanding required, Board members are not permitted to send substitutes to meetings when they are unable to attend themselves.

The Board meetings will be open to the public, unless there is an exemption under

relevant legislation which would preclude part, or all the meeting from being open to the public.

A member of the Board will attend meetings of the Pensions Committee and provide an update on the Board's activity. There is an expectation this will be reciprocal, and members of the Pensions Committee will be welcome to observe the meetings of the Board.

#### **7. 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.

If, during any meeting, the Chair counts the number of Board members and declares that there is not a quorum present, the meeting will be postponed. Any member can tell the Chair that there is not a quorum present.

If a meeting is postponed, the Chair will decide when the Board will deal with any business which remains outstanding from the meeting. If the Chair does not set a date, the Board will deal with it at their next ordinary meeting.

#### **8. Decision Making**

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

Should it be required that a matter should be put to a vote, each Board member will have an individual voting right on any matter to be decided. A motion is passed at a meeting of the Board if a majority of voting members are in favour of the motion.

A voting member of the Board is not permitted to appoint another voting member as their proxy.

The Chair will have a second or casting vote in the case of equality of votes.

The results of any voting outcomes will be reported in the Board minutes.

#### **9. 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 at <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 considering 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.

On appointment to the Board and at any such time as their circumstances change, each Board member will be asked to provide information so the Scheme Manager can be satisfied that there is no conflict of interest. If the Scheme Manager is made aware of a possible conflict of interest, it will be effectively managed in line with the Board's Conflicts of Interest Policy and the requirements of The Pensions Regulator's General Code of Practice. If the conflict is unmanageable, then appointment to the Board will be refused or if already on the Board, that Board member will be asked to resign.

#### 10. **Knowledge and Skill**

The law requires Board members to have the appropriate degree of knowledge and understanding of relevant regulations and a working knowledge of the Local Government Pension Scheme including the statutory guidance supporting it.

Individual Board members must have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions and responsibilities.

The Administering Authority has established and shall maintain a training strategy for both the Committee and the Board. The training strategy addresses the knowledge and understanding requirements that apply to Board members under legislation as well as setting out how knowledge and understanding is acquired, reviewed and updated. A report on training, including e-learning training and modules, will be included in the Fund's annual report and accounts.

Board members are required to attend pre-arranged training sessions and complete comprehensive training in line with the training strategy, as this is designed to help meet the skill set of the roles. Board members should be able to demonstrate their knowledge and understanding and will be expected to refresh their knowledge to ensure it is up to date. A written record of relevant training and development should be maintained. Within six months of their appointment, Board members are required to complete the following:

-

- [The Pensions Regulator \(TPR\) Public Service Toolkit](#) e-learning modules.
- Hymans Robertson Module - An introduction to LGPS Online Learning Academy.
- Hymans Robertson Module 1 – Committee Role and Pensions Legislation.
- Hymans Robertson Module 2 – Pensions Governance.
- Hymans Robertson Module 3 – Pensions Administration.
- Hymans Robertson Module 4 – Pensions Accounting and Audit Standards.
- Hymans Robertson Module 5 – Procurement and Relationship Management.
- Hymans Robertson Module 6 – Investment Performance and Risk Management.
- [National Cyber Security Centre – Cyber Security Toolkit for Boards](#)

It is for individual Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their duties as a member of the Board and will be required to undertake an annual personal training needs assessment and regularly review their skills, competencies, and knowledge to identify any gaps.

The Administering Authority will provide a rolling programme of training on a regular basis, which all Board members will be required to attend and Board members are required to comply with the Fund's training strategy.

**11. Accountability**

The Board will refer all relevant recommendations and decisions to the Pensions Committee of the Administering Authority. A summary of the Board minutes, including recommendations of the Board with the appropriate justifications and any other issues the Board believes would be of interest to the Committee, will be included as an agenda item at the following meeting of the Committee.

The Board will present a report on its work each year within the Pension Fund's Annual Report and Accounts.

**12. Publication of Pension Board Information**

When any appointments to the Board have been made, the Administering Authority will publish and maintain information on the Fund's website including

- The names of the Board member, including a picture and short profile.
- Their role as a Board member including the roles and responsibilities of that role.
- The Board's Terms of Reference.
- Papers including annual work plan, agendas and minutes of Board meetings.

**13. Board Administration**

The Board will agree and publish a workplan for each year. This plan will be published at the final meeting of any given year and identify its future work.

The agenda and supporting papers will be issued at least five working days in advance of the meeting except in the case of urgent matters. Prior to a Board meeting, an update with the Chair, a Committee Manager, and the Administering Authority will be arranged to discuss the reports which will be presented at the upcoming meeting.

Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members and representatives of the Fund within 15 working days after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition, where the Board was unable to reach a decision, such occasions should also be noted in the minutes.

The minutes will be edited to exclude any items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The representatives of the Fund will arrange, as and when required, specialist advisors to support the Board in its roles and responsibilities.

**14. Data Protection**

The Administering Authority is and remains the data controller responsible for Data Protection Act 2018 compliance.

**15. Expense Reimbursement**

Board members will be reimbursed their travel and subsistence costs in line with the Administering Authority's [Members' Allowance Scheme](#). These expenses will be paid in respect of attendance at Board meetings and all training events deemed appropriate for meeting the knowledge and understanding requirements of Board members.

**16. Budget**

The Fund holds a budget which will provide the Board with adequate resources to fulfil its role. The budget will include any costs of allowances and expenses for Board members, the costs of obtaining appropriate advice and support from specialists and the costs of all appropriate training programmes and conferences.

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

# Governance Policy Statement

## Executive Summary

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, four trade union representatives and the Chair of the Pension Board 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, advice and training.

The Committee is expected to meet six times a year, with four of these meetings devoted principally to investment business and two to administration business. Workshops established for specific purposes such as investment strategy reviews and may include Pensions Committee member participation.

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 assets are invested, while the Annual Report and Accounts, 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 is available [on the Council's website](#).

## East Riding Pension Board

The East Riding 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, comprising 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'.

The Governance Policy Statement is reviewed on an annual basis.

### Pensions Committee as at 31 March 2025

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

|                                       |   |
|---------------------------------------|---|
| Councillor P Hopton (from July 2023)  | 6 |
| Councillor J Bovill (from July 2023)  | 5 |
| Councillor K Casson                   | 5 |
| Councillor S Gallant (from July 2023) | 2 |
| Councillor D Healy                    | 4 |
| Councillor J Holtby (from July 2023)  | 7 |
| Councillor B Jefferys                 | 1 |
| Councillor D Jeffreys                 | 4 |
| Councillor R Meredith                 | 5 |
| Councillor J Phoenix (from July 2023) | 2 |
| Councillor P Redshaw (from July 2023) | 6 |
| Councillor Z Saribal (from July 2023) | 4 |

|                                     |   |
|-------------------------------------|---|
| Councillor M Sutton                 | 1 |
| Councillor J Whittle                | 6 |
| Councillor S Whyte (from July 2023) | 2 |

**Unitary Councillor Representatives**

|  |   |
|--|---|
| Councillor S Harness (North East Lincolnshire) | 3 |
| Councillor J Dadd (Hull City Council)          | 2 |

**Trade Union Observers**

|                     |   |
|---------------------|---|
| R Weightman (UNITE) | 4 |
|---------------------|---|

The membership of the committee changed following the AGM 16<sup>th</sup> May 2024. Some members may have been acting as substitute for their colleagues.

## Report of the Pensions Committee

The Pensions Committee is responsible for the administration of the East Riding Pension Fund in accordance with the 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 were 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 Annual Report and Accounts 2023-24
- reviewed the Fund's expenditure against budget for the 2024-25 financial year and approved the budget for the 2025-26 financial year
- reviewed the audit and assurance reports of the Fund's investment and administration functions, the Fund's investment managers and the custodian
- 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 its investment managers
- approved a new investment strategy which made changes to the Fund's investment allocations and the overall target return
- addressed the Council's resolution asking Pension Committee to review advice on fiduciary duty and training in relation to climate change
- 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 2025, the Fund generated a return of 4.3%, compared to the strategic benchmark return of 5.3%. The main reason for the slightly below benchmark performance was the disappointing return from the Fund's equities. However, short periods of underperformance are inevitable. These investments have performed well over the longer term.

Over the three years to 31 March 2025, the Fund generated a return of 4.5% per annum, compared to the strategic benchmark return of 4.0% 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, as assessed at the 31 March 2022 valuation date. At that time, the funding level was 120%. Although investments have performed broadly in line with expectations over the last three years, changes to the financial assumptions used to value future pension benefits are expected to contribute to an improved funding level. Over the three years since the 2022 valuation, the funding level was estimated at 120%. The next valuation will review the position at 31 March 2025.

The Pensions Committee is responsible for determining the Pension Fund's investment strategy. 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 70% 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 investing in the UK, changes to governance and investment pooling 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.

## 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 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 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 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

All Pensions Committee members and Pension Board members to whom this training strategy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met and are required to comply with this Training Policy.

Pension Board members are required to comply with the training requirements which are set out in the Board's Terms of Reference.

### CIPFA training frameworks

The Chartered Institute of Public Finance and Accountancy (CIPFA) has published frameworks for training in relation to Pensions Committee and 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

### The Pensions Regulator's General Code

The training strategy takes account of the knowledge and understanding requirements set out in The Pensions Regulator's General Code of Practice that took effect from March 2024.

### Programme of training

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

The Fund's 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 Pension Board, through periodic assessment using the CIPFA knowledge and skills framework
- the Fund's current priorities, including governance, administration and investment matters
- ongoing specific requirements

Training provided will be open to both Pensions Committee and 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 Pension Board.

Committee and Board Members are expected to use the links to online training such as The Pensions Regulator's toolkit for public service schemes and the LGPS Online Learning Academy provided by Hymans. Board members are required to complete The Pensions Regulator's toolkit within the first six months of their appointment date.

### Knowledge Assessment

The training needs of the members of the Pensions Committee and 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 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
- Committee Role and Pensions Legislation
- Pensions Governance
- Pensions Administration
- Pensions Accounting and Audit Standards
- Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial Markets and Product Knowledge
- Actuarial Methods, Standards and Practices
- 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

### Monitoring and reporting

A training log to record the training offered and undertaken will be maintained. Attendance will be reviewed on an annual basis.

A report on training, including e-learning training and modules, will be included in the Fund's annual report and accounts.

The Pensions Committee and 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 Director of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- 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 2025 and its income and expenditure for the financial year then ended.

**Julian Neilson**

**Section 151 Officer**

**23<sup>rd</sup> October 2025**

**East Riding of Yorkshire Council**

**County Hall**

**Beverley, East Riding of Yorkshire, HU17 9BA**

## Fund Account, Net Assets Statement and Notes

### Fund Account

| 2023/24  | Dealings With Members and Employers   | Note | 2024/25  |
|----------|---|------|----------|
| £000     |   |      | £000     |
|          | <b>Dealings with Members and Employers Contributions</b>  |      |          |
| 267,526  | Contributions receivable  | E    | 203,516  |
| 12,281   | Individual transfer values receivable   |      | 19,979   |
| 279,807  |   |      | 223,495  |
|          | <b>Benefits</b>   |      |          |
| -224,415 | Benefits payable  | F    | -242,871 |
| -11,718  | Payments to and on account of leavers   | G    | -22,569  |
| 43,674   | <b>Net additions/withdrawals (-) from dealings with Members</b>                                 |      | -41,945  |
|          | <b>Management expenses</b>  |      |          |
| -8,990   | Management expenses   | H    | -6,438   |
| 34,684   | <b>Net additions/withdrawals (-) including Fund Management Expenses</b>                         |      | -48,383  |
|          | <b>Returns on investments</b>   |      |          |
| 186,190  | Investment income   | I    | 225,609  |
| 353,584  | Profit and losses (-) on disposal of investments and changes in the market value of investments | J    | 28,773   |
| 539,774  | <b>Net Return on Investments</b>  |      | 254,382  |
| 574,458  | <b>Net increase / decrease (-) in the net assets available for benefits during the year</b>     |      | 205,999  |

|           | Net Assets of the Fund            |  |           |
|-----------|-----------------------------------|--|-----------|
| 6,244,645 | Opening net assets as at 1 April  |  | 6,819,103 |
| 574,458   | Deficit (-) / Surplus             |  | 205,999   |
| 6,819,103 | Closing net assets as at 31 March |  | 7,025,102 |

## Net Assets Statement

| 31 March 2024 |   | Note | 31 March 2025 |
|---------------|---|------|---------------|
| £000          |   |      | £000          |
| 1,181         | Long Term Investments   |      | 1,456         |
| 6,800,392     | Investment Assets   |      | 7,006,694     |
| 6,801,573     |   | J    | 7,008,150     |
| -232          | Investment Liabilities  | J    | -101          |
| 6,801,341     | Total net investment  | J    | 7,008,049     |
| 18,761        | Current assets  |      | 19,789        |
| 6,820,102     |   |      | 7,027,838     |
| -999          | Current Liabilities   |      | -2,736        |
| 6,819,103     | Net assets of the scheme available to fund benefits at 31 March |      | 7,025,102     |

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. 1. General

These Accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 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 on the assumption that the functions of the Fund will continue in operational existence for the foreseeable future.

#### 2. Changes to Accounting Policies, Disclosure Requirements and Accounting Estimates

There have been no changes in Accounting Policies required in 2024-25.

#### 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 2022 effective from 1 April 2023, 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.

Employers' pension 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 2022 effective from 1 April 2023. Deficit funding payments are payable over a maximum of 20 years.

##### b) Transfer values receivable

Transfer values receivable relates 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. Gains and losses on foreign exchange are shown in note I Investment Income within 'Other'.

vii) A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. The date a Fund becomes party to the contractual acquisition is the trade date. From the trade date gains or losses arising from changes in the fair value of the asset are recognised in the Fund account

#### 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 relates 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 2025. Investments made on overseas stock exchanges are valued at bid price or last trade price on 31 March 2025.

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.

Level 3 are inherently difficult to value and rely, to a certain extent, on estimation techniques and non-market observable inputs.

