

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

18 SEPTEMBER 2014

ANNUAL REPORT 2013/14

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To receive the Annual Report (ex-appendices) for the financial year 2013/14.
- 1.2 To approve a Letter of Representation that is required to be submitted to the External Auditor.

2.0 ANNUAL REPORT

- 2.1 The Annual Report for 2013/14 is attached as **Appendix 1**, excluding the appendices which:
 - (i) have been presented to the Committee at the meeting on 10 July 2014 (Appendices: A the Statement of Final Accounts 2013/14, C the Statement of Investment Principles, D the Governance Compliance Statement, E the Funding Strategy Statement, F the Communications Policy Statement), or
 - (ii) were approved by the Committee as part of the 2013 Triennial Valuation (Appendix G, the Actuarial Rates and Adjustment Certificate), or
 - (ii) are not yet available (Appendix B, the Auditors Report)
- 2.2 At the PFC meeting on 10 July 2014 it was acknowledged that there may be changes to the draft Accounts arising from the audit process. There are no individual "unadjusted misstatements" with a value exceeding £402k. Although there are a number of minor amendments the impact is extremely small, increasing Net Assets by £60k or less than 0.01%.
- 2.3 The Fund's auditor Deloitte LLP has advised informally that it will give an unqualified opinion of the Annual Report. It is intended that a full version of this 93 page document, including appendices, will be signed at the Audit Committee meeting on 25 September 2014.
- 2.4 The Annual Report will be placed on the NYPF website by the deadline for publication of the 2013/14 Statement of Final Accounts of 30 September 2014.

3.0 LETTER OF REPRESENTATION

- 3.1 A Management Letter of Representation to Deloitte must accompany the Annual Report. This document is a written representation from management acknowledging its responsibility for the fair presentation of the Annual Report and as audit evidence on matters material to the financial statements when other sufficient appropriate evidence cannot reasonably be expected to exist.
- 3.2 Deloitte has therefore requested that this Letter should be discussed and agreed by the PFC and then signed on their behalf by the Chairman. This is to ensure that Members of this Committee are aware of the representations on which Deloitte intends to rely when issuing his opinion.
- 3.3 This Letter, the text of which is not expected to be significantly different from last year, will be circulated to Members when it is available.
- 3.4 Members are therefore asked to consider and approve this Letter and then authorise the Chairman to sign it on their behalf. The Letter will be countersigned by the Treasurer on the day of the Audit Committee meeting before its submission to Deloitte.

4.0 REPORT TO THE AUDIT COMMITTEE ON THE 2013/14 LOCAL GOVERNMENT PENSION FUND AUDIT

- 4.1 Deloitte produces a Report to the Audit Committee on the 2013/14 Local Government Pension Fund Audit, on the audit of NYPF. This document, not available at the time of writing of this report, will be circulated to the PFC as soon as it becomes available. The report describes the approach to the audit and identifies the key areas of risk as well as making a number of comments and observations resulting from issues arising throughout the audit process.

5.0 RECOMMENDATIONS

- 5.1 Members are to note the Annual Report 2013/14 (ex-appendices)

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

9 September 2014



North

Yorkshire County Council

North Yorkshire Pension Fund

Annual Report and Accounts
2013/14



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PART 1 – MANAGEMENT OF THE FUND

1.1 Introduction

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

The purpose of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the North Yorkshire area. The regulations also specify the member contribution rates as a percentage of pensionable pay, with employer contribution rates being set every three years by the Fund's Actuary. These contributions are supplemented by earnings on the Fund's investments in order to pay retirement benefits.

The day to day running of the Fund is delegated to the Treasurer who is the Corporate Director – Strategic Resources of the Council and is responsible for implementing the decisions made by the PFC. Supporting him is a team of staff split into two sections. The Pensions Administration team administers all aspects of member records, pension benefits etc and the Integrated Finance team looks after the accounting and management information requirements of the Fund. All aspects of the day to day management of investment funds are undertaken by external fund managers.

