

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

28 JUNE 2012

STATEMENT OF FINAL ACCOUNTS 2011/12 - NORTH YORKSHIRE PENSION FUND

Report of the Corporate Director – Finance and Central Services

1.0 PURPOSE OF REPORT

- 1.1 To consider the draft Statement of Final Accounts of the North Yorkshire Pension Fund for the financial year 2011/12.

2.0 BACKGROUND

- 2.1 The Draft Statement of Final Accounts for the North Yorkshire Pension Fund 2011/12 is attached as **Appendix 1**.
- 2.2 For the reason that is explained in the separate report (**Item 9**) on this Agenda relating to the Governance arrangements of the North Yorkshire Pension Fund (NYPF), the Final Accounts will be subject to a separate external audit for the 2011/12 financial year.

3.0 STATEMENT OF FINAL ACCOUNTS

- 3.1 The Pension Fund considered the attached report at its meeting on the 21 June 2012.
- 3.2 Subject to the outcome of the external audit, these Final Accounts will be incorporated into the Pension Fund Annual Report which will be circulated to all Employers and also placed on the NYPF web site. The Annual Report will be submitted to the Pension Fund Committee meeting in September 2012.

4.0 RECOMMENDATIONS

- 4.1 Members are asked to consider the draft Statement of Final Accounts of the North Yorkshire Pension Fund for 2011/12.

JOHN MOORE
Corporate Director – Finance and Central Services

County Hall
Northallerton

21 June 2012
Comm/Aud/0612SoFA2011-12

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

21 JUNE 2012

STATEMENT OF FINAL ACCOUNTS 2011/12

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To approve the draft Statement of Final Accounts for the financial year 2011/12.

2.0 STATEMENT OF ACCOUNTS

- 2.1 The draft Statement of Final Accounts for 2011/12 is attached as **Appendix A**. This complies fully with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 governing the preparation of the 2011/12 Financial statements for Local Government Pension Scheme Funds.
- 2.2 The Accounts are being reported separately to Members so that they can then be referred on to the County Council's Audit Committee (meeting on the 28 June 2012) prior to their submission to the External Auditor. Since 2008/09 there has been a statutory requirement for the Accounts to be audited separately from the County Council's Accounts by the External Auditor, thus the need to refer them separately to the Audit Committee.
- 2.3 Any material amendments to the draft Accounts arising from the External Audit will be reported to the September meeting (see **paragraph 2.5** below).
- 2.4 For 2011/12 the NYPF Statement of Final Accounts will also be consolidated in the County Council's Statement of Accounts for approval by the Audit Committee in addition to being considered separately by this Committee.
- 2.5 Once audited these Accounts will be incorporated into the Pension Fund Annual Report which will be placed on the NYPF web site www.nypf.org.uk. The Annual Report will be submitted to Members at the PFC meeting on 20 September 2012.

3.0 RECOMMENDATIONS

- 3.1 Members are asked to approve the draft Statement of Final Accounts 2011/12 for referral to the County Council's Audit Committee.

JOHN MOORE

Treasurer

Finance and Central Services, County Hall, Northallerton

7 June 2012

NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

2010/11 £000		2011/12 £000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions		
77,388	Employers - Normal	76,483	
548	- Special	0	
3,284	- Early Retirement Costs Recharged	3,371	
25,802	Employees - Normal	24,504	
550	- Additional Voluntary	837	
<u>107,572</u>	Total Contributions (note 11)		105,195
10,957	Transfers in - Individual Transfers		10,493
	Less		
	Benefits		
(51,972)	Pensions	(56,803)	
(19,783)	Commutation of Pensions and Lump Sum Retirement Benefits	(23,326)	
(2,072)	Lump Sums Death Benefits	(2,106)	
<u>(73,827)</u>	Total Benefits (note 11)		(82,235)
	Leavers		
(40)	Refunds of contributions	(40)	
(1)	State Scheme Premiums	1	
(10,213)	Transfers out - Individual Transfers	(4,427)	
<u>(10,254)</u>	Total Leavers		(4,466)
(1,425)	Administrative and Expenses (note 13)		(1,492)
<u>33,023</u>	Net additions from dealings with members		<u>27,495</u>
	RETURNS ON INVESTMENTS		
14,311	Investment income (note 15)		19,005
111,685	Change in market value of investments (note 16)		26,744
(375)	Taxation (Irrecoverable Withholding Taxes) (note 15)		(370)
(5,285)	Investment management expenses (note 14)		(4,606)
<u>120,336</u>	Net returns on investments		<u>40,773</u>
153,359	Net Increase in the Fund during the year		68,268
1,344,622	Opening Net Assets of the Scheme		1,497,981
<u>1,497,981</u>	Closing Net Assets of the Scheme		<u>1,566,249</u>