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 estimates by the fund manager or using the last available set of financial statements, including partner's capital 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 value offset against Partner Fund future costs. The company has published audited accounts as at 31 March 2025, showing shareholders' funds of [£17.1m] (2024 £16.1m) which is shared equally between the 11 partners.

## 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 32-34 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 accruals 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 accruals 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 Schroders Investment Management fee is 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 2025 to arrive at sterling values in the Net Asset Statement. Any foreign exchange gains and losses are recognised in note J Reconciliation of Movements in Investments.

**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 P (153).

**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 2025 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, see notes s for details of assumptions and sensitivity analyses.

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. Level 3 investments were valued at £1742.8m at 31 March 2025 and a 10% movement in prices in the next financial year would increase or decrease the value of the Fund of level 3 investments by £174m.

**15. Recognition**

A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. The date a Fund becomes party to the contractual acquisition is the valuation point. From the valuation point gains or losses arising from changes in the fair value of the asset are recognised in the Fund account

**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 2025 stock lending income of £0.051m (2024 £0.061m) was raised against expenditure for the activity of £0.015m (2024 £0.018m). At 31 March 2025 the total value of securities on loan was £26.2m (2024 £53.6m). Against the securities on loan the Fund held collateral at 31 March 2025 of £27.7m (2024 £56.3m) in UK and overseas equities and UK and overseas bonds

**E Contributions Receivable**

| 2023/24 |                |                                 | 2024/25 |                |
|---------|----------------|---------------------------------|---------|----------------|
| £000    | £000           |                                 | £000    | £000           |
| 204,024 |                | <b>Employers - Normal</b>       | 134,597 |                |
| 11,628  |                | <b>Employers - Augmentation</b> | 12,903  |                |
| 2,475   | 218,127        | Employers - Deficit Recovery    | 2,253   | 149,753        |
|         | 49,399         | <b>Employees</b>                |         | 53,763         |
|         | <b>267,526</b> |                                 |         | <b>203,516</b> |
|         |                | From                            |         |                |
|         | 103,257        | <b>Administering Authority</b>  |         | 27,312         |
|         | 160,055        | <b>Scheduled Bodies</b>         |         | 171,504        |
|         | 4,214          | <b>Admission Bodies</b>         |         | 4,700          |
|         | <b>267,526</b> |                                 |         | <b>203,516</b> |

**F Benefits Payable**

| 2023/24 |   | 2024/25 |
|---------|---|---------|
| £000    |   | £000    |
| 181,259 | <b>Pensions</b>   | 197,434 |
| 37,162  | Commutations, compounded and lump sum retirement benefits | 39,916  |
| 5,994   | Lump sum death benefits                                   | 5,521   |

|         |                                |         |
|---------|--------------------------------|---------|
| 224,415 |                                | 242,871 |
|         | Paid to                        |         |
| 43,876  | <b>Administering Authority</b> | 50,858  |
| 166,573 | <b>Scheduled Bodies</b>        | 176,878 |
| 13,966  | <b>Admission Bodies</b>        | 15,135  |
| 224,415 |                                | 242,871 |

**G Payments to and on account of leavers**

| 2023/24 |   | 2024/25 |
|---------|---|---------|
| £000    |   | £000    |
| 323     | <b>Refunds to Members leaving service</b> | 324     |
| 11,395  | <b>Individual transfer values payable</b> | 22,245  |
| 11,718  |   | 22,569  |

**H Management Expenses**

| 2023/24 |                                 | 2024/25 |
|---------|---------------------------------|---------|
| £000    |                                 | £000    |
| 3,012   | <b>Pensions Administration</b>  | 3,440   |
| 4,755   | <b>Investment Management</b>    | 1,914   |
| 1,223   | <b>Oversight and Governance</b> | 1,084   |
| 8,990   |                                 | 6,438   |

In Oversight and Governance expenses in 2024-25, the external audit fee payable to Forvis Mazars LLP is £0.110m (2023-24 £0.110m).

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

In Oversight and Governance expenses in 2024-25, the external audit fee payable to Forvis Mazars LLP is £110.m (2023-24 £0.110m). The fee for additional work required during 2022-23 and charged in 2024-25 was £0.018m (no fee for additional work was charged in 2023-24).

**I Investment Income**

| <b>2023/24</b> |                           | <b>2024/25</b> |
|----------------|---------------------------|----------------|
| <b>£000</b>    |                           | <b>£000</b>    |
| 28,734         | <b>Bonds</b>              | 29,774         |
| 76             | <b>Equities</b>           | 551            |
| 148,772        | <b>Pooled Investments</b> | 189,401        |
| 3,867          | <b>Other</b>              | 114            |
| 4,741          | <b>Cash Deposits</b>      | 5,768          |
|                |                           |                |
| <b>186,190</b> |                           | <b>225,608</b> |

**J Reconciliation of Movements in Investments**

| <b>2024/25</b>                        | <b>Value at<br/>31/03/24</b> | <b>Purchases<br/>at Cost</b> | <b>Sale<br/>Proceeds</b> | <b>Change in<br/>Market<br/>Value</b> | <b>Value at<br/>31/03/25</b> |
|---------------------------------------|------------------------------|------------------------------|--------------------------|---------------------------------------|------------------------------|
| <b>Investment Assets</b>              | <b>£000</b>                  | <b>£000</b>                  | <b>£000</b>              | <b>£000</b>                           | <b>£000</b>                  |
| <b>Bonds</b>                          | 164,678                      | 31,290                       | -22,452                  | -4,417                                | 169,099                      |
| <b>Equities</b>                       | 1,181                        | 275                          | 0                        | 0                                     | 1,456                        |
| <b>Pooled Investment<br/>Vehicles</b> |                              |                              |                          |                                       |                              |
| Pooled Equities                       | 3,382,911                    | 93,114                       | -52,768                  | 54,657                                | 3,477,913                    |
| Pooled Bonds                          | 909,777                      | 278,580                      | -74,773                  | -28,397                               | <b>1,085,187</b>             |
| Pooled Property                       | 544,480                      | 12,399                       | -42,124                  | 369                                   | <b>515,124</b>               |
| Pooled Private Equity                 | 406,278                      | 56,486                       | -36,098                  | -29,754                               | <b>396,912</b>               |
| Pooled Infrastructure                 | 472,005                      | 65,435                       | -31,067                  | -4,302                                | <b>502,071</b>               |
| Pooled Other                          | 738,191                      | 138,339                      | -187,375                 | 41,014                                | <b>730,170</b>               |
|                                       | 6,453,642                    | 644,353                      | -424,205                 | 33,587                                | <b>6,707,377</b>             |
|                                       | 6,619,501                    | 675,918                      | -446,657                 | 29,170                                | <b>6,877,932</b>             |
| <b>Investment Cash</b>                | 49,769                       | 2,971,355                    | -2,899,270               | -398                                  | 121,456                      |
|                                       | 6,669,270                    | 3,647,273                    | -3,345,927               | 28,772                                | 6,999,388                    |
| <b>Other Investment Assets</b>        | 132,303                      |                              |                          |                                       | 8,762                        |
| <b>Investment Assets</b>              | 6,801,573                    | 3,647,273                    | -3,345,927               | 28,772                                | 7,008,150                    |
| <b>Investment Liabilities</b>         | -232                         |                              |                          |                                       | -101                         |
|                                       | 6,801,341                    | 3,647,273                    | -3,345,927               | 28,772                                | 7,008,049                    |
| <b>2023/24</b>                        | <b>Value<br/>31/03/23</b>    | <b>Purchases<br/>at Cost</b> | <b>Sale<br/>Proceeds</b> | <b>Change in<br/>Market<br/>Value</b> | <b>Value at<br/>31/03/24</b> |
| <b>Investment Assets</b>              | <b>£000</b>                  | <b>£000</b>                  | <b>£000</b>              | <b>£000</b>                           | <b>£000</b>                  |
| <b>Bonds</b>                          | 163,230                      | 6,794                        | -1,380                   | -3,966                                | 164,678                      |
| <b>Equities</b>                       | 1,181                        | 0                            | 0                        | 0                                     | 1,181                        |
| <b>Pooled Investment<br/>Vehicles</b> |                              |                              |                          |                                       |                              |
| Pooled Equities                       | 3,134,989                    | 89,708                       | -207,643                 | 365,857                               | 3,382,911                    |

|                                |           |           |            |         |           |
|--------------------------------|-----------|-----------|------------|---------|-----------|
| Pooled Bonds                   | 878,434   | 117,965   | -67,451    | -19,171 | 909,777   |
| Pooled Property                | 553,747   | 43,988    | -25,678    | -27,577 | 544,480   |
| Pooled Private Equity          | 381,864   | 44,363    | -31,442    | 11,493  | 406,278   |
| Pooled Infrastructure          | 417,771   | 75,406    | -15,759    | -5,413  | 472,005   |
| Pooled Other                   | 588,054   | 142,786   | -25,031    | 32,382  | 738,191   |
|                                | 5,954,859 | 514,216   | -373,004   | 357,571 | 6,453,642 |
|                                | 6,119,270 | 521,010   | -374,384   | 353,605 | 6,619,501 |
| <b>Investment Cash</b>         | 107,068   | 2,178,912 | -2,236,190 | -21     | 49,769    |
|                                | 6,226,338 | 2,699,922 | -2,610,574 | 353,584 | 6,669,270 |
| <b>Other Investment Assets</b> | 70,796    |           |            |         | 132,303   |
| <b>Investment Assets</b>       | 6,297,134 | 2,699,922 | -2,610,574 | 353,584 | 6,801,573 |
| <b>Investment Liabilities</b>  | -6        |           |            |         | -232      |
|                                |           |           |            |         |           |
|                                | 6,297,128 | 2,699,922 | -2,610,574 | 353,584 | 6,801,341 |

**Net Gains and Losses on Financial Instruments.**

All net gains and losses on financial assets are fair value through profit and loss.

## 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 2024    |               |      |   | 31 March 2025      |               |                       |
|------------------|---------------|------|---|--------------------|---------------|-----------------------|
| Number of Units  | Value<br>£000 | % of |   | Number of<br>Units | Value<br>£000 | % of<br>Net<br>Assets |
| 1,015,768,731.61 | 1,736,133     | 25.5 | Border to Coast PP Overseas Developed Markets A | 947,102,045.09     | 1,757,064     | 25.5                  |
| 1,021,373,115.88 | 1,352,196     | 19.8 | Border to Coast PP UK Listed Equity A           | 986,296,689.26     | 1,410,700     | 19.9                  |
| 434,393,470.21   | 446,252       | 6.5  | Border to Coast PP Listed Alternatives A        | 318,189,359.74     | 351,949       | 6.6                   |

## L Managerial Arrangements of Assets

| 31 March 2024 |     |   | 31 March 2025 |     |
|---------------|-----|---|---------------|-----|
| £m            | %   |   | £m            | %   |
| 2,210         | 32  | Internally managed  | 2,098         | 30  |
| 2             | 0   | Externally managed (Schroder Investment Management Limited) | 0             | 0   |
| 4,589         | 67  | Externally managed (Border to Coast Pensions Partnership)   | 4,910         | 70  |
| 6,801         | 100 |   | 7,009         | 100 |

## M Contractual Commitments

At 31 March 2025, 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.

| 31 March 2024    |         |                                   | 31 March 2025    |           |
|------------------|---------|-----------------------------------|------------------|-----------|
| Foreign Currency | £000    |                                   | Foreign Currency | £000      |
| 0                | 693,350 | <b>Sterling Denominated (£)</b>   | 0                | 970,493   |
| 125,438          | 99,301  | <b>US Dollar Denominated (\$)</b> | 132,529          | 102,687   |
| 62,355           | 53,309  | <b>Euro Denominated (€)</b>       | 127,769          | 106,929   |
|                  | 845,960 |                                   |                  | 1,180,109 |

## 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 £6.438m (2024 £8.987m) comprising pensions administration costs of £3.440m (2024 £3.012m), investment management costs of £1.914m (2024 £4.752m) and oversight and governance costs of £1.084m (2024 £1.223m). 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 £27.312m to the Fund (2024 £103.257m). £14.791m (2024 £13.243m) of this total sum is in respect of contributions paid by members of the Pension Fund. As at 31 March 2025, the Council was a net debtor to the Fund of £0.205m (2024 £1.477m).
- Under legislation introduced in 2003-04, councilors were entitled to join the Pension Scheme. The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 removed this entitlement for councilors 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.

- 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, who is also the S151 officer. The charge to the Pension Fund for these two posts in 2024-25 was £51,035 (2024 £49,790).

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 Contribution (AVC) provider is Prudential and during the year to 31 March 2025 scheme members made contributions to this facility of £2.974m (2024 £2.315m). The total value of the funds invested on behalf of members of the East Riding Pension Fund at 31 March 2025 is £23.268m (2024 £23.105m).

AVCs 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 current ISS at its meeting on 31 January 2025.

The Fund is also required to maintain a Funding Strategy Statement (FSS) in accordance with the LGPS Regulations. The FSS effective 1 April 2024 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 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 2025 was £4.941bn (31 March 2024 £5.659bn). The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The promised retirement benefit valuation includes the membership numbers of active members, deferred members and pensioner members, together with relevant financial and demographic assumptions. The net assets of the Scheme available to

pay benefits at 31 March 2025 was £7.060bn (31 March 2024 £6.819bn). 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 2024 | 31 March 2025 |
|-----------------------|---------------|---------------|
| Pension Increase Rate | 2.75%         | 2.70%         |
| Salary Increase Rate  | 2.75%         | 2.70%         |
| Discount Rate         | 4.85%         | 4.40%         |

In June 2023 the High Court (*Virgin Media Limited v NTL Pension Trustees II Limited*) ruled that amendments to certain defined benefit pension schemes were void if they were not accompanied by section 37 actuarial certificates. The Court of Appeal rejected an appeal of this decision in July 2024. The Local Government Pension Scheme is affected by this ruling.

The Government Actuary's Department has so far failed to locate evidence that section 37 certificates are in place for all amendments. Work is ongoing to discover whether the evidence exists. Until this work is complete, it is not possible to conclude whether there is any impact on the value of retirement benefits under IAS26 or if it can be reliably estimated.