1.2 Pension Fund Committee

PFC membership as at 31 March 2014 was as follows.

Members	Position	Voting Rights
John Weighell (Chairman)	Councillor, NYCC	Yes
Roger Harrison-Topham (Vice-Chairman)	Councillor, NYCC	Yes
Bernard Bateman MBE	Councillor, NYCC	Yes
John Blackie	Councillor, NYCC	Yes
Margaret-Ann deCoursey-Bayley	Councillor, NYCC	Yes
Patrick Mulligan	Councillor, NYCC	Yes
Helen Swiers	Councillor, NYCC	Yes
Jim Clark	Councillor, District Councils' representative of Local Government North Yorkshire and York	Yes
Dafydd Williams	Councillor, City of York Council	Yes
Sam Cross	Councillor, NYCC	Yes
Chairman of the NYPF Advisory Panel	Councillor, NYPF Advisory Panel representative	No
3 Unison representatives	Union Officials	No

The powers delegated to the PFC are detailed in paragraph 2.1 of the Governance Compliance Statement (Appendix D).

During the year the PFC formally met on five occasions supported by its Independent Investment Adviser, Investment Consultant and the Independent Professional Observer, as well as the Treasurer. The Committee meetings provide a forum for discussion about economic and market trends, monitoring the performance of the investment managers and considering their individual investment strategies.

1.3 Fund Administrators, Advisers and Investment Managers

Treasurer	Gary Fielding
Investment Consultant	Aon Hewitt
Independent Investment Adviser	Carolan Dobson (Investment Adviser & Trustee Services)
Independent Professional Observer	Peter Scales (AllenbridgeEpic)
Actuary	Mercer
Legal Services	Ward Hadaway Head of Legal Services, NYCC
Auditor	Deloitte
Banker	Barclays Bank
Custodian	Bank of New York Mellon
Custodian Monitoring	Thomas Murray
Shareholder Voting	PIRC
Performance Measurement	BNY Mellon Asset Servicing
Fund Managers	Amundi Asset Management Baillie Gifford Life ECM Asset Management FIL Pensions Management Hermes Investment Management Legal & General Investment Management M&G Investment Management Newton Investment Management Standard Life Pension Funds Threadneedle Pensions YFM Venture Finance
AVC Provider	Prudential

PART 2 – SCHEME ADMINISTRATION

2.1 Administering Authority Arrangements

The Fund's administration is the responsibility of Gary Fielding, the Treasurer, who is supported by Tom Morrison, Principal Accountant Pensions & Projects and Nigel Dowe, Pensions Manager (Administration).

Staff within the Pension Administration section are responsible for administering the Scheme, including the calculation and administration of benefit payments and transfer values, recording employee and employer contributions, the maintenance of employees' pension records and communications with employers and employees.

Staff within the Integrated Finance section are responsible for maintaining the Fund's accounts and investment records, prepare quarterly reports to the PFC, produce the Annual Report and Accounts and act as a point of contact with the Fund's managers, advisers and auditors.

2.2 Public Sector Pensions – Finance Knowledge and Skills

The PFC recognises the importance of ensuring that all Members and officers charged with the financial management, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge their duties responsibilities. The PFC also seeks to ensure that those Members and officers are both capable and experienced by making available the training necessary for them to acquire and maintain the appropriate level of expertise, knowledge and skills.

Following the issue of CIPFA guidance "Pensions Finance Knowledge and Skills Frameworks" the PFC provides routes through which the recommended knowledge and skills set out in the guidance may be acquired, as described below.

2.3 Training for Pension Fund Committee Members and Officers

(i) Internal

Two Investment Strategy Workshops and four investment manager meetings were held throughout the year, all of which were well attended by PFC Members and officers of the Fund.

Members and officers also made use of the CIPFA Knowledge & Skills resource library and accessed the Trustee Needs Analysis (TNA) where appropriate, which is aimed at identifying gaps in knowledge and skills, as a complement to alternative training resources.