NORTH YORKSHIRE PENSION FUND - NET ASSETS STATEMENT

31 March 2011 £000		31 March 2012 £000	£000
	INVESTMENT ASSETS (note 16)		
	Fixed Interest Securities		
0	Government	65,121	
115,959	Corporate	114,234	
<u>115,959</u>	Total Fixed Interest Securities		179,355
672,043	Equities		661,648
	Pooled Investment Vehicles		
414,640	Unitised Insurance Funds	418,065	
273,592	Other Managed Funds	282,774	
<u>688,232</u>	Total Pooled Investment Vehicles		700,839
	Derivative Contracts (note 16c)		
0	Forward Foreign Exchange Contracts (Receivable)		2,073
	Cash Deposits		
10,811	Cash and Cash Funds		6,261
	Other Investment Balances		
4,428	Investment Debtors		8,202
<u>1,491,473</u>	Total Investment Assets		<u>1,558,378</u>
	INVESTMENT LIABILITIES (note 16)		
	Derivative Contracts (note 16c)		
(3,185)	Forward Foreign Exchange Contracts (Payable)		0
	Other Investment Balances		
(2,477)	Investment Creditors		(4,327)
<u>(5,662)</u>	Total Investment Liabilities		<u>(4,327)</u>
<u>1,485,811</u>	NET INVESTMENT ASSETS		<u>1,554,051</u>
	CURRENT ASSETS		
8,780	Contributions due from employers		8,182
467	Other Non-Investment Debtors		192
	Cash		
7,005	Invested with North Yorkshire County Council		5,107
<u>16,252</u>	Total Current Assets		<u>13,481</u>
	CURRENT LIABILITIES		
(4,082)	Non-investment creditors		(1,283)
<u>(4,082)</u>	Total Current Liabilities		<u>(1,283)</u>
<u>1,497,981</u>	Total Net Assets (note 8)		<u>1,566,249</u>

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

NOTES TO THE PENSION FUND CORE STATEMENTS

1. General Description of the Fund

The North Yorkshire Pension Fund (NYPF) is a local government pension fund operated under the Local Government Pension Scheme (LGPS) Regulations 1997 (as Amended), providing pensions to employees of the principal local authorities and other admitted bodies in North Yorkshire. The Fund does not cover teachers, police and fire fighters for whom separate statutory pension arrangements exist.

The NYPF is financed by contributions from both employees and employers together with income earned from investments. The benefits payable under the 1997 Regulations (as Amended) are largely mandatory although there are some discretions available to the employing bodies. Any monies which are not immediately required to pay pensions and other benefits are invested in accordance with a predetermined investment policy.

The contributions payable by employees are prescribed by the Regulations. A banded system of rates is now in place, based on the pay levels of individual members. The employer contributions are determined every three years by an independent assessment of NYPF carried out by the appointed Actuary.

Pensions paid to retired employees are subject to mandatory increases (usually annual), arising out of Pension Increase Acts. The cost effect of these increases is incorporated into the overall assessment of employers' contributions.

Membership of the LGPS is not compulsory. Employees have the option of being part of an occupational pension scheme, such as the NYPF, or alternatively purchasing a personal plan managed by a private sector company, or participating in the State Second Pension or a Stakeholder Pension. Employees over 16 years old, however, are automatically admitted to the NYPF unless they elect otherwise.

