

# Agenda

**Meeting: Pension Fund Committee**

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

**Date: Thursday, 26 February 2015 at 10am**

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## Business

1. Exclusion of the public from the meeting during consideration of item 8 on the agenda on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information)(Variation) Order 2006.
2. Minutes of the Meeting held on 21 November 2014. **(Pages 1 to 4)**
3. Public Questions or Statements.

Members of the public may ask questions or make statements at this meeting if they have given notice to Steve Loach of Democratic Services (contact details below) by midday 22 February 2015. 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.

4. Member and Employer Issues – Report of the Treasurer **(Pages 5 to 27)**
5. Establishment of a Pension Board – Report of the Treasurer **(Pages 28 to 35)**
6. Budget/Statistics - Report of the Treasurer **(Pages 36 to 39)**
7. Performance of the Portfolio - Report of the Treasurer **(Pages 40 to 86)**
8. Equity Investments – Report of the Treasurer **(Pages 87 to 98)**
9. Such other business as, in the opinion of the Chairman should, by reason of special circumstances, be considered as a matter of urgency.

**NOTE:**

**Members are reminded that there will be a presentation from ECM (Fixed Income) on Thursday 26<sup>th</sup> February 2015 from 11:30am. Further presentations from Baillie Gifford (Equities) and Hermes (Property) will take place on Friday 27<sup>th</sup> February 2015 from 10.00am.**

Barry Khan  
Assistant Chief Executive (Legal and Democratic Services)

County Hall  
Northallerton  
February 2015

## 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.

An intermittent alarm indicates an emergency in nearby building. It is not necessary to evacuate the building but you should be ready for instructions from the Fire Warden.

### **Accident or Illness**

First Aid treatment can be obtained by telephoning Extension 7575.

# PENSION FUND COMMITTEE

## 1. Membership

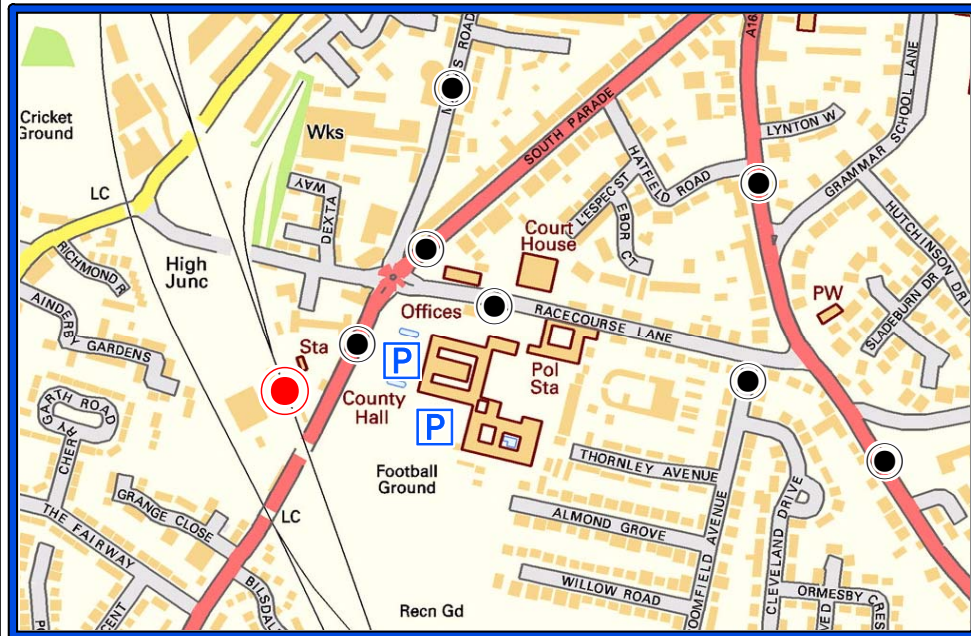
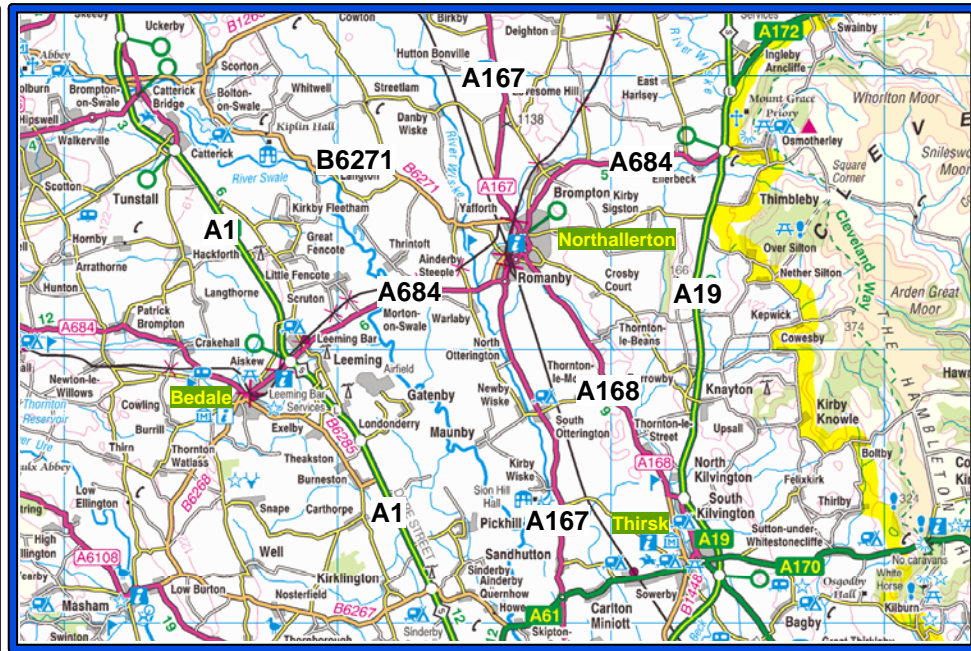
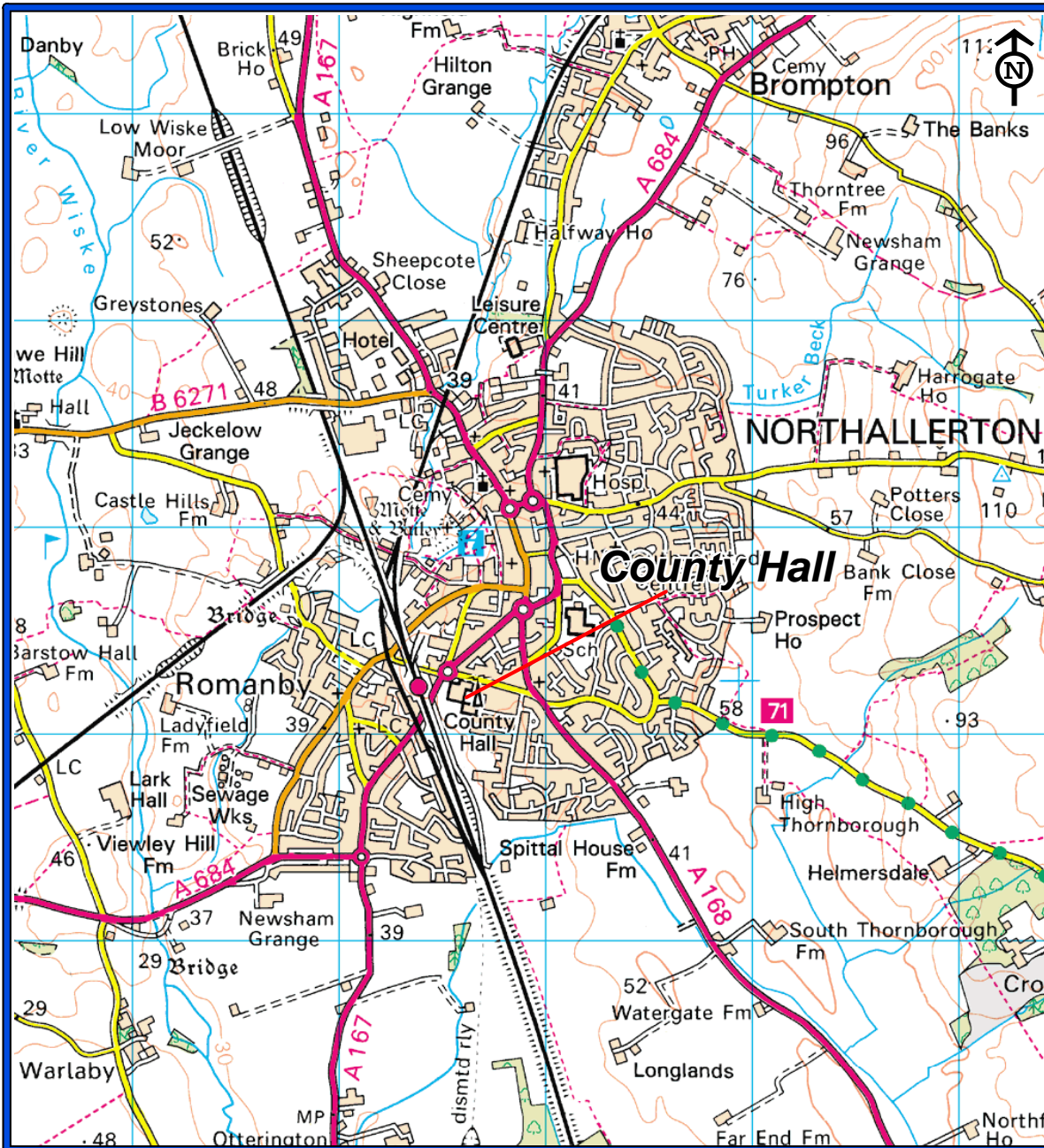
<b>County Councillors (9)</b>							
	<i>Councillors Names</i>				<i>Political Party</i>		
1	BLACKIE, John				NY Independent		
2	BATEMEN, Bernard MBE				Conservative		
3	CROSS, Sam				UKIP		
4	De COURCEY-BAYLEY, Margaret Ann				Liberal Democrat		
5	HARRISON-TOPHAM, Roger				Conservative		
6	MULLIGAN,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

## 2. Substitute Members

<b>Conservative</b>		<b>Liberal Democrat</b>	
	<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	
<b>NY Independent</b>		<b>Labour</b>	
	<i>Councillors Names</i>		<i>Councillors Names</i>
1	PARSONS, Stuart	1	
2		2	
3		3	
4		4	
5		5	
<b>Liberal</b>		<b>UKIP</b>	
	<i>Councillors Names</i>		<i>Councillors Names</i>
1		1	
2		2	
3		3	
<b>Independent</b>			
1			

### 1. Substitute Members

1	Vacancy	City of York
2	PARLOUR, Jane	Local Government North Yorkshire and York
3	Vacancy	Local Government North Yorkshire and York



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Northallerton National Rail Station



Bus Stops

## 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 21 November 2014, at County Hall, Northallerton.

**Present:-**

County Councillors: John Weighell (Chairman); Bernard Bateman MBE; Sam Cross; Margaret-Ann de Courcey-Bayley; Roger Harrison-Topham; Patrick Mulligan; Helen Swiers; and Carl Les (observing).

Members other than County Councillors: *Jim Clark (Local Government North Yorkshire and York)??*

Officers and other advisors present: Gary Fielding, Tom Morrison, Nigel Dowey, Anna Binks, Geoff Dalton and Robert Shepherd (Aon Hewitt), Carolann Dobson (independent adviser), Stella Smethurst (Unison).