(ii) Externally Provided

In addition to the training provided through Workshops as described above, Members and officers are encouraged to attend courses, conferences and other events supplied by organisations other than the Council. These events provide a useful source of knowledge and guidance from speakers who are experts in their field. Attendance at these events is recorded and reported to the PFC each quarter.

Events attended by PFC Members during 2013/14 were:

Event	Place	Date
NAPF Local Authority Conference	Gloucestershire	20 – 22 May 2013
LGC Investment Summit	Newport	05 – 06 September 2013
SPS Pension Trustees Circle	Harrogate	29 – 30 September 2013
Baillie Gifford Local Authority Seminar	Edinburgh	02 - 03 October 2013
NAPF Annual Conference	Manchester	16 – 18 October 2013
LAPFF Annual Conference	Bournemouth	04 – 06 December 2013
NAPF Investment Conference	Edinburgh	05 - 07 March 2014

PART 3– INVESTMENT POLICY AND PERFORMANCE

3.1. Investment Policy

(a) Regulations

NYCC is required, as the administering authority, to invest any NYPF monies which are not immediately required to pay pensions and other benefits. The LGPS Management and Investment of Funds Regulations 2009 set out certain restrictions as to individual investments, the purpose of which is to limit the exposure risk of an LGSP fund. Full details of the investment policy are shown in the Statement of Investment Principles (Appendix C).

(b) Investment Management arrangements

As at 31 March 2014 the following investment management arrangements were in place.

- ➔ Baillie Gifford managed two active global (ie including UK) equity portfolios, namely Global Alpha and Long Term Global Growth (LTGG). Each of these portfolios is in the form of a pooled vehicle, rather than being invested in segregated holdings. Both are managed without reference to a benchmark, however the FTSE All World index is for used performance measurement purposes
- ➔ Fidelity managed an active overseas equities (ex UK) portfolio comprising segregated holdings in overseas companies against a composite MSCI World (ex UK) index
- ➔ Standard Life managed an active UK equity portfolio comprising segregated holdings in UK companies against the FTSE 350 (excluding investment trusts) equally weighted index
- ➔ Amundi managed an active global fixed income portfolio through a pooled fund, against the “least risk” benchmark of index linked and fixed interest gilts
- ➔ ECM managed an active European corporate bond portfolio through a pooled fund on an absolute return basis, using 1-month LIBOR for performance measurement purposes
- ➔ M&G managed an active Gilts portfolio comprising segregated fixed income and index linked holdings, against the “least risk” benchmark
- ➔ Hermes managed an active UK Property portfolio through a pooled fund with the objective of outperforming the retail price index (RPI)
- ➔ Threadneedle and Legal & General both commenced managing active UK Property portfolios during the year through pooled funds with the objective of outperforming RPI
- ➔ Standard Life and Newton both commenced managing Diversified Growth Fund portfolios during the year through the Global Absolute Return Strategy (GARS) and Real Return (RR) pooled funds respectively, with the objectives of significantly outperforming the cash benchmark

The Fund also has a small investment in the Yorkshire & Humber Equity Fund. The current residual cost of this investment is £0.3m.

During the year, the Fund disinvested from the UK equity portfolio managed by R C Brown Investment Management Plc.

Finally, a currency hedging programme was operated through the Fund's global custodian, BNY Mellon Asset Servicing, in respect of 25% of the Fund's investments in overseas equities. At the PFC meeting on 21 November 2013 Members decided to end this arrangement and the last positions were settled on 19 February 2014.

The agreed asset class structure for the investment portfolio remained unchanged over the course of the year and as at 31 March 2014 was as follows:-

	Minimum Allocation to Bonds/Alternatives/Property %	Maximum Allocation to Bonds/Alternatives/Property %
Equities	75	50
Bonds	15	30
Alternatives (ex Property)	5	10
Property	5	10
Total	100	100

(c) Custody of Investments

BNY Mellon Asset Servicing is the custodian for the Fund's assets. There are two exceptions, being:-

- (i) Yorkshire and Humber Equity Fund, which uses the Royal Bank of Scotland plc
- (ii) Internally Managed Cash, which is held in the Fund's bank account held at Barclays Bank, Northallerton. Money in this account forms part of the balance of funds invested by the Council for treasury management purposes. A formal service agreement exists between the Council and the Fund so that the Fund receives an interest rate return equivalent to that achieved by the Council.