2. Membership

The following summarises the membership of the NYPF at 31 March 2012:-

Category of Members	31 March 2011	in year variation +/-	31 March 2012
Contributors	29,295	(1,525)	27,770
Deferred Pensioners	23,800	+1,734	25,534
Pensioners	14,888	+951	15,839
Contributing Employer Organisations	69	+9	78

3. Administration and Management of the Fund

The County Council is the administering authority for the NYPF. The County Council's responsibilities are fulfilled by the Pension Fund Committee, which has powers delegated to it by the County Council. The majority of the assets of the NYPF are allocated to five principal investment managers, which as at 31 March 2012 were as follows:-

- Baillie Gifford & Co
- Fidelity International Pensions Management
- Standard Life Investments
- Amundi Asset Management
- European Credit Management.

Less substantial portfolio holdings are allocated to a further two managers. M&G Investments (£66.1m) is a UK Fixed Income Bond Manager, while Hermes (£23.8m) provides a Unitised Property Fund.

The Fund also has a small portfolio of assets (£2.3m) held by RC Brown Investment Management PLC. This equity mandate is based around ethical criteria and has been invested at the request of one particular employing body.

In addition, the Fund has made direct investments in the following:-

- Yorkshire and Humber Equity Fund
- A separate currency hedging account with the Fund's global custodian (see Note 7).

The investment managers are given wide discretion in the selection of securities in which investment can be made, limited only by the Regulations and any specific instructions given by the Committee. Further details of the investment policy of the Fund are included in Note 7.

During the year the Committee formally met on five occasions, plus an additional six meetings to consider performance reports of the investment managers. The Committee receives professional advice from the following:-

- an independent Investment Adviser, Ms C Dobson of Investment Trustee and Adviser Services
- a firm of Investment Consultants, Aon Hewitt
- the Treasurer (who is the Corporate Director – Finance and Central Services of North Yorkshire County Council).

Committee meetings provide a forum for discussion about economic and market trends, monitoring the performance of the investment managers and considering their investment strategies. Finance and Central Services staff of North Yorkshire County Council (NYCC) liaise with the investment managers, the Investment Consultant, and the Investment Adviser on day to day matters and are responsible for associated administrative and accounting functions relating to the Fund.

4. Scheduled and Admitted Bodies contributing to the Fund

The following are the 78 Scheduled and Admitted Bodies which contributed to the NYPF during 2011/12

55 Scheduled Bodies:

North Yorkshire County Council	Norton on Derwent Town Council
City of York Council	Knaresborough Town Council
Craven District Council	Glusburn Parish Council
Hambleton District Council	Skipton Town Council
Harrogate Borough Council	Richmond Town Council
Richmondshire District Council	Northallerton and Romanby Joint Burial Ctte
Ryedale District Council	Northallerton Town Council
Scarborough Borough Council	Malton Town Council
Selby District Council	Pickering Town Council
North Yorkshire Police Authority	Hunmanby Parish Council
North Yorkshire Fire and Rescue Authority	Haxby Town Council
North Yorkshire Probation Service	Ripon City Council
Yorkshire Dales National Park	Easingwold Town Council
North York Moors National Park	Kirkbymoorside Parish Council
Foss Internal Drainage Board	Filey Town Council
Marston Moor Internal Drainage Board	University of Hull, Scarborough Campus
Thornton Internal Drainage Board	Askham Bryan College
Great Ayton Parish Council	Selby College
Whitby Town Council	Craven College
Fulford Parish Council	Scarborough Sixth Form College
Sutton-in-Craven Parish Council	Harrogate Grammar School
Selby Town Council	York College
Riccall Parish Council	York St John University
Archbishop Holgates	Great Smeaton Primary School
Manor CE School	Norton College
Ripon College	Rossett School
Skipton Girls High School	South Craven School
St Aidens High School	

23 Admitted Bodies:

York Archaeological Trust	Yorkshire Housing
Joseph Rowntree Charitable Trust	Welcome to Yorkshire
Community Leisure Ltd	North Yorks Business Enterprise Partnership
Balfour Beatty Infrastructure Services Ltd	York Museum and Galleries Trust
Yorkshire Coast Homes	Craven Housing
Jacobs Engineering UK	Richmondshire Leisure Trust
Superclean Services	Inspace
Veritau Limited	Scarborough Museums Trust
Wigan Leisure and Culture Trust	Enterprise
North Yorkshire LMS Pool	York LMS Pool
- Mellors Catering Services	- Chartwells compass
- Grosvenor Facilities Management	- ISS Mediclean Ltd
- Elite	

5. Accounting Policies

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Basis of Preparation

Except where otherwise stated below, the Accounts have been prepared on an accruals basis.