**Copies of all documents considered are in the Minute Book**

**63. Declarations of Interest**

County Councillors Bernard Bateman, Jim Clark, Patrick Mulligan, Margaret-Ann de Courcey-Bayley and John Weighell stated that although not a Disclosable Pecuniary Interest they wished it to be known that they were members of the Pension Scheme.

**64. Minutes**

**Resolved -**

That the Minutes of the meeting held on 18 September 2014, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

**65. Public Questions or Statements**

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

**66. Member and Employer Issues**

Considered -

The report of the Treasurer updating the Committee on membership movements, the performance and costs of benefits administration together with information on related events and activity during the current year up until the date of the meeting.

Gary Fielding, Corporate Director - Strategic Resources, introduced the report noting that performance was good throughout the Quarter adding that the team had performed very well in responding to the challenges resulting from LGPS 2014. He highlighted paragraph 4.4 which noted the end of benefit statements being sent out in hard copy, as a result of the move to online arrangements. Regarding the data shown in paragraph 5 it was noted that this was presently being verified as some

issues had been identified regarding the question of timing. Nigel Dowey, Pensions Manager, commented upon a typographical error in paragraph 1.3 of the report where the figure of £40,000 appeared, which should have been £50,000. Commenting upon the increase in numbers of registered self-service users, he noted that as at the present date this was up to 6,386 - reflecting continuing progress.

County Councillor Sam Cross asked how many members across the Pension Fund exceeded the annual allowance threshold. It was confirmed that 19 had exceeded the threshold and of these, 16 had had sufficient carry forward of unused allowances to offset the present excess. Three others had been advised of the tax amount due. It was confirmed that this could be dealt with by self-assessment with HMRC or where amounts were over £2,000, customers could elect to repay the amount owing within the scheme. It was noted that in all such occurrences the majority of people had paid the excess amount immediately rather than spread the payments over time. It was confirmed that where payments were spread via the scheme, all the tax was paid by the individual and not the Authority.

**Resolved -**

That the report is noted.

**67. Establishment of a Pension Board**

Considered -

The report of the Treasurer updating the Pension Fund Committee on the arrangements for a Pension Board.

Gary Fielding, Corporate Director - Strategic Resources, stated that the draft terms of reference had been agreed at the last meeting, in the knowledge that further Government information was due which might necessitate further change. This had now been received and owing to various central delays, greater flexibility was now afforded in terms of timescales. Gary Fielding added that two further consultations on the matter were due to close at today's date. Tom Morrison, Principal Accountant, advised that there were no significant changes in the latest information received. The previous drafting had been undertaken on the assumption that the guidance would form the basis of the regulations. Consequently the terms of reference prepared for the Pension Board were very similar to the guidance itself. Gary Fielding advised that Councillors could now serve on the Board but added that this should not be a present Pension Fund Member. Similarly any officers involved with the Pension Board should not be those who support the Pension Fund Committee. He felt that this was a very welcome change. Gary Fielding confirmed that arrangements needed to be in place by April 2015 and therefore the proposals would go to County Council in February 2015 for formal approval. He advised that there was a period of four months in which to recruit the members of the Pension Board but cautioned that this time would soon pass and that progress should be made as soon as possible. He also noted that the Advisory Panel would continue until such time as the Pension Board was fully in place. Tom Morrison confirmed that Members would be kept informed of developments which occurred between meetings and their input would be invited at all points. Gary Fielding acknowledged that Members had previously articulated their concerns about how the Pension Board would work in practice, and County Councillor Bernard Bateman MBE noted that at the most recent Pension Fund conference he had gained a firm impression that Pension Board would scrutinise governance arrangements of Pension Funds.

**Resolved -**

That the report is noted.

## **68. Budgets/Statistics**

Considered -

The report of the Treasurer on the expenditure/income position to date for 2014/15 and the cash deployment of the Fund.

Gary Fielding, Corporate Director - Strategic Resources, confirmed that the cash surplus for the six months to 30 September 2014 exceeded the budget by £1.6m. Whilst there was some concern that difficulties might be experienced at a future point in time, performance was healthy for the foreseeable future. Tom Morrison, Principal Accountant, highlighted Appendix 1 to the report which detailed the profile of income and expenditure and the impact upon the Fund due to deficit funding from employers. On the question of who decides where the rebalancing takes place, Tom Morrison advised that it was part of on-going discussions with employers regarding contributions up front. He noted that previously the proportionate allocation was below the target standard and that this had now been increased by 7 to 8%. There was discussion of the activity and trading which had occurred since the last quarter, and Tom Morrison advised that the decision taken in summer 2014, when equity allocations were 4% higher, had worked out very well for the Fund given the uncertainties experienced since. There was consensus that the decisions taken by the Committee had worked well and Gary Fielding confirmed that if any further tactical changes were required such discussions would be held at a future meeting of the Committee as this was a strategic decision.

**Resolved -**

That the content of the report is noted.

## **69. Performance of the Portfolio**

Considered -

The report of the Treasurer presenting details of investment performance of the Fund, and of individual Fund Managers, for the Quarter to 30 September 2014.

Gary Fielding, Corporate Director - Strategic Resources, highlighted that property continued to perform well. Regarding assets he noted that these had increased but liabilities had increased by more, which he described as a disappointing but satisfactory situation. Carolann Dobson (independent advisor) confirmed that the Fund continued to perform well and she went on to give an overview of the individual managers and noted:

- OCM had little scope to make more money.
- M&G there was a question around benchmarks and discussions were ongoing.
- Newtons - there were no earnings presently and this needed to be resolved.

Carolann Dobson highlighted the situation in the United States where financial commentators were varying widely in their predictions - between 1.5 and 4%, reflecting the volatility in that market place. She noted that Government policy was diverging from the rest of the world and Europe was worried about the prospect of further deflation in future. She felt these factors needed to be borne in mind for the future. Geoff Dalton and Robert Shepherd from AON went on to provide a commentary regarding the different Fund Managers and Carolann suggested that in future quarter by quarter comparisons and reports might help clarify the relative performance.



**Resolved -**

That the report is noted.

**70. Equity Investments**

The report of the Treasurer updating Members on the search for an Equity Manager.

Gary Fielding, Corporate Director - Strategic Resources, updated Members on the search for an Equity Manager. He began by explaining the background to the situation, explaining the size of the portfolio and the capacity problems which had been experienced. Given the high level of volatility in this area the question had been posed could a manager better than Fidelity be found as their performance had been found to be mediocre. There was discussion of those who had been seen already and those who were to be considered. It was clarified that two additional managers could be sought if required, but if it were two, these should bring complementary facets. Carolann Dobson stressed that the skills of the new manager/s sought should complement those of the others and so help reduce overall risks for the Fund. It was hoped that a final decision would be reached later in the day with recommendations coming to the meeting on 12 December 2014.

**Resolved -**

That Members note the progress on Equity Manager search.

The meeting concluded at 10.40 am.

JO'D

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

26 FEBRUARY 2015

## 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) TPR Code of Practice | (see section 3) |
| (c) Membership Analysis  | (see section 4) |
| (d) Member Training      | (see section 5) |
| (e) Meetings Timetable   | (see section 6) |

**2.0 Admission Agreements**

- 2.1 The latest position re Proposed Admission Agreements is described in the table in **Appendix 1**.
- 2.2 Following a request from City of York Council, approval is being sought for the creation of a 'community' admission agreement. The agreement would allow the continued access to the LGPS of staff working in certain areas of economic development, tourism and the promotion of cultural activities which will come together under a new organisation to be known as Make It York.
- 2.3 Further details on Make It York can be found in **Appendix 2**. Members are asked to review the information and to approve the request, as City of York Council will act as a guarantor for any shortfall which may arise.

**3.0 The Pensions Regulator Code of Practice 2015**

- 3.1 The Pensions Regulator's Code of Practice number 14 (Governance and Administration of Public Service Pension Schemes) was laid in Parliament and the Northern Ireland Assembly last month. Subject to the respective Parliamentary procedures, it will come into force in April 2015. The Pensions Regulator is the body that regulates occupational and personal pension schemes provided through employers.
- 3.2 The code provides scheme managers and pension board members, in public service pension schemes, with a summary of their key governance and administration duties, and the standards of conduct and practice expected in

relation to those duties.

- 3.3 The headings covered are;
- Conflicts of interest
  - Managing risk and internal controls
  - Maintaining accurate member data
  - Maintaining member contributions
  - Providing information to members and others
  - Resolving internal disputes
  - Reporting breaches of the law
- 3.4 The draft Code can be found at; <http://www.thepensionsregulator.gov.uk/docs/draft-code-14-governance-administration-public-service-pension-schemes.pdf>. However, the Pensions Regulator has provided a summary version which is attached at **Appendix 3**. Officers are in the process of reviewing the Code to establish whether any changes are required to the Fund's arrangements. In addition, the Pension Board may make recommendations to the PFC based on their own assessment.
- 3.5 The Pensions Regulator has also launched a comprehensive e-learning programme for those involved in running public service pension schemes. This includes e-learning modules on each of the headings listed in 3.3 above and can be found at <https://education.thepensionsregulator.gov.uk/login/signup.php>.
- 3.6 Each module provides the option to complete an interactive tutorial online and then complete an assessment, as well as additional resources such as extra examples. The tutorials are designed to help senior officers, Pension Fund Committee members and Pension Board members to build an understanding of the requirements set out in the Code of Practice. Officers will review the programme and report back to a later meeting of the PFC.

## 4.0 Membership Analysis

4.1 Details of current membership numbers are as follows:

Membership Category	At 31/03/13	+/- Change (%)	At 30/09/14	+/- Change (%)	At 31/12/14
Actives	29,035	+10.4	32,067	+5.3	33,782
Deferred	27,501	+8.9	29,960	+1.4	30,370
Pensioners*	16,755	+8.6	18,197	+1.4	18,443
<b>Total</b>	<b>73,291</b>	<b>+9.5</b>	<b>80,224</b>	<b>+3.0</b>	<b>82,595</b>

\*Figures include spouse and dependant pensions

	30/09/2014	30/12/2014
<b>Number of employing authorities in the Fund</b>	113	115
<b>Number of new starters in the quarter</b>	1,024	
<b>Number of retirements in the quarter</b>	248	
<b>Number of deaths for those in receipt of pension in the quarter</b>	74	

4.2 The active membership numbers and associated movements by employer for the quarter ending 31 December 2014 are set out in **Appendix 4**. Officers are aware of issues in relation to active membership numbers particularly for NYCC and investigations are ongoing.

4.4 An analysis of retirements by employer is provided at **Appendix 5**.

## 5.0 MEMBER TRAINING

5.1 The Member Training Record showing the training undertaken over the year to February 2015 is attached as **Appendix 6**.

5.2 Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 7**.

5.3 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](mailto:andrew.brudenell@northyorks.gov.uk)) for further information or to reserve a place on an event.

