

Agenda

Meeting: Pension Fund Committee

**Venue: Grand Meeting Room,
County Hall, Northallerton**

Date: Thursday, 22 May 2014 at 10am

Business

1. Minutes of the Meeting held on 20 February 2014. (Pages 1 to 9)

2. Public Questions or Statements.

Members of the public may ask questions or make statements at this meeting if they have given notice to Stephen Loach of Democratic Services (contact details below) by midday 19 May 2014. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

- at this point in the meeting if their questions/statements relate to matters which are not otherwise on the Agenda (subject to an overall time limit of 30 minutes);
- when the relevant Agenda item is being considered if they wish to speak on a matter which is on the Agenda for this meeting.

3. Member and Employer Issues – Report of the Treasurer. (Pages 10 to 31)

4. Consultation on structural reform to the Local Government Pension Scheme – Report of the Treasurer. (Pages 32 to 34)

5. Budget/Statistics – Report of the Treasurer. (Pages 35 to 37)

6. Performance of the Portfolio – Report of the Treasurer. (Pages 38 to 85)
7. Fund Manager Matters – Report of the Treasurer. (Pages 86 to 87)
8. Investment Manager Presentation – Veritas.
9. Other business which the Chairman agrees should be considered as a matter of urgency because of special circumstances

NOTE:

Members are reminded that on the following day, Friday 23 May 2014, there will be presentations from Unigestion and TOBAM from 10am in the Grand Meeting Room, County Hall.

Barry Khan
Assistant Chief Executive (Legal and Democratic Services)

County Hall
Northallerton

May 2014

NOTES:

- (a) Members are reminded of the need to consider whether they have any interests to declare on any of the items on this agenda and, if so, of the need to explain the reason(s) why they have any interest when making a declaration.

The relevant Committee Administrator or Monitoring Officer will be pleased to advise on interest issues. Ideally their views should be sought as soon as possible and preferably prior to the day of the meeting, so that time is available to explore adequately any issues that might arise.

- (b) **Emergency Procedures For Meetings**

Fire

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Persons should not re-enter the building until authorised to do so by the Fire and Rescue Service or the Emergency Co-ordinator.

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First Aid treatment can be obtained by telephoning Extension 7575.

PENSION FUND COMMITTEE

1. Membership

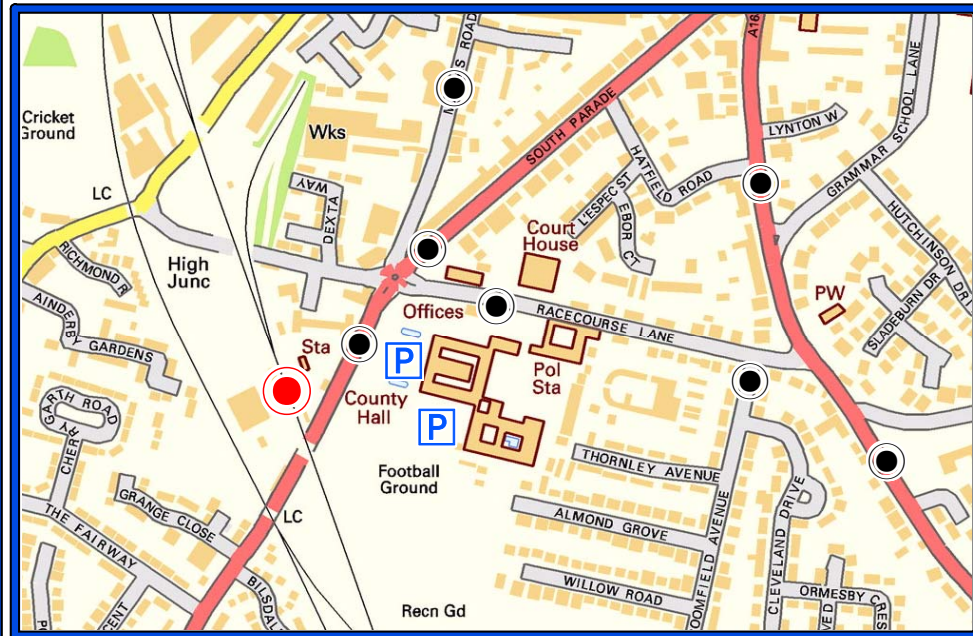
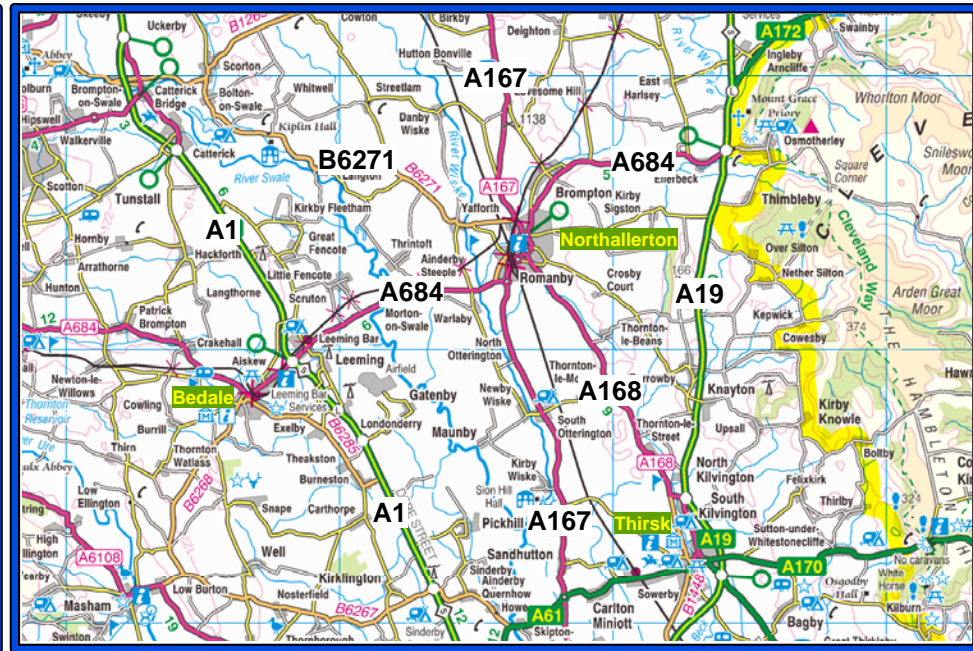
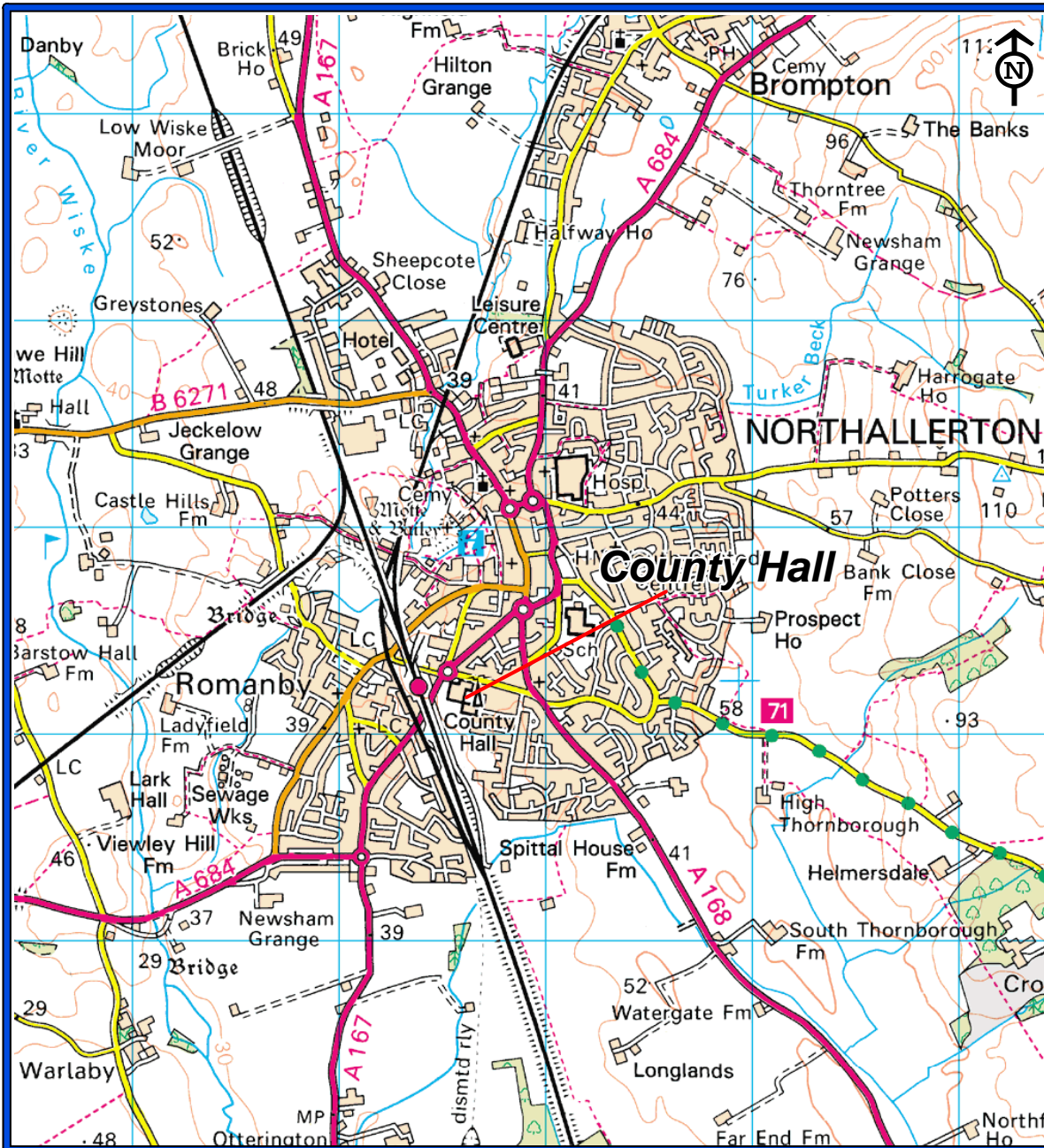
County Councillors (9)							
	<i>Councillors Names</i>				<i>Political Party</i>		
1	BLACKIE, John				NY Independent		
2	BATEMEN, Bernard MBE				Conservative		
3	CROSS, Sam				UKIP		
4	De COURCEY-BAYLEY, Margaret Ann				Liberal Democrat		
5	HARRISON-TOPHAM, Roger				Conservative		
6	MULLIGAN, Patrick				Conservative		
7	SWIERS, Helen				Conservative		
8	WEIGHELL, John				Conservative		
Members other than County Councillors (2) Voting							
1	WILLIAMS, Dafydd				City of York		
2	CLARK, Jim				Local Government North Yorkshire and York		
Total Membership – (10)				Quorum – (3) County Councillors			
Con	Lib Dem	NY Ind	Labour	Liberal	UKIP	Ind	Other Voting Members
5	1	1	0	0	1	0	2

2. Substitute Members

Conservative		Liberal Democrat	
	<i>Councillors Names</i>		<i>Councillors Names</i>
1	PATMORE, Caroline	1	BURR, Lindsay
2	LES, Carl	2	
3	MackENZIE, DON	3	
4		4	
5		5	
NY Independent		Labour	
	<i>Councillors Names</i>		<i>Councillors Names</i>
1	PARSONS, Stuart	1	
2		2	
3		3	
4		4	
5		5	
Liberal		UKIP	
	<i>Councillors Names</i>		<i>Councillors Names</i>
1		1	
2		2	
3		3	
Independent			
1			

1. Substitute Members

1	Vacancy	City of York
2	PHILLIPS, Brian	Local Government North Yorkshire and York
3	Vacancy	Local Government North Yorkshire and York



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County Hall

Northallerton
North Yorkshire
DL7 8AD

Tel : 0845 8 72 73 74



North
Yorkshire County Council

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 20 February 2013, commencing at 10 am at County Hall, Northallerton.

Present:-

County Councillors John Weighell (Chairman), Margaret-Ann de Courcey-Bayley, Roger Harrison-Topham, Carl Les (as substitute for Bernard Bateman MBE), Patrick Mulligan and Helen Swiers.

Councillor Jim Clark (Local Government North Yorkshire and York).

Apologies were received from County Councillors John Blackie, Bernard Bateman MBE and Sam Cross.

Copies of all documents considered are in the Minute Book

County Councillors Margaret-Ann de Courcey-Bayley, Carl Les, Patrick Mulligan and John Weighell, together with Councillor Jim Clark, declared non-pecuniary interests in respect of them being Members of the Pension Scheme.

31. Minutes

Resolved -

That the Minutes of the meeting held on 21 November 2013, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

32. Public Questions or Statements

There were no questions or statements from members of the public.

33. Member and Employer Issues

Considered -

The report of the Treasurer on the following:-

- (a) Admission Agreements.
- (b) LGPS 2014.
- (c) "The Call for Evidence".
- (d) Collaboration activity.
- (e) Membership analysis.
- (f) Communications strategy.

- (g) Member training.
- (h) Meetings timetable.

The Treasurer highlighted the following in relation to the above issues:-

He noted that City of York Council were seeking approval to the creation of two admission agreements in respect of their Community Equipment Loan and Telecare Alarm Service (CELTAS) and the Libraries and Archive Services, which were moving to social enterprise arrangements from 2014. Details of the arrangements and admission agreement requests were provided in Appendices to the report.

In respect of “the Call for Evidence” from the DCLG the Treasurer noted that there had been a considerable response especially from Local Government Fund Authorities. A link to the details of the responses was provided within the report. He noted that most of the responses came to a similar conclusion to that of the North Yorkshire Pension Fund that the link between scale and efficient fund management was unproven. The responses from CIPFA and the Society of County Treasurers both shared the view.

In terms of the LGPS 2014 the Pensions Manager stated that the Pensions Administration Team was on top of the delivery of the new scheme despite a number of key regulations only being delivered during the late stages of the transition. It was noted that, currently, little mention had been made of the eligibility of elected Members to continue to be part of the Pension Fund Scheme and it was expected that clarification of that would now be provided at a later date. The Treasurer paid tribute to the Administration Team in relation to them being in a position to deliver the LGPS 2014.

The Pensions Manager noted that Lincolnshire Pension Fund, currently administered by Lincolnshire County Council, was looking for a partner to help develop a shared service with them from 1 April 2015. He stated that North Yorkshire Pension Fund had expressed an interest in this partnership and, as a result, had been placed on a shortlist of six for this project. The potential benefits of the development of the partnership were outlined and it was stated that Members would be kept informed of developments of this as discussions were continuing currently.

Membership analysis provided details of the current membership numbers which confirmed that the number of actives was increasing despite the numbers within Local Government currently decreasing. It was noted that the figures provided related to details obtained in respect of the Pension Fund and did not reflect the number of FTEs as those figures would be provided by the employers. It was stated that an analysis of FTEs would be provided for consideration at the May meeting of the Pension Fund Committee.

Details of the 2014/15 NYPF Communications Strategy would be submitted to the next meeting of the Pension Fund Committee and would follow a similar format to the previous Communications Strategy.

Resolved -

- (i) That the report be noted.
- (ii) That approval be given to the admission agreement request submitted by the “Be Independent” group;

- (iii) That approval be given to the admission agreement request submitted by the “Explore Libraries and Archives” Group.

34. Governance of the Fund

Considered -

The report of the Treasurer seeking Members’ support to an amendment to the County Council’s Constitution in so far as it relates to the Pension Fund.

The Treasurer highlighted an issue that had arisen in relation to one of the functions delegated to the Treasurer as described in the County Council’s Constitution which delegated the function to the Corporate Director - Strategic Resources, who is also the Treasurer of the Pension Fund, “to manage from day to day the Pension Fund, including the exercise of the Council’s functions as administering authority, where such exercise does not involve use of discretion”. The use of the term “discretion” indicated that no decisions could be made by the Corporate Director - Strategic Resources but clearly there were circumstances in which decisions had to be made, for the operational effectiveness of the Pension Fund, without the need for Member involvement. It was suggested, therefore, that the wording be amended to state “to manage from day to day the Pension Fund, including the exercise of the Council’s functions as administering authority, subject to any specific instructions that might be given from time to time by the Pension Fund Committee”.

Resolved -

That the proposed amendment, as described above, be supported.

35. Budget/Statistics

Considered -

The report of the Treasurer on the following issues:-

- (a) The expenditure/income position to date for 2013/14.
- (b) The cash deployment of the Fund.
- (c) The proposed budget for 2014/15.
- (d) The transfer of Probation Service assets.

The report outlined that the cash surplus for the period to 31 December 2013 (£11.9m) exceeded budget (£7.7m) by £4.2m. This was due to income for that period exceeding the forecast by £5.4m while expenditure was higher than anticipated by £1.2m. The cost of benefits paid to the end of December was £0.7m less than budget. The administration expenses had exceeded budget by £0.1m for the period which was attributable to ICT development and licensing costs for the new pensions’ administration system. It was noted that due to strong investment performance the cost of performance related management fees (£2.3m) exceeded the initial budget (£0.6m) by £1.7m.

Transfer income of £9.4m exceeded the budget for the period (£5.3m) by £4.1m. Much of this was attributable to the bulk transfer of staff to Askham Bryan College, with the remaining variance representing an unusual and unpredictable value of transfer receipts over the period.

Transfer expenditure of £2.3m was lower than anticipated and the 2013/14 forecast had been adjusted accordingly. Details of the cash deployment that had taken place during 2013/14 to date was outlined and it was noted that the Fund had taken advantage of the ability to adopt an overdrawn position for the purposes of rebalancing. It was stated that the negative cash position would be rectified within the required timescale.

Details of the proposed 2014/15 budget were appended to the report.

Details of the transfer of the Probation Service assets to the Greater Manchester Pension Fund were provided. The details included information outlining how the overall Fund deficit would decrease by £4m, however, the cash value of the required transfer would be around £29m and an investment would be required in order to fund the transfer.

Resolved -

- (i) That the report be noted; and
- (ii) That the 2014/15 budget be approved.

36. Performance of the Portfolio

Considered -

The report of the Treasurer highlighting the investment performance of the overall Fund, and of the individual fund managers, for the quarter to 31 December 2013 and the 12 months ending on that same date.

A document was also provided by B and Y Mellon Asset Service (MAS) giving a performance analysis of the Fund for the quarter year ending 31 December 2013.

The report highlighted the performance of the total Fund by asset class against the customised benchmark. It also provided analysis of the performance of each manager against the specific benchmark and the comparison of performance levels over time.

The Treasurer stated that the absolute overall return for the quarter (+4.7%) was above the customised benchmark for the Fund by 1.6%. The 12 month absolute rolling return was +20.9%, 5.5% above the customised benchmark. Details of the absolute and relative returns over the last four quarter ends were provided, together with fund managers' performance details.

Appendices were provided with the report to present a fuller picture of recent investment performance, with the following details provided:-

- ◆ Fund managers' performance over the three years to 31 December 2013.
- ◆ Performance of NYPF relative to other LGPS Funds over the last ten years.
- ◆ Solvency position since the 2001 triennial valuation.
- ◆ Solvency graph.
- ◆ Details of rebalancing up to the date of the report.

Separate reports of the Investment Adviser and Investment Consultant were provided.

Other issues outlined within the report included:

- ◆ Overseas equities.
- ◆ Global equities.
- ◆ UK equities.
- ◆ Fixed income.
- ◆ Property.
- ◆ Diversified Growth Funds.
- ◆ Risk indicators.
- ◆ Solvency details.
- ◆ Rebalancing.
- ◆ Proxy voting.

Members discussed the performance of the investments with the Treasurer and the Investment Consultant and the following issues and points were highlighted:-

- ◆ The current strong performance of the Fund's investments.
- ◆ A comparison of the Fund's performance to that of other similar Funds would be submitted to the next meeting of the Committee.
- ◆ The performance of Amundi, particularly in relation to their performance in the currency markets as opposed to the bonds markets.
- ◆ The diversification of the investment strategy.
- ◆ The performance of Fidelity as opposed to the other Fund Managers.
- ◆ The development of the investment strategy to a lower risk strategy, with less volatility.
- ◆ The need to be cautious in relation to the upsurge in the markets and the potential for those to remain volatile for a lengthy period.
- ◆ A request for details on a specific investment, which it was stated would be the subject of a report to a subsequent meeting.
- ◆ Details of the solvency position.

Resolved -

That the investment performance of the Fund for the quarter and 12 months ending 31 December 2013 be noted.

37. Fund Manager Matters

Considered -

The report of the Treasurer updating Members and seeking comments on:-

- (i) The allocations to property.
- (ii) The investment strategy workshop.
- (iii) The approach to currency hedging.

Allocations to Property

It was noted that the target allocation for property as an asset class was to be shared between the three Property Managers, Hermes, Legal and General and Threadneedle, and would be between 5% and 10% of the Fund. At the end of December 2013 the allocation stood at 4.7% (£96m). An increase of 0.7% during the quarter included £14.1m transferred to Threadneedle from cash reserves. Members had previously agreed that further transfers be put on hold unless suitable attractive opportunities on the secondary market became available or until the outlook for

property improved sufficiently. The latest advice was that this position should remain for the time being.

Investment Strategy Workshop

Details of the investment strategy workshop, which had been arranged to review the Fund's current allocation to equities, took place on 16 January 2014 and looked specifically at:-

- ◆ Prospects for equities as an asset class.
- ◆ An analysis of individual managers, their performance and portfolio characteristics.
- ◆ An analysis of the overall equity portfolio and the fit of the managers.
- ◆ Possible next steps.