(a) Fund Account Transactions

- i) Benefits payable and withdrawal of contributions have been brought into the Accounts on the basis of all valid payments due in the year. Transfer values are those sums payable by, or receivable from, other pension schemes for individuals only and relate to periods of previous pensionable employment. Transfer values receivable are brought into the Accounts in the year in which they were received. The same basis is used for transfer values paid.
- ii) Dividends and interest on Government Stocks, Corporate Bonds, loans and deposits have been credited to the Fund in the year in which they are declared. Foreign income has been translated into sterling at the date of the transactions, when received during the year, or at the exchange rate applicable at 31 March 2012 where amounts were still outstanding at the year end.
- iii) a proportion of relevant NYCC officers' salaries have been charged to the Pension Fund on the basis of actual time spent on investment and related matters and pensions administration. Certain specific expenses have been charged direct to the Fund and other office expenses and related overheads have been charged to the Fund in proportion to the salaries charged.
- iv) the investment managers are paid quarterly fees, in arrears, on a sliding scale based on the market value of the investments managed at the end of each quarter. In addition performance related fees are payable to Baillie Gifford & Co, Fidelity and Standard Life Investments. A performance related fee was paid to Baillie Gifford & Co during 2011/12.

(b) Current Assets and Liabilities

- i) Debtors and creditors are raised for all investment transactions made up to and including 31 March 2012 but not settled until later.
- ii) Dividend income accrued at 31 March 2012 but not received until 1 April or afterwards has been brought into the Fund's Accounts as a debtor on the accruals basis.
- iii) Debtors are raised for known contributions due at 31 March 2012. No provision has been made for employees' and employers' contributions related to sums due on pay awards for 2011/12 not paid until 2012/13.
- iv) Retirement allowances and death grants where the date of leaving/death was up to and including 31 March 2012 are shown on a cash basis.

(c) Valuation of Investments

Investments are shown in the Accounts at their market value which have been determined as follows:-

- i) Securities quoted in the UK are valued at the last traded price quotations at close of business on 31 March 2012. In order to comply with the Code (see above) bid prices are used for the valuation of securities wherever possible, otherwise mid prices are used
- ii) Securities quoted overseas are valued at the last traded price quotations of their local stock exchange as at 31 March 2012, and again bid prices are used for the valuation
- iii) Unit trusts and managed fund investments are stated at the bid prices quoted by their respective managers as at 31 March 2012

- iv) Other unlisted securities are valued having regard to latest dealings, professional valuations, asset values and other appropriate financial information.
- v) All overseas securities and cash are translated into sterling at the rate ruling at the Net Assets Statement date.
- vi) Derivative contracts used to hedge against foreign currency movements are valued using exchange rates as at 31 March 2012.

No allowance has been made for liabilities to pay pensions and other benefits after the 31 March 2012. The actuarial position of the Scheme is dealt with in the Certificate of the Actuary included in the Annual Report.

6. Actuarial position of the Fund

In common with other Local Government Pension Schemes an actuarial valuation is carried out every three years. The Valuation of the Fund on which employer contributions for 2011/12 were based was conducted as at 31 March 2010. This Valuation was effective for a period of three years beginning 1 April 2011.

The Common Rate of employers' contributions, required from all employers, for the three years is 12.2% of pensionable pay (12.3% in the 2007 Valuation). This Common Rate was calculated as being sufficient, together with contributions paid by employees, to meet all liabilities arising in respect of service after the Valuation date.

The Common Rate was then adjusted having regard to the individual circumstances of each employer, particularly to reflect the numbers of starters/leavers/early retirements since the last Valuation date and relative to the size of the ongoing payroll base from which future contributions were derived.