The main services provided by BNY Mellon are the custodianship of the Fund's assets, including settlement of trades and collection of income, investment accounting and performance measurement of the fund managers.

3.2 Performance

(a) Fund and Manager Performance

Fund performance is measured and assessed on a quarterly basis primarily by Mellon Analytical Services (MAS), a division of BNY Mellon. A second tier of analysis is provided by the WM Company for the purpose of assessing comparisons with the WM Local Authority Universe which comprises performance data of the vast majority other local authority pension funds. Performance of the Fund and individual managers is assessed relative to the defined benchmarks specified by the PFC.

Pension Fund investment is a long term business, so as well as considering the annual performance of the Fund, performance over extended periods in comparison to peers is also considered; this principle is applied both to individual managers and the overall Investment Strategy of the Fund.

The return produced by the Fund is a contributory factor in setting the employer contribution rates. The mix of assets within the Fund has been established to generate the greatest possible return within sensible limits of risk.

Performance for the year was +12.0% compared to the benchmark return of +5.9% and the local authority average (as measured by WM Services) of +6.4%. NYPF was ranked 2nd of out 82 Local Authorities within the WM Local Authority Universe. For the 5 year period to 31 March 2014 NYPF was ranked 1st.

The performance of the Fund as a whole and of the individual fund managers for the year to 31 March 2014 compared with their defined benchmarks is shown in the following table:

Fund Manager	Share of Fund @ March 2014	Fund Performance	Customised Benchmark	+/-
	%	%	%	%
Baillie Gifford Life Ltd - Global Alpha	16.6	12.8	6.8	6.0
Baillie Gifford Life Ltd - LTGG	10.3	20.6	6.8	13.8
Fidelity International	19.3	8.2	6.8	1.4
Standard Life Investments - Equities	20.0	26.7	18.5	8.2
ECM Asset Management	6.0	4.6	0.5	4.1
Amundi Asset Management	11.0	-3.1	-3.4	0.3
M&G Investment Management Ltd	3.5	-1.6	-3.4	1.8
Hermes Investment Management Ltd	1.2	13.8	2.5	11.3
Legal & General	1.3	12.4	2.5	9.9
Threadneedle	2.2	17.2	2.5	14.7
Standard Life (GARS)	4.0	3.3	0.5	2.8
Newton Investments (RR)	3.9	1.6	0.5	1.1
Yorkshire & Humber Equity Fund		3.8	8.8	-5.0
Internally Managed Cash	0.7	-	-	-
Total Fund	100.0	12.0	5.9	6.1

(b) Accounting and Cash Flow

The Statement of Financial Accounts for the year 2013/14 is shown at Appendix A.

The value of the Fund's assets at 31 March 2013 was £1,841m, and this increased by £242m during the year to give a value of £2,083m at 31 March 2014.

Prior to the start of the 2013/14 financial year, a Budget was prepared for NYPF which expressed the expected levels of expenditure (ie pensions, lump sums, administrative expenses) and income (ie employees and employers' contributions, net transfer values in, early retirement costs recharged). The Budget was monitored at each subsequent quarterly PFC meeting, and revised as necessary to take into account the latest projections.

The revised Budget for 2013/14 forecast a net cash surplus of £10.3m. The actual surplus for the year was £15.5m, resulting in an overall cash flow of £5.2m above expectations.