The workshop sought to address the following specific objectives:-

- ◆ Do Members have confidence in the current equity managers?
- ◆ Based on the individual manager's analysis do Members wish to change any managers?
- ◆ Are Members happy with the overall structure of the equity portfolio?
- ◆ Does the overall portfolio have a suitable regional allocation?
- ◆ Based on the overall analysis do Members wish to change/add managers?

As a result Members had stated that there was sufficient confidence in all three equity managers and agreed that no imminent changes were required. A small degree of concern had been expressed in respect of the following, however:-

- ◆ The relative risk the Fund was exposed to through the portfolio managed by Standard Life.
- ◆ Fidelity's ability to achieve their performance target of 2% above their benchmark.
- ◆ The size of mandates with each of the equity managers.

To respond to those concerns Members decided that further research should be undertaken on the merits of adding a fourth mandate to complement the existing three. As a result of that an additional Fund Manager had been invited to a subsequent fund managers' meeting to explore the possibility of developing investments with a fourth mandate.

The Treasurer emphasised that there was no need for an immediate decision on this matter, however, Members were being provided with an opportunity to consider this matter further.

It was noted that Members may also wish to consider whether any rebalancing should take place considering the recent strong performance of global equity markets, in advance of exploring any other investment possibilities. Details of the asset allocation and related comments were identified in the report of the Investment Consultant provided in respect of the previous item.

Members discussed the issues outlined above with the Treasurer, officers of the Fund and the Investment Consultant and the following issues and points were highlighted:-

- ◆ It was hoped that a new investment manager may generate ideas as how to reduce volatility without having a major downturn on returns, through the development of an appropriate mandate.
- ◆ It was noted that investment in equities currently stood at 67% and the benchmark was 62% which provided a leeway of 5% for alternative investments.
- ◆ Consideration could also be given to altering this benchmark position.
- ◆ A further manager may provide opportunities in equities that the other managers do not currently provide.
- ◆ It was suggested that nothing should be done in respect of the situation at the present time as the current investment performance was good. In respect of this it was suggested that consideration still had to be given as to how to reduce volatility as, although performance was good currently, unless a position had been identified to reduce the volatility, any sudden downturn would result in the same position as previously. It was again emphasised that there was no current urgency to develop this position, however, there was a need for the Committee to move forward on this matter.
- ◆ It was emphasised that equities had been a good asset class for the Fund and there may be need to wait a period of time to see how other classes were performing before looking to lower investments in these.
- ◆ Details of the fund manager that would be attending the meeting on the day following the Pension Fund Committee were provided.
- ◆ Members agreed that consideration of new opportunities could be advantageous to the Fund and its investments would be beneficial.
- ◆ Discussion took place in respect of the current Fund Managers, the differences in their performance and the advantages and disadvantageous that they brought to the investment position of the Fund.

Resolved -

- (i) That the conclusions reaches at the workshop held on 16 January 2014 be noted;
- (ii) That subject to the updates and presentations highlighted within the report, Members decide whether they wish to pursue adding a fourth equity manager, and if so, provide sufficient guidance to officers and advisers; and
- (iii) That further consideration be given to any rebalancing that could take place, subsequently.

38. 2013 Triennial Valuation - Update

Considered -

The report of the Treasurer requesting Members to approval the formal 2013 Triennial Valuation report from the Actuary.

The report outlined that following the Pension Fund Committee meeting on 13 September 2013 a consultation meeting was held with representatives of the Fund's employing bodies which provided them with details of the presentation given to Members of the Pension Fund Committee, together with the issues that had been raised during that presentation. Following that the Pension Fund Committee noted the updated 2013 Valuation position and agreed the flexibility option, the availability of which would be based on the specific circumstances of each employer.

Employers were provided with their proposed future service rate and deficit contribution requirements together with a draft of the funding strategy statement and discussions took place between officers and a number of employers on the options for flexibility based on their particular circumstances. Few comments were provided in respect of the funding strategy statement. A number of employers made specific requests to use the options for flexibility and amend their contribution requirements. These had been discussed and agreed with the Actuary and were reflected in the report.

Employers had been categorised based on their strength of covenant, with strong covenant employees being allowed the greatest flexibility. The categorisation was used as the guide as to which flexibility options would be made available to which employers. It was noted, however, that the individual circumstances of the employer were the most important determining factors.

The provisional valuation results suggested that the majority of employees would need to take advantage of options for flexibility in order to achieve reasonably stable contribution levels. The major issue subsequent to 31 March 2013 were changes in the financial assumptions that Actuary used to value liabilities. The Actuary agreed that these changes could be taken into account for some employers which would consequently improve funding levels.

As a result six employers were allowed to reduce their contributions paid over to the Fund, due to them having funding levels of over 100%. Thirty nine employers were permitted to use post March 2013 changes in financial assumptions to maintain stable contribution levels. Six strong covenant employers were permitted to use additional anticipated changes to achieve the same result.

No employers were permitted to extend the deficit recovery period or to use an improved investment return allowance. No employers requested phasing in increases in contribution requirements. No employers enquired about having their own bespoke investment strategy.

Although most employers saw an increase in their future service rate deficit contribution requirements reduced due to improved funding levels. This may result in a stabilisation of contribution requirements in cash terms however some employers would see a significant rise in total contributions as a percentage of pensionable pay due to staff reductions since the 2010 valuation.

Details of a schedule of contribution requirements for the three years 2014/15 to 2016/17 were attached to the report. The schedule included details where officers had discussed the terms of early retirement of deficit contributions as permitted by the Actuary and early repayment arrangements were subject to agreement on the accounting treatment by the Fund's auditor. Any subsequent amendments to the schedule would be delegated to the Treasurer, subject to Member approval.

The Actuary's formal valuation report was subject to the confirmation of the Pension Fund Committee of the schedule of contribution requirements. The content of the valuation report had previously been discussed with Members and there were no changes to the key assumptions or financial circumstances that had previously been agreed. A draft valuation report would be reviewed by Mercers before being formally certified prior to 31 March 2014. A copy would be circulated to Members of the Committee as soon as that was available.

A discussion took place regarding the County Council's contribution requirements and how the Treasurer differentiated between administering the Pension Fund and being the Financial Officer for the County Council.

Resolved -

- (i) That, subject to any comments submitted by Members up to 28 February 2014, the updated funding strategy statement be approved;
- (ii) That subsequent changes to the schedule of contribution requirements be delegated to the Treasurer, and, following any such changes approval be given to the schedule of contribution requirements; and
- (iii) That the final results of the 2013 Triennial Valuation be approved and receipt of the final valuation report from the Actuary before 31 March 2014 be delegated to the Treasurer.

It was noted that the Fund's Investment Adviser had been unable to attend today's meeting, but would be in attendance at the following day's Fund Managers' meeting.

The meeting concluded at 11.25 am.

SL/JR

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

22 MAY 2014

MEMBER AND EMPLOYER ISSUES

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

1.1 To provide Members with information relating to membership movements, performance and costs of benefits administration as well as related events and activity over the year to date as follows:

(a) Admission Agreements	(see section 2)
(b) LGPS 2014	(see section 3)
(c) Communications Strategy 2014/15	(see section 4)
(d) Councillors' Pensions	(see section 5)
(e) Membership Analysis	(see section 6)
(f) Administration Performance	(see section 7)
(g) Actuarial Services Contract	(see section 8)
(h) Collaboration Activity	(see section 9)
(i) Member Training	(see section 10)
(j) Meetings Timetable	(see section 11)

2.0 Admission Agreements

2.1 The latest position re Proposed Admission Agreements is described in the table at **Appendix 1**.

2.2 This list now reflects the two City of York related admission agreements signed off at the PFC meeting on 20 February 2014 with the updates in bold.

3.0 LGPS 2014

3.1 The Local Government Pension Scheme Regulations 2013 were laid before Parliament on 19 September 2013 and came into force from 1 April 2014.

3.2 The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, which supplement the main regulations from 1 April 2014, were laid on 10 March 2014.

- 3.3 The Transitional Regulations were made available at the very last moment, and they comprise a number of previously unexpected and extremely complex changes to the Scheme.
- 3.4 A further impact of the Transitional Regulations is that the pensions administration software has yet to be updated to reflect these latest changes to Scheme rules. Also, key parts of the on-line self-service functionality are currently unavailable to Fund members.
- 3.5 Nevertheless, it is expected that it will be reported to the next meeting of the Committee that the changes have been embedded and the new scheme has achieved 'business as usual' status.

4.0 The Communications Strategy 2014/15

- 4.1 Each of the Local Government Pension Scheme (LGPS) Funds in England and Wales is required to publish a Statement under the LGPS (Amendment) (No 2) Regulations 2005 relating to the Communications Strategy for the Fund. The NYPF strategy for 2014/15 is attached at **Appendix 2**.
- 4.2 The strategy is designed to assist with the challenge of LGPS 2014 in a number of ways by further establishing
- self-service provision
 - the targeting of key messages
 - collaborative working with employers, and
 - collaborative working regionally and nationally to share good practice and eliminate duplication of effort
- 4.3 Members' attention is particularly drawn to the five bullet points in the 'Introduction' on page 3 of the document, where the approach for this year is summarised.

5.0 Councillors' access to the Local Government Pension Scheme

- 5.1 The Transitional Regulations (see 3.1 above) set the timetable for the phasing out of councillors' membership of the LGPS in England.
- 5.2 Councillors will cease to be members of the scheme at the end of the term of office they were serving as of 1 April 2014. Thus, for example, councillors standing for re-election in May 2014 will cease to be members in May 2014 even if they are re-elected to a new term of office.
- 5.3 When a councillor ceases to be an active member of the scheme, he/she will be able to make an election to draw pension benefits on or after age 60, even if he/she is immediately re-elected.
- 5.4 All councillors in the North Yorkshire Pension Fund have been notified individually of the situation as it affects them.

6.0 Membership Analysis

6.1 The main membership categories have increased in number during 2013/14.

Membership type	31 March 2013	31 March 2014
Active members	29,035	31,500
Deferred members	27,501	29,490
Pensioner members	14,399	15,188

6.2 The following table indicates the volumes behind the headline figures.

Movement type	Number during 2013/14
New starters	3,619
Retirements (inc. deferred beneficiaries into payment)	1,039
Deaths of those in receipt of pension	271

6.3 The number of active members of the Pension Fund continues to increase, and the majority of the increase is attributable to North Yorkshire County Council. It was accepted at the PFC meeting in February 2014 that these numbers represent NYPF records rather than NYCC Full Time Equivalent (FTE) Posts.

6.4 A breakdown of active membership by Employing authority (as well as NYCC membership numbers expressed in FTE terms) can be found at **Appendix 3**. During 2013-14, there was an increase in NYCC active membership of 10 FTE's. Although total FTE numbers for NYCC fell in 2013/14 by approximately 1% the small increase in pensionable FTE numbers is attributable to the impact of auto-enrolment.

6.5 An analysis of retirements by employing authority and by retirement type can be found at **Appendix 4**.

7.0 Administration Performance

7.1 Administration performance in 2013/14 remained very good throughout, although the upgrade of computer system and the preparation for LGPS 2014 has affected the ability to meet some of the new performance indicators.

7.2 This table summarises the level of performance achieved;

	Criteria	Target	Achievement
1	Measured work achieved within best practice target	98%	98.3%
2	Customers surveyed ranking service good or excellent	94%	97.8%
3	Employers surveyed reporting that the support they receive from NYPF meets their needs	90%	95.2%
4	Reduce reliance on customer helpline	29%	58.0%
5	Increase numbers of registered self-service users	13,000	2,865
6	Review approaches to scheme member communications	13/14 Strategy agreed by PFC	Achieved June 2013
7	Complete production and roll out of Annual Benefit Statements	End of September 2013	End of September 2013
8	Working days lost per FTE to sickness absence	6	3.4

7.3 Before the implementation of Altair (the new pensions administration computer system), performance indicator number 5 was comfortably on target. However, while the new system brought new, improved self-service facilities, all users had to be de-activated and have had to re-register, so the total is building up again from scratch.

7.4 Performance indicator number 4 has also missed its target. The pensions administration team has been measuring the shift in customer use from the helpline to the self-service facility on the website. However, website hits reduced due to the change to Altair, and phone calls increased due to a number of factors including:

- queries regarding re-registering and achieving on-line access
- queries relating to the new scheme rules, and
- an overflow of pension payroll queries

7.5 A full report on the benchmarking results will be provided at the September 2014 meeting of the PFC.

7.6 Where responses of less than 'Good or Excellent' were received either from Fund members or Fund employing authorities (Performance Indicators 2 and 3), they were followed up and any issues quickly resolved and learning captured.

8.0 Actuarial Services contract

- 8.1 Following a collaborative effort between several LGPS funds, the “National LGPS Framework for Actuarial and Benefit Consultancy Services” was launched last year. This allows LGPS funds to undertake an abbreviated procurement process at a significantly reduced cost compared to the alternative OJEU procurement process.
- 8.2 The contract with Mercer for Actuarial Services has been in place since 2008. The Framework provides the opportunity to test the market, which is likely to have changed significantly.
- 8.3 Officers are at the initial stages of re-procuring actuarial services using the Framework agreement. The new contract is expected to be in place later this year.

9.0 Collaboration activity

- 9.1 It was reported at PFC meeting in February 2014 that Lincolnshire Pension Fund, administered by Lincolnshire County Council, is looking for a partner to help develop a shared service model with them from 1 April 2015 and that North Yorkshire Pension Fund had been included on a shortlist of six.
- 9.2 Lincolnshire Pension Fund has since announced that NYPF has not been included on the final shortlist of three. The main reason for this is that NYPF’s pension payroll service is provided by a separate payroll system rather than the module within Altair.
- 9.3 The exercise has, however, been a useful one and has led to a closer relationship between NYPF and Lincolnshire Pension Fund. In addition, discussions have taken place with East Riding of Yorkshire Council about opportunities to share and learn from each other. There are several areas to follow up from both an administration and an investment perspective. A brief verbal update will be available should Members wish to explore this issue further.

10.0 Member Training

- 10.1 The Member Training Record showing the training undertaken over the year to March 2014 is attached as **Appendix 5**.
- 10.2 Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 6**.
- 10.3 These events provide a valuable source of knowledge and advice from speakers who are experts in their field, while keeping Members informed of the latest developments within the LGPS. Please contact Andrew Brudenell (01609 532386 or andrew.brudenell@northyorks.gov.uk) for further information or to reserve a place.

11.0 Meetings Timetable

- 11.1 Attached as **Appendix 7** is the latest update of the timetable for forthcoming meetings of the Committee and Investment Manager meetings.

12.0 RECOMMENDATIONS

12.1 That Members note the contents of this report.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

13 May 2014

LATEST POSITION RE ADMISSION AGREEMENTS

ADMISSION AGREEMENT	CURRENT POSITION AND ACTION TO BE TAKEN, IF APPLICABLE
City of York Council Libraries and Archives Services	A social enterprise model has been chosen by City of York Council to provide library and archive services and the new organisation will be known as 'Explore Libraries and Archives'. A separate report covered this potential admission agreement as the North Yorkshire Pension Fund Admission and Termination Policy requires that admission agreements relating to 'Community Admission Bodies' must be approved by the Pension Fund Committee. An admission agreement was signed on 1 May 2014.
City of York Community Equipment Loan and Telecare Alarm Service (CELTAS)	A social enterprise model has been chosen by City of York Council to provide the Equipment Loan and Telecare Alarm Service from 1 April 2014. This service provides 'life enhancing equipment to promote independence for vulnerable people'. A separate report covered this potential admission agreement as the North Yorkshire Pension Fund Admission and Termination Policy requires that admission agreements relating to 'Community Admission Bodies' must be approved by the Pension Fund Committee. An admission agreement was signed on 1 April 2014.

ACADEMY	STATUS
Woodlands School (NYCC)	School converted to an academy on 1/4/2013
Harrogate Pupil Referral Unit (NYCC)	Unit converted to academy status on 1/9/2013
Hinderwell Primary School (NYCC)	School converted to an academy on 1/11/2013
Robert Wilkinson Primary School (City of York)	School converted to an academy on 1/12/2013
Haxby Road Primary School (City of York)	School converted to an academy on 1/2/2014



North Yorkshire Pension Fund

North Yorkshire Pension Fund Communications Strategy

2014 / 2015

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Introduction

The Local Government Pension Scheme (LGPS) underwent a fundamental change on 1 April 2014, from a final salary pension scheme to a career average pension scheme. Through its communications strategy, the NYPF has been building towards this moment and preparing all its stakeholders for the change. In 2014/2015, NYPF's strategy will reflect the changing needs of stakeholders throughout the transition period as the new landscape is established by the following means:

- continuing to raise awareness of the benefits of the new scheme generally amongst stakeholders, while going into much greater detail with those Fund members who are approaching and planning their retirement
- establishing a communications framework that provides timely, pertinent messages which are meaningful for the different groups of stakeholders and will often be communicated in partnership with NYPF employing authorities
- continuing the drive to encourage 'self-service', to use electronic communications and to use the NYPF website as the 'hub' for providing communications material, and for supporting employing authorities with employee processes around auto-enrolment and switching to and from the new 50/50 scheme
- monitoring the cost-effectiveness of all communication, and developing our activities accordingly
- continuing our commitment to regional and national initiatives, taking advantage of partnership working and innovative communication methods developed and tested elsewhere, and sharing our own experience in return

The theme for this year's NYPF Communications Strategy, therefore, will be '**Establishing the new communication framework to support the new LGPS**'.

Goals

Goals have been set in relation to the categories of LGPS stakeholders.

Theme A – ‘Establishing the new communication framework for active members’:

The aim is to establish a structure, working with employing authorities, which allows the NYPF membership generally to understand the main changes to the LGPS and the continuing / improving benefits, while targeting those close to retirement with information and assistance to help with the range of options now available. A key message will be that the ‘cliff edge’ need no longer be the norm, and that a managed, phased retirement may have benefits for all parties. The NYPF ‘self-service’ facility, housed on the NYPF website, will be key to this aim, but face-to-face appointments will also have a role to play.

Theme B – ‘Establishing the new communication framework for employers’:

The new scheme puts much greater onus on employing authorities, so the intention is to support them to meet those responsibilities. This will be achieved by working directly with their representatives, as well as providing timely, pertinent, issue-specific messages and supporting with on-line initiatives via the NYPF website. The employers’ ability to meet the requirements of the new scheme will be key to its successful introduction, so we have identified the establishment of a more collaborative relationship with employers as a top priority.

Theme C – ‘Establishing the new communication framework for pensioners’

Having withdrawn the inappropriate and costly ‘Everybody Benefits’ facility, suggested alternatives, established the Pensioners’ Representative’s website page and issued the new annual newsletter in March, the 2014/15 strategy will focus mostly on active members and employers. However, efforts to further promote retired members’ on-line facilities, as well as pursuing an initiative around better communication with pensioners abroad, are on the agenda.

Theme D – ‘Establishing the new communication framework for deferred members’

The goal will be to put in place methods of communicating the changes for these members and providing guidance on accessing pension benefits early. It is also intended to assess a national initiative to help people who have moved jobs, locations and even industries to find any missing ‘pension pots’ that belong to them.

The action points relating to these goals are set out at the end of this document under ‘Items for Action 2014/2015’.

Review of this Strategy

This Strategy is prepared and considered by the Pension Fund Committee on an annual basis. However, within the spirit of the Pensions Administration Strategy, employers are at liberty, at any time, to suggest improvements to the Communications Strategy of the Fund.