The value of the Fund's assets at 31 March 2010 represented 67% of the Fund's liabilities. Based on the actuarial value of the Fund's assets at Valuation date of £1,345m, the deficit to be funded amounted to £659m.

In order to address this deficit whilst managing the costs of the Scheme to the taxpayer, the Fund continued to follow Communities and Local Government guidance and stabilise contribution rates by adopting a deficit recovery period of 30 years from 1 April 2011, (27 years at the 2007 Valuation). Therefore, an average additional contribution rate of 6.4% (over 30 years) was required to fund the deficit, implying an average employer contribution rate of 18.6% (12.2% + 6.4%) of pensionable pay, compared to 18.8% at the 2007 Valuation.

A number of material developments affecting the Fund since 2007 led to changes in actuarial assumptions used in this Valuation which decreased the Common Contribution Rate (CCR) to 12.2%, effective from 1 April 2011. The most significant changes were:

- changes in demographic assumptions
- changes in membership profile
- changes in average member contributions.

In order to assist with keeping the CCR down, some changes were made to the actuarial assumptions used in the 2010 Valuation, the major ones being :-

- giving an opportunity to some employers to allow for improved investment returns in the calculation of their individual contribution rate
- assuming that on average, 50% of retiring members will take the standard 3/80ths cash sum only and 50% will take the maximum tax-free cash available at retirement.

The 2010 Valuation was concluded in February 2011. The maximum deficit recovery period was revised to 30 years from April 2011 substantially due to poor investment returns resulting from the global economic crisis during 2008 and early 2009. This approach contributed to the reduction in the additional contribution rate required to fund the deficit. The contribution rates were calculated using the projected unit actuarial method.

At 31 March 2012, the Fund's assets were valued at £1,566m, with the deficit being estimated at £1,126m, giving a solvency position of 58%. This deterioration in solvency was due to challenging economic conditions resulting in a lower than expected performance of the Fund's assets as well as higher than expected liability values. Corporate bond yields, which are used to discount the value of future liabilities, fell significantly over the year resulting in higher than expected values.

The actuarial assumptions for the 2010 Valuation in respect of Future Service were as follows:

	For future service liabilities
Investment Return	6.75% per annum
RPI Price Inflation	3.00% per annum
Salary Increases *	4.75% per annum
Pensions Increases	3.00% per annum

* plus salary scale for officers to allow for incremental increases

Some employing bodies took advantage of the "controlled flexibility" policy that was permitted by the Pension Fund Committee and chose either a shorter deficit recovery period than 30 years, or a bespoke investment strategy specifically assigned to a particular employer.

Attached as an Appendix to these financial statements is a statement by the Fund's Actuary, Mercer, showing the actuarial present value of promised retirement benefits.

7. Investment Policy

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, require the County Council, as administering authority, to invest any NYPF monies which are not immediately required to pay pensions and other benefits. The Regulations set the limits for classes of investments and require the Fund to have a suitably diversified portfolio of investments. Apart from these legal constraints and prohibitions on trading in speculative derivatives and on stock lending and, from time to time, requiring a certain minimum level of investment held in cash, bonds and other similar securities, the Pension Fund Committee places no restrictions on the investment managers regarding the investment they can, in their judgement, make relevant to the benchmark and performance mandate they have been given.

NYPF has two global fixed income managers, both of which were appointed in July 2005, being Amundi Asset Management and European Credit Management (ECM). Amundi has as their benchmark the "least risk portfolio" as agreed with the Actuary. This is 85% UK index linked gilts and 15% UK fixed income gilts, with maturities exceeding 15 years in both cases. Amundi's out-performance target is 2.5%. ECM's benchmark is 1 month LIBOR with an out performance target of 3% per annum. The investments are held in pooled funds by both managers. The Fund also appointed M&G Investments during the year, to manage a portfolio of UK Government Bonds to a the "least risk portfolio" benchmark with an out-performance target of 0.5% net of fees.