Although this is the current position in law, the Government is being lobbied to make a change to the regulations which would retrospectively validate amendments which would otherwise be void as a result of a failure to have obtained section 37 certificates. The Government has an existing power to make the necessary regulations but not yet said whether it will do anything. There is also the possibility that Virgin Media could seek permission to appeal to the Supreme Court.

Developments are being monitored. In the current circumstances, it is not considered necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the value of retirement benefits in the financial statements

## 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 2024 |  | 31 March 2025 |           |
|---------------|--|---------------|-----------|
| £000          |  | £000          |           |
|               | Financial Assets at fair value through profit or loss              |               |           |
| 164,678       | Bonds  | 169,099       |           |
| 6,453,642     | Pooled Investment Vehicles   | 6,707,377     |           |
| 6,618,320     | <b>Total Financial Assets at Fair Value Through Profit or Loss</b> |               | 6,876,476 |
|               | <b>Financial Assets at Cost</b>                                    |               |           |
| 1,181         | Long term investments  |               | 1,456     |
| 6,619,501     | <b>Total Financial Assets</b>                                      |               | 6,877,932 |
|               | <b>Financial Assets at Amortised Cost</b>                          |               |           |
| 67,838        | Cash Deposits - Sterling   | 115,092       |           |
| 1,931         | Foreign Currency   | 6,878         |           |
| 18,761        | Current Assets   | 19,275        |           |
| 132,303       | Other Investment Balances  | 8,762         |           |
| 200,833       | <b>Total Financial Assets at Amortised Cost</b>                    |               | 150,007   |
|               | <b>Financial Liabilities at Amortised Cost</b>                     |               |           |
| -232          | Other Investment Balances  |               | -101      |
| -999          | Current liabilities  |               | -2,736    |
| 6,819,103     | <b>Net Financial Assets</b>  |               | 7,025,102 |

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 materially because of changing market conditions. The risk is mitigated by an appropriate strategic asset allocation determined on a triennial basis alongside the actuarial valuation exercise. This aims to meet the target long term rate of return with an acceptable level of risk and includes appropriate diversification across asset classes. The allocation is determined by the Pensions Committee after taking advice.
- 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 allocations are reviewed on a quarterly basis by the Pensions Committee, when financial market conditions are reviewed and advice is considered.
- The Pensions Committee regularly reviews the long-term investment arrangements to ensure they remain appropriate.

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, after taking proper advice, formulate an investment strategy in accordance with guidance issued by the Secretary of State;
- details of investment arrangements must be provided in the Investment Strategy Statement, including the suitability and diversification of investments, the approach to managing risk, the pooling of investments, how environmental, social and governance issues are addressed, and how asset ownership rights are exercised.

The Fund, from data supplied by PIRC has used sensitivity analysis to determine movements in market price. The sensitivity analysis for currency is calculated using the standard deviation of the monthly exchange rate movements relative to sterling for individual and baskets of currencies (baskets based on market capitalisation of each included country). The fund analysis is calculated using the standard deviation at asset class and total fund level of the monthly returns delivered. Both use the data from the three years to end of March 2025. The market price risks are possible for the 2025-26 reporting period:

| Asset Type         | Potential market movements (+/-) % |
|--------------------|------------------------------------|
| Bonds              | 7.2                                |
| Equities           | 10.7                               |
| Property           | 4.1                                |
| Pooled Investments | 4.9                                |
| Private Equity     | 2.4                                |
| Cash               | 1.5                                |

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:

| Asset Type         | Value as at 31 March 2025 | Potential Value on Increase | Potential Value on Decrease |
|--------------------|---------------------------|-----------------------------|-----------------------------|
|                    | £000                      | £000                        | £000                        |
| Bonds              | 169,099                   | 181,274                     | 156,924                     |
| Equities           | 1,456                     | 1,612                       | 1,300                       |
| Pooled Investments | 6,707,376                 | 7,036,037                   | 6,378,715                   |
| Cash               | 121,456                   | 123,278                     | 119,634                     |
| <b>TOTAL</b>       | <b>6,999,387</b>          | <b>7,342,201</b>            | <b>6,656,573</b>            |

The Fund determined that the following movements in market price risk were possible for the 2024-25 reporting period:

| Asset Type         | Potential market movements (+/-)<br>% |
|--------------------|---------------------------------------|
| Bonds              | 6.6                                   |
| Equities           | 10.0                                  |
| Property           | 4.9                                   |
| Pooled Investments | 6.4                                   |
| Private Equity     | 5.7                                   |
| Cash               | 2.1                                   |

| Asset Type         | Value as at 31 March 2024 | Potential Value on Increase | Potential Value on Decrease |
|--------------------|---------------------------|-----------------------------|-----------------------------|
|                    | £000                      | £000                        | £000                        |
| Bonds              | 164,678                   | 175,547                     | 153,809                     |
| Equities           | 1,181                     | 1,299                       | 1,063                       |
| Pooled Investments | 6,453,642                 | 6,970,797                   | 5,936,487                   |
| Cash               | 49,769                    | 48,794                      | 46,880                      |
| <b>TOTAL</b>       | <b>6,669,270</b>          | <b>7,196,437</b>            | <b>6,138,239</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 and managed through:

- investment management responsibilities being split between the internal and external investment managers.
- investment managers each have a robust investment process including detailed research and analysis.
- the Fund's investments being diversified across a range of public and private markets investments, expected to perform differently in the range of financial market conditions.
- an analysis of 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 2 investment valuations are based on either closing bid price where bid and offer prices are published, fair value based on price or net asset value advised by the fund manager.
- **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, private credit and other, 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, infrastructure funds and private credit 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 2025 |                 |                 |               |
|--|-------------------------|-----------------|-----------------|---------------|
|  | Level 1<br>£000         | Level 2<br>£000 | Level 3<br>£000 | TOTAL<br>£000 |
| Financial Assets at fair value through profit or loss      | 204,033                 | 4,929,656       | 1,742,786       | 6,876,475     |
| Financial Assets at amortised cost                         | 151,464                 | 0               | 0               | 151,464       |
|  | 355,497                 | 4,929,656       | 1,742,786       | 7,063,271     |
| Financial Liabilities at fair value through profit or loss | -101                    | 0               | 0               | -101          |
| Financial Liabilities at amortised cost                    | -2,736                  | 0               | 0               | -2,736        |
|  | -2,837                  | 0               | 0               | -2,837        |
|  | 358,334                 | 4,929,656       | 1,742,786       | 7,025,102     |
|  | Values at 31 March 2024 |                 |                 |               |
|  | Level 1<br>£000         | Level 2<br>£000 | Level 3<br>£000 | TOTAL<br>£000 |
| Financial Assets at fair value through profit or loss      | 245,478                 | 4,734,121       | 1,638,721       | 6,618,320     |
| Financial Assets at amortised cost                         | 202,014                 | 0               | 0               | 202,014       |
|  | 447,492                 | 4,734,121       | 1,638,721       | 6,820,334     |
| Financial Liabilities at amortised cost                    | 1,231                   | 0               | 0               | 1,231         |
|  | 446,261                 | 4,734,121       | 1,638,721       | 6,819,103     |

| <b>Level 3 Analysis</b>       |                               |                            |                                    |                               |
|-------------------------------|-------------------------------|----------------------------|------------------------------------|-------------------------------|
| <b>Value at 01/04/24 £000</b> | <b>Purchases at Cost £000</b> | <b>Sales Proceeds £000</b> | <b>Change in Market Value £000</b> | <b>Value at 31/03/25 £000</b> |
| 1,638,721                     | 298,055                       | -208,901                   | 14,911                             | 1,742,786                     |
| <b>Level 3 Analysis</b>       |                               |                            |                                    |                               |
| <b>Value at 01/04/23 £000</b> | <b>Purchases at Cost £000</b> | <b>Sales Proceeds £000</b> | <b>Change in Market Value £000</b> | <b>Value at 31/03/24 £000</b> |
| 1,484,826                     | 300,435                       | -137,394                   | -9,146                             | 1,638,721                     |

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<br>31/03/25 | Potential<br>market<br>movements<br>(+/-) | Potential<br>value on<br>increase | Potential<br>value on<br>decrease |
|-----------------------|----------------------|---|-----------------------------------|-----------------------------------|
|                       | £000                 | %   | £000                              | £000                              |
| Multi Asset<br>Credit | 264,657              | 7.2                                       | 283,712                           | 245,602                           |
| Property              | 366,665              | 4.1                                       | 381,698                           | 351,631                           |
| Private Equity        | 311,892              | 2.4                                       | 319,378                           | 304,407                           |
| Infrastructure        | 462,638              | 2.4                                       | 473,742                           | 451,535                           |
| Other                 | 336,934              | 2.4                                       | 345,020                           | 328,847                           |
|                       | 1,742,786            |   | 1,803,550                         | 1,682,022                         |
|                       | Value at<br>31/03/24 | Potential<br>market<br>movements<br>(+/-) | Potential<br>value on<br>increase | Potential<br>value on<br>decrease |
|                       | £000                 | %   | £000                              | £000                              |
| Multi Asset<br>Credit | 370,006              | 6.6                                       | 287,826                           | 252,186                           |
| Property              | 380,041              | 4.9                                       | 398,663                           | 361,419                           |
| Private Equity        | 328,843              | 5.7                                       | 347,587                           | 310,099                           |
| Infrastructure        | 422,450              | 5.7                                       | 446,530                           | 398,370                           |
| Other                 | 237,381              | 5.7                                       | 250,912                           | 223,850                           |
|                       | 1,638,721            |   | 1,731,518                         | 1,545,924                         |

**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 Treasury Management Policy specifies the following framework for credit limits for individual counterparties:

| 31 March 2024      |             |   | 31 March 2025      |             |
|--------------------|-------------|---|--------------------|-------------|
| Maximum Limit £000 | Actual £000 |   | Maximum Limit £000 | Actual £000 |
| 20,000             | 20,000      | Institutions or Funds with a minimum rating of AAA/A2 | 20,000             | 20,000      |
| 20,000             |             | Institutions with a minimum rating of AA/A2           | 20,000             |             |
| 20,000             | 5,341       | Institutions with a minimum rating of A/A2            | 20,000             | 15,500      |
| 20,000             |             | Local Authorities                                     | 20,000             |             |
| 20,000             |             | Building Societies - top 15 ranked by asset value     | 20,000             |             |

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

| 31 March 2024 |   | 31 March 2025 |
|---------------|---|---------------|
| £000          |   | £000          |
| 43,928        | Institutions or Funds with a minimum rating of AAA/A2 | 73,375        |
|               | Institutions with a minimum rating of AA/A2           |               |
| 5,841         | Institutions with a minimum rating of A/A2            | 43,081        |
|               | Local Authorities                                     | 5,000         |
|               | Building Societies - top 15 ranked by asset value     |               |
| 49,769        |   | 121,456       |

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.

**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, i.e. bonds, can be liquidated at any given time.

| As at 31 March<br>2025       | Not more<br>than 3<br>months | 3 - 12<br>months | 1 - 5<br>years | More<br>than 5<br>years | No specific<br>maturity | Total            |
|------------------------------|------------------------------|------------------|----------------|-------------------------|-------------------------|------------------|
|                              | £000                         | £000             | £000           | £000                    | £000                    | £000             |
| <b>Assets</b>                |                              |                  |                |                         |                         |                  |
| Cash                         | 0                            | 5,000            | 0              | 0                       | 116,456                 | 121,456          |
| Investments                  | 0                            | 17,113           | 67,770         | 84,216                  | 6,708,833               | 6,877,932        |
| Other investment<br>balances | 8,762                        | 0                | 0              | 0                       | 0                       | 8,762            |
| Current assets               | 19,789                       | 0                | 0              | 0                       | 0                       | 19,789           |
| <b>Total assets</b>          | <b>28,551</b>                | <b>22,113</b>    | <b>67,770</b>  | <b>84,216</b>           | <b>6,825,289</b>        | <b>7,027,939</b> |
| <b>Liabilities</b>           |                              |                  |                |                         |                         |                  |
| Other investment<br>balances | -101                         | 0                | 0              | 0                       | 0                       | -101             |
| Current liabilities          | -2,736                       | 0                | 0              | 0                       | 0                       | -2,736           |
| <b>Total liabilities</b>     | <b>-2,837</b>                | <b>0</b>         | <b>0</b>       | <b>0</b>                | <b>0</b>                | <b>-2,837</b>    |
| <b>Liquidity gap</b>         | <b>25,714</b>                | <b>22,113</b>    | <b>67,770</b>  | <b>84,216</b>           | <b>6,825,289</b>        | <b>7,025,102</b> |
| As at 31 March<br>2024       | Not more<br>than 3<br>months | 3 - 12<br>months | 1 - 5<br>years | More<br>than 5<br>years | No specific<br>maturity | Total            |
|                              | £000                         | £000             | £000           | £000                    | £000                    | £000             |
| <b>Assets</b>                |                              |                  |                |                         |                         |                  |
| Cash                         | 0                            | 0                | 0              | 0                       | 49,769                  | 49,769           |
| Investments                  | 5,139                        | 6,044            | 61,082         | 92,412                  | 6,454,824               | 6,619,501        |
| Other investment<br>balances | 132,303                      | 0                | 0              | 0                       | 0                       | 132,303          |
| Current assets               | 18,761                       | 0                | 0              | 0                       | 0                       | 18,761           |
| <b>Total assets</b>          | <b>156,203</b>               | <b>6,044</b>     | <b>61,082</b>  | <b>92,412</b>           | <b>6,504,593</b>        | <b>6,820,334</b> |
| <b>Liabilities</b>           |                              |                  |                |                         |                         |                  |
| Other investment<br>balances | -232                         | 0                | 0              | 0                       | 0                       | -232             |
| Current liabilities          | -999                         | 0                | 0              | 0                       | 0                       | -999             |

|                          |         |       |        |        |           |           |
|--------------------------|---------|-------|--------|--------|-----------|-----------|
| <b>Total liabilities</b> | -1,231  | 0     | 0      | 0      | 0         | -1,231    |
| <b>Liquidity gap</b>     | 154,972 | 6,044 | 61,082 | 92,412 | 6,504,593 | 6,819,103 |