Stakeholders

This Communications Strategy applies to all the NYPF stakeholders who are defined as follows:

- Employers
 - Scheduled Bodies
 - Admitted Bodies
- Scheme Members (including councillor scheme members)
 - Active members (contributors)
 - Retired members and Dependents
 - Deferred members
- Eligible employees working for Fund employers but not currently contributing
- AVC provider (Prudential)
- Actuary
- Legal Adviser
- Pensions Administration Software Provider
- Members of the Pension Fund Committee
- Members of the Advisory Panel
- Officers in the Pension Section
- Other NYCC officers undertaking work on behalf of the Fund

Summary of progress against 2013/14 Strategy

Items in 2013/14 Strategy	Summary of 2013/14 Progress	Year End Status
Theme A 'Building a new communications framework' for active members:	<ol style="list-style-type: none"> 1. Identify processes, collaboration with partners, for delivering timely, succinct and pertinent messages. 2. A communication campaign focussing on 'Your Pensions and Your Retirement – Understanding Your Choices' 3. A continual drive to encourage the use of the NYPF website to carry out 'self-service' calculations and make use of the information on the website. 4. Tailor communication methods in relation to needs of active members based on ability to use the website, how complex their circumstances are and how close a member is to retirement 5. Use of national innovations such as podcasts and DVDs 6. Ties-ins with national websites e.g. national LGPS 2014 website, State Pension age calculator, Money Advice Service Financial Health Check facility 	All targets achieved, other than 2 and 4 which were dependent upon the provision of the delayed Transitional Regs. They are now built in to 2014/15 and progress is now being made.
Theme B 'Building a new communications framework' for employers:	<ol style="list-style-type: none"> 1. Use employers' internal emailing facilities to communicate with active members 2. Agree with employers joint, appropriate, communications regarding the LGPS to go out to Scheme members 3. Issue regular electronic 'News Alert' communications to employers to deliver timely, succinct and pertinent messages rather than a regular 'round-up' employer newsletter. 4. Obtain employers' views on developments to the NYPF website which employers will find useful for their own administration purposes 5. Monitor effectiveness of communications methods via regular contact with employers such as 'keep in touch' 'phone calls 	All targets achieved
Theme C 'Building a new communications framework' for pensioners:	<ol style="list-style-type: none"> 1. Send out a simplified version of the annual pensioner newsletter (posted to those without access to online methods of communication) 2. Advertise alternatives to 'Everybody Benefits' for pensioners via pensioners' newsletter and NYPF website 3. Encourage e-communications where possible 4. Include specific information on the NYPF website in Pensioner Representative area 	All targets achieved

Items for Action 2014/2015

The focus for this year's Strategy will be '**Establishing the new communication framework**'. Key actions will be –

Theme A – 'Establishing the new communication framework for active members':

- Establish the a process developed last year for providing, in conjunction with employers and other partners such as The Prudential, targeted, regular communications which utilise electronic means wherever possible to deliver timely, succinct and pertinent messages.
- Roll out a communication campaign focussing on 'Your Pensions and Your Retirement – Understanding Your Choices' to provide positive messages about the LGPS and the benefits of planning for retirement at a time when the State Pension age is increasing
- Maintain the drive to encourage the use of the improved NYPF website to carry out 'self-service' calculations, building in the LGPS 2014 changes, and make use of the information on the website.
- Tailor communication methods in relation to needs of active members based on ability to use the website, how complex their circumstances are and how close a member is to retirement, potentially including on site 'surgeries'
- Communicate directly with councillor members of the LGPS about the phased withdrawal of access to the scheme
- Improve the Pension Helpline call management facilities to ensure that Fund members receive prompt and relevant responses
- Develop an on-line version of the feedback form completed by leavers going through the retirement process
- Continue to provide on-line Annual Benefit Statements, with the option for paper if requested
- Continue to benefit from tie-ins with LGA and DCLG websites and others e.g. LGPS 2014 website, State Pension age calculator, Money Advice Service Financial Health Check facility

Theme B – ‘Establishing the new communication framework for employers’:

- Issue regular electronic ‘News Alert’ communications to employers to deliver timely, succinct and pertinent messages rather than a regular ‘round-up’ employer newsletter. The News Alerts will be stored on the NYPF website for future reference by employers
- Work with employers’ to communicate key messages to Fund members in their employment via their internal emailing facilities, chief officer messages and their e-magazines
- Support employers to deliver general communications events and presentations to Fund members in their employment themselves.
- Run extra NYPF OG workshop events, at which employers will be more involved in actively sharing and discussing their experience with LGPS 2014 and learning from each other
- Obtain employers’ views and feedback on developments in NYPF communications methods in order to continually improve what we do

Theme C – ‘Establishing the new communication framework for pensioners’

- Continue with the simplified version of the annual pensioner newsletter, posted to those without access to online methods of communication
- Look to increase the database of email addresses to save further on printing and postage costs
- Maintain the Retired Members’ are of the website, particularly ensuring through collaboration with the Pensioners’ Representative that his page is kept relevant and up to date
- Pursue, in collaboration with NYCC Business Support Services, an alternative method of paying pensioners abroad that builds in more robust continued eligibility checks

Theme D – ‘Establishing the new communication framework for deferred members’

- Communicate the changes in the LGPS 2014 which are relevant to deferred members via a newsletter
- Develop a process for deferred members to access personal calculations of the pension benefits available from age 55 onwards and put in place a process for applying for the payment of pension benefits before age 60, using electronic means as far as possible
- Assess a national initiative to help people who have moved jobs, locations and even industries to find any missing ‘pension pots’ that belong to them
- Continue to provide on-line Annual Benefit Statements, with the option for paper if requested.

Table Showing Change in Active Membership and Opt Out Numbers by Employer.

Employer	Number of active posts			Change During 2013/14	Opt Out inc in change	Change %
	31/03/2012	31/03/2013	31/03/2014			
<u>Councils</u>						
City of York Council	4,423	4,527	4,903	376	93	8.31
Craven DC	182	187	194	7		3.74
Hambleton DC	379	424	362	-62		-14.62
Harrogate BC	1,032	1,014	1,058	44	11	4.34
North Yorkshire CC	16,435	17,336	18,959	1,623	135	9.36
North Yorkshire CC FTE Terms	8,218	8,390	8,400	10	N/A	0.12
Richmondshire DC	186	165	217	52		31.52
Ryedale DC	231	212	220	8	1	3.77
Scarborough BC	583	526	557	31	1	5.89
Selby DC	199	195	224	29	16	14.87
Sub Total	23,650	24,586	26,694	2,108	257	8.57
<u>Police and Crime Commissioner, Fire, Probation Services and National Park Authorities</u>						
North Yorkshire PCC	1,000	1,001	1,062	61	9	6.09
NY Fire & Rescue	114	109	110	1		0.92
NY Moors National Park	122	122	122	0		0.00
NY Probation Service	207	203	208	5	1	2.46
Y'shire Dales Nat Park	121	125	122	-3		-2.40
Sub Total	1,564	1,560	1,624	64	10	4.10
<u>Town & Parish Councils</u>						
Easingwold TC	2	2	2	0		0.00
Filey Town Council	2	2	2	0		0.00
Foss Int Drg Board	7	7	7	0		0.00
Fulford Parish Council	8	8	9	1		12.50
Glusburn PC	2	1	1	0		0.00
Great Ayton PC	1	1	1	0		0.00
Haxby Town Council	2	4	3	-1		-25.00
Hunmanby PC	1	1	2	1		100.00
Kirkbymoorside TC	2	0	0	0		0.00
Knaresborough TC	2	3	3	0		0.00
Malton Town Council	3	3	3	0		0.00
Marston Moor Dnge Brd	3	3	3	0		0.00
Northallerton TC	7	5	5	0		0.00
Norton on Derwent TC	2	2	3	1		50.00
Northallerton/Romanby Burial Bd	2	2	2	0		0.00
Pickering Town Council	2	2	2	0		0.00
Riccall Parish Council	1	1	1	0		0.00
Richmond Town Council	2	1	1	0		0.00
Ripon City Council	4	4	6	2		50.00
Selby Town Council	6	7	7	0		0.00
Skipton Town Council	7	8	7	-1		-12.50
Sutton in Craven PC	3	2	2	0		0.00
Tadcaster Town Council	0	0	2	2		0.00
Thornton Int Dnge Brd	1	1	1	0		0.00
Whitby Town Council	4	4	6	2		50.00
Sub Total	76	74	81	7	0	9.46
<u>Colleges & Universities</u>						
Askham Bryan College	165	170	205	35		20.59
Craven College	211	193	215	22		11.40
Scarborough VI Form	34	43	52	9	1	20.93
Selby College	111	120	123	3		2.50
University of Hull	74	82	97	15	4	18.29
York College	295	311	343	32	2	10.29
York St John Uni	322	370	387	17	2	4.59
Sub Total	1,212	1,289	1,422	133	9	10.32

Appendix 3

Employer	31/03/2012	31/03/2013	31/03/2014	Change During 2013/14	Opt Out inc in change	Change %
<u>Admitted Bodies</u>						
Catering Academy Ltd	0	0	5	5		N/A
Chartwells Compass	7	6	4	-2		-33.33
Churchill Security	0	0	3	3		N/A
Community Leisure	3	2	2	0		0.00
Craven Housing	37	32	30	-2		-6.25
Derwent Facilities Management	0	1	0	-1		-100.00
Elite	1	1	1	0		0.00
Enterprise	16	15	15	0		0.00
Future Cleaning	0	1	1	0		0.00
Grosvenor FM	8	8	8	0		0.00
Human Support Group	0	27	26	-1		-3.70
Inspace	17	0	0	0		0.00
ISS Mediclean Ltd	78	72	67	-5		-6.94
Interserve	0	2	1	-1		-50.00
Jacobs UK Ltd	22	21	19	-2		-9.52
Joseph Rowntree Trust	14	13	12	-1	1	-7.69
Mellors	11	11	3	-8		-72.73
Northern Care	0	0	2	2		N/A
NYBEP	1	1	1	0		0.00
Premier Support Services	0	0	2	2		N/A
Ringway	132	137	132	-5		-3.65
Richmondshire Leisure	19	14	13	-1		-7.14
Scarbro' Museums Trust	4	4	1	-3		-75.00
Sheffield International Venues	0	28	24	-4		-14.29
Springfield Home Care	0	3	3	0		0.00
Superclean	3	3	3	0		0.00
Veritau Ltd	31	31	34	3		9.68
Veritau North Yorkshire	0	6	4	-2		-33.33
Wigan Leisure/Culture	43	27	17	-10		-37.04
York Archaeological Tst	2	2	2	0		0.00
York Museums/Gallery	74	96	105	9	5	9.38
Yorkshire Coast Homes	87	99	111	12		12.12
Yorkshire Housing Ltd	108	101	94	-7		-6.93
Yorkshire Tourist Brd	11	6	6	0		0.00
Sub Total	729	770	751	-19	6	-2.47
<u>Academies</u>						
Archbishop Holgate's School	57	55	56	1	1	1.82
Great Smeaton Academy Primary School	3	2	1	-1		-50.00
The Grove Academy	0	0	6	6		N/A
Harrogate Grammar School	83	152	184	32	3	21.05
Harrogate High School	0	51	50	-1	6	-1.96
Manor Church of England Academy	27	56	60	4		7.14
Norton College	42	56	58	2		3.57
Outwood Grange Academy	26	36	32	-4		-11.11
Robert Wilkinson Academy	0	0	78	78		N/A
Rossett School	51	55	55	0		0.00
Skipton Girls High School	32	35	26	-9		-25.71
South Craven School	101	107	115	8	1	7.48
St Aidan's C of E High School	117	151	152	1	9	0.66
The Woodlands Academy	0	0	35	35		N/A
Thomas Hinderwell Primary Academy	0	0	20	20		N/A
Sub Total	539	756	928	172	20	22.75
Total	27,770	29,035	31,500	2,465	302	8.49

NORTH YORKSHIRE PENSION FUND
Cumulative Total of Retirements from 1 April 2013 to 31 March 2014

<i>Employer</i>	<i>Normal</i>	<i>Ill-Health</i>		<i>Efficiency/ Redundancy /Employers Consent</i>	<i>Total</i>
		<i>Actuarial Assumption</i>	<i>Actual</i>		
007 - Scarborough	11	1	1	7	19
009 - Hambleton	4	1	1	3	8
010 - Ryedale	5	1	-	-	5
011 - Harrogate	24	2	5	10	39
012 - Richmondshire	3	1	-	1	4
013 - Selby	2	1	-	1	3
014 - Craven	2	1	-	-	2
016 - York St John University	3	-	-	-	3
017 - York Archaeol. Trust	1	-	-	-	1
020 - York	63	7	6	46	115
021 - Probation	3	1	-	1	4
025 - NYCC	251	22	4	59	314
040 - Joseph Rowntree CT	1	-	-	-	1
042 - NY Police Authority	8	2	2	8	18
051 - NY Fire and Rescue	1	1	1	6	8
052 - N Y Moors NP	4	-	-	1	5
055 - University of Hull	1	-	-	-	1
057 - Yorkshire Housing	5	-	-	-	5
061 - Askham Bryan College	3	-	-	4	7
062 - Craven College	3	-	-	-	3
065 - Selby College	1	-	-	-	1
070 - Pickering Town Council	1	-	-	-	1
074 - York College	5	1	1	-	6
076 - York Museums Trust	1	-	-	-	1
077 - Craven Housing	-	1	1	1	2
080 - Yorkshire Coast Homes	5	-	-	-	5
084 - Jacobs	1	-	-	-	1
087 - Scar Museums Trust	-	-	-	1	1
090 - Veritau	1	-	-	-	1
091 - Wigan Leisure Trust	1	-	-	-	1
097 - ISS	2	-	-	-	2
098 - Harrogate Grammar Sc	1	-	-	-	1
101 - Skipton Girls' High Sch	3	-	-	-	3
102 - South Craven School	-	2	2	-	2
103 - Arch Bish Holgate Sch	1	-	-	-	1
104 - Norton College	-	-	-	1	1
107 - St Aidan's Academy	1	-	-	-	1
108 - Outwood Grange Ripon	1	-	-	1	2
110 - Ringway	3	1	1	-	4
112 - Woodlands Academy	1	-	-	-	1
113 - Harrogate High School	1	-	-	-	1
118 - Sheffield Int Venues	2	-	-	-	2
121 - Northern Care	1	-	-	1	2
Others	-	5	-	-	-
Totals	(71%) 431	51	(4%) 25	(25%) 152	608
Quarterly Analysis					
Quarter 1	87		5	43	135
Quarter 2	141		8	48	197
Quarter 3	107		7	35	149
Quarter 4	96		5	26	127
Totals	431	N/A	25	152	608

Pension Fund Committee Training Record

Date	Title or Nature of Course	Sponsor / Organiser	Venue	Bateman B	Blackie J	De Courcey-Bailey M	Harrison-Topham R	Mulligan P	Swiers H	Weighell J	Clark J	Williams D	Cross S
20-22 May 2013	Local Authority Conference	NAPF	Cotswold Water Park	✓	✓								
11 July 2013	Investment Manager Meetings	NYCC	County Hall	✓	✓	✓	✓	✓	✓	✓	✓		
05-06 Sept 2013	Investment Summit	LGC	Celtic Manor, Newport	✓	✓								
13 Sept 2013	Triennial Valuation	NYCC	County Hall	✓	✓	✓	✓	✓	✓	✓	✓		
20 Sept 2013	Investment Manager Meetings	NYCC	County Hall	✓	✓	✓	✓	✓	✓	✓	✓		
29-30 Sept 2013	Pension Trustees Circle	SPS	Harrogate	✓									
02-03 Oct 2013	Local Authority Seminar	Baillie Gifford	Edinburgh	✓	✓	✓		✓	✓	✓			
16-18 Oct 2013	Annual Conference	NAPF	Manchester	✓									
25 Oct 2013	Investment Strategy Workshop	NYCC	County Hall	✓	✓	✓	✓	✓	✓	✓	✓		
22 Nov 2013	Investment Manager Meetings	NYCC	County Hall	✓	✓	✓		✓	✓		✓		
04-06 Dec 2013	Annual Conference	LAPFF	Bournemouth		✓						✓		
16 Jan 2014	Investment Strategy Workshop	NYCC	County Hall	✓		✓	✓	✓		✓	✓		
21 Feb 2014	Investment Manager Meetings	NYCC	County Hall	✓	✓	✓	✓	✓	✓	✓	✓		
05-07 Mar 2014	Investment Conference	NAPF	Edinburgh	✓	✓						✓		

UPCOMING TRAINING AVAILABLE TO MEMBERS

<i>Provider</i>	<i>Course or Conference Title</i>	<i>Date(s)</i>	<i>Location</i>	<i>Theme / Subjects Covered</i>
Aon Hewitt	Local Government Pension Scheme Conference 2014	04 th June 2014	London	A variety of LGPS focused Investment and Governance topics
Baillie Gifford	LTGG Seminar	19 th June 2014	London	Discussion of the LTGG Fund including past performance, future opportunities and long term investment decision making.
LGC	Pension Fund Symposium	26th - 27th June 2014	Birmingham	The impact and the future of the new LGPS Joint working between Funds Alternatives and Infrastructure
LGC	Investment Summit	09 th - 10 th September 2014	Newport	Various investment related topics
NAPF	Annual Conference and Exhibition	15 th - 17 th October 2014	Liverpool	Annual Conference
Professional Pensions	2014 Investment Conference	05 th November 2014	London	Various investment related topics

PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS 2014 and 2015

<i>Meeting Date</i>	<i>Venue & Time</i>	<i>Regular</i>	<i>Fund Managers</i>
23 May 2014	10:00–14:00 Grand Committee Room	Investment Manager Meetings	Unigestion and TOBAM
10 July 2014	10:00–14:00 Grand Committee Room	Pension Fund Committee Statement of Final Accounts 2013/14 Governance of the Fund	
18 September 2014	10:00–14:00 Grand Committee Room	Pension Fund Committee Member and Employer Issues Annual Report 2013/14 Budget & Statistics Performance of the Portfolio Q1 Fund Manager Matters	
19 September 2014	10:00–14:00 Grand Committee Room	Investment Manager Meetings	2/3 Managers (TBC)
21 November 2014	10:00–14:00 Grand Committee Room	Pension Fund Committee Member and Employer issues Budget & Statistics Performance of the Portfolio Q2 Fund Manager Matters	

<i>Meeting Date</i>	<i>Venue & Time</i>	<i>Regular</i>	<i>Fund Managers</i>
TBC	10:00–14:00 Grand Committee Room	Investment Manager Meetings	2/3 Managers (TBC)
26 February 2015	10:00–14:00 Grand Committee Room	Pension Fund Committee Member and Employer issues Budget & Statistics Performance of the Portfolio Q3 Fund Manager Matter	
27 February 2015	10:00–14:00 Grand Committee Room	Investment Manager Meetings	2/3 Managers (TBC)
21 May 2015	10:00–14:00 Grand Committee Room	Pension Fund Committee Member and Employer issues Budget & Statistics Performance of the Portfolio Q4 Fund Manager Matters	
22 May 2015	10:00–14:00 Grand Committee Room	Investment Manager Meetings	2/3 Managers (TBC)

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

22 MAY 2014

CONSULTATION ON STRUCTURAL REFORM OF THE LGPS

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To inform Members of the latest consultation on structural reform of the LGPS.

2.0 THE CONSULTATION

- 2.1 On 1 May 2014 the Government published a consultation “Local Government Pension Scheme: opportunities for collaboration, cost saving and efficiencies”. This consultation represents the next step in reform of the LGPS, building on the responses to the Call for Evidence and the analysis of the shadow scheme Advisory Board.
- 2.2 An introduction to the consultation, the consultation document itself, and the report by Hymans Robertson which provides the evidence base for the proposals within the consultation document are all available through <https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>.
- 2.3 The focus of the Call for Evidence, which took place in the summer of 2013 appeared to be aimed at making a case for fund mergers. However the consultation document makes it clear that mergers are not being pursued at this time. Instead, the proposals are for increased collaborative investments and for investments to be managed passively.
- 2.4 Although the Government believes savings are achievable on fund administration through greater collaboration it has decided to allow the 2014 scheme to mature before considering any further reform. Administrative arrangements are therefore not part of this consultation.
- 2.5 The stated primary aim of the Call for Evidence was to address deficits and improve investment returns, however specific questions relating to these issues do not feature in the consultation proposals. Instead, the first request for a response in the document is worded as if an extension to the information gathering process of the Call for Evidence:

Respondents to this consultation are also invited to submit any feasible proposals for the reduction of fund deficits.

- 2.6 Section 2 of the consultation document starting on page 7 provides the rationale for the consultation itself. Section 3 on page 11 summarises the case for change, including picking out some of the key elements of the Hymans Robertson report.
- 2.7 One of the secondary objectives of the Call for Evidence, reducing the cost of investment, has become the focus of this consultation and is the basis of the two proposals for reform.

3.0 PROPOSAL 1: COMMON INVESTMENT VEHICLES

- 3.1 The case for change refers to liquid investments such as equities and illiquid investments such as alternatives and proposes that significant savings could be achieved through the use of common investment vehicles in both cases. Members' views are sought on this proposal generally, and specifically in relation to the questions posed in the consultation document.

- Q1 Do you agree that common investment vehicles would allow funds to achieve economies of scale and deliver savings for listed and alternative investments? Please explain and evidence your view.**
- Q2 Do you agree with the proposal to keep decisions about asset allocation with the local fund authorities?**
- Q3 How many common investment vehicles should be established and which asset classes do you think should be separately represented in each of the listed asset and alternative asset common investment vehicles?**
- Q4 What type of common investment vehicle do you believe would offer the most beneficial structure? What governance arrangements should be established?**

- 3.2 In paragraph 4.13 the Government recognises the need for changes to the investment regulations particularly in relation to common investment vehicles. A further consultation is planned, and to help prepare for this the document says:

Any initial thoughts would be welcome in response to this consultation.

4.0 PROPOSAL 2: PASSIVE FUND MANAGEMENT OF LISTED ASSETS

- 4.1 The justification for this proposal is based on analysis by Hymans Robertson showing that, in aggregate, the net return after fees for active management is lower than the net return for passively managed funds. However four approaches aimed at delivering improved performance net of fees are described:

1. Funds could be required to move all listed assets into passive management, in order to maximise the savings achieved by the Scheme

2. Alternatively, funds could be required to invest a specified percentage of their listed assets passively; or to progressively increase their passive investments
3. Fund authorities could be required to manage listed assets passively on a “comply or explain” basis
4. Funds could simply be expected to consider the benefits of passively managed listed assets, in the light of the evidence set out in this paper and the Hymans Robertson report

4.2 The consultation asks:

Q5 In light of the evidence on the relative costs and benefits of active and passive management, including Hymans Robertson’s evidence on aggregate performance, which of the options set out above offers best value for taxpayers, Scheme members and employers?

5.0 NEXT STEPS

5.1 It is intended that Members’ views will be sought at the meeting and used as the basis of a draft response to the consultation. The final date for the consultation then allows the Committee to approve a final response at its meeting on 10 July 2014.