The Fund employs three equity managers each investing in a particular market with a bespoke benchmark and performance target. Baillie Gifford & Co manages two global (i.e. including UK) equity portfolios, namely Global Alpha and Long Term Global Growth (LTGG). Each of these portfolios is in the form of a pooled vehicle, rather than made up of separate direct holdings (i.e. 'segregated' holdings). The former has been set a target of +2% relative to the FTSE All World index, and the latter a target of +3% relative to the same index, although both are unconstrained, i.e. are not managed to this index as a benchmark. Fidelity manages a segregated overseas equities (ex UK) portfolio with a target of +2% relative to a composite MSCI index, weighted 35% North America, 35% Europe excluding UK, 15% Pacific and 15% Emerging Markets.

Standard Life manages a UK equity portfolio with a target of +3% relative to the FTSE 350 Equally Weighted index excluding investment trusts. This portfolio comprises segregated holdings in UK companies.

During the year the Fund appointed three managers of UK Property, Hermes, Legal & General and Threadneedle. All investments will be through property funds rather than by NYPF acquiring the properties themselves. By 31 March 2012 investments had been made through Hermes, with investments in the other two managers planned during 2012/13.

The Fund hedges against 25% of the exposure to the major currencies as a result of overseas equity investments using forward foreign exchange contracts. This is managed by NYCC staff working directly with the NYPF's global custodian (see below).

The market values as at 31 March 2012 of the separate portfolios, together with their proportions of the Fund, are shown in Note 8.

The global custodian is BNY Mellon Asset Servicing. The main services provided are custodianship of the Fund's assets, including settlement of trades and collection of income, investment accounting and performance measurement (of the fund managers).

8. Analysis of Net Assets

The following table shows the total of investments and cash held by each Manager and the County Council as at 31st March:-

Investment Manager	31 March 2012		31 March 2011	
	£000	%	£000	%
Baillie Gifford & Co. - Global Alpha	255,984	16.3	251,129	16.8
Baillie Gifford & Co. - LTGG	162,081	10.3	163,511	10.9
Fidelity International	351,036	22.4	365,879	24.4
Standard Life Investments	368,911	23.6	367,407	24.5
European Credit Management	114,234	7.3	115,959	7.7
Amundi Asset Management	205,583	13.1	219,348	14.6
RC Brown Investment Management	2,370	0.2	2,312	0.2
Hermes Property Unit Trust	23,768	1.5	0	0.0
Currency Hedging	2,928	0.2	(1,073)	(0.1)
Yorks & Humber Equity Fund	1,072	0.1	1,339	0.1
M&G Investments	66,084	4.2	0	0.0
Internally Managed (cash and net debtors)	12,198	0.9	12,170	0.9
	<u>1,566,249</u>	<u>100.0</u>	<u>1,497,981</u>	<u>100.0</u>

The following table shows the total of investments analysed by type as at 31 March 2012.

	31 March 2012 £000	31 March 2011 £000
UK Assets - including pooled investments	820,969	780,146
Foreign Assets - including pooled investments	720,873	696,088
Total Invested	<u>1,541,842</u>	<u>1,476,234</u>
Cash and other Short Term Assets	24,407	21,747
	<u>1,566,249</u>	<u>1,497,981</u>

9. Details of the ten largest segregated equity holdings as at 31 March 2012

	Market Value £000	Percentage of Value of Fund %
GKN	17,488	1.1
BP	12,912	0.8
BARCLAYS	11,982	0.8
XSTRATA	9,594	0.6
DS SMITH	9,344	0.6
COOKSON GROUP	8,720	0.6
SPECTRIS	8,691	0.6
LLOYDS BANKING GROUP	7,883	0.5
DIXONS RETAIL	7,878	0.5
VEDANTA RESOURCES	7,289	0.5
	<u>101,781</u>	<u>6.6</u>

10. Analysis of Debtors and Creditors

	2011/12 £000	2010/11 £000
Debtors		
Investment Assets		
Investment Transactions	5,249	2,439
Accrued Dividends	2,305	1,632
Withholding Taxes Recoverable	648	357
	<u>8,202</u>	<u>4,428</u>
Other Assets		
Contributions due from Employing Authorities	8,182	8,780
Pensions Rechargeable	23	36
Interest on Deposits	4	6
Other	165	425
	<u>8,374</u>	<u>9,247</u>
Total Debtors	<u>16,576</u>	<u>13,675</u>