## 6.0 MEETINGS TIMETABLE

6.1 The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix 8**.

## 7.0 RECOMMENDATIONS

7.1 Members to approve the request to approve the creation of a Community Admission Agreement for Make It York (paragraph 2.3)

GARY FIELDING  
Treasurer  
Central Services  
County Hall  
Northallerton

**Background documents: None**

## LATEST POSITION RE ADMISSION AGREEMENTS

Admission Agreement	Current Position and Action to Be Taken (If Applicable)
Everyone Active, part of Sports and Leisure Management, providing leisure services for Ryedale District Council	Ryedale District Council's leisure services contract with Community Leisure Ltd came to an end on 1 October 2014. There is one employee who continues to be a LGPS member and an admission agreement is therefore required to be entered into with the new contractor, Everyone Active which is part of Sports and Leisure Management. An admission agreement has been signed by all parties.
Streamline Taxis (York) providing home to school transport for pupils of Applefields School, York	City of York Council has entered into a contract with Streamline Taxis (York) from 1 September 2014 to provide home to school transport for pupils of Applefields School, York. One member of staff, who is a member of the LGPS, has transferred under TUPE to the new provider. An admission agreement has been signed by all parties
Lifeways Community Care Ltd providing adult care services for City of York Council	City of York Council has entered into a contract with Lifeways Community Care Limited to provide adult care services at Flaxman Road, York from 23 February 2015. The transfer of staff under TUPE involves eight members of staff who contribute to the LGPS. An admission agreement has been put in place to allow these staff to continue their membership of the LGPS.
GLL (Greenwich Leisure Ltd) providing leisure services for City of York Council	City of York Council are finalising negotiations with GLL, a charitable social enterprise, to provide the Council's leisure services from May 2015. An admission agreement is to be put in place to cover the transferring staff who are members of the LGPS.
City of York Council – potential creation of 'Make It York' to achieve a stronger co-ordination and promotion of York's profile and cultural offer	City of York Council are considering the creation of a company to be known as Make It York in order to develop a National/International profile of high quality cultural events in York, to increase business investment in York and to achieve an increase in spend by tourists. Make It York will be a company wholly owned by City of York Council who will be the sole shareholder. An admission agreement would be required to allow the staff transferring to Make It York to remain in the LGPS from the proposed transfer date of 1 April 2015. A separate appendix covers 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.

### LATEST ACADEMY ADMISSIONS

Original name of school	Date of conversion/current position	Name of Academy after conversion
Robert Wilkinson Primary School (City of York)	School converted to an academy on 1/12/2013	Robert Wilkinson Primary Academy; Part of the Ebor Academy Trust
Haxby Road Primary School (City of York)	School converted to an academy on 1/2/2014	Haxby Road Primary Academy; Part of the Ebor Academy Trust
Aireville School (NYCC)	School converted to an academy on 1/9/2014	The Skipton Academy; In partnership with Craven College
Roseberry Primary School (NYCC)	School converted to an academy on 1/10/2014	Roseberry Academy; Part of the Enquire Learning Trust

## Potential Admission Agreement – ‘Make It York’

### Reason for the Request

City of York Council is considering forming a company to be known as Make It York to bring together a number of services relating to economic development, tourism and the promotion of cultural activities. Up to ten members of staff who are currently members of the Local Government Pension Scheme would be involved in a TUPE transfer to the new organisation. An admission agreement would be needed to allow these members to continue to participate in the Local Government Pension Scheme.

The new organisation would become a ‘Community Admission Body’. 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.

### Background to the Changes in Service Delivery

The objectives for Make it York are:

- To achieve a stronger co-ordination and promotion of York’s profile and cultural offer
- To deliver greater inward and indigenous investment from business, and thus market share for York and its key growth sectors, particularly life science-related industries, high-tech industries and business services
- To increase the value of the visitor economy through promoting innovation and higher quality in the existing offer, encouraging high value visitor economy investment and attracting higher spending visitors
- Develop a National/International profile of high quality cultural events
- Increase in business investment in York – as measured by growth in existing business and inward investment by companies locating into York
- Increase in spend by tourists – as measured by increase in average length of stay and average spend per visitor.
- Increased profile for York as a destination for living, visiting, studying, and doing business

Specific outcomes sought are:

- City of York Council will enter into a contract for the provision of services with Make it York to deliver the services related to the above activities. This will include a service level agreement with agreed objectives and performance monitoring
- Make it York will be a company wholly owned by City of York Council who will be the sole shareholder and, as such, a strong partnership will be maintained between the Council and Make it York
- In terms of funding from the City of York Council, the business plan approved by Cabinet shows funding of £918k 15/16, £989k 16/17, £898k 17/18 for the first 3 years of operation of Make it York. After this market conditions and funding to the Local Authority will dictate the level of funding
- The plan is that staff will TUPE transfer into Make it York and will continue indefinitely to provide the contracted service

### **Potential Risks for the Pension Fund**

The main risk is that unfunded liabilities will fall on the North Yorkshire Pension Fund at the time the admission agreement ceases as the liabilities cannot be fully met by the admission body and the original transferring employer (City of York Council) is also unable to make good the shortfall.

It does look possible that the admission agreement would run for a maximum of three years only and it is difficult to predict how many staff currently in the LGPS will remain over the life of the arrangement (and therefore the level of pension contributions which will be paid into the NYPF). Although assurances have been given regarding the funding of the basic level of services it is still vital that City of York Council provide a guarantee to the admission agreement as there is no evidence that Make It York would be able to cover any unfunded liabilities at the end of the admission agreement.

### **Commitment to be made by City of York Council**

City of York Council will enter into a guarantee agreement with respect to the pension liabilities of Make it York.

There will be continued monitoring of the service delivery by City of York Council. Management accounts will be provided to City of York Council by Make it York on a quarterly basis. The officer responsible for monitoring will be the Make it York commissioning lead in the office of the Chief Executive. Quarterly reports will be made to the Council's Make it York Shareholder Committee on the performance of Make it York.

If the Make it York business failed any staff under TUPE arrangements will be transferred back to City of York Council if an alternative provider could not be procured.

It is not possible to predict the possible long-term success of Make it York, nor can a view be taken on whether there will be radical changes in the national policies, framework or legislation under which the new arrangement will operate and any impact such changes may have on City of York Council's responsibilities. The strength of City of York Council's assurance does, however, indicate that everything necessary will be done to safeguard the Pension Fund under any potential admission agreement for the life of the admission agreement and on termination.

### **Legal Work**

An assessment has been made by the legal adviser to NYPF, Ward Hadaway, of whether the model chosen would permit the creation of an admission agreement. They have confirmed that an admission agreement would be appropriate, given the intended legal identity of the organisation.

### **Recommendations**

Given the assurances provided by City of York Council, that Members approve the request.



**Information  
for scheme  
managers and  
pension board  
members**

# **The essential guide to the public service code**

January 2015

**The Pensions  
Regulator**

**Code of practice no. 14 – Governance and administration of public service pension schemes** helps you understand how to approach the administration and governance of a public servicescheme. The full version of the code can be viewed at [www.tpr.gov.uk/code14](http://www.tpr.gov.uk/code14).

This essential guide provides an overview of the code and gives details of where to go to find out more. It can help you use the code but is obviously not exhaustive and it's not a substitute for reading the full code – which we expect all those involved with public service schemes to do.

## What is a code of practice?

Codes help the people who run pension schemes fulfil their legal duties. They aren't statements of the law, but they outline an approach that schemes can take to complying with the law. The courts have to take account of codes when considering whether legal requirements have been met, and we may refer to them when we exercise our powers.

**Code of practice no. 14 – Governance and administration of public service pension schemes** (the public service code) was laid before Parliament in January 2015.

## The public service code

This code provides scheme managers and pension board members with a summary of their key governance and administration duties, standards of conduct and practice we expect in relation to those duties, and practical guidance on how they can comply.

# Governance

## Knowledge and understanding

It's crucial that the people responsible for public service schemes know how to govern them as efficiently and effectively as possible. At the most basic level, pension board members need to understand how the scheme works so that they can effectively assist the scheme manager. However, there is a specific requirement for pension board members to have knowledge and understanding of the following areas:

- the scheme rules, eg eligibility for the scheme and scheme benefits
- documented administration policies, eg risk assessments/management, reporting breaches, keeping records and the responsibilities of the scheme manager, the pension board and individual pension board members, and
- the law relating to pensions eg relevant law that applies to their scheme.

There are also other areas that need to be understood if a scheme is to be governed well.

Schemes should keep track of training and other learning activities undertaken by board members and there should be someone responsible for ensuring that a training programme is developed and implemented. This should include preparing a list of the documents that pension board members need to be familiar with.

Pension board members should invest time in their learning and development and regularly undertake a personal training needs analysis to review their skills and knowledge.

Our e-learning programme can help meet the needs of pension board members, whether or not they have access to other learning.

## Conflicts of interest

It's important to be aware of any potential conflicts of interest on a pension board. A conflict of interest occurs when an individual has another interest which is likely to prejudice the way they carry out their role as a pension board member.

The scheme manager of a public service scheme must be satisfied that no pension board member has a conflict of interest. Schemes should have an agreed and documented policy which includes identifying, monitoring and managing potential conflicts of interest.

## Representation on pension boards

Having a variety of people and representation on the pension board should help to ensure that pension board discussions or decisions take into account the views and interests of those involved in the scheme.

Pension boards must have an equal number of employer and member representatives. It is also important for schemes to consider the mix of skills and experience needed on their pension boards so that they operate effectively.

See the chapter of the code entitled 'Governing your scheme' for more detailed information about knowledge and understanding, conflicts of interest and representation on pension boards.

# Risk

## Internal controls

Good internal controls are crucial. These are the arrangements, systems and procedures that the scheme has in place for scheme administration and management, overseeing that administration and management, and the security of scheme assets. Scheme managers must establish and operate controls which are adequate for ensuring that the scheme is administered and managed in line with the scheme rules.

Internal controls can help protect schemes from risks which could be detrimental to the scheme and the members if they are not addressed.

Schemes should ensure that sufficient time and attention is spent identifying, evaluating and managing risks. This includes developing and monitoring the controls that they use to keep these risks in check.

All schemes should carry out a risk assessment. Start by:

- setting out the objectives of the scheme
- identifying the activities that are carried out in the course of running the scheme, and
- pinpointing the main risks that could mean that the objectives and activities aren't met or delivered.

Not all risks are equal. Consider how likely they are to occur and the impact that they could have when deciding an order of priority for managing risks. Schemes should focus on risks where the likelihood and impact of one materialising is high.

Once risks are identified and assessed, they should be recorded in a risk register and reviewed regularly. For each risk there should be one or more internal controls to address it. See the chapter of the code entitled 'Managing risks' for more detailed information.

## Administration

### Keeping records

Complete, accurate and up-to-date records are key to the effective administration of a public service scheme. Good records make it easier to communicate, allocate contributions and pay benefits to the right people at the right time, without making costly mistakes. Scheme managers must keep the records set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.

To ensure that the appropriate records are kept, they should be discussed and reviewed regularly. If there are problems with scheme records, there should be a plan to resolve them. Doing this early can save significant expense later.

It's important to regularly evaluate the accuracy of member records and that the scheme receives timely and accurate member updates from participating employers.

Schemes should review records at least annually, which should include an assessment of the accuracy and completeness of the information held. If a scheme outsources the management of records there must be effective controls in place to ensure the integrity of those records.

## Maintaining contributions

Receiving accurate contributions on time is very important. Contributions that are late or go unpaid may need to be reported to us.

Where member contributions are deducted from their pay, the amount deducted must be paid to the scheme by the 19th day of the month following the deduction (or by the 22nd day if paid electronically).

Employer contributions must be paid to the scheme in line with any requirements in the scheme regulations.

A public service scheme should have an effective process to identify and resolve payment failures with the employer. If scheme managers think that a payment failure is likely to be of material significance to us then it must be reported to us.

## Providing information to members

The information communicated to members will affect the decisions they make about their pension. This, in turn, can have a major bearing on the value of their pension.

Communications to members should be clear and easy to understand. They should avoid jargon and recognise that many members may not be familiar with financial words and phrases.

A range of methods to provide general information to members can be used, including post and email, although in some cases a particular method must be used, and in others a specific procedure must be followed before providing information electronically.

There is some specific information which must be provided to members (or prospective members), like basic scheme details when they join and annual statements showing the value of their benefits. Other information, for example about transfer credits or the constitution of the scheme, must be provided upon request from members (or others) (unless an exemption applies).