### 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:

| 31 March 2024 |                           | 31 March 2025 |
|---------------|---------------------------|---------------|
| £000          |                           | £000          |
|               | <b>Asset Type</b>         |               |
| 49,769        | Cash and cash equivalents | 121,456       |
| 164,678       | Bonds                     | 169,099       |
| 214,447       |                           | 290,555       |

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 2025 | Potential movement on 1% change in interest rates | Value on Increase | Value on Decrease |
|--------------------------------------|---------------------------|---|-------------------|-------------------|
|                                      | £000                      | £000  | £000              | £000              |
| Cash and cash equivalents            | 121,456                   | 1,215   | 122,671           | 120,241           |
| Bonds                                | 169,099                   | 1,691   | 170,790           | 167,408           |
| <b>TOTAL</b>                         | 290,555                   | 2,906   | 293,461           | 287,649           |
| Assets exposed to interest rate risk | Value as at 31 March 2024 | Potential movement on 1% change in interest rates | Value on Increase | Value on Decrease |
|                                      | £000                      | £000  | £000              | £000              |
| Cash and cash equivalents            | 49,769                    | 498   | 50,267            | 49,271            |
| Bonds                                | 164,678                   | 1,647   | 166,325           | 163,031           |
| <b>TOTAL</b>                         | 214,447                   | 2,144   | 216,591           | 212,303           |

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 2025 | Potential movement on 1% change in interest rates | Value on Increase | Value on Decrease |
|--------------------------------------|---------------------------|---|-------------------|-------------------|
|                                      | £000                      | £000  | £000              | £000              |
| Cash and cash equivalents            | 5,768                     | 58  | 5,826             | 5,710             |
| Bonds                                | 2,967                     | 30  | 2,997             | 2,937             |
| <b>TOTAL</b>                         | <b>8,735</b>              | <b>87</b>   | <b>8,822</b>      | <b>8,648</b>      |

| Income exposed to interest rate risk | Value as at 31 March 2024 | Potential movement on 1% change in interest rates | Value on Increase | Value on Decrease |
|--------------------------------------|---------------------------|---|-------------------|-------------------|
|                                      | £000                      | £000  | £000              | £000              |
| Cash and cash equivalents            | 4,619                     | 46  | 4,665             | 4,573             |
| Bonds                                | 2,080                     | 21  | 2,101             | 2,059             |
| <b>TOTAL</b>                         | <b>6,699</b>              | <b>67</b>   | <b>6,766</b>      | <b>6,632</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 5.4% (2024 5.6%) 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 2024 | Potential market movement | Value on Increase | Value on Decrease |
|---------------------------------|------------------------------|---------------------------|-------------------|-------------------|
|                                 | £000                         | £000                      | £000              | £000              |
| Bonds                           | 272,503                      | 14,715                    | 287,218           | 257,788           |
| Managed Funds                   | 567,014                      | 30,619                    | 597,633           | 536,395           |
| Cash                            | 11,273                       | 609                       | 11,882            | 10,664            |
| <b>TOTAL</b>                    | <b>850,790</b>               | <b>45,943</b>             | <b>896,733</b>    | <b>804,847</b>    |

| Assets exposed to currency risk | Asset value at 31 March 2024 | Potential market movement | Value on Increase | Value on Decrease |
|---------------------------------|------------------------------|---------------------------|-------------------|-------------------|
|                                 | £000                         | £000                      | £000              | £000              |

|               |                |               |                |                |
|---------------|----------------|---------------|----------------|----------------|
| Bonds         | 295,227        | 16,533        | 311,760        | 278,694        |
| Managed Funds | 628,216        | 35,180        | 663,396        | 593,036        |
| Cash          | 3,115          | 174           | 3,289          | 2,941          |
| <b>TOTAL</b>  | <b>926,558</b> | <b>51,887</b> | <b>978,445</b> | <b>874,671</b> |

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

There are no accounting standards that have been issued but not yet adopted.

#### **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 Statement of Accounts was authorised by the Director of Finance as Section 151 Officer on [date].

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

#### **V) Scheme Registration Number**

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

#### **Further Details**

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

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## Welcome to East Riding Pension Fund's Funding Strategy Statement

This document sets out the Funding Strategy Statement (FSS) for East Riding Pension Fund (the Fund).

East Riding Pension Fund is administered by East Riding of Yorkshire Council, known as the Administering Authority. The Fund worked with the Fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2023.

There's a regulatory requirement for East Riding of Yorkshire Council to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact [erpf@eastriding.gov.uk](mailto:erpf@eastriding.gov.uk)

### 1.1 What is East Riding Pension Fund?

East Riding Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at [www.lgpsmember.org](http://www.lgpsmember.org). East Riding of Yorkshire Council runs the Fund on behalf of participating employers, their employees, and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

### 1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants

use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency

where appropriate, ensure stable employer contribution rates

reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy

use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

### 1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

#### **Different types of employers participate in the Fund:**

##### **Scheduled bodies**

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

## Designating employers

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme. The Fund's policy on Town and Parish Councils is available from the Fund.

## Admission bodies

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

### 1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the Fund. You can find the investment strategy at

<https://erpf.eastriding.gov.uk/investments-and-funding-information/>

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

### 1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#))

### 1.6 How is the funding strategy specific to East Riding Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

## 2 How does the Fund calculate employer contributions?

## 2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of three elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The third element is an allowance for the Fund's expenses, and this is included in the primary rate.

The Fund Actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in [Appendix D](#).

The total contribution rate for each employer is then based on:

- a) **the funding target** – how much money the Fund aims to hold for each employer
- b) **the time horizon** – the time over which the employer aims to achieve the funding target
- c) **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach allows for the maturing profile of the membership when setting employer contribution rates.

## 2.2 Prepayment of contributions

The Fund permits the prepayment of employer contributions in specific circumstances. The Fund's policy on prepayments is detailed in [Appendix E](#).

### Employer contributions

1. The Fund will consider requests from employers to make payment of their employer contributions early.
2. Each case will be considered on its own merits, taking into account the type of employer, the employer rate, the amount and the value of cash the Fund holds.

## 2.3 Employee contributions

1. The Fund will not consider requests to allow payment of employee contributions early.
2. In exceptional circumstances, officers may consider this on a case-by-case basis.

Prepayment of contributions does not guarantee that the employer will benefit from earlier investment: the value of the prepaid contributions can fall if investment returns are negative.

### 2.3 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

| Type of Employer              | Scheduled Bodies   |   | Closed designating employers and all Community Admission Bodies |   | Transferee Admission Bodies                                     |
|-------------------------------|--|---|---|---|---|
| Sub-type                      | Local authorities, Academies   | Police, Fire, Fisheries, Drainage, Town/Parish Councils | Universities and Colleges                                       | all   | all   |
| Funding target                | Ongoing  | Ongoing   | Ongoing   | Ongoing, but may move to low-risk exit basis if no guarantor – refer to section 7 | Contractor exit basis, assuming fixed-term contract in the Fund |
| Minimum likelihood of success | 70%  | 75%   | 80%   | 80%   | 70%   |
| Maximum time horizon          | 20 years   | 20 years  | 15 years  | Average future working lifetime (or less if no guarantee)                         | Same as the letting employer                                    |
| Primary rate approach         | The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon* |   |   |   |   |
| Secondary rate                | Monetary amount, % of payroll for schools and academies  | % of payroll  | % of payroll or monetary amount                                 | Monetary amount   | Monetary amount   |

| Stabilised contribution rate?   | Yes                                  | Yes | No  | No                      | No   |
|---------------------------------|--------------------------------------|-----|---|-------------------------|--|
| Treatment of surplus            | Covered by stabilisation arrangement |     | Preferred approach: contributions kept at primary rate. Reductions may be permitted by the Fund |                         | Reduce contributions by spreading the surplus over the remaining contract term, if over 4 years, at admin authority's discretion |
| Phasing of contribution changes | Covered by stabilisation arrangement |     | None  | Not typically permitted | None   |

*\* Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

### 2.4 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. If this isn't appropriate, contribution increases or decreases may be phased. The Fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the Fund Actuary, the Fund believes a stabilised approach is a prudent longer-term strategy for some employers.

**Table 2: current stabilisation arrangement**

| Type of Employer                        | Unitary Authorities | Town & Parish Councils | Academy    |
|---|---------------------|------------------------|------------|
| Maximum contribution increases per year | +1% of pay          | +2% of pay             | +2% of pay |
| Maximum contribution decreases per year | -1% of pay          | -2% of pay             | -2% of pay |

Stabilisation criteria and limits are reviewed during the valuation process. The Fund may review them between valuations to respond to membership or employer changes.

**2.5 Reviewing contributions between valuations**

The Fund may amend contribution rates between formal valuations for a ‘significant change’ to the liabilities or covenant of an employer, in line with its policy on contribution reviews. A review may be instigated by the Fund or at the request of a participating employer.

The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

The Fund’s policy on reviewing contributions between valuation is set out in [Appendix G](#).

**2.6 What is pooling?**

The Fund operates funding pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In this type of pooling arrangement, employers do not target full funding at exit. While the Fund receives the contributions required, the risk that employers will be entitled to a surplus payment on exit increases. This risk should be covered by an external guarantee or security.

Employers in a pool maintain their individual funding positions, tracked by the Fund Actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren’t disclosed to pooled employers, unless agreed by the Fund.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

## 2.7 What are the current contribution pools?

Small Schedule and Resolution Bodies - sharing experience and smoothing the effects of costly but rare events like ill-health retirement or deaths in service.

1. **Schools** – generally pool with their funding council, although there may be exceptions for specialist or independent schools.
2. **Academies** – may be pooled within a Multi Academy Trust (MAT) at the MAT's request.
3. **Smaller Colleges** – sharing experience and smoothing the effects of costly but rare events like ill-health retirement or deaths in service. Includes wholly owned subsidiaries of any college in the pool.

## 2.8 Fund discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, or otherwise the Administering Authority wishes to use its discretion, the Fund may adopt alternative funding approaches on a case-by-case basis.

Additionally, the Fund may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

## 3 What additional contributions may be payable?

### 3.1 Pension costs – awarding additional pension and early retirement on non-ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers will be asked to pay additional contributions called strain payments. The Fund won't start to pay the unreduced benefits until the strain payment is made by the employer.

### 3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

To mitigate this, employers may choose to use external insurance made available by the Fund. Individual employers may also make their own arrangements if they are concerned about the risk of unmanageable ill-health strain costs.

#### **4 How does the Fund calculate assets and liabilities?**

##### **4.1 How are employer asset shares calculated?**

The Fund adopts a cashflow approach to track individual employer assets.

The Fund tracks employer assets monthly.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the Fund Actuary will calculate assets linked to the value of the liabilities transferring (see section 0).

##### **4.2 How are employer liabilities calculated?**

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix D](#), the Fund Actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by DLUHC.

##### **4.3 What is a funding level?**

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 0 for further information on rates.

## 5 What happens when an employer joins the fund?

### 5.1 When can an employer join the fund?

Employers can join the Fund if they are a new scheduled body or a new admission body. New designating employers may also join the Fund if they pass a designation to do so.

The Fund will determine the assets and liabilities for a new employer. The calculation will depend on the type of employer and the circumstances of joining.

The Fund will also set a contribution rate. This will be set in the way described in section 0 unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement).

The Fund's policy on new employers, including pass-through arrangements for admission bodies, is available from the Fund.

### 5.2 New academies

New academies (including free schools) join the Fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund Actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (i.e. members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The Fund treats new academies as separate employers in their own right, each responsible for their allocated assets and liabilities. They won't be pooled with other employers unless the academy is part of a multi-academy trust (MAT). If they are part of a MAT, the new academy can be combined with the other MAT academies to set contributions. Otherwise, the new academy's contribution rate is based on the current funding strategy (set out in section 0) and the transferring membership.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The Fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future Funding Strategy Statements.

The Fund's policy on academies and free schools is available from the Fund.

### **5.3 New admission bodies as a result of outsourcing services**

New admission bodies usually join the Fund because an existing employer (typically a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the Fund Actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the Fund or in the contract admission agreement.

The fund's policy is to require all new admission bodies to be set up with a pass-through arrangement.

Additional information on outsourcing from an academy or free school is included in the Fund's Policy on Academies and Free Schools.

### **5.4 Other new employers**

There may be other circumstances that lead to a new admission body entering the fund, e.g. set up of a wholly owned subsidiary company by a local authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designating employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designating employers in the fund.

## 5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund Actuary assesses this because the assessment must be carried out to the Fund's satisfaction.

After considering the assessment, the Fund may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

1. strain costs of any early retirements if employees are made redundant when a contract ends prematurely
2. allowance for the risk of assets performing less well than expected
3. allowance for the risk of liabilities being greater than expected
4. allowance for the possible non-payment of employer and member contributions
5. admission body's existing deficit.

The Fund's policy on new employers is available from the Fund.

## 6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

the Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower

the Fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities

the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The Fund's bulk transfer policy is detailed is available from the Fund. Additional information about bulk transfers of staff relating to academies consolidating into a single LGPS fund is also included in the Fund's policy on Academies and Free Schools.

## 7 What happens when an employer leaves the fund?

### 7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the fund. The Fund, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of an admission body
- a breach of an admission agreement that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the Fund will instruct the Fund Actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the fund.

## 7.2 What happens on cessation?

The Fund must protect the interests of the remaining Fund employers when an employer leaves the fund. The actuary aims to protect remaining employers from the risk of future loss. The funding targets adopted for the cessation calculation is below. These are defined in [Appendix D](#).

- Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in [Appendix D](#).
- Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.
- Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or may be reflected in the contribution rates set at the next formal valuation.

The Fund Actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

The Fund's policy on employer exits is available from the Fund with additional details about employer flexibilities on exit detailed in [Appendix F](#).

### 7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – a surplus – the Fund can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is included within the Fund's policy on employer exits available from the Fund.

### 7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period if the employer enters into a deficit spreading agreement (DSA)
- if an exiting employer enters into a deferred debt agreement, the employer stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is included in [Appendix F](#).