6.0 RECOMMENDATIONS

6.1 Members are asked to comment on the consultation generally, and in particular on the questions in **paragraphs 3.1 and 4.2** with a view to shaping the response to the Consultation.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

13 May 2014

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

22 MAY 2014

BUDGET / STATISTICS

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

- (a) the expenditure/income position for the year to March 2014 (see section 2)
- (b) the cash deployment of the Fund (see section 3)

2.0 DRAFT 2014/15 OUTURN

- 2.1 The Cash surplus for the year to 31 March 2014 (£15.5m) exceeded budget (£10.3m) by £5.2m. As shown in **Appendix 1**, this was due to income for the year exceeding the forecast by £4.0m while expenditure was lower than anticipated by £1.2m.
- 2.2 The cost of Benefits paid to the end of March was £3.2m below budget. This was mainly due to Lump Sum (retirement grant) expenditure of £22.3m being lower than anticipated by £3.7m. The level of retirement grants (£26m) was forecast in anticipation of several employers reviewing staffing structures with a view to further rationalisation but the timing was not predicted accurately. However it is expected that this will occur in coming years and the 2014-15 budget remains unchanged.
- 2.3 As mentioned in the Budget and Statistics report presented at the February 2014 meeting of the PFC, strong investment performance resulted in higher than expected investment management performance fees, which exceeded the budget (£0.8m) by £1.8m.
- 2.4 Transfer income of £9.6m exceeded the budget for the period (£7.0m) by £2.6m. The largest transfer during the year was the £2.4m bulk transfer of staff from an employer on the Cumbria Pension Fund to Askham Bryan College.

3.0 CASH DEPLOYMENT IN 2013-14

3.1 The cash generated in the year by the annual surplus, together with the opening balance and currency hedging cashflows has been managed in 2013/14 as follows:

	£m	
Cash Balance Brought Forward from 2012/13	6.2	
Surplus to 31 March 2014 (as per Appendix 1)	15.5	
Cash Available as at 31 March 2014	21.7	(a)
Rebalancing of Fund		
April 2013 (Standard Life Investments)	-5.0	
May 2013 (Hermes Distribution)	0.3	
July 2013 (RC Brown Disposal)	2.7	
Aug 2013 (YHEF Distribution)	0.6	
Aug 2013 (Standard Life Investments)	-10.0	
Aug 2013 (Hermes Distribution)	0.2	
Sept 2013 (Threadneedle)	-7.5	
Oct 2013 (Threadneedle)	-5.2	
Nov 2013 (Threadneedle)	-8.9	
Nov 2013 (Hermes Distribution)	0.3	
Feb 2014 (Hermes Distribution)	0.3	
Total Rebalancing	-32.2	(b)
Net Currency Hedging In/Outflows to 31/3/2014	15.7	(c)
Available for Rebalancing of the Fund	5.2	(d) = (a+b+c)

3.2 Section 7 of the Performance of the Portfolio report describes how the available cash has been deployed.

4.0 RECOMMENDATIONS

4.1 Members to note the contents of the report

GARY FIELDING
Treasurer
Central Services, County Hall, Northallerton

13 May 2014

North Yorkshire Pension Fund Income and Expenditure as at 31 March 2014

		Budget to 31 March	Actual Income / Expenditure to 31 March	Variance ie (i-ii)	Budget 2014/15
		£000	£000	£000	£000
		(i)	(ii)	(iii)	(iv)
<u>EXPENDITURE</u>					
Benefits	Pension Payments	66,000	66,512	512	70,000
	Lump Sums (including refunds)	26,000	22,328	-3,672	26,000
	sub total (a)	92,000	88,840	-3,160	96,000
Admin Expenses	Finance and Central Services	1,100	1,100	0	1,100
	Other Services (Including Actuarial)	200	182	-18	210
	Other Admin Expenses	200	343	143	200
	sub total (b)	1,500	1,625	125	1,510
Investment Expenses	Investment Management Fees (Base)	3,000	3,049	49	3,150
	Performance Related	800	2,594	1,794	1,000
	Custodian Fees	150	150	0	150
	Other Investment Expenses	250	205	-45	260
	sub total (c)	4,200	5,998	1,798	4,560
Total Expenditure	(d)	97,700	96,463	-1,237	102,070
<u>INCOME</u>					
Contributions	Employer and Employee Contributions	103,000	103,283	283	105,000
	Early Retirement Costs Recharged	3,000	3,178	178	3,000
	sub total (e)	106,000	106,461	461	108,000
Transfers	Transfers IN (per individuals)	7,000	9,591	2,591	7,000
	Transfers OUT (per individuals)	-5,000	-4,106	894	-4,000
	sub total (f)	2,000	5,485	3,485	3,000
Total Income	(g)	108,000	111,946	3,946	111,000
Net Surplus	(h)	10,300	15,483	5,183	8,930

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

22 MAY 2014

PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER
AND YEAR ENDING 31 MARCH 2014

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To report the investment performance of the overall Fund, and of the individual Fund Managers, for the Quarter to 31 March 2014 and the twelve months ending on that same date.

2.0 PERFORMANCE REPORT

- 2.1 The Fund Analysis & Performance Report (attached as **Appendix 1**) produced by BNY Mellon Asset Servicing (MAS) provides a performance analysis of the North Yorkshire Pension Fund for the quarter and year ending 31 March 2014.
- 2.2 The report highlights the performance of the total Fund by asset class against the customised Fund benchmark. It also includes an analysis of the performance of each manager against their specific benchmark and a comparison of performance levels over time.

3.0 PERFORMANCE OF THE FUND

- 3.1 **The absolute overall return for the quarter (+1.5%) was above the customised benchmark for the Fund (+1.4%) by 0.1%.**
- 3.2 **The 12 month absolute rolling return was +12%, 6.1% above the customised benchmark.**
- 3.3 Absolute and relative returns over the rolling years to each of the last four quarter ends were as follows.

Year End	Absolute %	Relative %
31 March 2014	+12.0	+6.1
31 December 2013	+20.9	+5.5
30 September 2013	+22.5	+6.2
30 June 2013	+21.0	+3.5

- 3.4 The performance of the various managers against their benchmarks for the Quarter ended 31 March 2014 is summarised on **page 8** of the MAS report. This

performance is measured on a time-weighted basis and expressed as a +/- variation to their benchmark.

- 3.5 The Appendices used in this report have been designed to present a fuller picture of investment performance.

Appendix 2 Fund Manager Performance over the three years to 31 March 2014 in absolute percentage terms from a starting point of “100”

Appendix 3 Performance of NYPF relative to other LGPS Funds over the last ten years

Appendix 4 Solvency position (in % and £ terms) since the 2001 Triennial Valuation; this Appendix also shows in absolute terms the +/- in the value of assets and liabilities of the Fund

Appendix 5 Solvency graph – this shows the key figures from **Appendix 3** since March 2004 in a simple graphical format

Appendix 6 Details of Rebalancing up to the date of this report

- 3.6 The separate reports of the Investment Adviser and Investment Consultant explain what has been happening in the financial markets and to NYPF’s investments, and look ahead over the short, medium and longer term.

4.0 FUND MANAGER PERFORMANCE

- 4.1 In monetary terms, the positive absolute return of +1.5% in the Quarter increased the invested value of the Fund by £31m. Twelve out of thirteen of the Fund’s managers and funds added value, with the majority outperforming their respective benchmarks, which was another good quarterly result for the Fund. At the end of the March 2014 quarter the value of the Fund was £240m above the value at the end of March 2013, an increase of 13%.

Performance relative to other LGPS Funds

- 4.2 **Appendix 3** shows the **performance of NYPF relative to other Funds in the LGPS universe**. NYPF outperformed the local authority average by 0.6% for the quarter and 5.7% for the year to 31 March 2014. The outperformance for the year was mainly as a result of the outperformance in the September quarter (+3%) reflecting a particularly strong period for equities generally and the Fund’s managers in particular.

Overseas Equities

- 4.3 **Fidelity** produced a negative relative return in the quarter (-0.2%) against a benchmark return of +0.7%. Performance over the year to December 2013 was +1.4% relative.

The manager has achieved +0.6% pa over the benchmark over the rolling three year period to March 2014 against the target of +2% pa. Since inception in

November 2008 the manager has exceeded the benchmark by 0.3% pa (gross of fees).

Global Equities

- 4.4 The Global Alpha fund managed by **Baillie Gifford** produced a positive relative return (+1.7%) continuing an exceptional run of outperformance of nineteen of the last twenty quarters. The Fund was 6% above the benchmark for the year to March 2014.

The LTGG fund, also managed by **Baillie Gifford** produced a negative relative return (-1.7%) for the quarter. The concentrated nature of this fund (30-40 stocks) means that significant volatility over short term periods should be expected from time to time. The strategy for this fund is to outperform over five to seven year periods.

Both funds managed by Baillie Gifford have performed exceptionally well over the long term, since the manager was appointed in 2006. At the end of December 2013 the annualised performance figures were 2.5% (Global Alpha) and 2.8% (LTGG) ahead of the FTSE All World benchmark since inception, compared to targets of +2% and +3% respectively.

UK Equities

- 4.5 **Standard Life** produced a negative relative return (+0.4%) in the quarter against the FTSE 350 equally weighted benchmark return of +2.6%. However relative performance for the year was 8.1% above the benchmark.

The manager has achieved +2.4% pa over the benchmark over the rolling three year period to March 2014 against the target of +3% pa.

Fixed Income

- 4.6 **ECM** produced +1.1% relative against the cash benchmark for the quarter and +4.1% relative for the year to March 2014. The performance target is to beat the cash benchmark by 3% each year. The manager also outperformed the most comparable corporate bond index, the Merrill Lynch ER00 (duration hedged) index by 0.4% for the quarter.
- 4.7 Between July 2005 and May 2007 NYPF invested £125m with ECM. The valuation reached a peak of £141m in December 2007, dropped to a low point of £58m in February 2009. By the end of March 2014 the value of the investment stood at £125.8m.
- 4.8 **Amundi** performed below the benchmark (+3.9%) by 0.9% in the quarter and was 0.3% above it for the year to March 2014. The performance target is to exceed the benchmark by 2.5% each year.

The investment with this manager has proven to be a helpful contributor to Fund performance, outperforming liabilities since inception (+1% pa).

- 4.9 The investment in Gilts with **M&G** produced +4.2% against the liability matching benchmark of +3.9% for the quarter to March 2014. Performance for the year to the same date was above the benchmark by 1.8%. The performance target is to exceed the benchmark by 0.5% (net of fees) each year.

Property

- 4.10 The investments with **Hermes**, **Threadneedle** and **L&G** produced +3%, +2.7% and +2.6% respectively in relative terms, against the RPI benchmark of +0.6% for the quarter to March 2014.

Diversified Growth Funds

- 4.11 Investments were made into the **Standard Life** Global Absolute Return Strategy (GARS) Fund and the **Newton Investments** Real Return Fund during March 2013. Both funds performed positively in the quarter, producing +0.1% and +1.2% respectively against the cash benchmark of +0.1%.

5.0 RISK INDICATORS

- 5.1 The Report (**pages 10 and 11**) describes the risk profile of the Fund. The Sharpe Ratio indicates that the additional risk take by the Fund's managers is broadly in line with performance but there are interesting differences between them. The positive Information Ratio for all of the Fund's managers reflects the valuable contribution over the last three years.

6.0 SOLVENCY

- 6.1 The **solvency position** is presented in **Appendices 4 and 5**. As at 31 March 2014 the estimated solvency increased in the last quarter from 83% to 84%.
- 6.2 The assets of the Fund increased by 2.4% in the Quarter, whilst liabilities (as modelled by the Actuary) rose by less than 1%, the two combining to produce a 1% increase in solvency in the Quarter.
- 6.3 The relative position, over time, between liabilities and assets is shown very clearly in **Appendix 4** which is a simple graph using data from **Appendix 3**.
- 6.4 It is clear that the Fund's assets have exhibited significant volatility at certain times which is unsurprising given the experience through the financial crisis. However over a longer time period assets have grown broadly in line with expectations.
- 6.5 What is more surprising is the extent of volatility seen in the Fund's liabilities. The assumptions used to value liabilities over the long term are usually relatively stable when attempting to assess conditions decades into the future. However liability values (as measured by the Actuary) have fluctuated significantly due to certain financial market based assumptions (e.g. discount factor) changing over very short time periods. Although this is volatility is effectively smoothed out through successive Triennial Valuations, for example by allowing employers to take post

Valuation events into account in their contribution requirements, the consequence is a rather erratic funding level.

7.0 REBALANCING

- 7.1 The rebalancing schedule is attached as **Appendix 6**. During April 2014 £20m was transferred from cash into the property investment with Legal & General. This was funded out of deficit payments from ten of the Fund's employers, received annually in advance instead of in monthly instalments.
- 7.2 The target allocation for Property as an asset class, to be shared between the three property managers Hermes, Legal & General and Threadneedle is from 5% to 10% of the Fund. At the end of March 2014 the allocation stood at 4.8% (£99m).
- 7.3 Following the investment with L&G, the allocation to property now stands at £119m, or 5.7% of the Fund.
- 7.4 Members have previously agreed that further transfers to property remain on hold unless suitably attractive opportunities on the secondary market become available, or until the outlook for property improves sufficiently. However the latest advice from the Investment Consultant is that prospects for property have improved significantly, and that opportunities on the secondary market are very unlikely to occur, hence the investment with L&G.
- 7.5 Options to invest directly with two of the investment managers are now restricted. An investment with Hermes could not be made before Q1 of 2015, and Threadneedle has imposed a limit of £10m each month per investor. This reflects the managers' responses to the number of willing investors and the time it takes to acquire the underlying properties.
- 7.6 **Although no further rebalancing is anticipated at this time, Members may wish to consider reducing the allocation to Equities in favour of Property (where possible) or Diversified Growth Funds in order to reduce overall risk following a period of sustained growth in equity markets. The Fund's Investment Consultant and Independent Adviser will provide advice at the meeting.**

8.0 PROXY VOTING

- 8.1 The report from PIRC is available on request summarising the proxy voting activity in the period January to March 2014. This report covers the votes cast on behalf of NYPF at all relevant company AGMs in the period and includes an analysis of voting recommendations at selected meetings and responses to company engagement.

10.0 **RECOMMENDATION**

10.1 Members to decide if any rebalancing should take place as described in **paragraph 7.6.**

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

13 May 2014



BNY MELLON
ASSET SERVICING

North Yorkshire Pension Fund

3 Months Ending 31 March 2014

Fund Analysis & Performance Report



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Executive Summary

Market Review

Market Briefing - Quarter Ended 31 March 2014

Market Summary

On the whole, Quarter One 2014 saw positive returns across most sectors. Fixed Income and Overseas Equities achieved positive returns whereas UK Equities failed to achieve positive returns this quarter. Both Cash and Property also recorded positive returns.

UK Equities

During the Quarter results were mixed for the UK Equity Indices. The FTSE 250 and the FTSE Small Cap indices were the best performing sectors with returns of 2.5% and 1.4% respectively. Results for the FTSE 100 and 350 were both in negative territory and on an overall basis this sector returned -0.6%.

Over the one year period ending on 31st March 2014, all the indices achieved positive returns. The FTSE Small CAP was the best performing sector with a return of 20.4% over this period. The FTSE 100 was the weakest performing index with a return of 6.7%.

Health Care was the best performing industry sector with a return of 4.4% for the Quarter. The weakest performing sector was Telecommunications with a return of -7.6%.

Over the one year period ending on 31st March 2014, returns ranged from 24.2% for Telecommunications to -0.9% for Basic Materials. Health Care was the second best performing sector with a return of 17.6%.

Overseas Equities

The First Quarter of 2014 saw mixed results across the Overseas Equity market. Australia was the best performing country with a return of 5.1%. Brazil provided the second best performance with a return of 1.6%. The weakest performing country was Japan with a return of -6.1% in sterling terms.

Within Europe, Greece was the best performing country with a return of 17.4%. This was followed by Ireland and Denmark with returns of 15.9% and 14.8% respectively. Austria was the weakest performing country with a return of -2.6%, followed by Finland with a return of -1.2%. Over the one year period Greece was the strongest performing country with a return of 66.5%, with Norway being the weakest with a return of 2.0%.

Executive Summary

Market Review

UK Bonds

Returns were positive across all UK Bond sectors during the quarter. For the seventh quarter running, UK Non-Gilts outperformed Gilts with a return of 2.5% compared to 2.1%. Within Gilts, long-dated Gilts were the strongest performing sector with a return of 3.4%. Short-dated Gilts were the weakest performing sector with a return of 0.4%.

Over the one year period ending 31st March 2014, UK Non-Gilts was once again the best performing sector with a return of 1.6% compared to a return of -2.6% for UK Gilts. Within Gilts, short-dated Gilts provided the strongest performance with a return of -0.7%, whilst the weakest came from medium-dated Gilts with -3.6%.

Overseas Bonds

First Quarter of 2014 saw Overseas Bonds record a positive performance of 2.0%. Within Europe, Spain was the best performing country with a return of 5.4%. Sweden was the weakest performing country with a return of 1.1%. Outside Europe, Australia was the best performing country with a return of 4.2%, whereas Canada was the weakest performing country with a return of -2.2%.

Over the twelve month period, Overseas Bonds achieved a return of -8.5%. European Bonds saw mixed returns over this period where Spain provided the best return of 12.3%, followed by Italy with a return of 10.6%. Outside of Europe, the best performance came from USA with a return of -10.3%. Australia was the weakest performing country with a return of -17.9%.

UK Index-Linked Gilts

UK Index Linked-Gilts achieved a positive return of 3.2% for the First Quarter of 2014. Within this sector, long-dated Index-Linked Gilts provided the strongest performance with a return of 4.00%, whereas the weakest performance was provided by short-dated Index-Linked Gilts with a return of 0.6%.

Over the one year period to 31st March 2014, on an overall basis UK Index-Linked Gilts achieved a return of -3.80%. Over the same period, short-dated Index-Linked Gilts was the strongest performing sector with a return of -1.5%, whereas medium-dated Index Linked Gilts showed the weakest performance returning -6.8%.

UK Cash and Property

Property recorded a positive return for the fifth successive quarter with a return of 2.9%. The overall return for the year ending on 31st March 2014 was 9.5%. Cash achieved a return of 0.1% over the quarter and 0.4% over the last twelve months.

Executive Summary

Fund Performance, Risk and Allocation Highlights

During the First Quarter of 2014, the fund returned 1.53% versus its benchmark of 1.40%, thereby outperforming by 0.13%. In terms of longer period performance, the fund has outperformed over 5 year by 2.84%.

At asset class level, the fund out-performed its blended benchmark in all the majority of asset classes. Property is the best performing sector which outperformed its benchmark by 2.72%. Alternative is the second best performing asset class which outperformed its benchmark by 0.85.

Over the quarter, Nine accounts out-performed their benchmarks. The best (excluding the Cash Account) was shown by Hermes who out-performed their benchmark of UK Retail Price Index (RPI) by 2.98%.

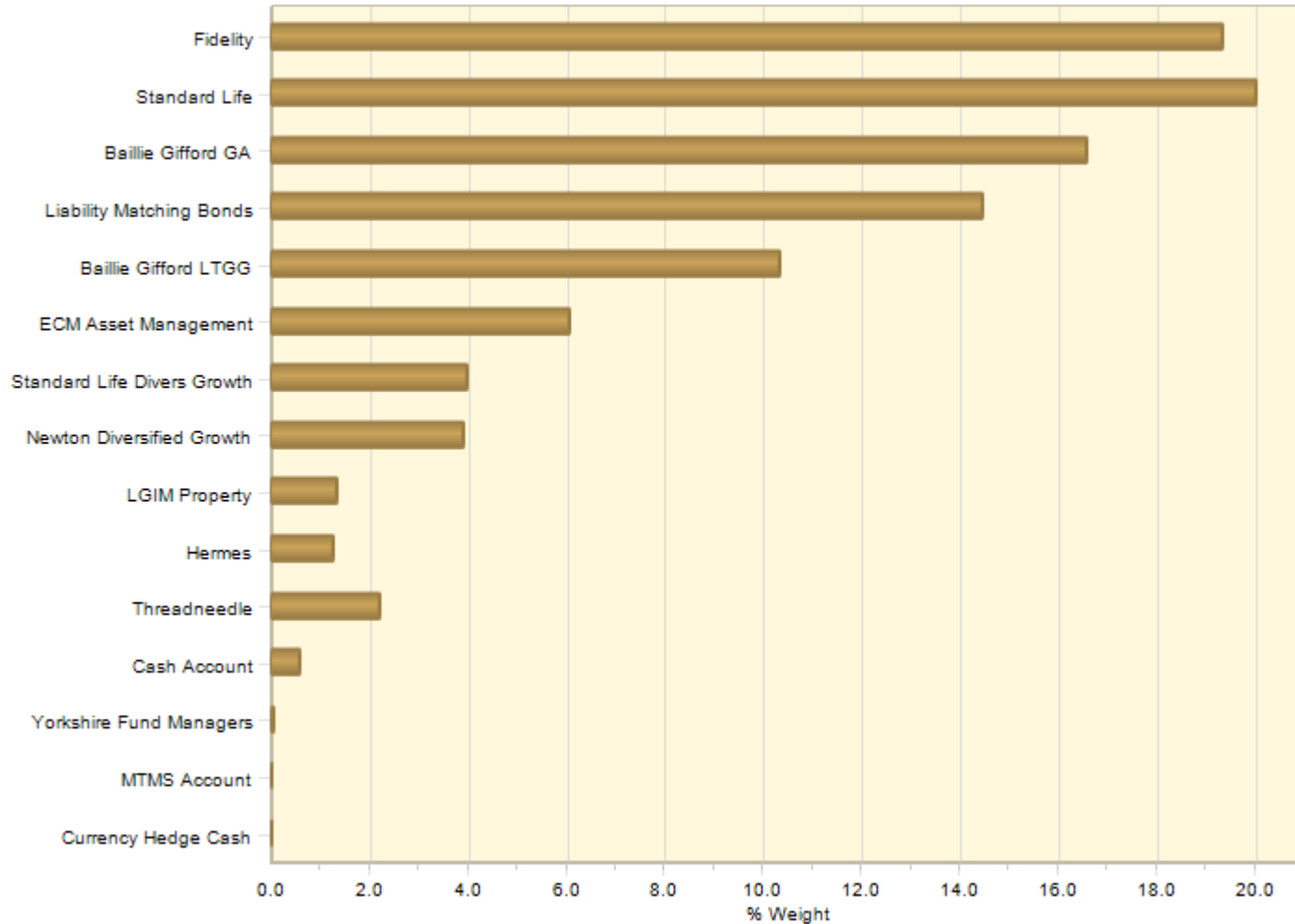
For asset allocation the fund is closely matched to the benchmark with the largest variances being in Alternatives and Global Equity Units where the fund is -4.07% underweight and 1.90% overweight respectively.