See the chapter of the code entitled 'Administration' for more detailed information on record-keeping, maintaining contributions and providing members with information.

# Resolving issues

Whether it relates to a breach of the law or a complaint from a member, issues that arise in public service schemes should be dealt with promptly and effectively.

## Internal disputes

Schemes must have an internal dispute resolution procedure (IDRP) to help resolve issues raised by members and others with an interest in the scheme. The IDRP can have one or two stages and decisions must be made and communicated within a reasonable period of the issue being raised under IDRP. The IDRP must state how someone can apply to have a pension dispute resolved (including any time limits), the details which must be included, and how and by when decisions are to be reached.

Members and others who make a complaint must be given information about The Pensions Advisory Service when the complaint is received, and the Pensions Ombudsman, when the decision is given, who may be able to help them.

## Reporting breaches of the law

It's important that breaches of the law are identified and assessed quickly, and reported if necessary. Scheme managers and pension board members (amongst others) must report breaches which they consider likely to be of material significance to us, so there should be effective procedures to enable them to identify and assess breaches. These should include giving those involved with public service schemes the opportunity to raise concerns, consider risks, and where necessary submit a report within an appropriate timescale. Do not wait for someone else to report.

We have an online service called **Exchange** where reports can be made. If they don't use **Exchange**, schemes should report to us by post, email or fax. We will not disclose information reported to us except where we are required to do so by a court and we'll take all reasonable steps to maintain reporter confidentiality.

See the chapter of the code entitled 'Resolving disputes' for more detailed information about the dispute and breach procedures that should be in place.

This document relates to Code of practice no. 14 – Governance and administration of public service pension schemes, which has been laid before Parliament and the Northern Ireland Assembly. The code is currently subject to Parliamentary and Assembly procedure and has no legal effect until it is brought into force by order. This document should be read in the light of this.

## How to contact us

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### **An essential guide to the public service code**

Information for scheme managers and pension board members

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**The Pensions  
Regulator**



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

Employer	Number of active posts			Change During 2014/15	Opt Out inc in change	Change %
	31/03/2013	31/03/2014	31/12/2014			
<b><i>Councils</i></b>						
City of York Council	4,527	4,903	5,157	254	25	5.18
Craven DC	187	194	206	12	2	6.19
Hambleton DC	424	362	371	9		2.49
Harrogate BC	1,014	1,058	1,061	3	15	0.28
North Yorkshire CC	17,336	18,959	20,760	1,801	125	9.50
Richmondshire DC	165	217	229	12		5.53
Ryedale DC	212	220	222	2		0.91
Scarborough BC	526	557	565	8	2	1.44
Selby DC	195	224	243	19	1	8.48
<b>Sub Total</b>	<b>24,586</b>	<b>26,694</b>	<b>28,814</b>	<b>2,120</b>	<b>170</b>	<b>7.94</b>
<b><i>Police and Crime Commissioner, Fire, Probation Services and National Park Authorities</i></b>						
NY Chief Constable	0	0	1	1		
North Yorkshire PCC	1,001	1,062	1,090	28	5	2.64
NY Fire & Rescue	109	110	112	2		1.82
NY Moors National Park	122	122	115	-7		-5.74
NY Probation Service	203	208	0	-208		-100.00
Y'shire Dales Nat Park	125	122	121	-1		-0.82
<b>Sub Total</b>	<b>1,560</b>	<b>1,624</b>	<b>1,439</b>	<b>-185</b>	<b>5</b>	<b>-11.39</b>
<b><i>Town &amp; Parish Councils</i></b>						
Easingwold TC	2	2	2	0		0.00
Filey Town Council	2	2	2	0		0.00
Foss Int Drge Board	7	7	7	0		0.00
Fulford Parish Council	8	9	9	0		0.00
Glusburn PC	1	1	1	0		0.00
Great Ayton PC	1	1	1	0		0.00
Haxby Town Council	4	3	3	0		0.00
Hunmanby PC	1	2	2	0		0.00
Kirkbymoorside TC	0	0	0	0		N/A
Knaresborough TC	3	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	5	5	6	1		20.00
Norton on Derwent TC	2	3	3	0		0.00
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	1	1	1	0		0.00
Ripon City Council	4	6	5	-1		-16.67
Selby Town Council	7	7	7	0		0.00
Skipton Town Council	8	7	7	0		0.00
Sutton in Craven PC	2	2	2	0		0.00
Tadcaster Town Council	0	2	2	0		0.00
Thornton Int Dnge Brd	1	1	1	0		0.00
Whitby Town Council	4	6	6	0		0.00
<b>Sub Total</b>	<b>74</b>	<b>81</b>	<b>81</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b><i>Colleges &amp; Universities</i></b>						
Askham Bryan College	170	205	198	-7		-3.41
Craven College	193	215	222	7		3.26
Scarborough VI Form	43	52	56	4	3	7.69
Selby College	120	123	138	15		12.20
University of Hull	82	97	88	-9		-9.28
York College	311	343	356	13		3.79
York St John Uni	370	387	518	131	1	33.85
<b>Sub Total</b>	<b>1,289</b>	<b>1,422</b>	<b>1,576</b>	<b>154</b>	<b>4</b>	<b>10.83</b>

Employer	31/03/2013	31/03/2014	31/12/2014	Change During 2014/15	Opt Out inc in change	Change %
<b><u>Admitted Bodies</u></b>						
Be Independent	0	0	40	40		N/A
Catering Academy Ltd	0	5	4	-1		-20.00
Chartwells Compass	6	4	4	0		0.00
Churchill Security	0	3	3	0		0.00
Community Leisure	2	2	1	-1		-50.00
Craven Housing	32	30	28	-2		-6.67
Derwent Facilities Management	1	0	0	0		N/A
Elite	1	1	0	-1		-100.00
Enterprise	15	15	15	0		0.00
Explore York Libraries & Archives	0	0	1	1		N/A
Future Cleaning	1	1	0	-1		-100.00
Grosvenor FM	8	8	8	0		0.00
Human Support Group	27	26	23	-3		-11.54
Inspace	0	0	0	0		N/A
ISS Mediclean Ltd	72	67	65	-2		-2.99
Interserve	2	1	1	0		0.00
Jacobs UK Ltd	21	19	16	-3		-15.79
Joseph Rowntree Trust	13	12	13	1		8.33
Mellors	11	3	3	0		0.00
Northern Care	0	2	2	0		0.00
NYBEP	1	1	0	-1		-100.00
Premier Support Services	0	2	0	-2		-100.00
Ringway	137	132	124	-8		-6.06
Richmondshire Leisure	14	13	12	-1		-7.69
Scarbro' Museums Trust	4	1	0	-1		-100.00
Sheffield International Venues	28	24	19	-5		-20.83
Springfield Home Care	3	3	2	-1		-33.33
Superclean	3	3	3	0		0.00
Veritau Ltd	31	34	39	5		14.71
Veritau North Yorkshire	6	4	4	0		0.00
Wigan Leisure/Culture	27	17	13	-4		-23.53
York Archaeological Tst	2	2	2	0		0.00
York Museums/Gallery	96	105	128	23	6	21.90
Yorkshire Coast Homes	99	111	143	32		28.83
Yorkshire Housing Ltd	101	94	83	-11		-11.70
Yorkshire Tourist Brd	6	6	6	0		0.00
<b>Sub Total</b>	<b>770</b>	<b>751</b>	<b>805</b>	<b>54</b>	<b>6</b>	<b>7.19</b>
<b><u>Academies</u></b>						
Archbishop Holgate's School	55	56	64	8		14.29
Great Smeaton Academy Primary School	2	1	4	3		300.00
The Grove Academy	0	6	8	2		33.33
Harrogate Grammar School	152	184	179	-5	6	-2.72
Harrogate High Academy	51	50	51	1	4	2.00
Haxby Road Academy	0	0	36	36		N/A
Manor Church of England Academy	56	60	61	1		1.67
Norton College	56	58	57	-1		-1.72
Outwood Grange Academy	36	32	25	-7		-21.88
Robert Wilkinson Academy	0	78	98	20		25.64
Roseberry Academy	0	0	23	23		N/A
Rossett School	55	55	62	7		12.73
Skipton Girls High School	35	26	25	-1		-3.85
South Craven School	107	115	111	-4	3	-3.48
St Aidan's C of E High School	151	152	195	43		28.29
The Woodlands Academy	0	35	34	-1		-2.86
Thomas Hinderwell Primary Academy	0	20	17	-3	1	-15.00
The Skipton Academy	0	0	17	17		N/A
<b>Sub Total</b>	<b>756</b>	<b>928</b>	<b>1,067</b>	<b>139</b>	<b>14</b>	<b>14.98</b>
<b>Total</b>	<b>29,035</b>	<b>31,590</b>	<b>33,782</b>	<b>2,282</b>	<b>199</b>	<b>7.24</b>

**NORTH YORKSHIRE PENSION FUND**  
**CUMULATIVE TOTAL OF RETIREMENTS FROM 1 APRIL 2014 TO 31 DECEMBER 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	8	1	1	7	16
009 – Hambleton	7	1	-	6	13
010 – Ryedale	3	1	-	-	3
011 – Harrogate	21	3	3	1	25
012 – Richmondshire	5	1	1	-	7
013 – Selby	2	-	-	-	2
014 – Craven	4	1	-	-	4
016 – York St John University	7	1	1	-	8
020 – York	75	13	7	16	98
021 – Probation	2	-	-	-	2
025 – NYCC	209	45	5	38	252
042 – NY Police Authority	16	7	7	-	23
051 – NY Fire and Rescue	3	-	-	-	3
052 – N Y Moors NP	1	-	-	2	3
053 – Yorkshire Dales NP	1	-	-	-	1
054 – NYBEP	1	-	-	-	1
057 – Yorkshire Housing	2	-	-	-	2
061 – Askham Bryan College	3	1	1	-	4
062 – Craven College	5	-	-	-	5
065 – Selby College	2	-	-	-	2
068 – Scarborough 6 <sup>th</sup> Form College	-	-	-	2	2
074 – York College	5	1	1	-	6
076 – York Museums Trust	1	1	1	2	4
077 – Craven Housing	1	-	-	-	1
080 – Yorkshire Coast Homes	2	-	-	-	2
084 – Jacobs	1	-	-	-	1
090 – Veritau	-	-	-	1	1
097 – ISS Mediclean	4	-	-	-	4
098 – Harrogate Grammar School	3	-	-	-	3
101 – Skipton Girls High School	2	-	-	-	2
102 – South Craven School	4	-	-	-	4
105 – Rossett School	2	-	-	-	2
107 – St Aidans School	2	-	-	-	2
110 – Ringway	7	-	-	-	7
111 – Veritau North Yorkshire	-	-	-	1	1
118 – Sheffield Int Venues	1	-	-	-	1
126 – Robert Wilkinson Academy	1	-	-	-	1
131 – Be Independent	-	-	-	1	1
Others		2			
<b>TOTALS</b>	<b>413</b>	<b>79</b>	<b>28</b>	<b>78</b>	<b>519</b>

(80%)

22

(5%)

(15%)

**QUARTER BY QUARTER ANALYSIS OF TOTAL RETIREMENTS**

<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>		
Quarter 1	119	N/A	11	24	154
Quarter 2	186	N/A	11	42	239
Quarter 3	108	N/A	6	12	126
Quarter 4	-	N/A	-	-	-
<b>TOTAL</b>	<b>413</b>	<b>N/A</b>	<b>28</b>	<b>78</b>	<b>519</b>