### 7.5 What if an employer has no active members?

When an employer leaves the Fund because their last active member has left or retired, they may: pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

- their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers will be required to contribute to the remaining benefits. The Fund Actuary will portion the liabilities on a pro-rata basis at the formal valuation
- the last ex-employee or dependant dies before the employer's asset share is fully run down. The Fund Actuary will apportion the remaining assets to the other Fund employers at the formal valuation.

## 8 What are the statutory reporting requirements?

### 8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section

13 report. The report should include confirmation that employer contributions are set at the right level to ensure the Fund's solvency and long-term cost efficiency.

## 8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level

or

- there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

## 8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the Fund may consider absolute and relative factors.

Relative factors include:

- comparing LGPS funds with each other
- the implied deficit recovery period
- the investment return required to achieve full funding after 20 years.

Absolute factors include:

- comparing funds with an objective benchmark
- the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
- how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
- the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
- how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial bases don't offer straightforward comparisons.

## Appendices

### Appendix A – The regulatory framework

#### A1 Why do funds need a Funding Strategy Statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a Funding Strategy Statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the Fund uses to:

- a) *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- b) *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- c) *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- d) *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the Fund has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

#### A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with “*persons the authority considers appropriate*”. This should include ‘*meaningful dialogue... with council tax raising authorities and representatives of other participating employers*’.

The consultation process included:

- A draft version of the FSS circulated on 18 October 2022 for comments by all participating employers
- Comments requested by 13 January 2023 allowing 30 days for comments to be submitted
- Discussion at the Employers Forum on 10 January 2023 where all employers, whether attending in person or online, had the opportunity to raise questions about the FSS
- Closure of the consultation on 13 January 2023 with Committee approval post-consultation.
- Publication on 30 March 2023, in advance of publication of the 2022 formal valuation report by 31 March 2023

#### A3 How is the FSS published?

The FSS is emailed to participating employers and is published on the website at <http://www.erpf.org.uk>. A full copy is included in the Fund’s annual report and accounts. Copies are freely available on request and sent to investment managers and independent advisers.

**A4 How often is the FSS reviewed?**

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

**A5 How does the FSS fit into the overall Fund documentation?**

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at <https://erpf.eastriding.gov.uk/key-policies-and-documents/>

**Appendix B – Roles and responsibilities****B1 The Fund:**

- operates the Fund and follows all Local Government Pension Scheme (LGPS) regulations
- manages any conflicts of interest from its dual role as administering authority and a Fund employer
- collects employer and employee contributions, investment income and other amounts due
- ensures cash is available to meet benefit payments when due
- pays all benefits and entitlements
- invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
- communicates with employers so they understand their obligations
- safeguards the Fund against employer default
- works with the Fund Actuary to manage the valuation process
- provides information to the Government Actuary's Department so they can carry out their statutory obligations
- consults on, prepares and maintains the funding and investment strategy statements
- tells the actuary about changes which could affect funding
- monitors the Fund's performance and funding, amending the strategy statements as necessary
- enables the local pension board to review the valuation process.

**B2 Individual employers:**

- deduct the correct contributions from employees' pay
- pay all contributions by the due date
- have appropriate policies in place to work within the regulatory framework

- make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
- tell the Fund promptly about any changes to circumstances, prospects or membership which could affect future funding.
- make any required exit payments when leaving the fund.

### **B3 The Fund Actuary:**

- prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
- provides information to the Government Actuary Department so they can carry out their statutory obligations
- advises on Fund employers, including giving advice about and monitoring bonds or other security
- prepares advice and calculations around bulk transfers and individual benefits
- assists the Fund to consider changes to employer contributions between formal valuations
- advises on terminating employers' participation in the fund
- fully reflects actuarial professional guidance and requirements in all advice.

### **B4 Other parties:**

16. internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the Funding Strategy Statement
17. investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS
18. auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
19. governance advisers may be asked to advise the Fund on processes and working methods
20. internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the Fund's own procedures
21. the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

## **Appendix C – Risks and controls**

### **C1 Managing risks**

The Fund has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out in the board terms of reference available at <https://erpf.eastriding.gov.uk/local-pension-board/terms-of-reference/>

The Fund considers strategic risks which are monitored throughout the year by the Pensions Committee and the Board. Details of these key risks are available from the Fund by contacting [erpf@eastriding.gov.uk](mailto:erpf@eastriding.gov.uk)

The Fund also manages specific funding risks as below.

**C2 Financial risks**

| Risk  | Summary of Control Mechanisms   |
|---|---|
| <p><b>Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.</b></p> | <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 estimate of liabilities between valuations at whole Fund level.</p> |
| <p><b>Inappropriate long-term investment strategy.</b></p>  | <p>Overall investment strategy options considered as an integral part of the funding strategy.</p> <p>Asset liability modelling used to assess appropriate interaction between funding strategy and investment strategy.</p>  |
| <p><b>Active investment manager under-performance relative to benchmark.</b></p>  | <p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>   |
| <p><b>Pay and price inflation significantly more than anticipated.</b></p>  | <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 gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</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.  |
| Effect of possible increase in employer’s contribution rate on service delivery and admission/scheduled bodies | An explicit stabilisation arrangement has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.   |
| Orphaned employers give rise to added costs for the fund   | Pass-through arrangement in place for new admission bodies from 1 April 2023<br><br>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.   |
| Effect of possible asset underperformance as a result of climate change  | If it occurs, the actuary calculates the added cost spread pro-rata among all employers.<br><br>Additional modelling of climate change scenarios provided by Fund Actuary/investment adviser to confirm resilience of investment strategy to the modelled changes |

**C3 Demographic risks**

| Risk  | Summary of Control Mechanisms  |
|---|--|
| Pensioners living longer, thus increasing cost to fund. | Set mortality assumptions with some allowance for future increases in life expectancy. |

|  |  |
|--|--|
|  | 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.   |
| Maturing fund – ie 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  | Employers are charged the extra cost of non ill-health retirements following each individual decision.<br><br>Employer ill-health retirement experience is monitored quarterly, and insurance is an option.  |
| Reductions in payroll causing insufficient deficit recovery payments                                     | In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation.<br>However, there are protections where there is concern, as follows:<br>Employers in the stabilisation arrangement may be brought out of that mechanism to permit appropriate contribution increases.<br><br>For other employers, review of contributions is permitted in general between valuations and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts. |

**C4 Regulatory risks**

| Risk   | Summary of Control Mechanisms   |
|--|---|
| Changes to national pension requirements and/or HMRC rules | The Fund considers all consultation papers issued by the Government and comments where appropriate. |

|  |  |
|--|--|
| <p>eg changes arising from public sector pensions reform.</p>  | <p>The Fund 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 – is built into the actuarial valuation.</p> |
| <p>Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis.</p>                     | <p>Take advice from Fund Actuary on position of Fund and consideration of proposed valuation approach relative to anticipated Section 13 analysis.</p>   |
| <p>Changes by Government to particular employer participation in LGPS funds, leading to impacts on funding and/or investment strategies.</p> | <p>The Fund considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>  |

**C5 Governance risks**

| Risk  | Summary of Control Mechanisms   |
|---|---|
| <p>Fund unaware of structural changes in an employer’s membership (eg large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.</p> | <p>The Fund 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> |
| <p>Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way</p>   | <p>The Fund 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>   |
| <p><b>Fund failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.</b></p> | <p>The Fund 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>   |
| <p><b>An employer ceasing to exist with insufficient funding or adequacy of a bond.</b></p>                                    | <p>The Fund 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> <ul style="list-style-type: none"> <li>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible.</li> <li>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</li> <li>Vetting prospective employers before admission.</li> <li>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</li> <li>Requiring new Community Admission Bodies to have a guarantor.</li> <li>Reviewing bond or guarantor arrangements at regular intervals.</li> <li>Reviewing contributions well ahead of cessation if thought appropriate.</li> </ul> |
| <p><b>An employer ceasing to exist resulting in an exit credit being payable</b></p>   | <p>The Fund regularly monitors admission bodies coming up to cessation</p> <p>The Fund invests in liquid assets to ensure that exit credits can be paid when required.</p>   |

**C6 Employer covenant assessment and monitoring**

Many of the employers participating in the fund, such as admission bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer’s funding strategy.

| Type of employer  | Assessment  | Monitoring   |
|---|---|--|
| Local Authorities   | Tax-raising, no individual assessment required  | n/a  |
| Academies   | Government-backed, covered by DfE guarantee in event of MAT failure   | Check that DfE guarantee continues, after regular scheduled DfE review |
| Police, Fire, Fisheries, Town/Parish Councils, levying bodies | Tax-raising or government-backed, no individual assessment required   | n/a  |
| Colleges & Universities                                       | Assessments are carried out to understand individual circumstances, to manage risk and to set appropriate funding plans | Will be reassessed on an annual basis                                  |

|  |  |  |
|--|--|--|
| <p><b>Admission bodies (including TABs &amp; CABs)</b></p> | <p>All new admission bodies are required to provide a form of security, such as a guarantee from the letting employer, and indemnity or bond. The security must be to the satisfaction of the Fund as well as the letting employer</p> | <p>Will be reassessed on an annual basis</p> |
|--|--|--|

**C7 Climate risk and TCFD reporting**

The Fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the Fund has carried out in-depth asset liability modelling to stress test both the funding and the investment strategies against possible future climate scenarios.

The current strategies were proven to be resilient to climate transition risks within an appropriate level of prudence. The Fund will continue to monitor the resilience of the funding strategy to climate risks at future valuations or when there has been a significant change in the risk posed to the Fund (e.g. global climate policy changes).

Further details on how the Fund manages climate risks is set out in the Fund’s climate policy at <https://erpf.eastriding.gov.uk/investments-and-funding-information/>

**Appendix D – Actuarial assumptions**

The Fund’s actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the Funding Strategy Statement.

**D1 What are assumptions?**

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the Fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the Fund will pay in future.

## D2 What assumptions are used to set the contribution rate?

The Fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the Fund Actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

|                      |           | Annualised total returns |                                    |              |                                    |                   |          |                               |                                      |   |   |                    |
|----------------------|-----------|--------------------------|------------------------------------|--------------|------------------------------------|-------------------|----------|-------------------------------|--------------------------------------|---|---|--------------------|
|                      |           | Cash                     | Index<br>Linked<br>Gilts<br>(long) | UK<br>Equity | Developed<br>World ex<br>UK Equity | Private<br>Equity | Property | Emerging<br>Markets<br>Equity | Unlisted<br>Infrastructure<br>Equity | Multi<br>Asset<br>Credit<br>(sub<br>inv<br>grade) | Direct<br>Lending<br>(private<br>debt)<br>GBP<br>Hedged | Inflation<br>(CPI) |
| 10<br>Years          | 16th %ile | 0.8%                     | -3.1%                              | -0.4%        | -0.7%                              | -1.2%             | -0.6%    | -2.5%                         | 0.7%                                 | 1.7%  | 2.7%  | 1.6%               |
|                      | 50th %ile | 1.8%                     | -0.7%                              | 5.7%         | 5.6%                               | 9.4%              | 4.4%     | 5.8%                          | 5.9%                                 | 3.5%  | 6.0%  | 3.3%               |
|                      | 84th %ile | 2.9%                     | 2.0%                               | 11.6%        | 11.7%                              | 20.1%             | 9.5%     | 14.4%                         | 11.2%                                | 5.2%  | 9.2%  | 4.9%               |
| 20<br>Years          | 16th %ile | 1.0%                     | -2.6%                              | 1.7%         | 1.5%                               | 2.4%              | 1.4%     | 0.1%                          | 2.6%                                 | 2.8%  | 4.3%  | 1.2%               |
|                      | 50th %ile | 2.4%                     | -0.9%                              | 6.2%         | 6.1%                               | 10.0%             | 5.0%     | 6.3%                          | 6.5%                                 | 4.4%  | 6.8%  | 2.7%               |
|                      | 84th %ile | 4.0%                     | 0.8%                               | 10.6%        | 10.8%                              | 17.6%             | 8.9%     | 12.8%                         | 10.6%                                | 6.0%  | 9.2%  | 4.3%               |
| 40<br>Years          | 16th %ile | 1.2%                     | -1.1%                              | 3.2%         | 3.1%                               | 4.7%              | 2.6%     | 2.1%                          | 3.9%                                 | 3.6%  | 5.5%  | 0.9%               |
|                      | 50th %ile | 2.9%                     | 0.3%                               | 6.7%         | 6.5%                               | 10.3%             | 5.5%     | 6.8%                          | 7.0%                                 | 5.3%  | 7.7%  | 2.2%               |
|                      | 84th %ile | 4.9%                     | 1.9%                               | 10.2%        | 10.2%                              | 16.1%             | 8.8%     | 11.7%                         | 10.3%                                | 7.1%  | 10.0%   | 3.7%               |
| Volatility<br>(5 yr) |           | 2%                       | 9%                                 | 18%          | 19%                                | 30%               | 15%      | 26%                           | 15%                                  | 6%  | 10%   | 3%                 |

## D3 What financial assumptions were used?

### Future investment returns and discount rate

The Fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

|                       | Employer type  | Margin above risk-free rate   |
|-----------------------|--|---|
| Ongoing basis         | All employers except transferee admission bodies and closed community admission bodies | 1.60%   |
| Low-risk exit basis   | Community admission bodies closed to new entrants                                      | 0%  |
| Contractor exit basis | Transferee admission bodies  | Equal to the margin used to allocate assets to the employer on joining the fund |

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.4% applies. This is based on a prudent estimate of investment returns, specifically, that there is a 75% likelihood that the Fund's assets will achieve future investment returns of 4.4% pa over the 20 years following the 2022 valuation date.

#### Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

#### Salary growth

The salary increase assumption at the latest valuation has been set to CPI only, plus a promotional salary scale.