	Budget 2013/14 £m	Actual Income / Expenditure £m	Variance £m
Expenditure			
Benefits	92.0	87.8	-4.2
Administration	1.5	1.6	0.1
Investment Expenses	4.2	6.0	1.8
Total Expenditure	97.7	95.4	2.3
Income			
Employer and Employee contributions	106.0	109.4	3.4
Transfers	2.0	7.2	5.2
Total Income	108.0	116.6	8.6
Net Surplus	10.3	21.2	10.9

The budget assumed that the larger employers in the Fund would seek to reduce staffing levels in response to the Government cutting funding to public sector organisations. This has occurred, however the extent and timing of staff reductions is difficult to predict.

The value of transfers equates to the net of transfer values for staff moving in and out of the Fund in the year and cannot be reliably predicted.

Investment expenses includes performance related fees paid to the Fund's investment managers. At the total Fund level, performance exceeded the benchmark by 6.1% in the year and this has added to approximately £115m.

PART 4 – PENSION ADMINISTRATION ACTIVITY

The number of staff (in FTE terms) at the Council involved in Pension Administration was 24.

(a) Key Performance Indicators

The Local Government Pensions Committee has defined a range of performance indicators through which Pension Funds can be compared. NYPF's performance in these areas for the year to 31 March 2014 is shown below.

Performance Indicator	LGPC Target	Achieved (%)
Letter detailing transfer <i>in</i> quote	10 days	100
Letter detailing transfer <i>out</i> quote	10 days	100
Process and pay refund	5 days	100
Letter notifying estimate of retirement benefits	10 days	100
Letter notifying actual retirement benefits	5 days	100
Process and pay lump sum retirement grant	5 days	98
Initial letter acknowledging death of active/deferred/pensioner member	5 days	100
Letter notifying amount of dependant's benefits	5 days	100
Calculate and notify deferred benefits	10 days	100

These figures compare extremely favourably with other LGPS Funds, where the average achievement ratings for these performance indicators fall between 75% and 92%.

(b) Benefit Calculation Activity

The number of cases processed during the year requiring benefit calculations was as follows.

Task	Number
Retirements	904
Transfers In	18
Refunds	19
Frozen Refunds	18
Preserved Benefits	2,942
AVCs/ARCs	231
Divorce cases	4
Deaths in Service	15
Deaths of Pensioners	321

(c) Administration Costs per scheme member

NYPF's average cost of administration per member in 2013/14 was £15. This compares with the average cost per member in the comparative group of local authority pension funds of £21.

The total numbers of joiners and leavers during 2013/14 were:

Joining	7044
Retiring	904
Deaths	336
Other Leavers	2,975

The performance, activity and cost effectiveness reflect the efforts the Pension Administration team goes to provide a first class service to the Fund membership. NYPF is one of the leaders across LGPS administering authorities in terms of communication initiatives and innovative use of technology. Examples of this over 2013/14 include:

- arranging for government experts to address employing authorities directly on the key issues facing them such as compliance and LGPS 2014. NYPF employers have been more promptly and more thoroughly informed and prepared for change than counterparts across the country
- notifying NYPF membership immediately of the legislation designed to end the '100% tax free cash' option offered by AVCs. This enabled hundreds of members to make arrangements before the rush clogged up the system
- upgrading and re-launching the self-service facilities for Fund members
- implementing a new Pensions Administration System in preparation for the increasing complexity of administering the LGPS 2014 regulations
- continuing to develop and improve the customer helpline that provides a one-stop service for members without compromising the ability of Pensions Officers to take into account the specific circumstances of each individual joiner or leaver
- working collaboratively with employing authorities to get all the key LGPS2014 messages out to their employees / Fund members

Administration activity statistics are compiled for national benchmarking purposes and are based on tasks undertaken by the Pension Administration Team; therefore they will not reflect membership numbers reported elsewhere.

PART 5 – MEMBERSHIP CONTRIBUTIONS AND SCHEME BENEFITS

5.1 Membership

NYCC operates the NYPF for its own employees (excluding Teachers) together with those of the other local authorities within the County area, and certain other bodies eligible to join the Fund, under the terms of the LGPS regulations. The Fund does not cover teachers, police and fire-fighters for whom separate statutory arrangements exist.