## MEMBER 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
21 Feb 2014	Investment Manager Meetings	NYCC	County Hall	✓	✓	✓	✓	✓	✓	✓	✓		
05-07 Mar 2014	Investment Conference	NAPF	Edinburgh	✓	✓						✓		
23 May 2014	Investment Manager Meetings	NYCC	County Hall	✓	✓	✓	✓	✓	✓	✓	✓		
09-10 Sept 2014	Investment Summit	LGC	Newport	✓	✓								
19 Sept 2014	Investment Manager Meetings	NYCC	County Hall		✓	✓	✓	✓	✓	✓			
15-17 Oct 2014	Annual Conference & Exhibition	NAPF	Liverpool	✓									
22 Oct 2014	Investment Forum	LGPF	London	✓									
12 Dec 2014	Investment Manager Meeting	NYCC	County Hall	✓	✓	✓	✓	✓	✓		✓		
26-27 Feb 2015	Investment Seminar	LGC	Cheshire	✓									

## UPCOMING TRAINING AVAILABLE TO MEMBERS

<i>Provider</i>	<i>Course / Conference Title</i>	<i>Date(s)</i>	<i>Location</i>	<i>Themes / Subjects Covered</i>
NAPF	Investment Conference	11-13 March 2015	Edinburgh	LDI Developments; Consultant Relationships; Investment Perspectives; Hedging Longevity; Management Fee Value; Asset Diversification
NAPF	Local Authority Conference	18-20 May 2015	Gloucestershire	Public Service Pension Reform; Competing Pressures on the LGPS; Deficit Management; Impact of the General Election; 2016 Valuation
LGC	Investment Summit	10-11 September 2015	Newport	Various Investment Related Topics Full Programme Details TBC
NAPF	Annual Conference and Exhibition	October 2015	Liverpool	Annual Conference Full Programme Details TBC

## PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2015 and 2016

<i>Meeting Date</i>	<i>Venue &amp; Time</i>	<i>Event</i>	<i>Fund Managers</i>
27-Feb-15	10:00 – 12:00 Grand Committee Room	<b>Investment Manager Meetings</b>	Baillie Gifford (Equities) Hermes (Property)
21-May-15	10:00 – 12:00 Grand Committee Room	<b>Pension Fund Committee</b> Member and Employer issues Budget & Statistics Performance of the Portfolio Q4 Fund Manager Matters	1 Manager TBC
22-May-15	10:00 - 12:00 Grand Committee Room	<b>Investment Manager Meetings</b>	2 Managers TBC
09-Jul-15	10:00 - 12:00 Grand Committee Room	<b>Pension Fund Committee</b> Statement of Final Accounts 2014/15 Governance of the Fund	
17-Sep-15	10:00 - 12:00 Grand Committee Room	<b>Pension Fund Committee</b> Member and Employer Issues Annual Report 2014/15 Budget & Statistics Investment Performance Q1 Fund Manager Matters	1 Manager TBC

**APPENDIX 8**

<b>Meeting Date</b>	<b>Venue &amp; Time</b>	<b>Event</b>	<b>Fund Managers</b>
18-Sep-15	10:00 - 12:00 Grand Committee Room	<b>Investment Manager Meetings</b>	2 Managers TBC
26-Nov-15	10:00 - 12:00 Grand Committee Room	<b>Pension Fund Committee</b> Member and Employer issues Budget & Statistics Performance of the Portfolio Q2 Fund Manager Matters	1 Manager TBC
27-Nov-15	10:00 - 12:00 Grand Committee Room	<b>Investment Manager Meetings</b>	2 Managers TBC
25-Feb-16	10:00 - 12:00 Grand Committee Room	<b>Pension Fund Committee</b> Member and Employer issues Budget & Statistics Performance of the Portfolio Q3 Fund Manager Matters	1 Manager TBC
26-Feb-16	10:00 - 12:00 Grand Committee Room	<b>Investment Manager Meetings</b>	2 Managers TBC



**NORTH YORKSHIRE COUNTY COUNCIL****PENSION FUND COMMITTEE****26 FEBRUARY 2015****ESTABLISHING A PENSION BOARD****Report of the Treasurer****1.0 PURPOSE OF REPORT**

- 1.1 To update Members on the establishment of the Pension Board.

**2.0 CURRENT POSITION**

- 2.1 At the PFC meeting on 18 September 2014 Members agreed that the Terms of Reference of the Pension Board be recommended for approval by Full Council. This was subject to any amendments being agreed between the Treasurer, Chair of the PFC and Vice-Chair of the PFC in the event that that guidance and/or changes to the draft Regulations required them.
- 2.2 Indeed, revised draft Regulations and draft guidance were later issued by Government necessitating minor changes. Clearly it would have been preferable to wait until after the Regulations and final guidance were known before drawing up the Terms of Reference but due to the requirement that Full Council establish the Pension Board by 1 April 2015 this was not possible. The Regulations were eventually laid in 28 January 2015 and at the same time the final version of the guidance was published.
- 2.3 On 3 February 2015 the Executive agreed to recommend that Full Council approval the establishment of the Pension Board and endorse the Terms of Reference (attached as an Appendix). Full Council is meeting on 18 February 2015. Members will be informed of the decision and of any issues raised.

**3.0 NEXT STEPS**

- 3.1 On the assumption that Full Council approves the establishment of the Pension Board, officers will start making arrangements for the recruitment and training of Pension Board Members. Although the requirement is for the Pension Board to have been created by 1 April 2015, Government has recognised that this process will take time. This means that the Board is not expected to be fully operational until the end of July 2015.

**4.0 RECOMMENDATION**

4.1 Members to note the contents of this report.

GARY FIELDING  
Treasurer  
Central Services  
County Hall  
Northallerton

17 February 2015

# Pension Board of the North Yorkshire Pension Fund

## Terms of Reference and Delegated Authorities

### 1) Role of the Local Pension Board

The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is

- to assist North Yorkshire County Council (NYCC) as Administering Authority in its role as Scheme Manager
  - to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS
  - to secure compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator
  - to secure the effective and efficient governance and administration of the LGPS for the North Yorkshire Pension Fund (NYPF, or the Fund)
  - in such other matters as the LGPS regulations may specify
- to provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest

The terms “Administering Authority” and “Scheme Manager” are used interchangeably in the Regulations but are separately defined in this document (see section 18). NYCC as the Administering Authority has ultimate responsibility for the Fund and has delegated powers to manage the Fund to the Pension Fund Committee (PFC).

These Regulations provide that the Pension Board has the general power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board will also help ensure that the NYPF is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator, with due regard to guidance issued by Government, the Pensions Regulator and the National Scheme Advisory Board.

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in any year. The Pension Board will determine the precise timing of its own meetings, which will take place at suitable intervals between PFC meetings so that PFC activity relevant to the Board can be considered and responses to recommendations reviewed prior to the next meeting of the PFC.

### 2) Membership and Appointment Process

The Pension Board shall consist of 9 members and be constituted as follows:

- i) 4 scheme member representatives, of whom
  - a. 2 shall represent and be drawn from active members of the Fund

- b. 1 shall represent and be drawn from pensioner and deferred pensioner members of the Fund
  - c. 1 shall represent and be drawn from either the active or deferred/pensioner members of the Fund
- ii) 4 employer representatives, of whom
- a. 1 shall be nominated by NYCC who shall meet the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority
  - b. 1 shall be nominated by the City, Borough and District Councils, the Police and Fire bodies and the National Parks which are employers within the Fund
  - c. 1 shall be nominated by all other employers within the Fund
  - d. 1 shall be nominated by any employer other than NYCC
- iii) 1 independent member, who shall be appointed as Chair of the Pension Board

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

The Administering Authority will contact employers and members of the Fund to inform them of the Pension Board arrangements and to canvass interest whenever appointments to the Pension Board are required. Active, pensioner and deferred pensioner members will be eligible to nominate themselves as "scheme member representatives". Individuals put forward by the Fund's employers, whether or not those individuals are members of the Fund, will be eligible to stand as "employer representatives".

The position of independent member will be advertised publically. The Administering Authority will seek an independently minded individual with a track record of dealing with governance issues.

Following receipt of nominations/applications the Administering Authority will arrange an independent as possible appointment process. This process will include assessing information supplied by candidates in support of their nomination/application and may be supplemented by interviews as appropriate.

Members in all categories will only be appointed to the Pension Board by the Administering Authority if they either meet the knowledge and skills requirements set out in the relevant regulations and guidance (see Section 7) or commit to do so within 3 months of the appointment date.

Members of the Pension Board will serve for a term of 4 years following which they may either retire from the Board or seek nomination for an additional term. The term of office may otherwise come to an end

- i. for scheme member representatives if they cease to be a member of the relevant group
- ii. for employer representatives who are councillors if they cease to hold office as a councillor
- iii. for employer representatives who are not councillors when they cease to be employed by their nominating employer
- iv. for a councillor member who is appointed to the PFC
- v. for a scheme member or employer representative who is appointed to a role with responsibility for the management or administration of the Fund

- vi. where there is a conflict of interest which cannot be managed in accordance with the Pension Board's Conflicts of Interest Policy
- vii. where a member fails to attend meetings, undertake training or otherwise comply with the requirements of being a Pension Board member

Each Pension Board member should endeavour to attend all Board meetings during the year and is expected to attend at least 3 meetings each year. The chair of the Board is also expected to attend the quarterly meetings of the PFC.

Given the nature of the Pension Board as a supervisory body and the need for appropriate knowledge and skills and the clear avoidance of conflicts of interest, substitute members are not permitted.

In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Administering Authority.

Other than by ceasing to be eligible as set out above, a Board member may also be removed from office during a term of appointment by the unanimous agreement of all of the other members. The removal of the independent member requires the consent of the Administering Authority.

### **3) Conflicts of Interest**

The policy for identifying, monitoring and managing conflicts of interest is set out in a separate policy document, which should be regularly reviewed by the Pension Board.

### **4) Standards of Conduct**

The role of Pension Board members requires the highest standards of conduct and therefore the "seven principles of public life" will be applied to all Pension Board members and embodied in their code of conduct.

These are:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership

### **5) Knowledge and Skills**

A member of the Pension Board must be conversant with:

1. The legislation and associated guidance of the LGPS
2. Any document recording policy about the administration of the LGPS which is for the time being adopted by the NYPF

A member of the Pension Board must have knowledge and understanding of:

- a. the law relating to pensions, and
- b. any other matters which are prescribed in the regulations

Individual Pension Board members must satisfy themselves that they have the appropriate degree of local knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board. This includes being fully aware of all requirements detailed in these terms of reference for example on standards of conduct and conflicts of interest, and being conversant with the investment strategy of the Fund.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

## **6) Board Review Process**

The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board's performance.

## **7) Accountability**

The Pension Board will be collectively and individually accountable to the Administering Authority.

## **8) Remit of the Board**

The Pension Board must assist the Administering Authority with such matters as the scheme regulations may specify. It is for scheme regulations and the Administering Authority to determine precisely what the Pension Board's role entails. Examples of activity include, inter alia:

- reviewing the Fund's governance and policy documents, such as the Governance Compliance Statement and the Communications Policy Statement
- reviewing the Fund's Annual Report
- reviewing the administrative performance of the Fund
- reviewing shareholder voting and engagement arrangements
- reviewing the Fund's Risk Register
- reviewing the NYPF website
- supporting and challenging PFC actions as a critical friend

## **9) Decision making**

Each Pension Board member who is a scheme member or employer representative will have an individual voting right but it is expected that the Pension Board will as far as possible reach a consensus. The Chair of the Pension Board will not be entitled to vote.