Fund Allocation



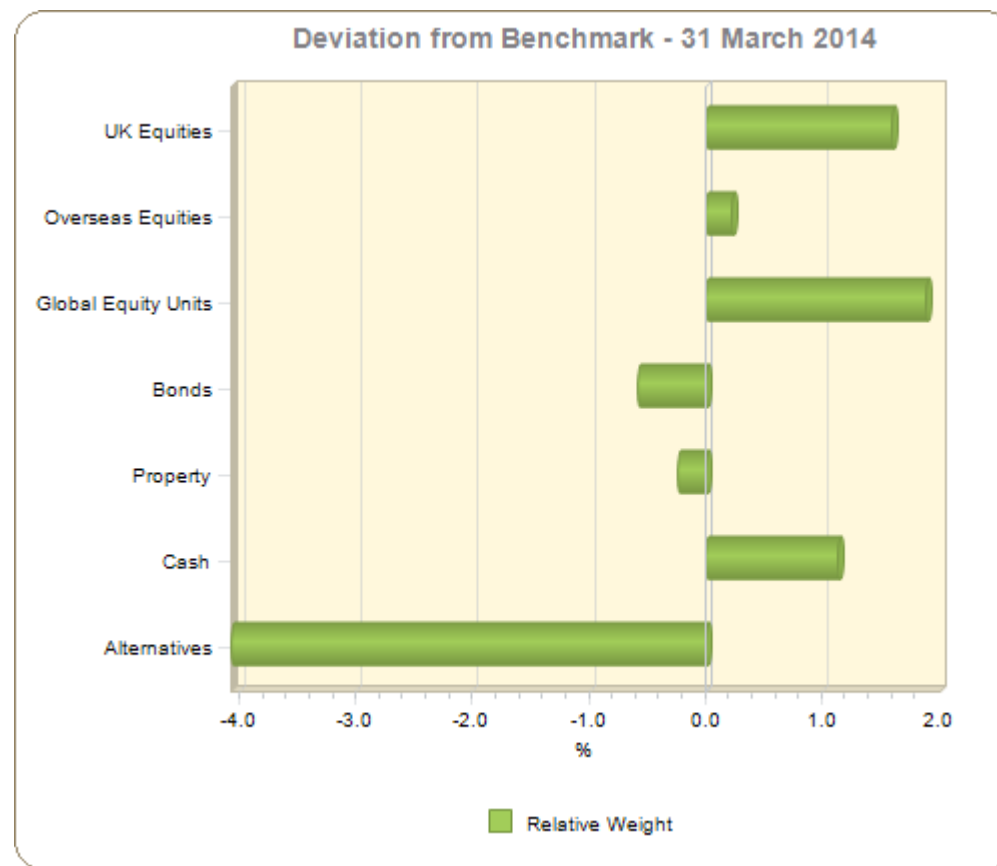
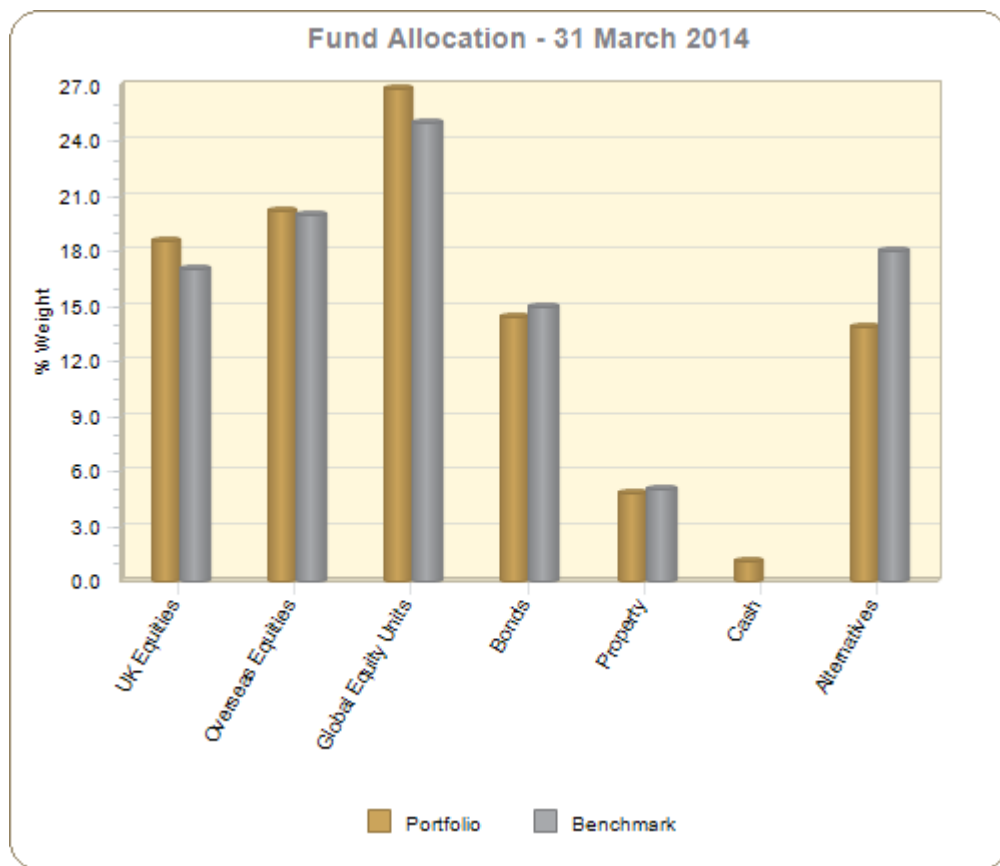
Fund Allocation - Managers

Manager Allocation - 3 Months Ending 31 March 2014



Manager	Weight (%)
Fidelity	19.35
Standard Life	20.02
Baillie Gifford GA	16.58
Liability Matching Bonds	14.44
Baillie Gifford LTGG	10.32
ECM Asset Management	6.04
Standard Life Divers Growth	3.99
Newton Diversified Growth	3.90
LGIM Property	1.34
Hermes	1.24
Threadneedle	2.18
Cash Account	0.58
Yorkshire Fund Managers	0.02
MTMS Account	0.00
Currency Hedge Cash	0.00

Fund Allocation - Relative Analysis



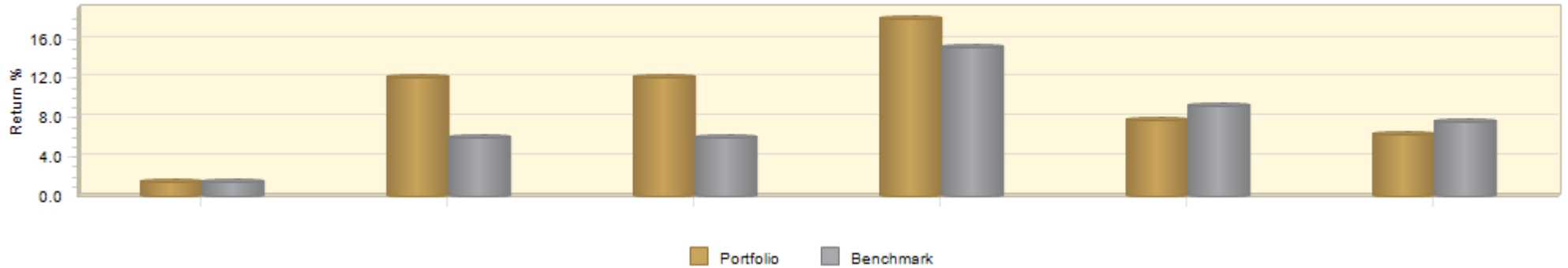
	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Cash	Alternatives
Portfolio	18.61	20.23	26.90	14.42	4.76	1.14	13.93
Benchmark	17.00	20.00	25.00	15.00	5.00	1.14	18.00
Relative Weight	1.61	0.23	1.90	-0.58	-0.24	1.14	-4.07

Fund Performance



Fund Performance - Summary

Periodic Performance



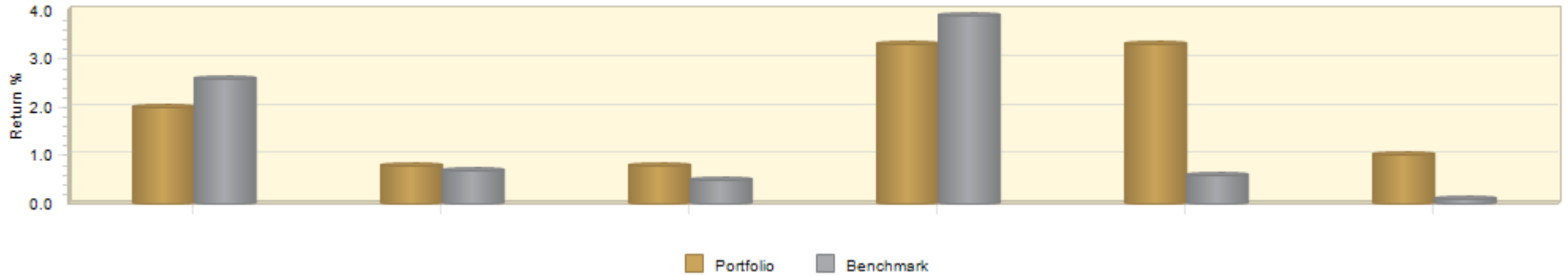
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	10 Years (Ann)	Since Inception (Ann)
Portfolio	1.53	11.98	11.98	18.09	7.74	6.32
Benchmark	1.40	5.88	5.88	15.25	9.20	7.52

Inception Date: 31 Jan 2002

Ann = Annualised

Fund Performance - Segment Analysis

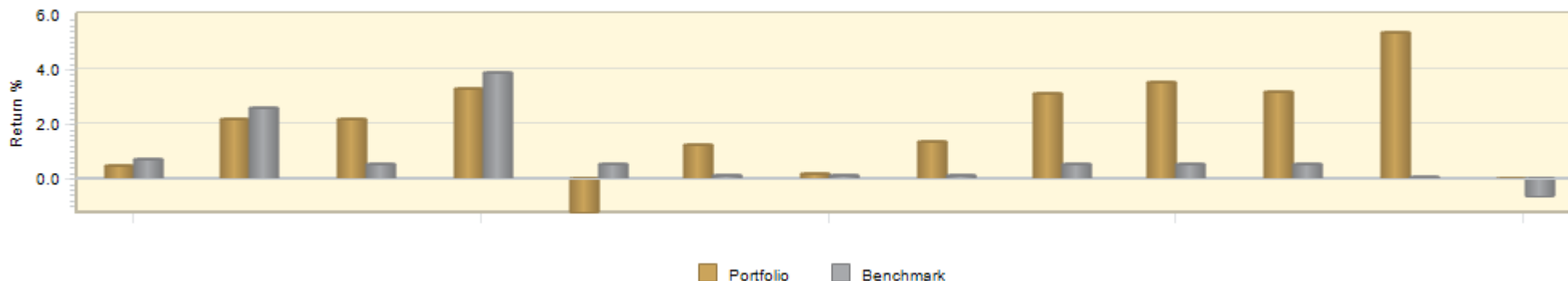
Segment Performance - 3 Months Ending 31 March 2014



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Alternatives
Portfolio	2.01	0.78	0.85	3.33	3.27	0.97
Benchmark	2.61	0.73	0.54	3.89	0.55	0.12

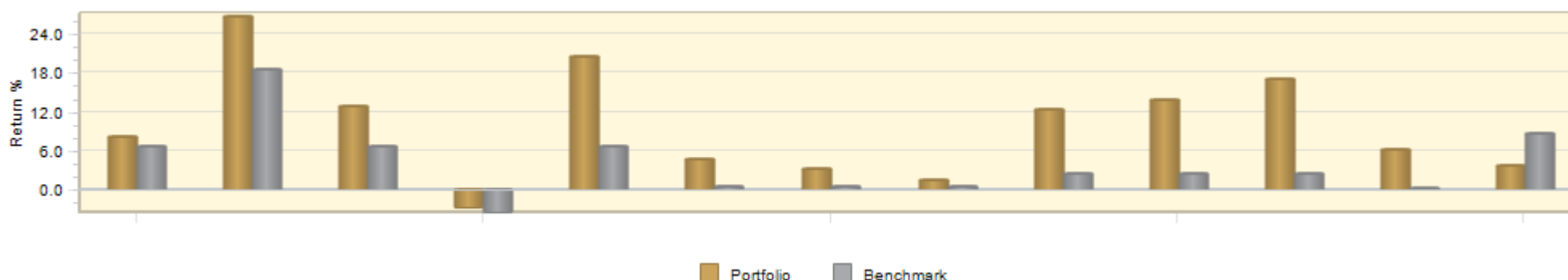
Fund Performance - Manager Overview

Manager Performance - 3 Months Ending 31 March 2014



	Fidelity	Standard Life	Baillie Gifford GA	Liability Matching	Baillie Gifford LTGG	ECM Asset Management	Standard Life Divers Growth	Newton Diversified	LGIM Property	Hermes	Threadneedle	Cash Account	Yorkshire Fund
Portfolio	0.49	2.16	2.18	3.32	-1.22	1.22	0.21	1.36	3.10	3.53	3.21	5.36	0.00
Benchmark	0.73	2.61	0.54	3.89	0.54	0.12	0.12	0.12	0.55	0.55	0.55	0.09	-0.63

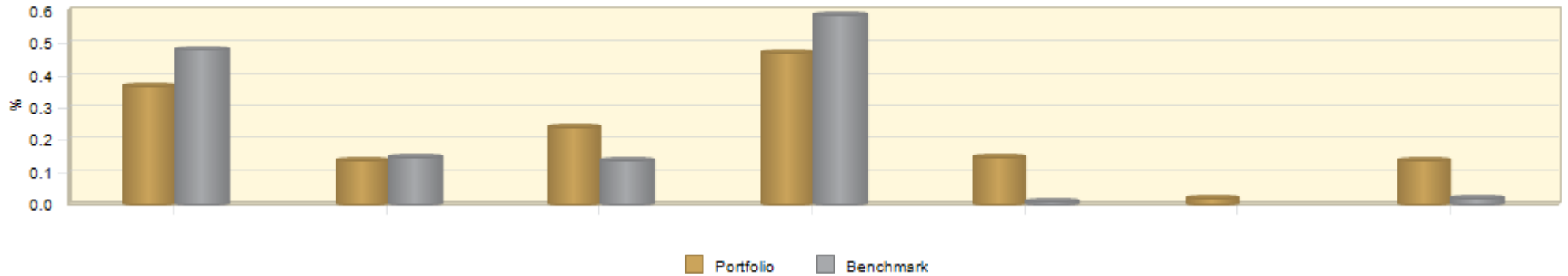
Manager Performance - 1 Year Ending 31 March 2014



	Fidelity	Standard Life	Baillie Gifford GA	Liability Matching	Baillie Gifford LTGG	ECM Asset Management	Standard Life Divers Growth	Newton Diversified	LGIM Property	Hermes	Threadneedle	Cash Account	Yorkshire Fund
Portfolio	8.20	26.65	12.77	-2.76	20.57	4.61	3.34	1.57	12.43	13.84	17.22	6.19	3.75
Benchmark	6.81	18.51	6.75	-3.44	6.75	0.49	0.49	0.49	2.45	2.45	2.45	0.36	8.81

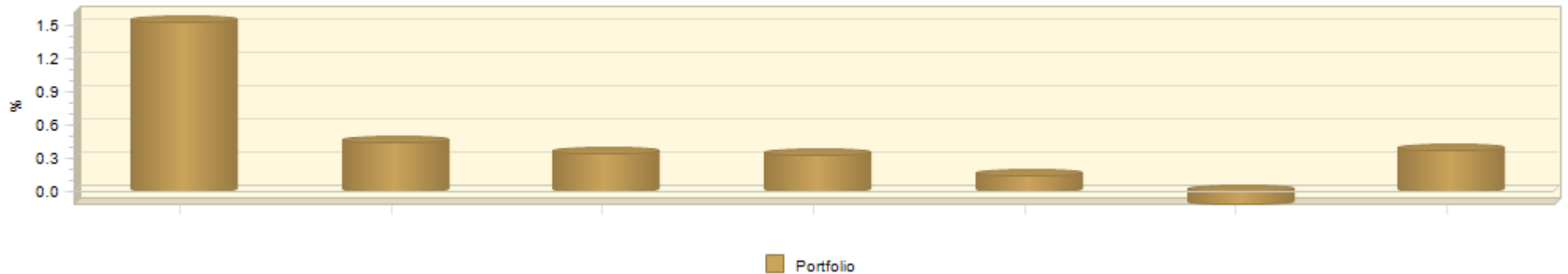
Fund Performance - Contribution Analysis

Source of Contribution - Quarter to 31 March 2014



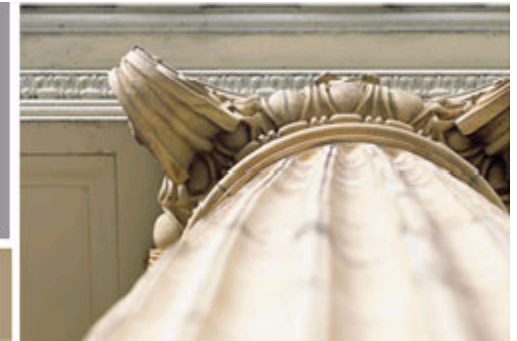
	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Cash	Alternatives
Portfolio	0.37	0.14	0.24	0.47	0.15	0.02	0.14
Benchmark	0.48	0.15	0.14	0.59	0.01	0.00	0.02

Top 5 Manager Contribution - Quarter to 31 March 2014



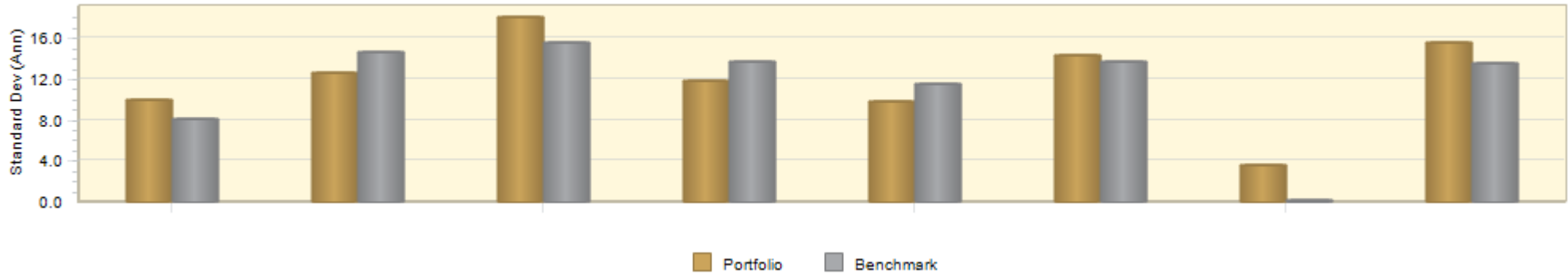
	Total Consolidation	Standard Life	Baillie Gifford GA	Amundi	M&G	Baillie Gifford LTGG	Remaining Managers
Portfolio	1.53	0.44	0.35	0.33	0.14	-0.11	0.38

Risk Profile



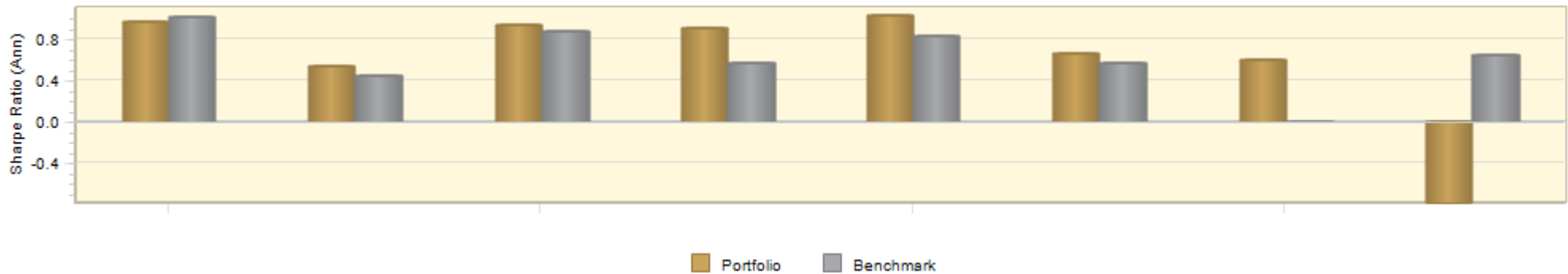
Risk Profile - Historic Risk

Standard Deviation - 3 Years (Ann) to 31 March 2014



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Amundi	Baillie Gifford LTGG	ECM Asset Management	Yorkshire Fund Managers
Portfolio	9.96	12.57	18.02	11.84	9.78	14.38	3.59	15.52
Benchmark	8.04	14.61	15.60	13.63	11.53	13.63	0.16	13.58