	2011/12 £000	2010/11 £000
Creditors		
Investment Assets		
Investment Transactions	<u>4,327</u>	<u>5,662</u>
	<u>4,327</u>	<u>5,662</u>
Other Assets		
Management Fees	1,238	911
Other	<u>45</u>	<u>3,171</u>
	<u>1,283</u>	<u>4,082</u>
Total Creditors	<u>5,610</u>	<u>9,744</u>

11. Contributions and Benefits

Contributions represent the total amounts receivable from the various employing authorities in respect of their own contributions and those of their pensionable employees. The employers' contributions are paid at a rate determined by the Fund's actuary. Benefits represent the amounts paid in pensions and lump sums (including retirement and death grants).

	2011/12 £000	2010/11 £000
Contributions Receivable		
North Yorkshire County Council	44,870	46,525
Other scheduled bodies	55,005	54,862
Admitted bodies	<u>5,320</u>	<u>6,185</u>
	<u>105,195</u>	<u>107,572</u>

Members of the Fund can also make Additional Voluntary Contributions (AVCs) which are invested in insurance policies with the Prudential Assurance Company Limited on behalf of the individual members concerned. A statement of the value of these investments is given in Note 21.

	2011/12 £000	2010/11 £000
Benefits Payable		
North Yorkshire County Council	33,481	31,504
Other scheduled bodies	44,297	38,965
Admitted bodies	<u>4,457</u>	<u>3,358</u>
	<u>82,235</u>	<u>73,827</u>

12. Group Transfers

There were no group transfers in or out of the Fund in 2011/12.

13. Administration Expenses

	2011/12 £000	2010/11 £000
Administration and Processing	1,341	1,243
Actuarial Fees	86	120
Legal and Audit Fees	65	62
	<u>1,492</u>	<u>1,425</u>

14. Investment Management Expenses

	2011/12 £000	2010/11 £000
Administration, Management and Custody	4,436	4,996
Performance Measurement Services	25	28
Other Advisory Fees	145	261
	<u>4,606</u>	<u>5,285</u>

15. Investment Income

	2011/12 £000	2010/11 £000
Interest from Fixed Interest and Index Linked Securities	10	5
Dividends from Equities	18,900	14,105
Interest on Cash Deposits	95	101
Underwriting Commission Received	0	100
	<u>19,005</u>	<u>14,311</u>
Irrecoverable withholding tax	<u>(370)</u>	<u>(375)</u>
Total Investment Income	<u>18,635</u>	<u>13,936</u>

The irrecoverable tax relates to the element of the withholding tax deducted from overseas dividends not reclaimable. For 2011/12 the figure consisted of:-

	£000
Irrecoverable withholding tax on dividends receivable in 2011/12	370
Less withholding tax received	0
Net Irrecoverable Tax 2011/12	<u>370</u>

16. Investments

(a) Market Value Reconciliation

	Value at 31 March 2012 £000	Change in market value at 31 March 2012 £000	Sales proceeds and derivative receipts £000	Purchases at cost and derivative payments £000	Value at 1 April 2011 £000
Fixed Interest Securities	179,355	(2,632)	(93,477)	159,505	115,959
Equities	661,648	(8,354)	(385,878)	383,837	672,043
Pooled investment vehicles	700,839	32,139	(54,582)	35,050	688,232
Derivative Contracts	2,073	591	(120)	4,787	(3,185)
Total Invested	<u>1,543,915</u>	<u>21,744</u>	<u>(534,057)</u>	<u>583,179</u>	<u>1,473,049</u>
Cash Deposits	6,261				10,811
Net Investment Debtors	3,875				1,951
Net Investment Assets	<u>1,554,051</u>				<u>1,485,811</u>

Transaction costs are included in the cost of purchases and sale proceeds and include costs charged directly to the Pension Fund, such as fees, commissions and stamp duty. Transaction costs incurred during the year amounted to £1.4m (2010/11 £1.2k). In addition indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These investment vehicles are managed by Investment Managers registered in the UK. The amount of indirect costs is not separately provided to the Pension Fund.