Membership of the LGPS is not compulsory, although employees over 16 years old are automatically admitted to the Fund unless they elect otherwise.

Employees therefore have various options:-

- to be a member of the NYPF
- to be part of the State Second Pension Scheme, or
- to purchase a personal pension plan or a stakeholder pension managed by a private sector company.

The following table summarises the membership of NYPF over the past 5 years.

Membership Type	31 March 2010	31 March 2011	31 March 2012	31 March 2013	31 March 2014
Current Contributors	28,623	29,295	27,770	29,036	31,501
Deferred Pensions	22,079	23,800	25,534	27,503	29,490
Pensioners receiving Benefits	14,119	14,888	15,839	16,755	17,668

5.2 Contributions

The Fund is financed by contributions from both employees and employers, together with income earned from investments. The surplus of income received from these sources, net of benefits and other expenses payable, is invested as described in the Statement of Investment Principles (Appendix C).

For employee contributions a banded structure has been in place from April 2008 linked to the rate of pensionable pay a member receives. The band ranges were updated in April 2013 as follows:-

Band	Range	Contribution rate
1	£0 to £13,700	5.5%
2	£13,701 to £16,100	5.8%
3	£16,101 to £20,800	5.9%
4	£20,801 to £34,700	6.5%
5	£34,701 to £46,500	6.8%
6	£46,501 to £87,100	7.2%
7	More than £87,101	7.5%

The employer has the discretion to decide how often the contribution rate is changed if the pensionable pay of the employee increases or decreases. This will usually be once a year, or where there are contractual changes to an employee's post(s).

Employers' contributions are determined in a cycle every three years by a Triennial Valuation. The Valuation assesses the contributions required to meet the cost of pension benefits payable as they are earned, as well as additional contributions employers may be required to pay to address any deficit relating to previous years. Further details, including a list of each employer's minimum contributions following the 2010 Valuation for the financial years 2011/12, 2012/13 and 2013/14 are shown at <https://www.nypf.org.uk/Documents/2010ActuarialValuationReport.pdf>

Any new entrants to the scheme will be included on the 2013 Triennial Valuation report and is shown at:

https://www.nypf.org.uk/Documents/Triennial_Valuation_Report_March_2013.pdf

5.3 Scheme Benefits

The LGPS is a comprehensive scheme providing a wide range of benefits for members and their families. This summary does not give details of all the benefits provided by the Scheme or of all the specific conditions that must be met before these benefits can be obtained. More detailed information, including the Scheme booklet *A Guide to the Local Government Pension Scheme for Employees in England and Wales*, can be obtained by contacting the Pensions Administration section at County Hall, Northallerton, (telephone 01609 536335). Further information is available from the website www.nypf.org.uk

Normal Pension Age

The Normal Pension Age is a member's State Pension Age for both men and women (earlier voluntary retirement allowed from age 55 but benefits are reduced if minimum service conditions are not met). However, some members have a protected Normal Pension Age of age 65.

On retirement, both a pension and a lump sum retirement grant are payable for service up to 31 March 2008. For service from 1 April 2008 only a pension is payable, with no automatic lump sum. A member has the option to convert an amount of pension to a lump sum. Pension and lump sum are related to length of service and pay.

Pension (Normal)

The calculation of pension benefits depends on the dates of membership involved. From 1 April 2014 the LGPS changed to a Career Average Revalued Earnings (CARE) scheme. The pension for membership from 1 April 2014 is worked out as $1/49^{\text{th}}$ of pensionable pay.

For membership up to 31 March 2014 benefits are worked out on a 'final salary' basis. A normal pension is based on the average pensionable pay for the last year of service, or the better of the two previous years, if this gives a higher figure. Also, applicable from 1 April 2008 members who experience a reduction in their pensionable pay in the last 10 years can base benefits on the average of any 3 consecutive years in the last 13 years. Pensions are calculated on a fraction of $1/80^{\text{th}}$ for each year of membership of the scheme for service up to 31 March 2008 and on $1/60^{\text{th}}$ for service after 1 April 2008.