Sharpe Ratio - 3 Years (Ann) to 31 March 2014

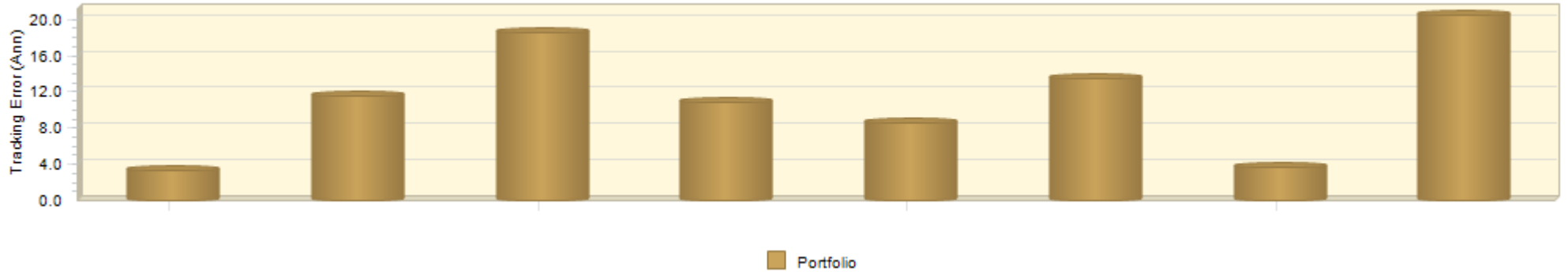


	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Amundi	Baillie Gifford LTGG	ECM Asset Management	Yorkshire Fund Managers
Portfolio	0.98	0.54	0.94	0.91	1.04	0.67	0.61	-0.78
Benchmark	1.02	0.46	0.89	0.57	0.84	0.57	0.00	0.65

Ann = Annualised

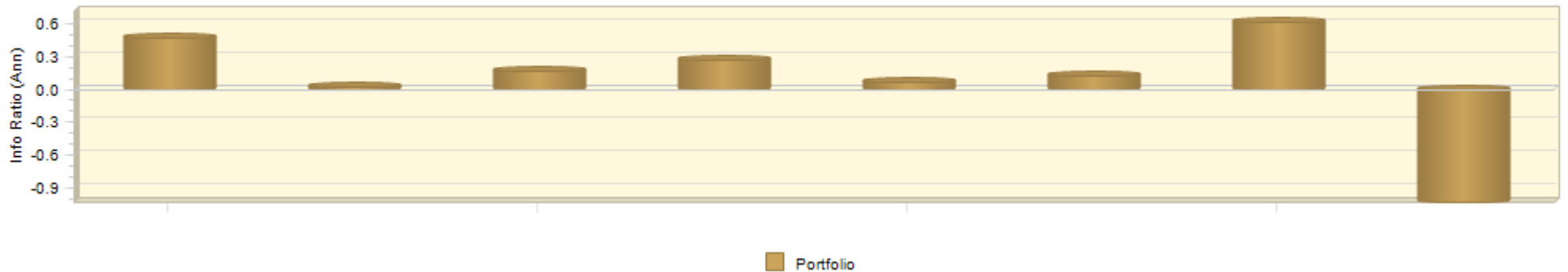
Risk Profile - Historic Risk

Tracking Error - 3 Years (Ann) to 31 March 2014



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Amundi	Baillie Gifford LTGG	ECM Asset Management	Yorkshire Fund Managers
Portfolio	3.29	11.60	18.56	10.90	8.65	13.42	3.60	20.43

Information Ratio - 3 Years (Ann) to 31 March 2014



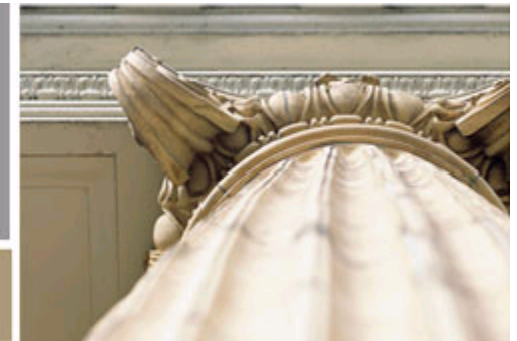
	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Amundi	Baillie Gifford LTGG	ECM Asset Management	Yorkshire Fund Managers
Portfolio	0.47	0.02	0.16	0.27	0.06	0.13	0.61	-1.03

Ann = Annualised

Risk Profile - Consistency Analysis

Manager	Active Number of Months	Number of Positive Months	Consistency Rate (%)	Benchmark Consistency (%)	Outperformance (%)
Total Consolidation	147	96	65	68	54
Fidelity	65	42	65	45	52
Standard Life	90	50	56	32	58
Baillie Gifford GA	90	55	61	36	54
Amundi	105	61	58	32	54
Baillie Gifford LTGG	91	53	58	35	52
ECM Asset Management	105	67	64	43	61
Standard Life Divers Growth	13	10	77	100	69
Newton Diversified Growth	13	5	38	100	38
M&G	28	15	54	54	57
LGIM Property	16	15	94	69	75
Hermes	25	14	56	67	48
Threadneedle	22	19	86	68	73
Yorkshire Fund Managers	129	4	3	33	14

Fund Profile



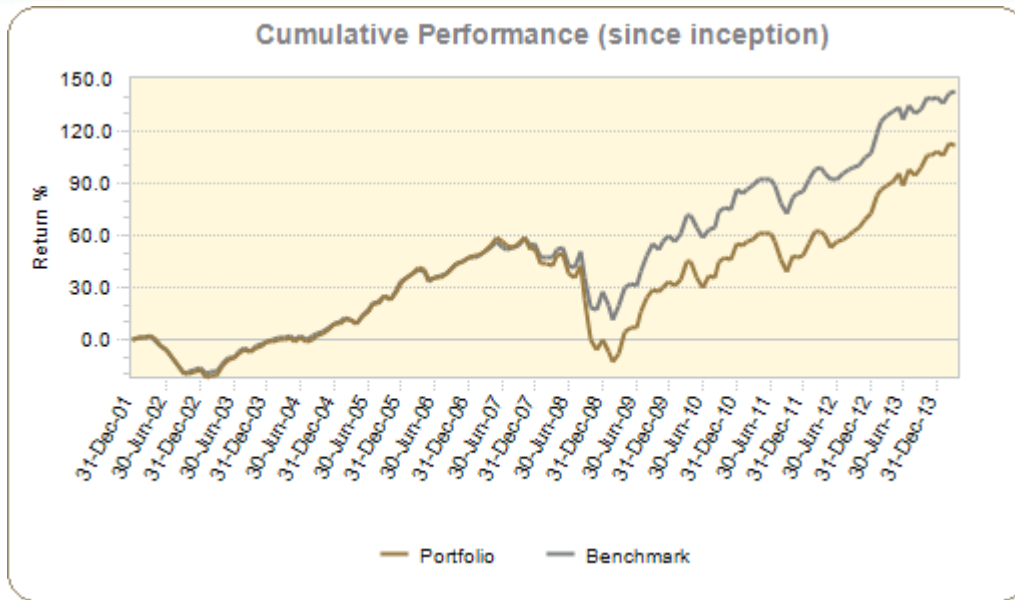
Fund Profile - Movement of Funds

Manager Name	Market Value 31-Dec-2013 (000's)	Net Contributions (000's)	Income (000's)	Gain/Loss (000's)	Market Value 31-Mar-2014 (000's)	% Change
Total Consolidation	2,040,187.95	10,023.26	3,574.05	27,803.84	2,081,589.11	2.03
Total Consolidation	2,040,187.95	10,023.26	3,574.05	27,803.84	2,081,589.11	2.03
Fidelity	400,782.53	-1.48	1,167.29	800.99	402,749.33	0.49
Standard Life	407,957.84	0.00	1,831.07	6,978.30	416,767.22	2.16
Baillie Gifford GA	337,827.38	0.05	0.00	7,358.77	345,186.20	2.18
Amundi	221,933.46	0.00	0.00	6,735.41	228,668.87	3.03
Baillie Gifford LTGG	217,490.00	0.00	0.00	-2,651.61	214,838.39	-1.22
ECM Asset Management	124,266.98	0.00	0.00	1,516.58	125,783.56	1.22
Standard Life Divers Growth	82,817.51	0.00	0.00	175.12	82,992.63	0.21
Newton Diversified Growth	80,164.81	0.00	0.00	1,093.73	81,258.54	1.36
M&G	69,088.89	-98.62	325.98	2,605.53	71,921.78	4.10
LGIM Property	27,142.14	0.00	0.00	842.34	27,984.48	3.10
Hermes	25,157.89	-246.05	246.05	641.34	25,799.23	2.55
Threadneedle	43,870.05	0.00	0.00	1,408.79	45,278.84	3.21
Cash Account	-2,995.65	14,989.85	-5.74	4.02	11,992.48	-500.33
Yorkshire Fund Managers	327.68	0.00	0.00	0.00	327.68	0.00
MTMS Account	0.23	0.10	9.33	-9.66	0.00	-100.00
Currency Hedge Cash	4,356.20	-4,620.58	0.05	304.20	39.87	-99.08

Manager Analysis



Manager Analysis - Total Consolidation



Inception Date: 31 Jan 2002

Periodic Performance						
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	10 Years (Ann)	Since Inception
Portfolio	1.5	12.0	12.0	18.1	7.7	6.3
Benchmark	1.4	5.9	5.9	15.2	9.2	7.5

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	10.0	1.0	3.3	0.5
Benchmark	8.0	1.0		

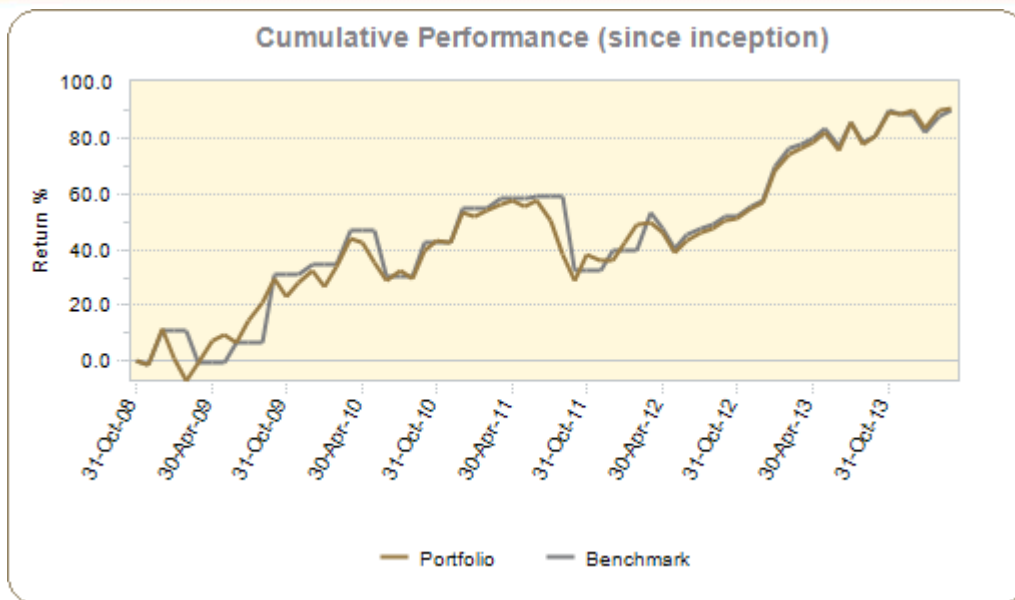
Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
2,081,589,111	Total Plan

Allocation - 31 March 2014							
	UK Equities	Overseas Equities	Global Equitv	Bonds	Property	Cash	Alternative
Portfolio	18.61	20.23	26.90	14.42	4.76	1.14	13.93
Benchmark	17.00	20.00	25.00	15.00	5.00		18.00

Summary - 3 Months Ending 31 March 2014

The fund's relative performance of the Quarter and 1 Year was 0.10% and 6.10% respectively.

Manager Analysis - Fidelity



Inception Date: 30 Nov 2008

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
402,749,327	Global Equities

Allocation - 31 March 2014			
	UK Equities	Overseas Equities	Cash
Portfolio	0.41	98.50	1.09
Benchmark		100.00	

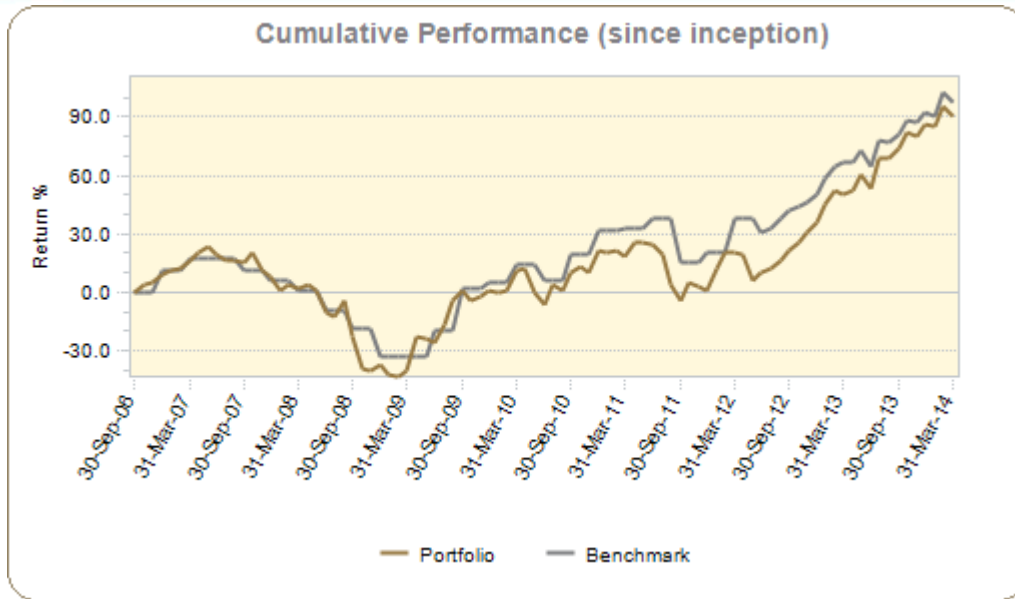
Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	0.5	8.2	8.2	13.9	12.7
Benchmark	0.7	6.8	6.8	13.9	12.4

Summary - 3 Months Ending 31 March 2014

The manager's relative performance of the Quarter and 1 Year was -0.20% and 1.40% respectively.

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	12.6	0.5	11.6	0.0
Benchmark	14.6	0.5		

Manager Analysis - Standard Life



Inception Date: 31 Oct 2006

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
416,767,223	UK Equities

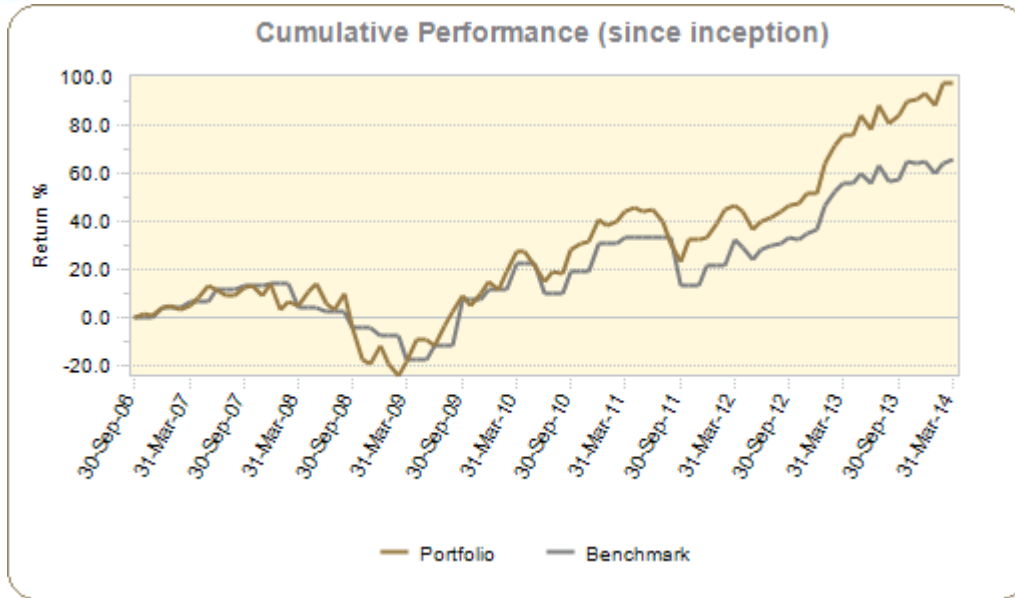
Allocation - 31 March 2014			
	UK Equities	Overseas Equities	Cash
Portfolio	92.48	5.84	1.68
Benchmark	100.00		

Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	2.2	26.6	26.6	25.9	9.0
Benchmark	2.6	18.5	18.5	24.0	9.5

Summary - 3 Months Ending 31 March 2014
 The manager's relative performance of the Quarter and 1 Year was -0.40% and 8.10% respectively

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	18.0	0.9	18.6	0.2
Benchmark	15.6	0.9		

Manager Analysis - Baillie Gifford GA



Inception Date: 31 Oct 2006

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
345,186,201	Global Equities

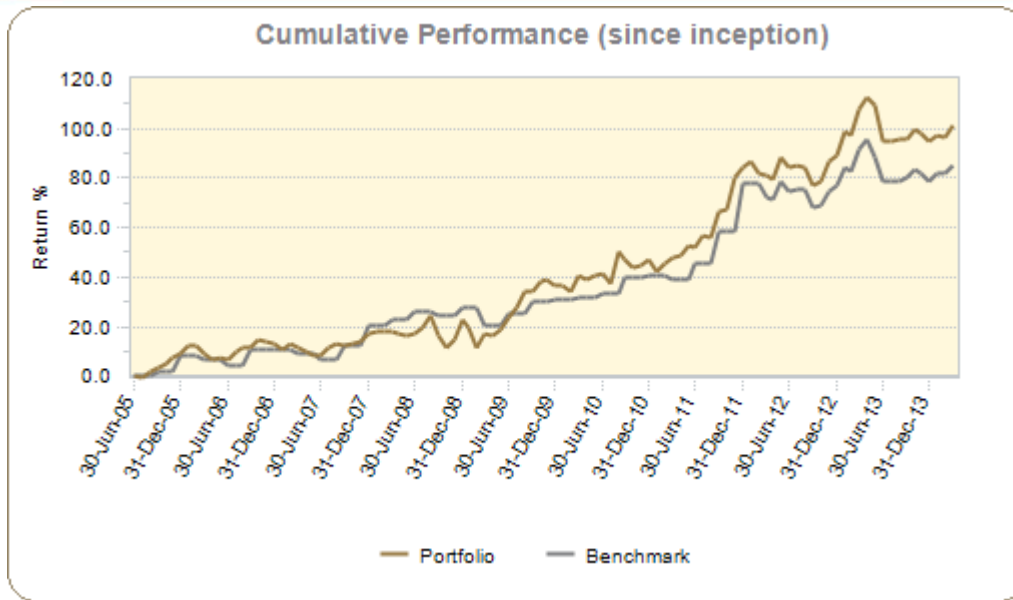
Allocation - 31 March 2014		
	Global Equity Units	Cash
Portfolio	100.00	0.00
Benchmark	100.00	

Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	2.2	12.8	12.8	19.4	9.5
Benchmark	0.5	6.8	6.8	14.9	7.0

Summary - 3 Months Ending 31 March 2014
 The manager's relative performance of the Quarter and 1 Year was 1.70% and 6.00% respectively.