#### D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

## Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the Fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

| Other demographic assumptions |  |
|-------------------------------|--|
| Retirement in normal health   | Members are assumed to retire at the earliest age possible with no pension reduction.  |
| Promotional salary increases  | Sample increases below   |
| Death in service              | Sample rates below   |
| Withdrawals                   | Sample rates below   |
| Retirement in ill health      | Sample rates below   |
| Family details                | A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members. |
| Commutation                   | 65% of maximum tax-free cash   |
| 50:50 option                  | 0.7% of members will choose the 50:50 option.  |

**D3 Rates for demographic assumptions***Males*

| Incidence per 1000 active members per year |              |                         |             |        |                   |     |                   |     |
|--|--------------|-------------------------|-------------|--------|-------------------|-----|-------------------|-----|
| Age  | Salary scale | Death before retirement | Withdrawals |        | Ill-health tier 1 |     | Ill-health tier 2 |     |
|  |              |                         | FT &PT      | FT     | PT                | FT  | PT                | FT  |
| 20   | 105          | 0.17                    | 465.0       | 1000.0 | 0.0               | 0.0 | 0.0               | 0.0 |
| 25   | 117          | 0.17                    | 307.1       | 725.0  | 0.0               | 0.0 | 0.0               | 0.0 |
| 30   | 131          | 0.20                    | 217.9       | 514.3  | 0.0               | 0.0 | 0.0               | 0.0 |
| 35   | 144          | 0.24                    | 170.3       | 401.8  | 0.1               | 0.1 | 0.0               | 0.0 |
| 40   | 150          | 0.41                    | 137.1       | 323.4  | 0.2               | 0.1 | 0.0               | 0.0 |
| 45   | 157          | 0.68                    | 128.8       | 303.7  | 0.4               | 0.3 | 0.1               | 0.1 |
| 50   | 162          | 1.09                    | 106.1       | 250.1  | 0.9               | 0.7 | 0.2               | 0.2 |
| 55   | 162          | 1.70                    | 83.6        | 197.0  | 3.5               | 2.7 | 0.5               | 0.4 |
| 60   | 162          | 3.06                    | 74.5        | 175.5  | 6.2               | 4.7 | 0.4               | 0.3 |

*Females*

| Incidence per 1000 active members per year |              |                         |             |       |                   |     |                   |     |
|--|--------------|-------------------------|-------------|-------|-------------------|-----|-------------------|-----|
| Age  | Salary scale | Death before retirement | Withdrawals |       | Ill-health tier 1 |     | Ill-health tier 2 |     |
|  |              |                         | FT &PT      | FT    | PT                | FT  | PT                | FT  |
| 20   | 105          | 0.10                    | 352.4       | 490.7 | 0.0               | 0.0 | 0.0               | 0.0 |
| 25   | 117          | 0.10                    | 237.1       | 330.2 | 0.1               | 0.1 | 0.0               | 0.0 |
| 30   | 131          | 0.10                    | 198.8       | 276.7 | 0.1               | 0.1 | 0.0               | 0.0 |
| 35   | 144          | 0.20                    | 171.6       | 238.7 | 0.3               | 0.2 | 0.1               | 0.0 |
| 40   | 150          | 0.40                    | 142.8       | 198.6 | 0.4               | 0.3 | 0.1               | 0.1 |
| 45   | 157          | 0.60                    | 133.3       | 185.3 | 0.5               | 0.4 | 0.1               | 0.1 |
| 50   | 162          | 0.90                    | 112.3       | 156.1 | 1.0               | 0.7 | 0.2               | 0.2 |
| 55   | 162          | 1.20                    | 83.8        | 116.6 | 3.6               | 2.7 | 0.5               | 0.4 |
| 60   | 162          | 1.50                    | 67.6        | 93.8  | 5.7               | 4.3 | 0.5               | 0.4 |

**D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?**

The LGPS benefit structure is expected to change, to reflect the outcome of the McCloud case which will increase some benefits for some members. The regulations have not yet been formally updated

and it is not possible to accurately calculate the eventual benefit increase for any particular member.

To reflect this uncertainty (along with continuing uncertainty from the 2016 cost management exercise) 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.

### **Low-risk exit basis**

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

- The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.
- The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
- Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

### **Contractor exit basis**

Where there is a guarantor (e.g. in the case of contractors where the local authority guarantees the contractor's admission in the fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates. Specifically, the discount rate is set equal to the risk-free rate at the cessation date, plus a margin equal to that set to allocate assets to the employer on joining the Fund.

## **Appendix E – Prepayment of contributions**

### **Introduction**

The purpose of this policy is to set out the Fund's approach to the prepayment of regular contributions by participating employers. The Fund retains discretion to take into account any relevant individual employer circumstances.

### **E1 Aims and objectives**

The Fund's aims and objectives related to this policy are:

- a) To provide employers with clarity around when prepayment of contributions will be permitted.
- b) To outline the key principles followed when calculating prepayment amounts.
- c) To outline the approach used to assess the suitability of a prepayment as sufficient to meet the required contributions.

## **E2 Background**

It is common practice in the LGPS for employers to prepay regular contributions that were otherwise due to be paid to the Fund in future. Employer contributions include the 'Primary Rate' – which is expressed as a percentage of payroll and reflects the employer's share of the cost of future service benefits, and the 'Secondary Rate' – which can be expressed as a percentage of payroll or a monetary amount and is an additional contribution designed to ensure that the total contributions payable by the Employer meet the funding objective.

On 22 March 2022, following a request from the LGPS Scheme Advisory Board, James Goudie QC provided an [Opinion](#) on the legal status of prepayments. This Opinion found that the prepayment of employee and employer contributions was not illegal, subject to the basis for determining the prepayment amount being reasonable, proportionate and prudent. The Opinion also set out specific requirements around the presentation of prepayments.

## **E3 Guidance and regulatory framework**

1. The LGPS regulations set out how funds should determine employer contributions, and include relevant provisions including:
  2. Regulation 9 – outlines the contribution rates payable by active members
  3. Regulation 62 - sets the requirement for a Fund to prepare a rates and adjustments (R&A) certificate.
  4. Regulation 67 – sets out the requirement for employers to pay contributions in line with R&A certificate and specifies that primary contributions be expressed as a percentage of pensionable pay of active members.

## **E4 Statement of Principles**

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

1. The prepayment of employee contributions is not permitted.
2. The prepayment of employer contributions may be permitted.
3. Only secure, long-term employers (e.g. local authorities) may be permitted to prepay contributions.
4. The Fund Actuary will determine the prepayment amount, which may require assumptions to be made about payroll over the period which the scheduled contribution is due.

5. The prepayment amount may include a discount to reflect the investment return that is assumed to be generated by the Fund over the period of prepayment.
6. Prepayments of contributions will unavoidably lead to additional transaction costs. These occur when the prepayment is made and if investments have to be sold to meet the Fund's cashflow requirements. The employer making the prepayment bears an additional proportionate share of the Fund's expenses.
7. Prepayment agreements can cover any annual period of the R&A (or a consecutive number of annual periods).
8. Where contributions expressed as a percentage of pay have been prepaid, the Fund will carry out an annual check (and additional contributions may be required by the employer) to make sure that the actual amounts paid are sufficient to meet the contribution requirements set out in the R&A certificate.
9. The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.
10. Employers are responsible for ensuring that any prepayment agreement is treated appropriately when accounting for pensions costs.

## **E5 Policy**

### **Eligibility and periods covered**

Local Authorities and large public bodies may prepay primary and secondary contributions.

Employer contributions over the period of the existing R&A certificate (and, where a draft R&A certificate is being prepared following the triennial valuation, the draft R&A certificate) may be prepaid by employers.

Prepayment of contributions due after the end of the existing (or draft) R&A certificate is not permitted, ie it would not be possible to prepay employer contributions due in the 2026/27 year until the results of the 2025 valuation are known and a draft R&A certificate covering the 2026 to 2029 period has been prepared.

### **Request and timing**

Prior to making any prepayment, employers are required to inform the fund in writing of their wish to prepay employer contributions and to request details of the amount required by the fund to meet the scheduled future contribution.

This request should be received by the Fund at least one month before the start of the period to be prepaid.

The Fund will tell the employer the prepayment amount and the date by which this should be paid. In general, the prepayment should be made within three weeks of the beginning of the appropriate R&A period.

If the employer fails to pay the prepayment amount by the specified date, the Fund may ask for an additional and immediate payment from the employer to ensure that the amount paid is sufficient to meet the certified amount set out in the R&A certificate.

### **Calculation**

The Fund Actuary will determine the prepayment amount required based on the discount rate set for the purpose of the relevant actuarial valuation (as specified in the actuarial valuation report).

Where the prepayment is in respect of contributions expressed as a percentage of pay the Fund Actuary will use an estimate of payroll over the period (using the information available and assumptions set at the actuarial valuation) and a sufficiency check will be required as noted below.

Where the prepayment is in respect of contributions expressed as a monetary amount no sufficiency check will be required.

Employers may pay more than the prepayment amount determined by the Fund Actuary.

No allowance for expected outsourcing of services and/or expected academy conversions will be made in the Fund Actuary's estimation of payroll for the prepayment period.

### **E6 Sufficiency check**

Where required, the Fund Actuary will carry out an **annual** assessment to check that sufficient contributions have been prepaid based on the actual payroll of active members over the period.

If the sufficiency check reveals a shortfall, the employer may be required to make a top-up payment. The Fund will notify the employer of any top-up amount and the date by which any top-up payment should be made.

The sufficiency check may reveal that the prepayment amount was higher than would have been required on actual payroll ie the actual payroll over the period is less than was assumed. In this case there will not be a refund of contributions to the employer and the excess won't be offset against the sufficiency check in the following year.

The sufficiency check only considers payroll; specifically, it will not compare the assumed investment return (ie the discount rate) with actual returns generated over the period. Any shortfall arising due to actual investment returns being lower than that assumed will form part of the regular contribution assessment at the next valuation (as per the normal course of events).

### **E7 Documentation and auditor approval**

The Fund will provide the employer with a note of the information used to determine the prepayment amount, including:

- Discount rate used in the calculations

- The estimate of payroll (where applicable)
- The effective date of the calculation (and the date by which payment should be made)
- The scheduled regular payments which the prepayment amount covers.

The prepayment agreement will be reflected in the R&A certificate as follows:

1. The unadjusted employer regular contribution rate payable over the period of the certificate
2. As a note to the contribution rate table, information relating to the prepayment amount and the discount applied, for each employer where a prepayment agreement exists.

The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.

Employers should discuss the prepayment agreement with their auditor prior to making payment and agree the accounting treatment of this. The Fund will not accept any responsibility for the accounting implications of any prepayment agreement.

### **E8 Costs**

Employers entering into a prepayment agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the Fund.

### **E9 Risks**

Employers enter into prepayment agreements on the expectation that the Fund can generate higher returns over the prepayment period than the employer can. Future returns are not guaranteed, and the returns generated on prepayment amounts may be lower than expected. It is also possible that negative returns will lead to the value of any prepayment being less than that which was scheduled to be paid. In this case a top-up payment would not be requested (since the sufficiency check only considers the effect of actual payroll being different to that assumed in the prepayment calculation). However, the employer's asset share would be lower than if contributions had been paid monthly. This would be reflected by the Fund Actuary at the next triennial valuation (as per the normal course of events).

There are other risks to the employer of making a prepayment (such as concentration/timing, prevention of cash being used for other purposes, etc), which are not covered here: the employer is advised to consider these and take advice if necessary.

## **Appendix F – Employer flexibilities on exit**

The Fund’s comprehensive policy on employer’s leaving the Fund is available on request.

On cessation, the Fund will instruct the Fund Actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in section 0.

In circumstances where there is a surplus, the Fund will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The fund’s normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the Fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer’s financial situation.

### **Repayment flexibility on exit payments**

#### Deferred spreading arrangement (DSA)

The Fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer’s financial situation.

In this exceptional case, the Fund’s policy is:

1. The agreed spread period is no more than three years, but the Fund could use its discretion to extend this period in extreme circumstances.
2. The Fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
3. The exiting employer may be asked to provide the Fund with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
4. Payments due under the DSA may be subject to an interest charge.
5. The Fund will only consider written requests within six months of the employer exiting the fund. The exiting employer would be required to provide the Fund with detailed financial information to support its request.
6. The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.

7. The Fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the Fund and signed by all relevant parties prior to the payment agreement commencing.
8. The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
9. Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.
10. Where appropriate, cases may be referred to the Pensions Committee for consideration and considered on its individual merit. Decisions may be made by the Chair in consultation with officers if an urgent decision is required between Committee meetings.

### **Deferred debt agreement (DDA)**

The Fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the Fund may exercise its discretion to set up a deferred debt agreement as described in [Regulation 64 \(7A\)](#).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund Actuary until the termination of the DDA.

The Fund may consider a DDA in the following circumstances:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the Fund.

The Fund will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements

- All costs of the arrangement are met by the employer, such as the cost of advice to the fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrolls new active Fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The Fund serves a notice on the employer that the Fund is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The Fund Actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on their low-risk basis).
- The Fund Actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the Fund Actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with the Fund's policy on exiting employers.

## **Appendix G – Contribution Review Policy**

### **Aims and objectives**

The Fund's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

### **Guidance and regulatory framework**

[Regulation 64](#) of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following:

- Regulation 64 (4) – allows the Fund to review the contribution rate if it becomes likely that an employer will cease participation in the Fund, with a view to ensuring that the employer is fully funded at the expected exit date.

- Regulation 64A - sets out specific circumstances where the Fund may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects [statutory guidance](#) from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying [guide](#) that has been produced by the Scheme Advisory Board.

### **Statement of principles**

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

- The Fund reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- The decision to make a change to contribution rates rests with the Fund, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to affected employers.
- Advice will be taken from the Fund Actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.

### **Circumstances for review**

The Fund would consider one or more of the following circumstances as a potential trigger for review:

- in the opinion of an Fund there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the Fund within the next two years and before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the Fund that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the Fund that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the Fund that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the Fund.

## Employer requests

The Fund will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership).

The Fund will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The costs incurred by the Fund in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

## Other employers

When undertaking any review of contributions, the Fund will also consider the impact of a change to contribution rates on other Fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole Fund.

The Fund will consult with other Fund employers as necessary.

## Effect of market volatility

Except in circumstances such as an employer nearing cessation, the Fund will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

## Documentation

Where revisions to contribution rates are necessary, the Fund will provide the employer with a note of the information used to determine these, including:

Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.

A note of the new contribution rates and effective date of these.

Date of next review.

Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the Fund to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

# 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 Executive 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 ISS 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 2022 actuarial valuation, with results effective from 1 April 2023. The FSS, which was approved by the Pensions Committee on 17 March 2023, 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 8.3% 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 Executive 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, focussed on the areas which are expected to have the greatest impact on investment outcomes, 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.
- 3 Funding and investment strategy are linked; it is therefore important that the long-term investment strategy supports the funding objectives.

### **Investment strategy, structure and risk**

- 4 The Committee accepts that some investment risk must be taken to generate the returns required to keep the Fund affordable over the long-term. The level of risk taken will depend upon a number of factors including its funding position, market conditions and fiduciary duty. However, 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 typically has a more significant influence on outcomes than manager or stock selection.
- 6 Diversification can, to an extent, reduce risk and improve stability of returns. 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 volatility in assets is acceptable to support long-term returns provided there is an expectation that this risk will be rewarded over the longer term.
- 8 The use of derivatives offers the ability to mitigate certain investment risks and may have a place in specific circumstances in the risk management of the Fund. However, derivatives are not expected to be used extensively. Where they are used, derivatives also introduce other types of risk which themselves must be understood and managed.

### **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 since the use of illiquid assets can enhance returns through the 'illiquidity premium,' however, the overall level of illiquid assets should be carefully monitored and managed.
- 11 Selection of manager benchmarks is important, and 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 since management fees can have a material impact on Fund performance.

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

### **Strategy and Structure**

- 1 Responsible Investment (RI) and Environmental, Social and Governance (ESG) factors are an important aspect of the investment strategy and investment management process, and their impact on the Fund should be understood.
- 2 The Committee has a fiduciary duty in relation to financial and non-financial considerations (for example ESG), and financial considerations should be prioritised over implementing a strategy that delivers a positive social or environmental outcome in isolation.
- 3 The long-term sustainability of investment returns is an important consideration.
- 4 Climate change poses both a risk and an opportunity to the Fund and should be considered in the investment decision making process. Investing in opportunities arising from climate change may offer potentially attractive returns, however the expected transition to a low carbon economy represents a long-term financial risk to achieving Fund objectives.
- 5 Good management of ESG issues by companies is key in the delivery of long-term shareholder value and therefore an essential consideration for investors. Investment managers should therefore embed the consideration of ESG factors into their investment process and decision making, or risk having their place in the portfolio reassessed.

### **Stewardship and Governance**

- 6 The Fund is largely dependent on its investment managers (particularly Border to Coast) in relation to stewardship activities, but the Fund has a responsibility to proactively monitor investment managers' voting and engagement activities regularly and hold managers accountable for their decisions.
- 7 Investment managers should demonstrate their commitment to responsible investment by being signatories to the Principles for Responsible Investment and UK Stewardship Code.
- 8 Company engagement on specific ESG risks (such as climate change and executive pay), rather than divestment, is a more effective way of creating change and supporting shareholder value. However, there may become a point when company engagement is deemed to have failed, and it may be appropriate to divest (either partially or fully) on the grounds of increased financial risk.
- 9 Effective reporting and disclosure on ESG and responsible investment matters, alongside financial performance/returns, will better allow the Fund to fulfil its responsibilities.

### **Pooling investments with Border to Coast**

- 10 It is incumbent on the Fund to actively engage with Border to Coast to ensure the alignment of RI objectives.
- 11 It is appropriate for Border to Coast to restrict exposure to assets which are considered to have a detrimental impact on long-term environmental or social sustainability, subject to consideration of the impact on investment returns.

- 12 There is a clear obligation on Border to Coast to ensure that all investment managers integrate the consideration of financially material ESG issues into their investment processes, however the ultimate responsibility for ensuring that Border to Coast's RI policies are adhered to lies with the Fund.
- 13 Partner Funds should clearly articulate what their reporting needs are in respect to RI issues and Border to Coast should endeavour to meet these requirements where possible.
- 14 Border to Coast should provide leadership in helping Partner Funds address RI matters, including use of specialist ESG managers and mandates where appropriate.
- 15 The Fund will seek to collaborate with other institutional investors on RI issues to deliver greater engagement impact than it could achieve individually.
- 16 The Fund believes that it is necessary and desirable to set a net-zero investment emissions target, and the Committee is comfortable with Border to Coast's approach on net zero, to be carbon neutral by 2050 or sooner (with interim targets). Border to Coast should regularly update Partner Funds on progress towards their targets, and the Fund should likewise be publicly accountable for its own progress.

### **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 and spread the risk by ensuring a 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 suitably qualified people 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 the diversification benefits.

The Committee completed a review of the investment strategy and asset allocation in January 2025. The allocation to UK Equities was reduced from 20% to 10% to lower the overall investment risk of the Fund, and to reduce the concentrated exposure to the UK equities market. There were corresponding increases to Multi Asset Credit (from 5% to 6%) and Cash (from 1% to 2%), and the reintroduction of an allocation to Investment Grade Credit, with the allocation being 8%.

The Fund's strategic asset allocation is set out below. This reflects the categorization 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 before rebalancing activity is considered necessary. Rebalancing may also take place if allocations are within these ranges, based on market views. In addition, Pensions Committee may determine tactical allocations based on market views. 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 categories and asset classes | Strategic allocation | Range    |
|------------------------------------|----------------------|----------|
| Growth                             | 45%                  | +/- 10%  |
| UK equities                        | 10%                  | +/- 5%   |
| Overseas equities:                 | 30%                  | +/- 5%   |
| North America                      | 10%                  |          |
| Europe ex-UK                       | 7.5%                 |          |
| Japan                              | 5%                   |          |
| Pacific ex-Japan                   | 2.5%                 |          |
| Emerging Markets                   | 5.0%                 |          |
| Private Equity                     | 5%                   |          |
| Income                             | 35%                  | +/- 5%   |
| Property                           | 8%                   |          |
| Infrastructure                     | 8%                   |          |
| Private Credit                     | 6%                   |          |
| Other Alternatives                 | 8%                   |          |
| Listed Alternatives                | 5%                   |          |
| Protection                         | 20%                  | +/- 2.5% |
| Multi-Asset Credit                 | 6%                   |          |
| Investment Grade Credit            | 8%                   |          |
| Index Linked Bonds                 | 4%                   |          |
| Cash                               | 2%                   |          |

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 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 2025 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 January 2025) and one-year volatility were provided by the investment consultant and built into the review.

| Asset class              | Expected return (% p.a.) | Expected Volatility (%) |
|--------------------------|--------------------------|-------------------------|
| <b>Growth</b>            |                          |                         |
| UK equities              | 8%                       | 16.90%                  |
| Overseas equities        | 8%                       | 17.40%                  |
| Emerging Market Equities | 9%                       | 25.70%                  |
| Private equity           | 12%                      | 33.80%                  |
| <b>Income</b>            |                          |                         |
| Property                 | 7%                       | 19.00%                  |
| Infrastructure           | 8%                       | 15.00%                  |
| Private Credit           | 8%                       | 11.40%                  |
| Other Alternatives       | 6%                       | 9.50%                   |
| Listed Alternatives      | 8%                       | 17.40%                  |
| <b>Protection</b>        |                          |                         |
| Multi-Asset Credit       | 7%                       | 7.40%                   |
| Index Linked Bonds       | 4%                       | 8.70%                   |
| Investment Grade Credit  | 7%                       | 8.10%                   |
| Cash                     | 4%                       | 0.30%                   |

The expected return of this portfolio was 8.3% p.a. with volatility of 10.5%. Prior to the changes, the expected return was 8.6% p.a. with a volatility of 11.9%.

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

| Asset class             | Expected return (% p.a.)   |
|-------------------------|--|
| <b>Growth</b>           |  |
| UK equities             | FTSE All Share   |
| Overseas equities       | 40% S&P 500, 30% FTSE Developed Europe ex-UK, 20% FTSE Developed Asia Pacific ex-Japan, 10% FTSE Japan |
| Emerging Markets        | FTSE Emerging Markets  |
| Private Equity          | 10% per annum  |
| <b>Income</b>           |  |
| Property                | 6% per annum   |
| Infrastructure          | 8% per annum   |
| Private Credit          | 6% per annum   |
| Other Alternatives      | 8% per annum   |
| 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  |
| Investment Grade Credit | iBoxx Non Gilts All Maturities   |
| Cash                    | SONIA 7 day  |

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.

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, Hymans Robertson 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 twice a year by the Pensions Committee and quarterly by the Pension Board.

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 fails to pay amounts due.  | Appropriate credit limits are established, and regularly reviewed, by the Fund for individual counterparties.<br><br>Regular performance monitoring of service providers and indemnities secured where appropriate. |
| 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.   |

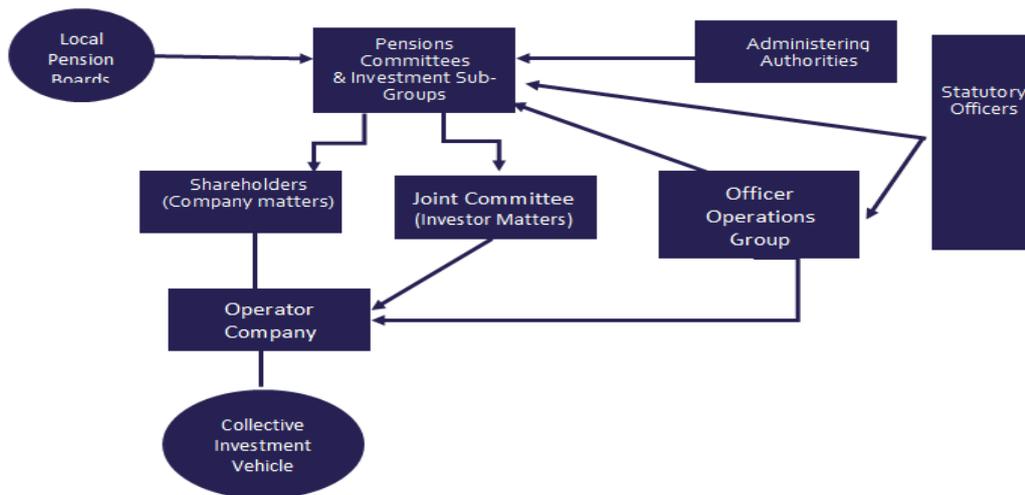
**Approach to pooling investments**

In order to satisfy the requirements of the [Local Government Pension Scheme \(Management and Investment of Funds\) Regulations 2016](#) and [associated guidance](#), 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
- 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 are 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:

- Two shareholder representatives on the Board of Border to Coast, 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 and on 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, believe that ESG issues can have a material impact on the value of its investments. As a result, the consideration of ESG factors is 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 considered.

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 material 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 in relation to its investments

- Responsible Investment Policy
- Corporate Governance & Voting Guidelines
- Climate Change Policy

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 investment managers regularly report on their voting and engagement activity, and this is in turn reported on a quarterly basis to the Pensions Committee where it is subject to challenge and debate. The Pensions Committee also receives reports summarising the issues being raised by LAPFF describing its various 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.

### **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 every year.

Investments Team

Council Offices

Goole

Effective Date 1 April 2025

# Communications Policy

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## Introduction

This is the Communications Policy for the East Riding Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by the East Riding of Yorkshire Council (the administering authority) on behalf of Scheme employers.

The Communications Policy is made under Regulation 61 of the LGPS Regulations 2013 in conjunction with the Fund's Pension Administration Strategy. These details 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 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 it is also important to acknowledge that different stakeholders may require information delivered via different methods and wherever possible, the Fund will look towards digital communication for both members and employers.

The Fund communications aim to:

- put the needs of our customers at the centre of our policy and provide them with clear, accurate and relevant information in a timely manner.
- be compliant with all legislative requirements when communicating with members.
- use a multi-channel approach to communication, that focuses on having digital communication at the centre of our policy ensuring a best fit for the stakeholder.
- ensure members can make informed decisions regarding their pension with the information made available.
- cut out jargon.

## Our stakeholders

The Fund's stakeholders for the purpose of this policy are:

- scheme members
- representatives of members

- prospective members
- scheme employers
- prospective scheme employers

## **General Communications**

### **ERPF Helpline**

The Fund operates a telephone helpline. The helpline number is quoted on all our letters, emails and website which means our scheme members, scheme employers and other stakeholders can communicate verbally with the pension fund staff. 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.

Where the call handler is not able to immediately provide a full response to the caller, the enquiry is passed to an appropriate team member who will respond.

### **ERPF website**

Our website [erpf.org.uk](http://erpf.org.uk) and [www.lgpsmember.org](http://www.lgpsmember.org) are principal sources of information for representatives of Scheme members. The contact us page of the website also signposts representatives of Scheme members to contact the Fund by letter, e-mail or telephone. The Fund's Annual Report and Accounts and its policies are all available on the website.

### **Visits to our Offices**

The Fund has implemented a video conferencing feature to allow our members to converse face to face with our pensions team where needed. Any in person meetings are strictly by appointment only.

### **How the Fund communicates with Scheme members**

When communicating with scheme members, the Fund's objectives are to:

- Update scheme members on key events, regulatory changes and guidance to keep scheme members informed.
- Provide clear information to promote informed decision making for customers.
- Provide more opportunities for two-way communication.
- Encourage and retain membership of the scheme.
- Highlight the benefits of LGPS 2014.

## **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 its members and from Scheme members to the Fund, ensuring data security.

Members are automatically invited to sign up to the portal when they join or leave the Scheme or on retirement. The facility for members to sign up anytime remains using the link on the home page of the ERPF website.

The Fund promotes the ERPFMSS in its correspondence to members where appropriate, including active and deferred Annual Benefit Statement and the Fund has developed a Member Engagement Strategy.

## **Paper communications and special requests**

The Fund understands that not all members want to communicate digitally, and 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) are provided online through the portal for those members who have not already opted out of digital communication. Payslips and P60's are provided online through the portal for all pensioners and beneficiaries who have not opted out of digital communication.

## **Workshops**

Pre-retirement presentations are held regularly, online and in person for Scheme members in partnership with Affinity Connect.

## **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 member.
- Encourage and retain membership of the scheme.

- Highlight the benefits of LGPS 2014.
- Provide clear information to promote informed decision making.