Pension (Ill Health)

An ill health pension is based on average pensionable pay for the last year of service and a split of the 80^{ths} and 60^{ths} accrual for membership up to 31 March 2014 as above. A pension of $1/49^{\text{th}}$ of pensionable pay applies for membership from 1 April 2014 onwards. There are three tiers of ill health benefits depending on whether a member can carry out any employment up to age 65.

- First Tier: If there is no reasonable prospect of being capable of gainful employment before Normal Pension Age the employee's LGPS pension is enhanced by 100% of the remaining potential pension to Normal Pension Age based on $1/49^{\text{th}}$ of an 'Assumed Pensionable Pay' figure which is a calculation of the pensionable pay on a prescribed basis for the period between the date of retirement and Normal Pension Age.
- Second Tier: If it is likely that the employee will be capable of undertaking any gainful employment before Normal Pension Age the employee's LGPS service is enhanced by 25% of the remaining potential pension to Normal Pension Age.
- Third Tier: If it is likely that the employee will be capable of undertaking any gainful employment within 3 years of leaving employment the employee receives the payment of benefits built up to the date of leaving with no enhancement but the benefits are only payable for a maximum period of 3 years (though reviewed at 18 months to assess any improvement in the member's health).

Lump Sum Retirement Grant

For service prior to 31 March 2008, the lump sum retirement grant is calculated as $3/80^{\text{ths}}$ for each year of service, with an appropriate enhancement in respect of ill health. For service after this date there is no automatic lump sum however pension entitlement can be converted to a lump sum at the rate of £1 of pension for £12 of lump sum retirement grant. A maximum lump sum of 25% of the capital value of the benefits accrued in the scheme can be taken.

Death Grant

(i) Death in Service

A lump sum death grant usually equal to three times pensionable pay, worked out on a prescribed basis known as 'Assumed Pensionable Pay', would be payable to the member's spouse, or nominee.

(ii) Death after Retirement

A death grant is payable in certain circumstances where death occurs after retirement. Retirement pensions are guaranteed for ten years and where death occurs within that period, and the pensioner dies before age 75, a death grant is payable. This provision only applies to a pensioner member who has a period of active membership in the Scheme on or after 1 April 2008. For pensioners who retired prior to this date the guarantee is limited to five years.

(iii) Death of a member with Preserved Benefits

A lump sum death grant of three times the preserved annual pension for leavers prior to 1 April 2008, or five times for leavers on or after this date is payable to the member's spouse, or nominee.

Spouses, civil partners and nominated cohabiting partner's pension

Any surviving spouse, nominated cohabiting partner or civil partner is entitled to a pension based on $\frac{1}{160}$ of the member's final pay, for each year of service up to 31 March 2014. For membership from 1 April 2014 the surviving spouse, nominated cohabiting partner or civil partner is entitled to a pension based on $\frac{1}{160}$ th of career average pensionable pay.

Only members of the scheme, who were active after 31 March 2008, are able to name a cohabiting partner to receive their pension benefits.

The pension available to a cohabiting partner is based on post April 1988 membership only.

Children's Pension

Each child under age 18, or still in full-time education and under age 23, will receive a proportion of the spouse's or civil partner's pension depending on the number of eligible children and whether or not a spouse's or civil partner's pension is payable.

Partner with one child:

Child's pension is $\frac{1}{320}$ th of member's service, multiplied by the pensionable pay plus a pension equal to $\frac{1}{160}$ th of the Assumed Pensionable Pay for each year of membership the member would have built up from the date of death to Normal Pension Age.