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	11.8	0.9	10.9	0.3
Benchmark	13.6	0.6		

Manager Analysis - Amundi



Inception Date: 31 Jul 2005

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
228,668,875	Global Bonds

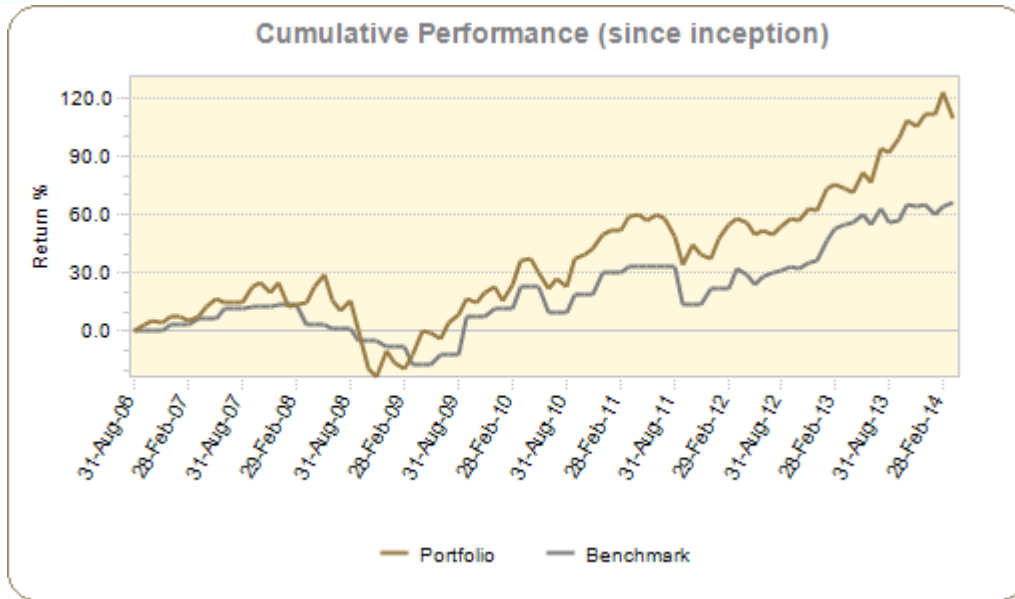
Allocation - 31 March 2014		
	Bonds	Cash
Portfolio	100.00	0.00
Benchmark	100.00	

Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	3.0	-3.1	-3.1	11.4	8.3
Benchmark	3.9	-3.4	-3.4	9.0	7.3

Summary - 3 Months Ending 31 March 2014
 The manager's relative performance of the Quarter and 1 Year was -0.90% and 0.30% respectively

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	9.8	1.0	8.6	0.1
Benchmark	11.5	0.8		

Manager Analysis - Baillie Gifford LTGG



Inception Date: 30 Sep 2006

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
214,838,388	Global Equities

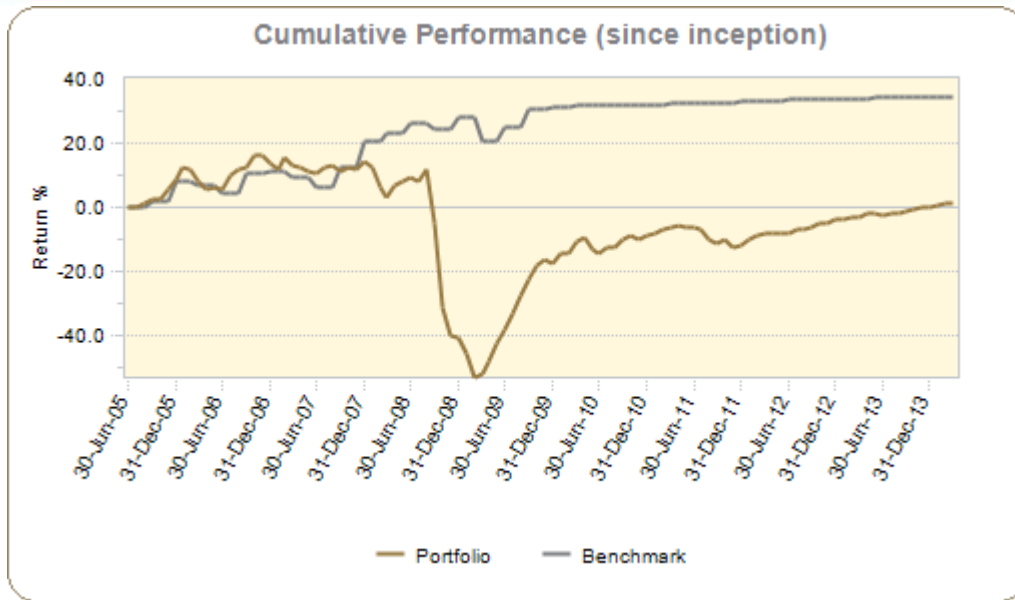
Allocation - 31 March 2014	
	Global Equity Units
Portfolio	100.00
Benchmark	100.00

Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	-1.2	20.6	20.6	18.9	10.2
Benchmark	0.5	6.8	6.8	14.9	

Summary - 3 Months Ending 31 March 2014
 The manager's relative performance of the Quarter and 1 Year was -1.70% and 13.80% respectively.

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	14.4	0.7	13.4	0.1
Benchmark	13.6	0.6		

Manager Analysis - ECM Asset Management



Inception Date: 31 Jul 2005

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
125,783,562	European Bonds

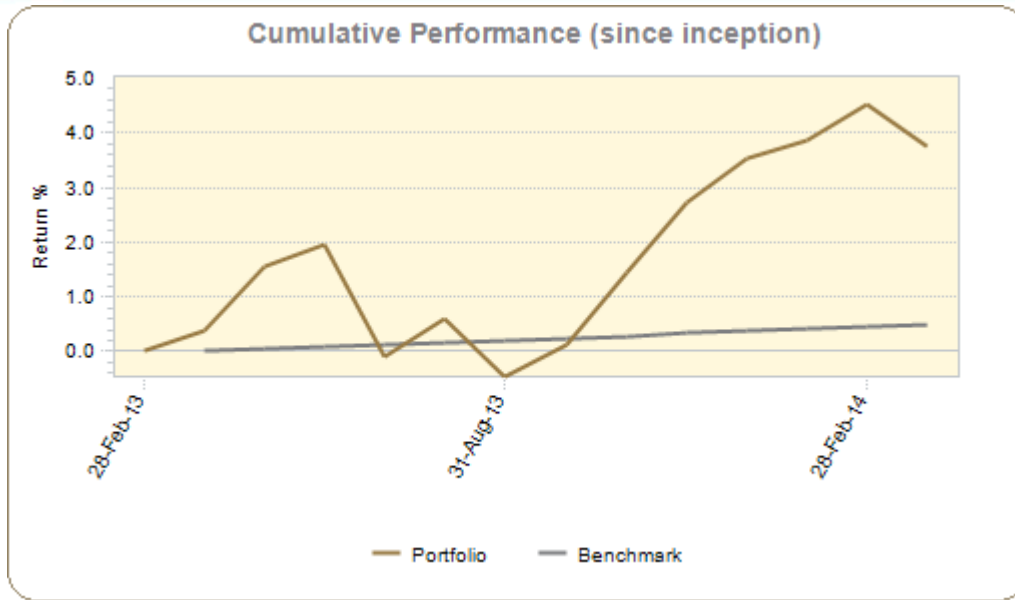
Allocation - 31 March 2014		
	Cash	Alternatives
Portfolio	0.00	100.00
Benchmark		100.00

Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	1.2	4.6	4.6	16.1	0.2
Benchmark	0.1	0.5	0.5	2.3	3.5

Summary - 3 Months Ending 31 March 2014
 The manager's relative performance of the Quarter and 1 Year was 1.10% and 4.10% respectively

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	3.6	0.6	3.6	0.6
Benchmark	0.2	0.0		

Manager Analysis - Standard Life Divers Growth



Inception Date: 31 Mar 2013

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
82,992,632	Diversified Growth

Allocation - 31 March 2014	
	Alternatives
Portfolio	100.00
Benchmark	100.00

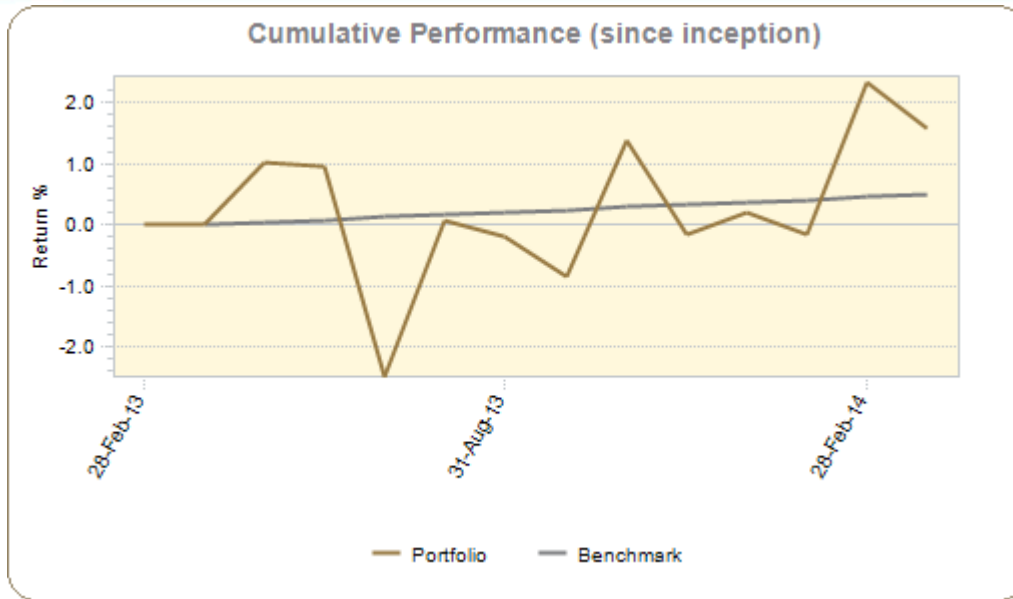
Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	0.2	3.3	3.3	3.4
Benchmark	0.1	0.5	0.5	0.5

Summary - 3 Months Ending 31 March 2014

The manager's relative performance of the Quarter and 1 Year was 0.10% and 2.80%.

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Manager Analysis - Newton Diversified Growth



Inception Date: 31 Mar 2013

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
81,258,545	Diversified Growth

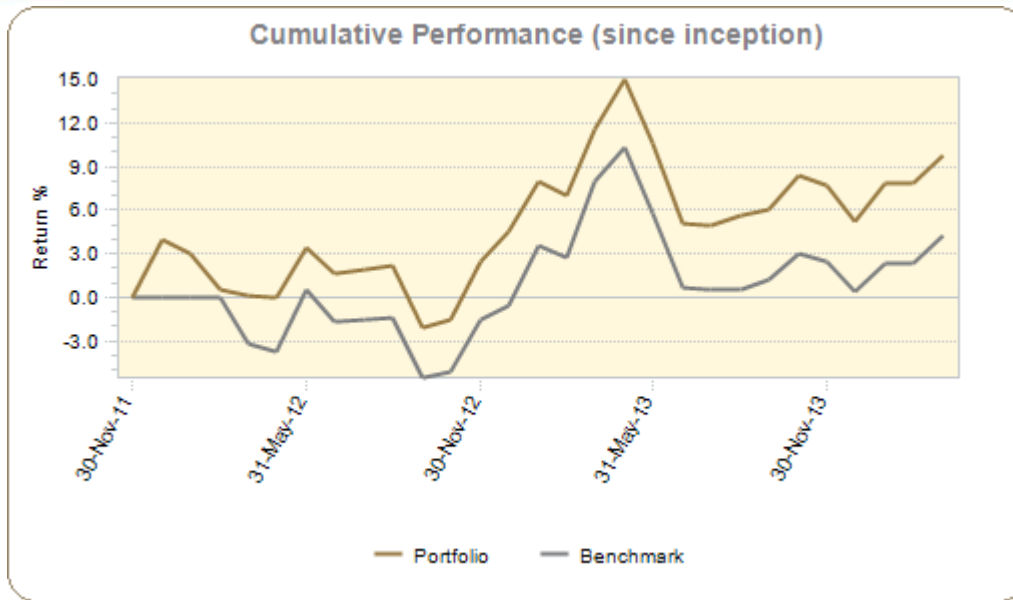
Allocation - 31 March 2014	
	Alternatives
Portfolio	100.00
Benchmark	100.00

Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	1.4	1.6	1.6	1.5
Benchmark	0.1	0.5	0.5	0.5

Summary - 3 Months Ending 31 March 2014
 The manager's relative performance of the Quarter and 1 Year was 1.30% and 1.10.

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Manager Analysis - M&G



Inception Date: 31 Dec 2011

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
71,921,781	Global Bonds

Allocation - 31 March 2014		
	Bonds	Cash
Portfolio	99.51	0.49
Benchmark	100.00	

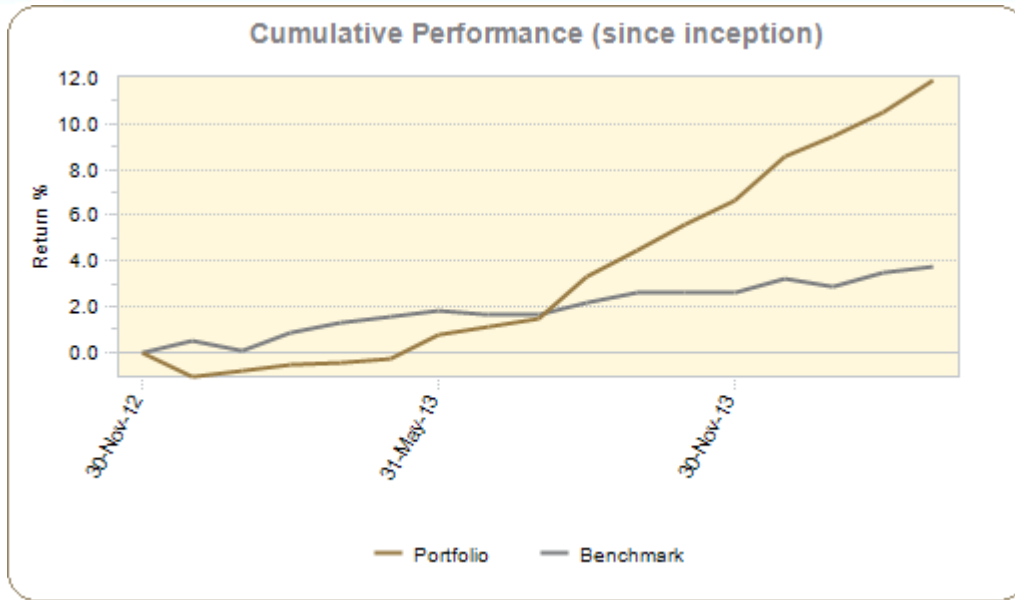
Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	4.2	-1.6	-1.6	4.0
Benchmark	3.9	-3.4	-3.4	1.8

Summary - 3 Months Ending 31 March 2014

The manager's relative performance of the Quarter and 1 Year was 0.30% and 1.80% respectively

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Manager Analysis - LGIM Property



Inception Date: 31 Dec 2012

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
27,984,479	Property

Allocation - 31 March 2014	
Portfolio Benchmark	Property
	100.00

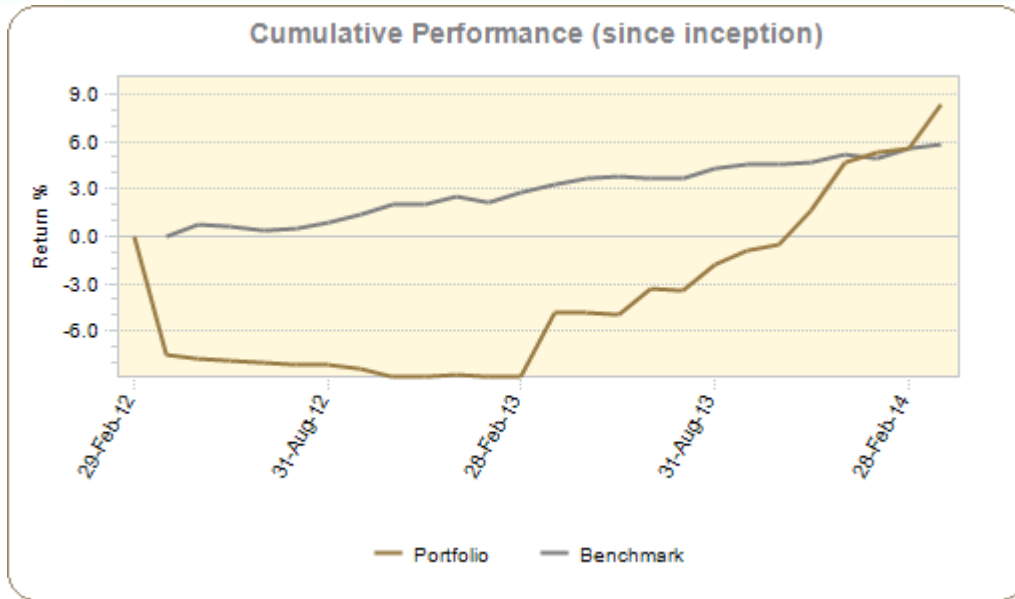
Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	3.1	12.4	12.4	8.8
Benchmark	0.6	2.5	2.5	2.8

Summary - 3 Months Ending 31 March 2014

The manager's relative performance of the Quarter and 1 year was 2.50 and 9.90 % respectively.

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Manager Analysis - Hermes



Inception Date: 31 Mar 2012

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
25,799,234	Property

Allocation - 31 March 2014		
	Property	Cash
Portfolio	100.00	0.00
Benchmark	100.00	

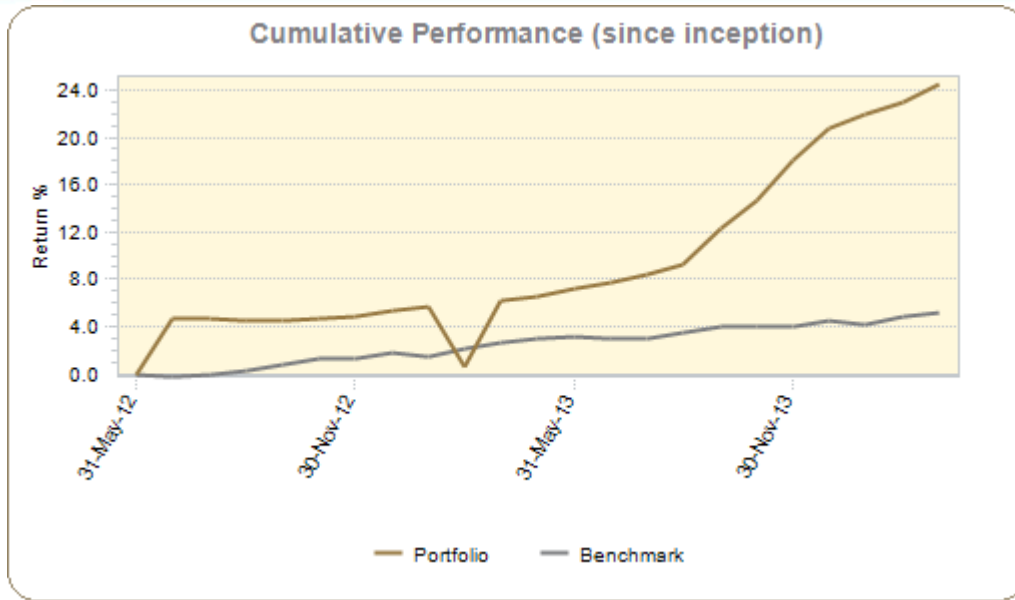
Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	3.5	13.8	13.8	3.9
Benchmark	0.6	2.5	2.5	2.9

Summary - 3 Months Ending 31 March 2014

The manager's relative performance of the Quarter and 1 Year was 2.90% and 11.30% respectively

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Manager Analysis - Threadneedle



Inception Date: 30 Jun 2012

Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	3.2	17.2	17.2	12.7
Benchmark	0.6	2.5	2.5	2.8

Risk Profile - 3 Years (Ann) to 31 March 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Portfolio Size and Mandate	
Portfolio Size (GBP)	45,278,839
Portfolio Mandate	Property

Allocation - 31 March 2014	
	Property
Portfolio	100.00
Benchmark	100.00

Summary - 3 Months Ending 31 March 2014
 The manager's relative performance of the Quarter and 1 year was 2.60% and 14.7% respectively.

Appendix



Appendix - Benchmark Summary

Manager	Weight	Benchmark
Total Consolidation	25.00	Overseas Global Equity Bmk
	20.00	Overseas Equity Bmk
	18.00	Cash Bmk
	17.00	UK Equity Bmk
	15.00	Fixed Income Bmk
	5.00	Property Bmk
Fidelity	100.00	Fidelity Bmk
Standard Life	100.00	Standard Life Alg100 Bmk
Baillie Gifford GA	100.00	FTAW All World
Amundi	100.00	Amundi Bmk
Baillie Gifford LTGG	100.00	FTAW All World
ECM Asset Management	100.00	LIBOR BBA GBP 1 Month
Standard Life Divers Growth	100.00	LIBOR BBA GBP 1 Month Index
Newton Diversified Growth	100.00	LIBOR BBA GBP 1 Month Index
M&G	100.00	M&G Bmk
LGIM Property	100.00	UK Retail Price Idx RPI
Hermes	100.00	UK Retail Price Idx RPI
Threadneedle	100.00	UK Retail Price Idx RPI
Cash Account	100.00	LIBID 1 Week Bid
Yorkshire Fund Managers	100.00	FTSE All-Share

Appendix - Glossary

Risk

Standard Deviation - Standard Deviation measures the variability (or volatility) of a fund's return over a specified time period.

Tracking Error - Tracking Error measures the variability of a fund's returns relative to its benchmark over a time period.

Information Ratio - Information Ratio is a measure of performance adjusted for the level of (active) risk.

Sharpe Ratio - Sharpe Ratio relates a portfolio's reward (determined as the portfolio's return minus risk free return) to the portfolio's variability (as measured by its standard deviation).

Active Number of months - Number of complete months of performance

Number of Positive Months - number of complete months the portfolio has produced a positive return

Consistency Rate (%) - Number of Positive Months/Active Number of Months

Benchmark Consistency (%) - Number of Positive Benchmark Months/Active Number of Months

Outperformance (%) - Percentage of months the portfolio has outperformed the benchmark

Attribution

Allocation Effect - Measures the impact of decisions to allocate assets differently from the benchmark.

Selection Effect - Measures the impact of decisions of selecting securities different from those held in the benchmark.

Currency Effect - Measures the impact of deviating from the benchmark currency position.

Management Effect - Measures the combined impact of allocation, selection and currency effects. At the total level, this represents the fund's relative performance against the benchmark.

Interaction Effect - Measures the combined impact of an investment manager's selection and allocation decisions within a segment.