(b) Analysis of Realised and Unrealised Profits / Losses

	2011/12 £000	2010/11 £000
Net Realised Profit on sales	4,670	31,508
Net Realised Profit on Currencies	330	2,228
Unrealised Profit as at 31 March 2012	<u>21,744</u>	<u>77,949</u>
	<u>26,744</u>	<u>111,685</u>

(c) Derivative Contracts

All positions in derivative contracts shown on the accounts as at 31 March 2012 are Forward Foreign Exchange Contracts and are classed as Over the Counter contracts. Expiration dates are up to three months following 31 March. The total nominal value is £169m and the market value £171m. The Fund objective in using derivatives is to reduce risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio, without disturbing the underlying assets and to mitigate the effect of currency risk on overseas investments.

17. Taxation

(a) United Kingdom Tax

The Fund is an exempt approved Fund under the Finance Act 1970 and is therefore not liable to UK income tax on interest, dividends and property income or to capital gains tax. Since the Budget changes of 1997, however, the Fund has not been able to recover UK Advance Corporation Tax on dividends.

(b) Value Added Tax

As North Yorkshire County Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities, including expenditure on investment expenses.

(c) Withholding Taxes

Investment income from overseas suffers a withholding tax in the country of origin, except for income from the United States of America and certain European countries, where reciprocal agreements are in force and partial exemption exists.

18. Material Transactions with related parties

During the year no material transactions arose with related parties, other than those disclosed elsewhere in the Statement of Accounts. No material related party transactions occurred in respect of members of the Pension Fund Committee during 2011/12 (£nil in 2010/11).

19. Stock Lending Arrangements

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

20. Material Contingent Liabilities

The Fund had no material contingent liabilities at the period end (£nil in 2010/11).

21. Additional Voluntary Contributions (AVCs)

As stated in note 11, members may make Additional Voluntary Contributions (AVCs) which are invested in insurance policies with the Prudential Assurance Company Limited on behalf of the individual members concerned.

The AVCs are not included in the Pension Fund Accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The value of the Additional Voluntary Contributions Fund increased in the year by £89k, (£1,015k in 2010/11). As at 31 March 2012 there were 1,290 active members in the AVC Fund (1,634 as at 31 March 2011), and there were 186 withdrawals from the AVC Fund during 2011/12 (160 during 2010/11). The total value of the AVC Fund serviced by these contributions as at 31 March was:

	31 March 2012	31 March 2011
	£000	£000
With Profits Retirement Benefits	14,136	14,723
Unit Linked Retirement Benefits	1,841	1,463
Deposit Fund Benefits	1,652	1,354
	<u>17,629</u>	<u>17,540</u>
Death in Service Benefits in Force	<u>2,130</u>	<u>5,210</u>

The change in value of the AVC Fund during the year was:-

	31 March 2012 £000	31 March 2011 £000
Opening Balance	17,540	16,525
Income		
Contributions received	2,352	2,284
Interest and Bonuses / Change in Market Value	893	786
Transfers In	26	14
Expenditure		
Life Assurance Premiums	(11)	(14)
Retirement Benefits	(3,125)	(1,952)
Transfers Out and Withdrawals	(12)	(67)
Death - Return of Funds	(34)	(36)
Closing Balance	<u>17,629</u>	<u>17,540</u>

22. Statement of Investment Principles (SIP)

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require administering authorities to prepare, and review from time to time, a written statement recording the investment policy of NYPF.

The Pension Fund Committee approved the latest version of the SIP for the NYPF on 21 June 2012. The SIP is reviewed as and when necessary with the latest version being available on the NYPF website at www.nypf.org.uk together with other key documents, such as previous years' Annual Reports, the current Funding Strategy Statement, the Triennial Actuarial Valuation Report (see note 6), Interim Actuarial Reviews and Policy Statements in relation to Governance Compliance and Communications.

23. Annual Report

The Annual Report 2011/12 of the NYPF, which gives further details on the management of the Fund and on investment performance, will be available from October 2012 from Finance and Central Services, County Hall, Northallerton, DL7 8AL, and at www.nypf.org.uk.