- Partner with more than one child:** Child's pension is $\frac{1}{160}$ th of the member's service, multiplied by the pensionable pay plus a pension equal to $\frac{1}{160}$ th of the Assumed Pensionable Pay for each year of membership the member would have built up from the date of death to Normal Pension Age. The total children's pension payable is divided by the number of children who are entitled to equal shares.
- No partner and one child:** Child's pension is $\frac{1}{240}$ th of the member's service, multiplied by the pensionable pay plus a pension equal to $\frac{1}{160}$ th of the member's Assumed Pensionable Pay for each year of membership the member would have built up from the date of death to Normal Pension Age.
- No partner & more than one child:** Child's pension is $\frac{1}{120}$ th of the member's service, multiplied by the pensionable pay plus a pension equal to $\frac{1}{160}$ th of the Assumed Pensionable Pay for each year of membership the member would have built up from the date of death to Normal Pension Age. The total children's pension payable is divided by the number of children who are entitled to equal shares.

Pension Increases

Pensions are increased in accordance with the Pensions (Increase) Act 1971. All pensions paid from the scheme are protected against inflation, rising in line with the Consumer Price Index.

Contracting Out Status (with effect from 1 April 2002)

The LGPS is contracted-out of the State Second Pension Scheme (S2P). This means that members pay reduced National Insurance contributions and that they do not earn a pension under S2P. Instead, the LGPS must guarantee to pay a pension that in general is as high as the pension which would have been earned in the State Earnings Related Pension Scheme (SERPS) / S2P. For contracted-out membership between 6 April 1978 and 5 April 1997, a Guaranteed Minimum Pension (GMP) is calculated by Her Majesty's Revenue & Customs (HMRC) which is the minimum pension which must be paid from NYPF to the member. For membership after 5 April 1997, the LGPS has guaranteed that the benefits it provides will, in general, be no less favourable than those provided under a Reference Scheme prescribed under the Pensions Act 1995.

AVCs

A facility is available for scheme members to make Additional Voluntary Contributions (AVCs). The Pension Fund Committee (PFC) has appointed the Prudential as the nominated provider for this purpose. Further details are available from the Prudential on 0800 012 1378.

PART 6 – GOVERNANCE DOCUMENTATION

The main governance documentation is as follows:

- Statement of Investment Principles
- Governance Compliance Statement
- Funding Strategy Statement
- Communications Policy Statement

A short summary of each Statement is given below, and each full Statement is shown in the Appendices to this report.

(a) Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require administering authorities to prepare a statement recording the investment policy of the Fund. The full statement is available as Appendix C. The main areas covered by the statement are:

- Investment decision making process
- Types of investments to be held
- Balance between different types of investments
- Risk
- Expected return on assets
- Realisation of investments
- Socially responsible investments
- Shareholder governance
- Stock lending
- Compliance with guidance from the Secretary of State

(b) Governance Compliance Statement

Under the Statement under the LGPS (Administration) Regulations 2008 and its predecessor Regulation 73A(c) of the LGPS Regulations 1997 (as amended), NYPF as an administering authority is required to publish a document describing how the Fund must assess its governance arrangements and compliance with any principles listed in the guidance. This statement is available at Appendix D. The main areas covered by this are:

- Governance arrangements
- Representation and meetings
- Operational procedures
- Key policy / strategy documents
- Assessment of compliance with best practice principles

(c) Funding Strategy Statement

The Funding Strategy Statement (FSS) has been prepared by in accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) and the guidance papers issued in March 2004 and November 2004 by the Chartered Institute of Public Finance and Accountancy (CIPFA). The full statement is available at Appendix E, and the main purpose is to:

- establish a clear and transparent Fund-specific Strategy which will identify how employers' pension liabilities are best met going forward
- support the regulatory requirement to maintain as nearly constant employers contribution rates as possible, and
- take a prudent longer-term view of funding those liabilities

In addition to this, the Funding Strategy Statement covers:

- responsibilities of the key parties
- solvency issues and target funding levels
- link to Investment Strategy set out in the Statement of Investment Principles
- identification of risks and counter measures
- method and assumptions and results of the 2010 Actuarial Valuation

(d) Communications Policy Statement

This statement sets out the communication strategy for communication with members, members' representatives, prospective members and employing authorities; and for the promotion of the Scheme to prospective members and their employing authorities. The latest Communications Policy Statement is shown at Appendix F.