## **10) Quorum**

The Board shall be quorate if the Chair, 1 scheme member representative and 1 employer representative are present.

## **11) Board Meetings – Notice, Minutes and Reporting**

The Administering Authority shall give notice to all Pension Board members of every meeting of the Pension Board and shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board, they shall be circulated to all Pension Board members.

The Pension Board is a committee of the Council and as such the Council's rules on notice of meetings, publishing agendas, reports and minutes and that meetings and papers (unless exempt) are open to the public will apply. At the discretion of the Administering Authority items may be edited or excluded on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Pension Board shall annually report to the Administering Authority on its nature and activities. The precise content of this report will be subject to consideration and agreement at a meeting of the Board but as a minimum should include

- a. details of members attendance at meetings of the Pension Board
- b. details of training and development activities made available to Pension Board members and attendance at such activities
- c. details of any recommendations made by the Pension Board to the Scheme Manager and the Scheme Manager's response to those recommendations
- d. details of costs incurred in the operation of the Pension Board
- e. a review of the effectiveness of the Board (see Section 6)

In consideration of items of business at its ordinary meetings the Pension Board shall determine whether it wishes to make recommendations to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.

The Pension board shall also report as required by the regulations to the Pensions Regulator and the National Scheme Advisory Board.

## **12) Reporting Breaches**

Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in the draft code of practice 14 issued by the Pensions Regulator, *Governance and Administration of Public Service Pension Schemes*.

## **13) Publication of Pension Board information**

Scheme members and other interested parties will want to know that the NYPF is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme regulations, and to carry out its role in relation to the governance and administration of the scheme and requirements of the Pension Regulator.

Up to date information will be posted on the NYPF website showing:

- the names of the Pension Board members and other relevant information
- how the scheme members are represented on the Pension Board
- the responsibilities of the Pension Board as a whole
- the full terms of reference and policies of the Pension Board and how they operate
- the Pension Board appointment process
- any specific roles and responsibilities of individual Pension Board members

The Administering Authority will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

#### **14) Advice to the Board**

The Board will be supported in its role and responsibilities by the Administering Authority through advice and support as appropriate.

#### **15) Expense Reimbursement, remuneration and allowances**

The Administering Authority will determine remuneration and allowances to be paid to Pension Board members based on recommendations made by the Independent Panel on Members Remuneration. These arrangements are reviewed annually.

Expenses in connection with fulfilling Pension Board responsibilities will be met by the Fund based on the Council's Members Scheme of Allowances and officers Travel and Expenses Policy as appropriate. The costs of appropriate training will also be met by the Fund.

#### **16) Insurance**

The Council's Public Liability Insurance applies to members of the Pension Board.

#### **17) Updating the Pension Board Terms of Reference**

Approval for significant amendments must be pursued through the Council's Constitution Working Group. General updating or housekeeping can be carried out without the need to seek formal approval.

#### **18) Definitions**

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

<i>"Pension Board" or "Board"</i>	Means the Pension Board for the Council as the Administering Authority of the NYPF as required under the Public Service Pensions Act 2013
<i>"Administering Authority"</i>	Means the Council
<i>"Scheme Manager"</i>	Means the PFC of the Council
<i>"Chair"</i>	The individual responsible for chairing meetings of the Pension Board and guiding its debates
<i>"LGPS"</i>	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and the The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
<i>"Scheme"</i>	Means the Local Government Pension Scheme as defined under "LGPS"



## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

26 FEBRUARY 2015

## BUDGET / STATISTICS

## Report of the Treasurer

**1.0 PURPOSE OF THE REPORT**

1.1 To report on the following:

- |   |                 |
|---|-----------------|
| (a) the income/expenditure and position to date for 2014/15 | (see section 2) |
| (b) the cash deployment of the Fund                         | (see section 3) |
| (c) the proposed 2015/16 budget                             | (see section 4) |

**2.0 2014/15 INCOME AND EXPENDITURE POSITION**

- 2.1 The Cash surplus for the 9 months to 31 December 2014 (£13.2m) was less than forecast (£16.1m) by £2.9m. As shown in **Appendix 1**, this is due to expenditure for the period of £74.7m marginally exceeding the forecast by £0.4m, while Income of £87.9m was lower than anticipated by £2.5m.
- 2.2 Net transfer expenditure to December 2014 was 0.6m, 2.8m less than budget. Transfer Receipts of £5.6m marginally exceeded forecast by £0.4m, however Payments out of the Fund totalled £6.2m for the same period. This exceeded the forecast (£3m) by £3.2m and was essentially the reason for the reduced cash surplus.
- 2.3 The unusual level of Q3 transfer activity led to £3m of payments in the period. This is more than twice the level seen in either of the two previous quarters (£1.3m). However, transfers in and out merely reflect the movement of staff between organisations so although spikes such as this are impossible to predict, they are to be expected from time to time. The full year forecast for transfer out payments has been adjusted to £7.0m.
- 2.4 Contributions Income of £88.4m exceeded budget by £0.3m. Early Retirement recharge income of 2.0m was £0.2m less than forecast. This was entirely offset by Employer and Employee contribution income of 86.5m exceeding budget by 0.5m.
- 2.5 The contribution forecast has been profiled to account for employers who pre-paid deficit contributions in April 2014. The 2014/15 NYCC pay award has also acted to moderately increase contribution receipts in the later part of the period.
- 2.6 The cost of Benefits paid to the end of December was £0.3m more than budget. No adjustment has been made to the forecast on the expectation that this will revert in the last quarter of 2014/15.

### 3.0 CASH DEPLOYMENT IN 2014-15

3.1 The cash generated in the year by the annual surplus, together with the opening balance has been distributed in 2014/15 as follows:

	£m	
Cash Balance Brought Forward from 2013/14	4.9	
Surplus to 31 December 2014 (as per Appendix 1)	13.2	
<b>Cash Available as at 30 September 2014</b>	<b>18.1</b>	(a)
<b>Rebalancing</b>		
May 2014 (transfer from Cash to LGIM)	-20.0	
October 2014 (Transfer from Cash to Threadneedle)	-11.7	
October 2014 (Transfer of Probation Assets to GMPF)	-33.8	
October 2014 (Transfer from Amundi to Cash)	17.0	
October 2014 (Transfer from Fidelity to Cash)	18.0	
December 2014 (Transfer from Amundi to Cash)	14.0	
<b>Total Rebalancing</b>	<b>-16.5</b>	(b)
<b>Accrual for December Contribution Income</b>	<b>6.8</b>	(c)
<b>Available for Rebalancing of the Fund</b>	<b>8.4</b>	(d) = (a+b+c)

3.2 A cash shortfall is anticipated in each of the remaining two quarters due to the reason described in **paragraph 2.5**. This will be met by income from investments as required.

### 4.0 PROPOSED 2015/16 BUDGET

4.1 The proposed budget for 2015/16 can be found in **column (vi)** of **Appendix 1**.

4.2 The budget for Pension Payments has been increased by £3m and Retirement Grants by £1m. This takes into account the expected CPI-linked pensions increase from April 2015 and an anticipated rise in Pensioner numbers due to further austerity measures within the public sector continuing to impact retirement levels.

4.3 An assessment of 3 month actual and 9 month estimated investment performance to September 2015 showed that a budget of £0.7m for Performance Related Management Fees is appropriate.

4.4 The Contributions (Income) budget has been increased by £3m based on a number of factors including an uplift to employer deficit contributions for 2015/16, anticipated pay awards and incremental progression as well as the continued impact of auto-enrolment. These factors are expected to be partially offset by a reduction to employee numbers due to the continued rationalisation of payrolls by some of the Fund's major employers.

- 4.5 The Transfer (Income) budget remains unchanged from 2014/15 at £7m, while the Transfer (Expenditure) budget has been increased to £5m. This is an unpredictable income area and, while 2014-15 has seen more significant outflows, it is thought that this will not be replicated to the same degree in future years.
- 4.6 The budgeted Net Surplus for 2015/16 is £7.1m. This represents a £1.8m reduction from the Net Surplus budgeted for 2014/15 and a £1.6m increase compared to the Forecast Surplus for 2014/15

**5.0 RECOMMENDATIONS**

- 5.1 Members to approve the 2015/16 budget.

GARY FIELDING  
Treasurer  
Central Services  
County Hall  
Northallerton

17 February 2015

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

	Budget 2014/15 £000 (i)	Profiled Budget to 31 December £000 (ii)	Actual Income / Expenditure to 31 December £000 (iii)	Variance ie (iii-ii) £000 (iv)	Forecast 2014/15 £000 (v)	Proposed Budget 2015/16 £000 (vi)
<b>EXPENDITURE</b>						
<b>Benefits</b>						
Pension Payments	70,000	52,500	53,578	1,078	70,000	73,000
Lump Sums (including refunds)	26,000	17,333	16,556	-777	26,000	27,000
<b>sub total (a)</b>	<b>96,000</b>	<b>69,833</b>	<b>70,134</b>	<b>301</b>	<b>96,000</b>	<b>100,000</b>
<b>Admin Expenses</b>						
Finance and Central Services	1,100	825	825	0	1,100	1,100
Other Services	210	158	149	-9	210	210
Other Admin Expenses	200	150	156	6	200	200
<b>sub total (b)</b>	<b>1,510</b>	<b>1,133</b>	<b>1,130</b>	<b>-3</b>	<b>1,510</b>	<b>1,510</b>
<b>Investment Expenses</b>						
Investment Management Fees (Base)	3,150	2,363	2,474	112	3,150	3,300
Performance Related	1,000	632	632	0	900	700
Custodian Fees	150	113	101	-12	150	150
Other Investment Expenses	260	195	200	5	260	260
<b>sub total (c)</b>	<b>4,560</b>	<b>3,302</b>	<b>3,407</b>	<b>105</b>	<b>4,460</b>	<b>4,410</b>
<b>Total Expenditure (d)</b>	<b>102,070</b>	<b>74,268</b>	<b>74,671</b>	<b>403</b>	<b>101,970</b>	<b>105,920</b>
<b>INCOME</b>						
<b>Contributions</b>						
Employer and Employee Contributions	105,000	85,900	86,456	556	105,000	108,000
Early Retirement Costs Recharged	3,000	2,250	2,028	-222	2,500	3,000
<b>sub total (e)</b>	<b>108,000</b>	<b>88,150</b>	<b>88,484</b>	<b>334</b>	<b>107,500</b>	<b>111,000</b>
<b>Transfers</b>						
Transfers IN (per individuals)	7,000	5,250	5,629	379	7,000	7,000
Transfers OUT (per individuals)	-4,000	-3,000	-6,230	-3,230	-7,000	-5,000
<b>sub total (f)</b>	<b>3,000</b>	<b>2,250</b>	<b>-601</b>	<b>-2,851</b>	<b>0</b>	<b>2,000</b>
<b>Total Income (g)</b>	<b>111,000</b>	<b>90,400</b>	<b>87,883</b>	<b>-2,517</b>	<b>107,500</b>	<b>113,000</b>
<b>Net Surplus (h)</b>	<b>8,930</b>	<b>16,132</b>	<b>13,212</b>	<b>-2,920</b>	<b>5,530</b>	<b>7,080</b>

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

26 FEBRUARY 2015

PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER  
ENDING 31 DECEMBER 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 December 2014.

**2.0 PERFORMANCE REPORT**

- 2.1 The Fund Analysis & Performance Report (**Appendix 1**) produced by BNY Mellon Asset Servicing (MAS) provides a performance analysis of the North Yorkshire Pension Fund for the quarter ending 31 December 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 (+5.1%) was above the customised benchmark for the Fund (+4.6%) by 0.5%.**

- 3.2 **The 12 month absolute rolling return was +10.2%, 0.7% 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.