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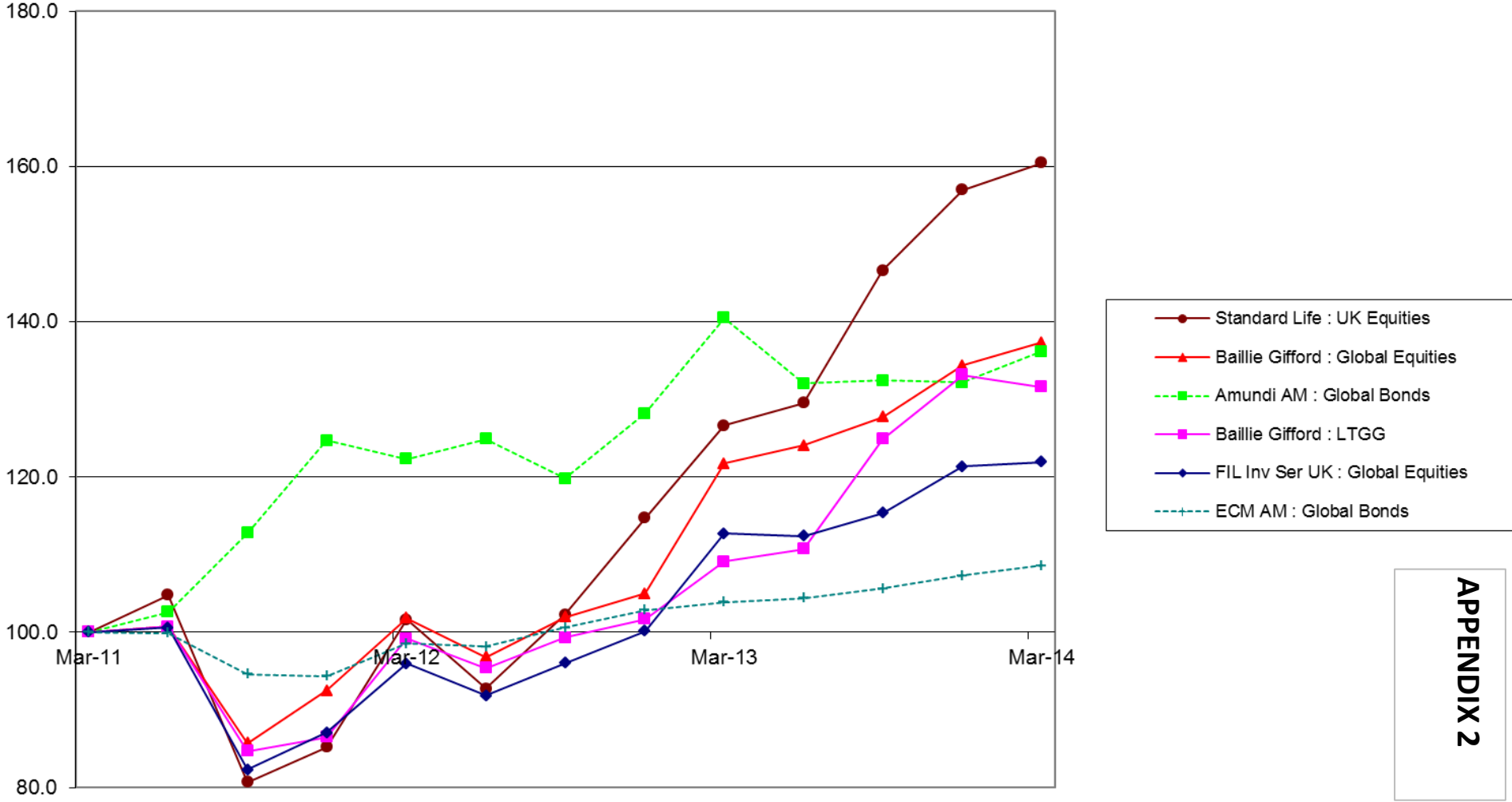
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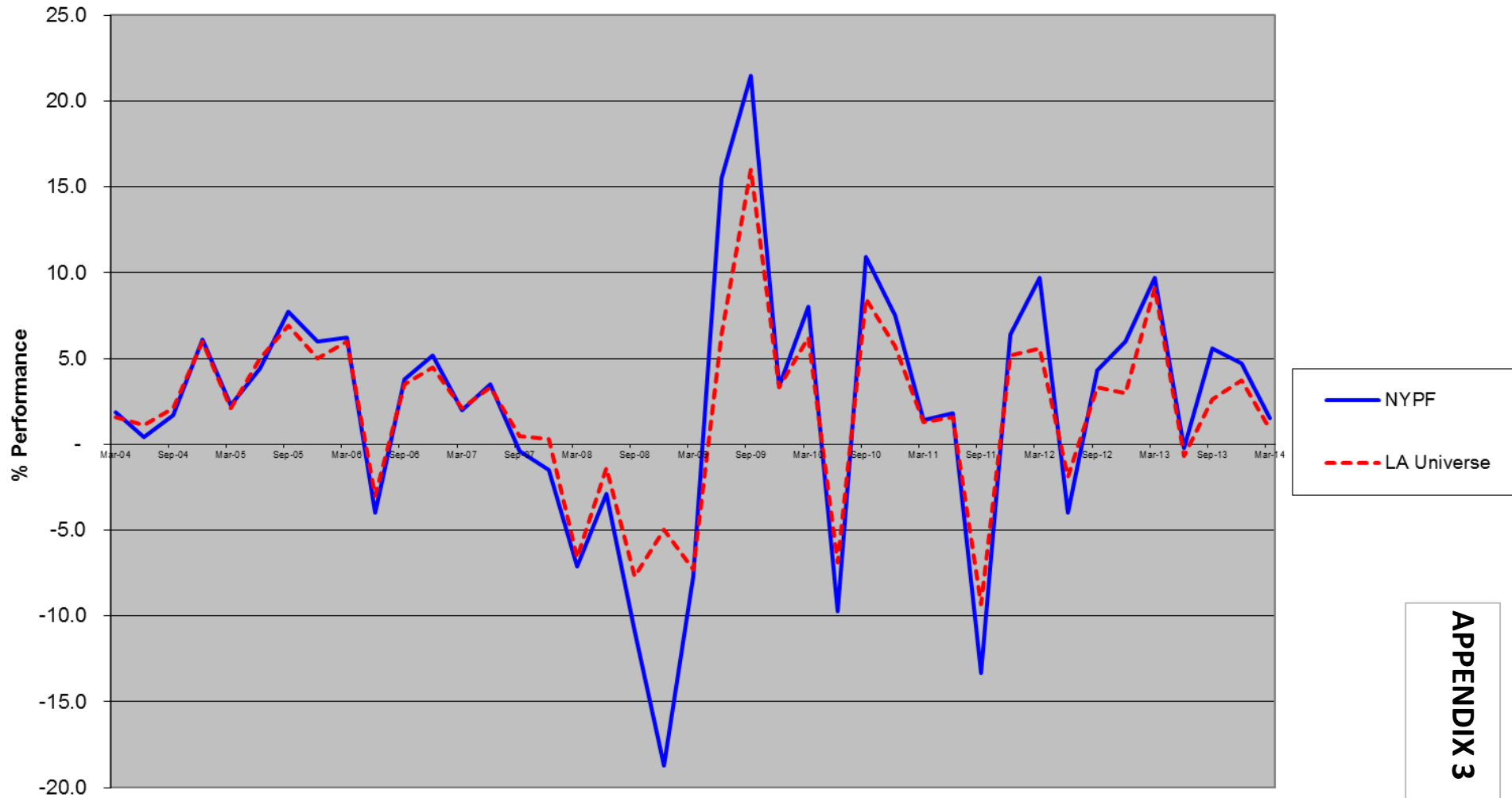
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Investment Manager Performance - cumulative absolute performance since March 2011



APPENDIX 2

Pension Fund Performance - NYPF vs Other Local Authorities



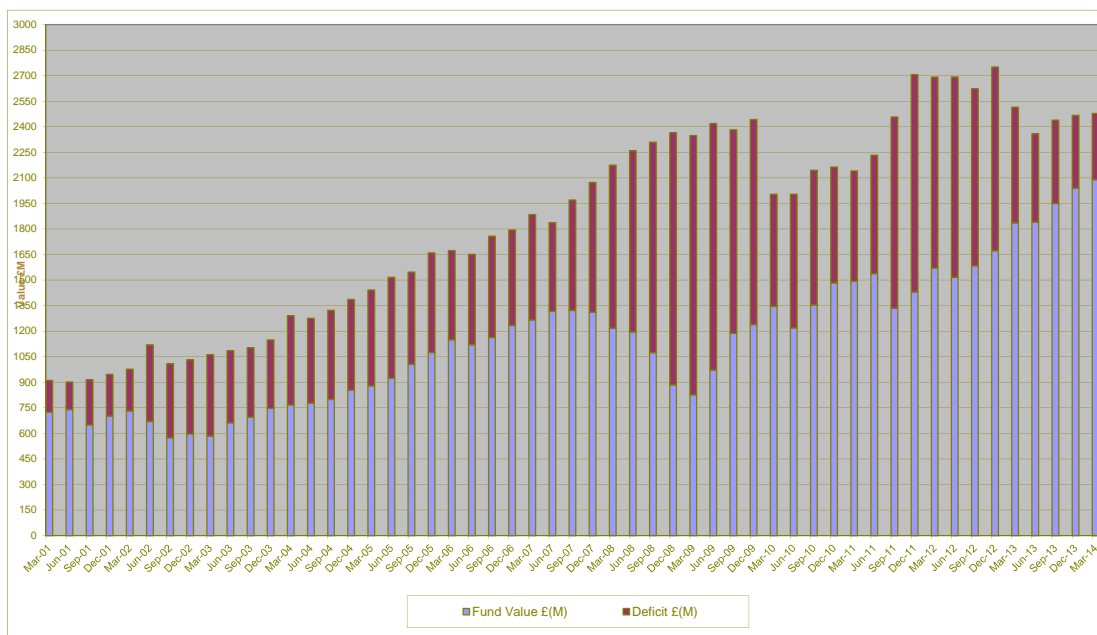
APPENDIX 3

Actuarial Model of Quarterly Solvency Position

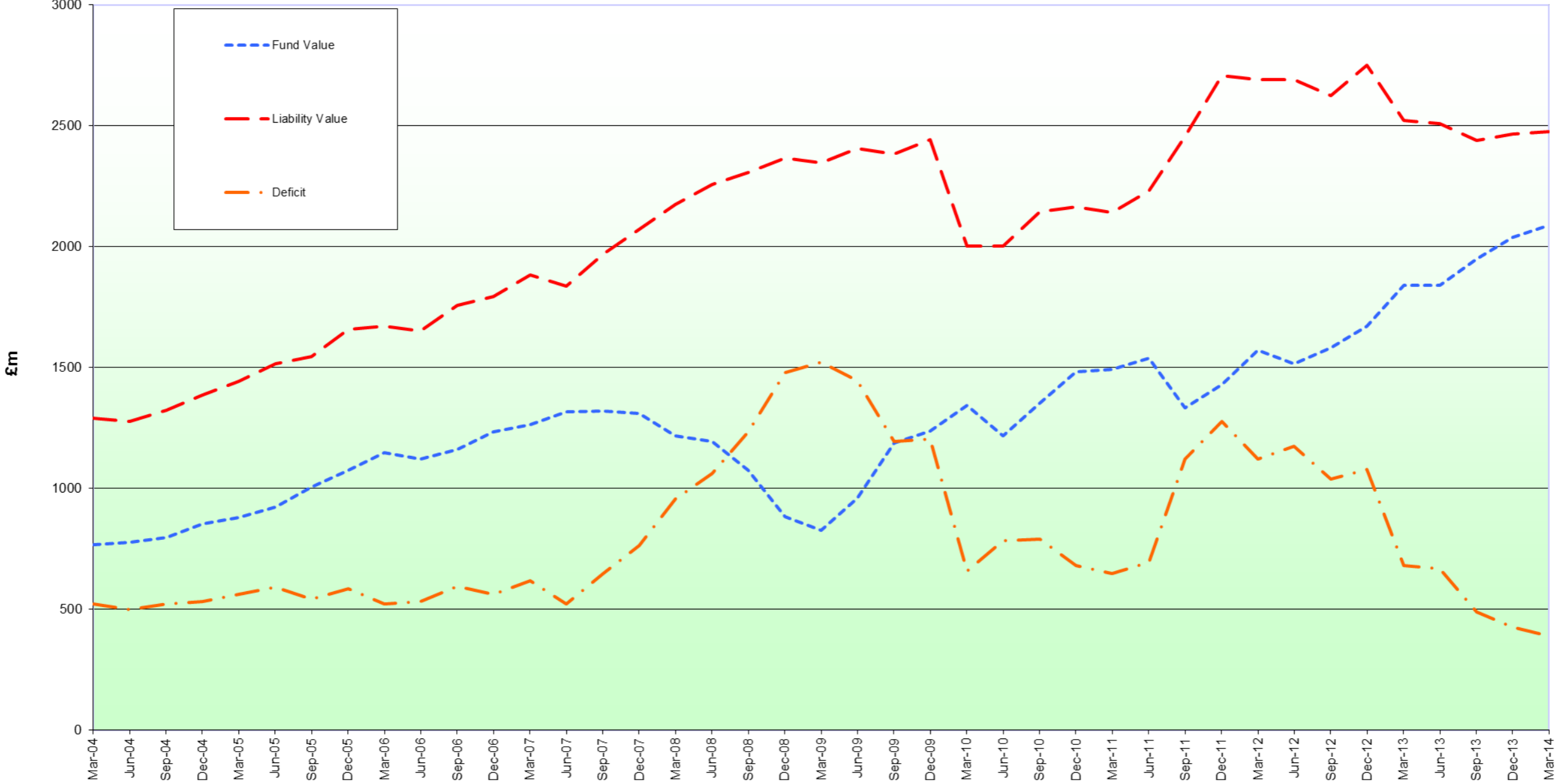
Date	Solvency	Deficit £(M)	Fund Value £(M)	FTSE 100
March 31, 2001	79%	187	724	5,634
June 30, 2001	82%	162	740	5,643
September 30, 2001	71%	265	650	4,903
December 31, 2001	74%	245	702	5,217
March 31, 2002	75%	245	732	5,272
June 30, 2002	60%	450	670	4,656
September 30, 2002	56%	435	574	3,722
December 31, 2002	58%	435	597	3,940
March 31, 2003	55%	478	584	3,613
June 30, 2003	61%	423	662	4,031
September 30, 2003	63%	408	695	4,091
December 31, 2003	65%	402	747	4,477
March 31, 2004	59%	524	767	4,386
June 30, 2004	61%	498	778	4,464
September 30, 2004	60%	524	799	4,571
December 31, 2004	62%	533	854	4,814
March 31, 2005	61%	563	879	4,894
June 30, 2005	61%	592	924	5,113
September 30, 2005	65%	542	1005	5,478
December 31, 2005	65%	585	1075	5,619
March 31, 2006	69%	523	1150	5,965
June 30, 2006	68%	531	1121	5,833
September 30, 2006	68%	595	1163	5,961
December 31, 2006	69%	561	1233	6,221
March 31, 2007	67%	619	1266	6,308
June 30, 2007	72%	522	1316	6,608
September 30, 2007	67%	648	1322	6,467
December 31, 2007	63%	763	1310	6,457
March 31, 2008	56%	958	1217	5,702
June 30, 2008	53%	1064	1195	5,625
September 30, 2008	47%	1235	1074	4,902
December 31, 2008	37%	1481	885	4,434
March 31, 2009	35%	1522	827	3,926
June 30, 2009	40%	1447	972	4,249
September 30, 2009	50%	1196	1187	5,134
December 31, 2009	51%	1204	1239	5,413
March 31, 2010	67%	659	1345	5,680
June 30, 2010	61%	785	1219	4,917
September 30, 2010	63%	791	1354	5,549
December 31, 2010	69%	681	1483	5,900
March 31, 2011	70%	648	1493	5,909
June 30, 2011	69%	695	1538	5,946
September 30, 2011	54%	1123	1335	5,129
December 31, 2011	53%	1277	1430	5,572
March 31, 2012	58%	1121	1571	5,768
June 30, 2012	56%	1176	1517	5,571
September 30, 2012	60%	1040	1584	5,742
December 31, 2012	61%	1079	1672	5,898
March 31, 2013	73%	679	1836	6,412
June 30, 2013	78%	519	1840	6,215
September 30, 2013	80%	490	1949	6,462
December 31, 2013	83%	427	2040	6,749
March 31, 2014	84%	389	2089	6,598

Triennial valuation results highlighted in grey

Movement in Assets and Liabilities



North Yorkshire Pension Fund Funding, Liabilities and Solvency



Appendix 5

REBALANCING OF NYPF ASSETS AS AT 31 MARCH 2014

Asset Class	Minimum Allocation to Non-Equities	Maximum Allocation to Non-Equities	Allocation as at March 2014	Allocation After Rebalancing
Equity + Cash	75%	50%	66.9%	66.2%
Bonds	15%	30%	20.5%	20.3%
DGFs	5%	10%	7.9%	7.8%
Property	5%	10%	4.8%	5.7%
Total	100%	100%	100%	100%

	31-Mar-14		Min		Max		Under	Over	Post March Rebalancing			
	Value £m	actual %	%	£m	%	£m						
Global Equity Managers												
Baillie Gifford Global Alpha	345.19	16.6%	12.0%	249.79	18.0%	374.69	0.00	0.00	0.00	345.19	16.5%	
Baillie Gifford Global Growth	214.84	10.3%	8.0%	166.53	12.0%	249.79	0.00	0.00	0.00	214.84	10.2%	
(a)	560.03	26.9%	20.0%	416.32	30.0%	624.48	0.00	0.00	0.00	560.03	26.7%	
Global (ex UK) Equity Managers												
Fidelity	402.75	19.3%								402.75		
(b)	402.75	19.3%	15.0%	312.24	22.5%	468.36	0.00	0.00	0.00	402.75	19.2%	
UK Equity Managers												
Standard Life	416.77	20.0%	15.0%	312.24	22.4%	466.28	0.00	0.00		416.77	19.9%	
Yorkshire Fund Managers	0.33	0.0%	0.0%	0.00	0.1%	2.08	0.00	0.00		0.33	0.0%	
(c)	417.10	20.0%	15.0%	312.24	22.5%	468.36	0.00	0.00	0.00	417.10	19.9%	
Equity sub-total	(a+b+c)=(d)	1379.88	66.3%	50.0%	1040.80	75.0%	1561.19	0.00	0.00	0.00	1379.88	65.8%
Amundi	228.67	11.0%								228.67		
ECM	125.78	6.0%								125.78		
M & G	71.92	3.5%								71.92		
Fixed Income sub-total	(e)	426.37	20.5%	15.0%	312.24	30.0%	624.48	0.00	0.00	0.00	426.37	20.3%
Hermes	25.80	1.2%								25.80		
LGIM Property	27.98	1.3%							20.00	47.98		
Threadneedle	45.28	2.2%								45.28		
Property sub-total	(f)	99.06	4.8%	5%	104.08	10%	208.16	5.02	0.00	20.00	119.06	5.7%
Standard Life	82.99	4.0%								82.99		
Newton	81.26	3.9%								81.26		
DGF sub-total	(g)	164.25	7.9%	5%	104.08	10%	208.16	0.00	0.00	0.00	164.25	7.8%
Cash												
Internal Cash (Barclays a/c)	11.99								-20.00	-8.01		
Cash received in April 2014									16.00	16.00		
Currency Hedge Cash	0.04									0.04		
Cash sub-total	(h)	12.03	0.6%	0.0%	0.00	0.0%	0.00	0.00	-12.03	-4.00	8.03	0.4%
Total Assets	(d+e+f+g+h)=(i)	2081.59	100.0%								100.0%	

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

22 MAY 2014

FUND MANAGER MATTERS

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To update Members and seek comments on the Equity allocation of the Fund.

2.0 ALLOCATION TO EQUITIES

- 2.1 Following Investment Strategy Workshops in October 2013 and February 2014 Members decided that further research should take place on the merits of adding a fourth mandate to complement the existing three. The Fund does have a slight bias towards growth stocks but the conclusion from the Workshops was that there are no significant gaps or weaknesses as the existing managers/portfolios are a good fit with each other. Although it was agreed that no changes were necessarily required, this decision was based on concerns over:

- the relative risk the fund is exposed to through the portfolio managed by Standard Life
- Fidelity's ability to achieve their performance target of 2% above their benchmark
- the size of mandates with each of the equity managers

- 2.2 To assist in this research a number of presentations to the PFC have been arranged. The presentation by Dodge & Cox on 21 February 2014 was well received. Further sessions are planned with:

- Veritas on 22 May 2014 immediately after the PFC meeting
- Unigestion on 23 May 2014 at 10am
- Tobam on 23 May 2014 at 11am

- 2.3 Members are invited to comment on progress so far. Based on these comments, the presentations on 22 and 23 May 2014 and subsequent comments from Members, a proposal will be taken to the next PFC meeting on 10 July 2014. This will be one option from:

1. start a search for a new manager
2. perform further research including receiving presentations from additional managers
3. not to undertake any further research and not to pursue another manager appointment at this time

- 2.4 Option 1 would require that Members agree the key characteristics of the mandate at the PFC meeting on 10 July 2014 and that a Panel of Members be appointed to take part in the process.

3.0 INTERNALLY MANAGED FUNDS

- 3.1 The proposal described in Section 4 of the Consultation on Structural Reform of the LGPS paper is for greater use of passive management. One approach taken by many administering authorities is to manage all or part of their assets internally rather than employ external managers.
- 3.2 The East Riding of Yorkshire Council administers the East Riding Pension Fund (ERPF). Approximately two thirds of the £3bn fund is managed internally by the Council's employees, using both active and passive strategies, across equities, fixed income and alternatives.
- 3.3. Should Members wish it, ERPF has offered to present their approach to the PFC.

4.0 RECOMMENDATIONS

- 4.1 Members are asked to comment as described in **paragraph 2.3**.
- 4.2 Members are asked if they wish to accept the offer of a presentation from the East Riding Pension Fund as described in **paragraph 3.3**.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

13 May 2014