Representatives of Scheme members can contact the Fund using the telephone helpline, by email or in writing, however appropriate authorisation may be required depending on the nature of the enquiry.

### **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 LGPS 2014.
- Highlight the benefits of LGPS 2014.
- Highlight the cost to the member and their employer contribution.
- provide clear information to encourage membership of the scheme.

Scheme employers are required to provide prospective Scheme members with information about the Scheme as part of the employee's letter of appointment.

Prospective Scheme members may be directed to the national member website [www.lgsmember.org](http://www.lgsmember.org) as a principal source of information.

### **How the Fund communicates with Scheme employers**

When communicating with Scheme employers, the Fund objectives are to:

- Improve relationships.
- Help them understand costs/funding issues.
- Work together to maintain accurate data.
- Ensure the smooth transfer of staff.
- Ensure they understand the benefits of being a LGPS employer.
- Assist them in making the most of the discretionary areas within the LGPS.

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 employer and their members. Employers can view queries raised from the Fund, reply online and can also submit member or regulatory queries through the ERPF Online Services. A new updated online portal for Scheme employers will be implemented in 2025 which

enables scheme employers to perform estimated costs associated with a member's potential early retirement.

Our website [erpf.org.uk](http://erpf.org.uk) has a dedicated section for Scheme employers. Work continues on the website 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. The Fund's Annual Report and Accounts and its strategies and policies are all available on the website. Where relevant, guidance documents are provided for Scheme employers on the website to assist with specific areas of work.

Scheme employers 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 available to support Scheme employers.

Scheme employers can request a meeting with the Fund in person or online to raise any questions or discuss any issues they may have.

Workshops for scheme employers take place when requested and can be delivered remotely or face to face where necessary. Scheme employers are invited to an Annual General meeting and to ad-hoc forums where more complicated information is provided, and questions can be asked. The Fund is in the latter stages of adding on-demand e-learning packages to the website to further support Scheme employers.

Employer Bulletins and alerts are e-mailed regularly to the contacts provided by Scheme employers with important regulatory and procedural information. The bulletins also confirm any Local Government Association LGPS training available to scheme employers.

### **How the Fund communicates with Prospective Scheme employers**

When communicating with prospective Scheme employers, the Fund's objectives are to:

- Establish a good working relationship.
- Help them understand costs/funding issues.
- Work together to maintain accurate data.
- Ensure the smooth transfer of staff.
- Ensure they understand the benefits of being a LGPS employer.
- Assist them in making the most of the discretionary areas within the LGPS.

Our website [erpf.org.uk](http://erpf.org.uk) has a dedicated section for Scheme employers, which includes a section about becoming a Scheme employer. Work continues on the website to ensure that the information provided is relevant, up to date, useful and helps to identify areas for improvement.

Where relevant, guidance documents are provided for prospective Scheme employers on the website to assist with specific areas of work.

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 in person or online to raise any questions or discuss any issues they may have.

Workshops about the role of the Scheme employer take place regularly remotely and face to face where possible. The Fund is in the latter stages of adding on demand e-learning packages to the website to further support Scheme employers.

### **Feedback**

ERPF welcomes feedback on this policy and any communications. Please e-mail us at [employerweb@eastriding.gov.uk](mailto:employerweb@eastriding.gov.uk), telephone us on 01482 394113 or write to us at:

East Riding Pension Fund

Council Offices

Church Street

Goole

DN14 5BG

| 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 www.erpf.org.uk with information designed specifically for members                           | Constant  |
| Pension enquires (via telephone or email)     | Prospective scheme members / active / deferred / pensioner | The pension call centre number or dedicated email address  | Monday to Thursday 9.00 to 17.00<br>Friday: 9.00 to 16.30 |
| Visits in person                              | Prospective scheme members / active / deferred / pensioner | Scheme members will be welcome to visit pension fund offices for one to one discussions with a member of staff | Monday to Thursday 9.00 to 17.00<br>Friday: 9.00 to 16.30 |
| Scheme member guides                          | Prospective scheme members / active / deferred / pensioner | Electronic - Available online at www.erpf.org.uk   | Constant  |
| Newsletter for active, deferred and pensioner | Active / deferred / pensioner                              | Post / electronic  | As and when required                                      |
| Annual report and accounts                    | Active / deferred  | Electronic   | Available online at www.erpf.org.uk                       |
| Bespoke communications                        | Active / deferred / pensioner                              | Post / electronic  | As and when required and following regulatory changes     |

|  |  |  |  |
|--|--|--|--|
| <p>Annual benefit statement for active and deferred members</p> <p>Pre-retirement presentations (in partnership with Affinity connect)</p> | <p>Active / deferred</p> <p>Active</p> | <p>Post / electronic</p> <p>Face to face presentation / Online workshops</p> | <p>Annual</p> <p>A minimum of 10 sessions a year</p> |
| <p>Payslips for pensioner members</p>  | <p>Pensioner</p>                       | <p>Post / electronic</p>   | <p>April and May each year</p>                       |
| <p>P60 for pensioner members</p>   | <p>Pensioner</p>                       | <p>Post / electronic</p>   | <p>Annual</p>  |

# Report of the East Riding Pension Board

## Role of the Pension Board

The role 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.

## Membership of the Board

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

- three scheme employers from:
  - the Administering Authority (1),
  - other scheme employers (organisations other than the Administering Authority who, under the Regulations, can participate in the LGPS) (2); and,
- three scheme members including: -
  - active members (1),
  - pensioner members (1),
  - active/pensioner or deferred member (1)

| Name                                 | Year of joining | Representing                            |
|--------------------------------------|-----------------|---|
| <b>Scheme Member Representatives</b> |                 |   |
| Lynda Bowen                          | 2019            | Pensioner Member and Chair of the Board |
| David Smith                          | 2021            | Pensioner Member                        |
| Ray Dixie                            | 2025            | Active Member                           |
| <b>Employer Representatives</b>      |                 |   |
| Councillor Nigel Wilkinson           | 2023            | East Riding of Yorkshire Council        |
| Guy Lonsdale                         | 2018            | North East Lincolnshire Council         |
| Jayne Karlsen                        | 2018            | Hull Culture and Leisure                |

Lynda Bowen also represents the partner funds in Border to Coast as a scheme member representative on the Joint Committee

### Board Meetings

During 2024/25, the Board met four 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.

Attendance at the Board's meetings through the year was as follows:

| Name                                 | 24 May 2024 | 6 Sept 2024 | 6 Dec 2024 | 7 Feb 2025 |
|--------------------------------------|-------------|-------------|------------|------------|
| <b>Scheme Member Representatives</b> |             |             |            |            |
| Lynda Bowen                          | ✓           | X           | ✓          | ✓          |
| David Smith                          | ✓           | ✓           | x          | ✓          |
| Ray Dixie                            | Vacant      | Vacant      | Vacant     | ✓          |
| <b>Employer Representatives</b>      |             |             |            |            |
| Councillor Nigel Wilkinson           | ✓           | x           | ✓          | ✓          |
| Guy Lonsdale                         | ✓           | ✓           | x          | x          |
| Jayne Karlsen                        | ✓           | ✓           | ✓          | ✓          |

During 2024/25 Ray Dixie joined the Board as the new scheme member representative.

### Work of the Board

The Board maintains a work programme that forms the foundation for its meeting agendas. Meetings are typically open to the public and can be viewed via live streaming on the East Riding of Yorkshire Council's YouTube channel. The Board proactively engages with the public by addressing questions directed to them.

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 Fund’s Risk Register and assisted the Fund in identifying, managing, and monitoring risk.

**Business Plan** – Noted the Pensions Administration Business Plan for 2024/25.

**Annual Report and Accounts** – Reviewed the Fund’s Annual Report and Accounts 23/24.

**Governance Policy Statement** – Reviewed the Fund’s revised Governance Policy Statement.

**Administration Policies and Strategies** – The Board reviewed a number of existing policies and strategies including the Pensions Administration Strategy, the Member Engagement Strategy and the Communications Policy 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 several updates on the arrangements of the Border to Coast Pensions Partnership.

**Pensions Administration Performance** – The Board received quarterly administration performance reports and details of key performance indicators and results from the 2024 CIPFA Pensions Administration Benchmarking Club.

**Local Government Pension Scheme Regulations and Governance** – The Board received quarterly updates on continued changes and developments in relation to regulatory requirements for national projects such as the McCloud Remedy and Pensions Dashboards.

**ERPF Member Self-Service, Digital Services and Cyber Security** – The Board received updates on member self-service and digital services which included the review of the Member Engagement Strategy. The Board also reviewed the Cyber Security Strategy which set out the Fund’s approach to cyber governance and how to mitigate future risks.

**Data Quality Improvement** – The Board reviewed the Data Improvement Plan which had been updated to account for data requirements of the pensions dashboards regulations. The focus remained on improving existing validations in order to improve data accuracy.

**The Pensions Regulator’s General Code of Practice** – The Board received a report of the Fund’s compliance against the Code and provided comment on the essential actions identified by officers.

**Actuarial valuation** – The Board received information about the preparation of the 2025 valuation.

The Board is committed to supporting the work of the Pensions Committee by ensuring that all relevant recommendations and decisions are appropriately referred to the Committee. During 2024/25, the Chair of the Board attended Pensions Committee meetings to provide updates on the Board’s activities, including its recommendations, the rationale behind them, and any other matters deemed of interest to the Committee. Members of the Pensions Committee and officers from the

Border to Coast Pensions Partnership also attended Pension Board meetings, fostering ongoing collaboration and information sharing.

## **Training**

The Fund has implemented a training strategy designed to support all Board members in performing their roles effectively and in developing their individual capabilities. This strategy ensures that members are equipped with the necessary skills and knowledge to fulfil their responsibilities. All Board members are required to complete induction training prior to taking up their role.

In 2024/25, Board members reviewed the updated training strategy to ensure alignment with the requirements of The Pensions Regulator's General Code of Practice. They also noted the availability of online learning toolkits to support individual knowledge and understanding. Insights from the completed LGPS National Knowledge Assessment were used to identify and agree on further training needs for 2025, ensuring the Board continues to meet its knowledge and understanding obligations.

Each Board member is expected to complete all modules in The Pensions Regulator's Public Service Toolkit. In addition, the Hymans LGPS Online Learning Academy provides further support, offering a comprehensive online training course that covers all key areas necessary for effective Fund management, including:

1. An introduction to LGPS oversight bodies, governance, legislation, and guidance.
2. LGPS administration, including policies and procedures, and pension fund auditing.
3. LGPS valuations, funding strategy and LGPS employers.
4. Investment strategy, pooling and responsible investment.
5. Performance monitoring and procurement.
6. Pensions Scams, including warning signs, due diligence, and communication.
7. Current issues in the LGPS.
8. Board Members are asked to refresh this training every 3 years.

During the year, Board members have attended the following training events both in person and remotely online and via Zoom:

| Event  | Date                   | Attendees   |
|--|------------------------|---|
| CIPFA's Annual Local Pension Board Conference  | 15 May 2024            | Lynda Bowen   |
| The Pensions Regulator's General Code of Practice  | 24 May 2024            | Lynda Bowen, Jayne Karlsen, Cllr Nigel Wilkinson, David Smith, Guy Lonsdale |
| Border to Coast Annual Conference  | 18-19 July 2024        | Lynda Bowen   |
| LGPS Governance Conference 2025  | 30 and 31 January 2025 | Lynda Bowen   |
| Induction training   | 04 February 2025       | Ray Dixie   |
| Workshop on Pension Fund Risk Management, including: <ul style="list-style-type: none"> <li>• an introduction to Risk Management and the approach taken by the Fund,</li> <li>• a review of the revised risk register including the new strategic risk areas and,</li> <li>• Board and officer discussion to identify any additional areas of risk.</li> </ul> | 07 February 2025       | Lynda Bowen, Jayne Karlsen, Cllr Nigel Wilkinson, David Smith, Ray Dixie    |

### Work plan for 2025/2026

- Over the coming year the Board's priorities will be to:
- Assist the Fund in identifying, managing, and monitoring risk.
- Monitor and support staff recruitment and retention.
- Support the Fund in its assessment and identified actions to ensure compliance with The Pensions Regulator's General Code of Practice.
- Continue to monitor the Fund's administration performance and key performance indicators.
- Receive updates on industry and regulatory developments, including consultations and Pensions Dashboard requirements.

- Support the Fund in developing and maintaining several policies and strategies across its administration function.
- Monitor the Fund's approach to responsible investment.
- Support the Fund in carrying out the 2025 valuation.
- Receive an update on the cyber security and business continuity arrangements in place at the Fund.
- Work with the Fund to develop Board and Committee members' knowledge and understanding to ensure open discussion to ensure informed decisions can be made.

**The main challenges facing the Fund in 2025/26 are:**

Ensure that resources are sufficient to meet the needs of the service and to build resilience, especially for key person roles, while also guaranteeing that pay is reflective of the LGPS standards and agreed in a permanent way.

Continue to ensure good quality, accessible and reliable data is in place generally but also in readiness for the 2025 valuation and Pensions Dashboards.

Continue to implement technology solutions, validations and automation to help improve the quality of data, which helps meet the changing needs of the Fund in relation to administration and customer requirements.

Implement actions identified through assessment of The Pensions Regulator's General Code of Practice.

**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 <https://www.erpf.org.uk/local-pension-board/>.

**Conclusion**

The Board continues to play a vital and constructive role in supporting the effective governance and administration of the Fund. Despite meeting only four times a year, the Board ensures its work is focused on areas of strategic importance and operational priority. Through its structured work plan and targeted training programme, the Board concentrates its efforts on the key challenges facing both the Fund and the wider LGPS, including regulatory compliance, data quality, risk management, and member engagement.

The Board adds value by providing independent oversight, constructive challenge, and informed support to the Fund's officers and the Pensions Committee.

Its activities are proportionate, well-targeted, and aligned with the Fund's strategic objectives. The Board's commitment to continuous learning and its collaborative approach ensure that it remains an effective partner in delivering good governance and high standards of service for scheme members and employers.

East Riding Pension Board

June 2025

# 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) 394113

**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)