<b>Year End</b>	<b>Absolute %</b>	<b>Relative %</b>
31 December 2014	+10.2	+0.7
30 September 2014	+9.8	+1.9
30 June 2014	+12.9	+4.4
31 March 2014	+12.0	+6.1

- 3.4 The performance of the various managers against their benchmarks for the Quarter ended 31 December 2014 is detailed on **page 8** of the MAS report and in **Section 4** below. 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 recent investment performance.

**Appendix 2** Fund Manager Performance over the three years to 31 December 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 2004 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 4** in a simple graphical format

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 +5.1% in the Quarter increased the invested value of the Fund by £111m before taking into account the transfer out in relation to the Probation Service (see **Section 7**). Eight managers/funds outperformed their respective benchmarks and three underperformed, however every manager added value in absolute terms. At the end of the December 2014 quarter the value of the Fund was £198m above the value at the end of December 2013, an increase of 10%.

4.2 **Appendix 3** shows the **performance of NYPF relative to other Funds in the LGPS universe**. The local authority average performance figure for the quarter is not yet available. For the one, three and five year periods to September 2014 NYPF was placed 17<sup>th</sup>, 2<sup>nd</sup> and 4<sup>th</sup> respectively.

#### Overseas Equities

4.3 **Fidelity** produced a positive relative return in the quarter of 0.9% over the benchmark return of +2.8%. Performance over the year to December 2014 was +1.2% relative. The longer term figures also look impressive, at +1.7% pa and +0.7% pa over the last three and five years respectively. Since inception in November 2008 the manager has exceeded the benchmark by 0.4% pa (gross of fees) with the manager out-performing in all geographic areas (North America, Europe ex-UK, Emerging Markets and Pan-Pacific).

#### Global Equities

4.4 The Global Alpha fund managed by **Baillie Gifford** returned +6.6% for the quarter against a benchmark return of +4.5%. Outperformance over the longer term was +0.4% over 1 year, +2.8% pa over 3 years and +3% pa over 5 years. Since inception in 2006, the Fund has outperformed the FTSE All World by 2.2% pa.

The LTGG fund, also managed by **Baillie Gifford** on an absolute return basis, produced a positive relative return for the quarter (+0.3%) against the same benchmark return of +4.5%. Outperformance over the longer term was +2.1% over 1 year, +5.8% pa over 3 years and +3.7% pa over 5 years. Performance since inception in 2006 is 3.1% pa above the benchmark.

## **UK Equities**

- 4.5 **Standard Life** produced a negative relative return (-0.8%) in the quarter against the benchmark return of +3.7%. Relative performance for the year was -1.5%, which was 4.1% below the benchmark return. Performance over the longer term has been more positive, with the manager achieving a relative +3.3% pa over three years and -0.9% pa over five years. It should be borne in mind that exceeding the FTSE 350 equally weighted benchmark is a particularly challenging target, as this benchmark performed more strongly than the FTSE All World by 3.3% pa and 3% pa over three and five years respectively.

## **Fixed Income**

- 4.6 **ECM** produced +0.6% relative against the cash benchmark for the quarter and +2.8% relative for the year to December 2014. The benchmark was changed from liability matching to cash in 2010 and since that time the manager has outperformed by 3.9% pa.
- 4.7 **Amundi** underperformed above the benchmark (+11.7%) by 1.9% in the quarter and was also below it (-2.9%) for the year to December 2014. This was largely as a result of yields tightening, contrary to expectations. Relative performance over the longer term was +1.4% pa and +0.6% pa over three and five year periods respectively.
- 4.8 The investment in Gilts with **M&G** equalled the liability matching benchmark of +11.7% for the quarter to December 2014. Year to date performance was above the benchmark return of +26.8% by +0.4%. Performance since inception in 2011 was +1.8% pa.

## **Property**

- 4.9 The investments with **Hermes**, **Threadneedle** and **L&G** produced +1.1%, +1.4% and -0.3% respectively in relative terms, against the property index for each manager for the quarter to December 2014.
- 4.10 Property has been the best performing asset class over the year to December 2014 with **Hermes**, **Threadneedle** and **L&G** returning in absolute terms +19.3%, +20.3% and +12.9% respectively.

## **Diversified Growth Funds**

- 4.11 The Investment with the **Standard Life** Global Absolute Return Strategy (GARS) Fund and the **Newton Investments** Real Return Fund produced relative outperformance of +1.1% and +0.6% respectively against a cash benchmark of +0.1%.

4.12 Over the period since inception in March 2013, in absolute terms, Standard Life returned +5% pa and Newton +1.9% pa. The cash benchmark return was +0.5% pa.

## 5.0 RISK INDICATORS

5.1 The Report (**pages 10 and 11**) includes three long-term risk indicators.

5.2 The Fund's annualised **Standard Deviation**, which is a reflection of volatility, is 7.8% for the rolling three year period to December 2014, 1.4% above the benchmark.

5.3 The **Sharpe Ratio** is a measure of how well the return compensates an investor relative to the risk taken. A higher Sharpe Ratio reflects a better return for a given level of risk or lower risk for a given level of return. The ratio for the Fund for the rolling three year period to December 2014 is slightly above the benchmark.

5.4 The **Tracking Error** figure reflects how closely a fund manager's actual return follows their respective benchmark. As at December 2014 the figure was 2.9%.

5.5 The **Information Ratio** is a measure of excess returns in relation to the benchmark and the consistency of those returns. A high IR could be derived from a high portfolio return, a low benchmark return and a low tracking error. For the period to December 2014 the ratio for the Fund was +1.1%.

## 6.0 SOLVENCY

6.1 The **solvency position** is presented in **Appendices 4 and 5**. As at 31 December 2014 the estimated solvency was 77%, being 4% below the level at the previous quarter end.

6.2 The assets of the Fund increased by 2.7% in the Quarter, whilst liabilities (as modelled by the Actuary) rose by 8.6% as a result of Gilt yields falling. Despite investment returns exceeding expectations, in cash terms the deficit increased by £171m in the quarter.

## 7.0 REBALANCING

7.1 It was reported at the last PFC meeting that as a result of local authority pension fund arrangements for the Probation Service transferring to Greater Manchester Pension Fund, £34m was transferred from NYPF on 1 October 2014. This was funded by disinvestments from Amundi (£17m) and Fidelity (£18m), the balance being required for cash flow purposes.

7.2 An £11.7m transfer from cash to Threadneedle on 27 October 2014 to fund a secondary market investment opportunity was matched by a £14m disinvestment from Amundi on 12 December 2014, the balance being required for cash flow purposes. See **Appendix 6** for the Rebalancing Schedule.

7.3 An opportunity to acquire additional units in one of the property funds may become available. A verbal update will be provided 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 October to December 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 note the investment performance of the Fund for the Quarter ending 31 December 2014.

GARY FIELDING  
Treasurer  
Central Services  
County Hall  
Northallerton

17 February 2015



**BNY MELLON**  
ASSET SERVICING

**North Yorkshire Pension Fund**

**3 Months Ending 31 December 2014**

*Fund Analysis & Performance Report*



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## Executive Summary

### Market Review

#### Market Briefing - Quarter Ended 31 December 2014

#### Market Summary

During the fourth quarter of 2014, returns were all positive with UK Index-Linked Gilts providing the strongest result of the quarter, followed by UK Bonds, Overseas Equities, and Property. UK Cash and UK Equities were the poorest performers over the quarter.

#### UK Equities

All of the UK Equity market capitalisation sectors recorded positive returns for the quarter except the FTSE 100 with a negative return of -0.2%. The FTSE 250 was the best performing sector with a return of 5.2%, followed by the FTSE All-Share and FTSE 350, both with a return of 0.6%.

Over the one year period ending 31st December 2014, all the indices achieved positive returns. The FTSE 250 was the best performing index with a return of 3.7% over this period. The FTSE 100 was the weakest performing index with a return of 0.7%.

Telecommunications was the best performing industry sector with a return of 9.2% for the quarter. The weakest performing sector was Oil and Gas with a return of -11.9%.

Over the one year period ending on 31st December 2014, returns ranged from 14.9% for Health Care to -10.2% for Oil and Gas. Utilities was the second best performing sector with a return of 13.2%.

#### Overseas Equities

The fourth quarter of 2014 saw mixed results across the Overseas Equity market. Within Europe, Ireland was the best performing country with a return of 8.0%. This was followed by Belgium and Germany with returns of 4.7% and 3.6% respectively. Greece was the weakest performing country with a return of -25.4%, followed by Portugal with a return of -20%. Over the one year period, Ireland was the strongest performing country with a return of 18.2%, and Greece the weakest with a return of -38%.

Outside Europe, Hong Kong was the best performing country with a return of 5.9%. Taiwan provided the second best performance with a return of 5.6%. The weakest performing country was Brazil with a return of -11.9% in Sterling terms.

### Market Review

#### UK Bonds

Returns were positive across all the UK Bond sectors during the quarter. UK Gilts outperformed Non-Gilts with a return of 6.3% compared to 4.3%. Within Gilts, Long-dated Gilts was the strongest performing sector with a return of 11.2%. Short-dated Gilts was the weakest performing sector with a return of 1.6%.

Over the one year period ending 31st December 2014, UK Gilts was the best performing sector with a return of 13.9% compared to the return of 12.3% for UK Non-Gilts. Within Gilts, Long-dated Gilts provided the strongest performance with a return of 26.1%, whilst the weakest came from Short-dated Gilts with 2.9%.

#### Overseas Bonds

The fourth quarter of 2014 saw Overseas Bonds record a positive performance of 2.8%. Within Europe, Denmark was the best performing country with a return of 3.1%. Sweden was the weakest performing country with a return of -0.8%. Outside Europe, USA was the best performing country with a return of 6.4%, whereas Japan was the weakest performing country with a return of -2.5%.

Over the twelve month period, Overseas Bonds achieved a return of 6.4%. European Bonds saw positive returns over this period, except Sweden with a return of -2.3%. Spain provided the strongest performance with a return of 9.1%, followed by Italy with a return of 8%. Outside Europe, the best performance again came from the USA with a return of 12.7%. The worst performing country was Japan with a return of -2.4%.

#### UK Index-Linked Gilts

UK Index Linked-Gilts achieved a positive return of 8.4% for the fourth quarter of 2014. Within this sector, Long-dated Index-Linked Gilts provided the strongest performance with a return of 11.9%, whereas the weakest performance was provided by Short-dated Index-Linked Gilts with a negative return of -0.2%.

Over the one year period to 31st December 2014, on an overall basis UK Index-Linked Gilts achieved a return of 19%. Over the same period, Long-dated Index-Linked Gilts was the strongest performing sector with a return of 27.3%, whereas short-dated Index Linked Gilts showed the weakest performance, returning 0.4%.

#### UK Cash and Property

Property recorded a positive return for the eighth successive quarter with a return of 3.9%. The overall return for the one year period ending 31<sup>st</sup> December 2014 was 15.3%. Cash achieved a return of 0.1% over the Quarter and 0.3% over the last twelve months.

**Fund Performance, Risk and Allocation Highlights**

During the fourth quarter of 2014, the fund returned 5.07% versus its benchmark of 4.62%, thereby outperforming by 0.45%. In terms of longer period performance, the fund outperformed over 5 years by 1.01%.

At asset class level, the fund outperformed its blended benchmark in the majority of asset classes. Overseas Equities is the best performing sector which outperformed its benchmark by 1.81%. UK Equities however underperformed the benchmark by 1.81% respectively.

Over the quarter, nine accounts out-performed their benchmarks. The best performance (excluding the Cash Account) was shown by Baillie Gifford GA which out-performed its benchmark by 2.12%.

For asset allocation the fund is closely matched to the benchmark with the largest variances being in UK Equities and Bonds where the fund is 2.01% underweight and 1.03% overweight respectively.

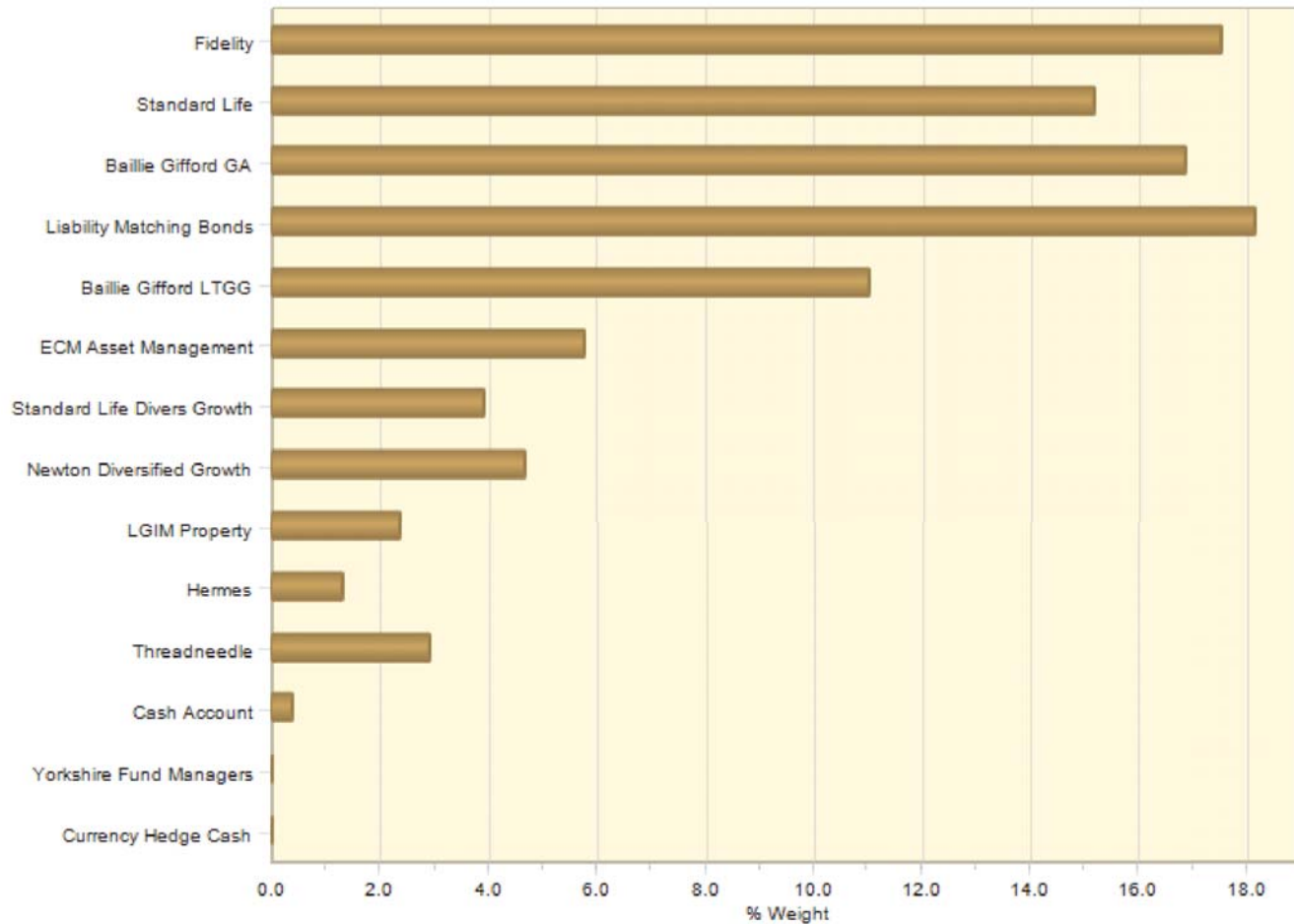
*Fund Allocation*



Fund Allocation - Managers



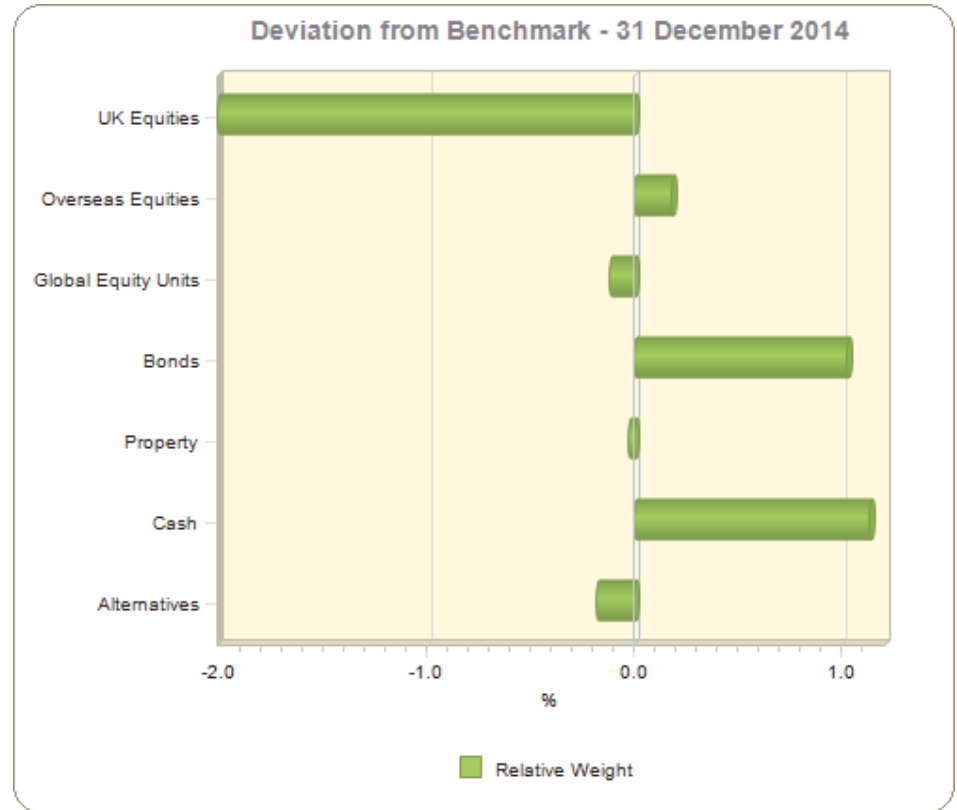
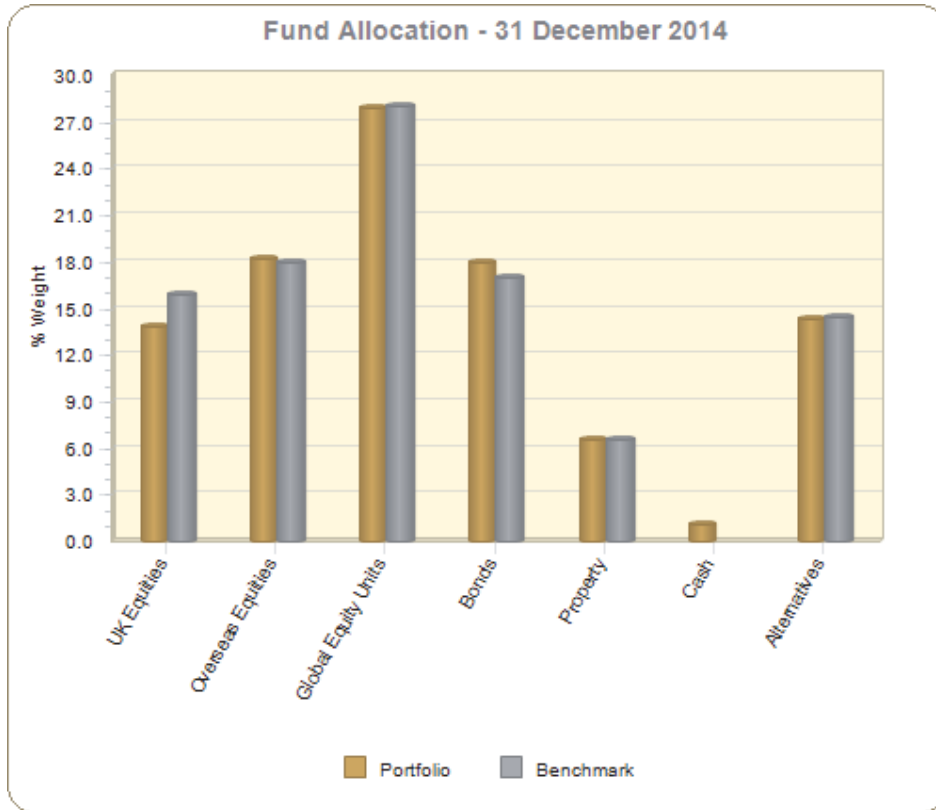
Manager Allocation - 3 Months Ending 31 December 2014



Manager	Weight (%)
Fidelity	17.54
Standard Life	15.17
Baillie Gifford GA	16.86
Liability Matching Bonds	18.14
Baillie Gifford LTGG	11.02
ECM Asset Management	5.76
Standard Life Divers Growth	3.91
Newton Diversified Growth	4.65
LGIM Property	2.37
Hermes	1.29
Threadneedle	2.90
Cash Account	0.37
Yorkshire Fund Managers	0.01
Currency Hedge Cash	0.00



Fund Allocation - Relative Analysis



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Cash	Alternatives
Portfolio	13.89	18.18	27.88	18.03	6.57	1.14	14.32
Benchmark	15.90	18.00	28.00	17.00	6.60	1.14	14.50
Relative Weight	-2.01	0.18	-0.12	1.03	-0.03	1.14	-0.18

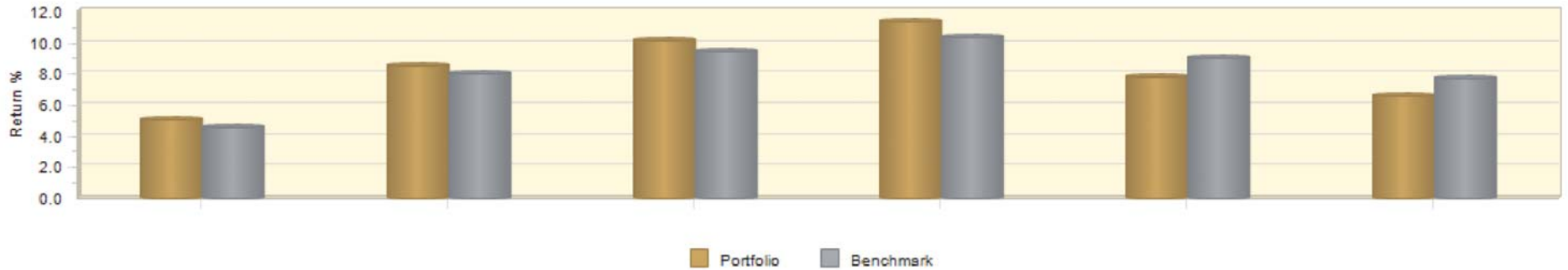
*Fund Performance*



Fund Performance - Summary



Periodic Performance



	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	10 Years (Ann)	Since Inception (Ann)
Portfolio	5.07	8.55	10.21	11.42	7.77	6.61
Benchmark	4.62	8.03	9.54	10.41	9.11	7.71

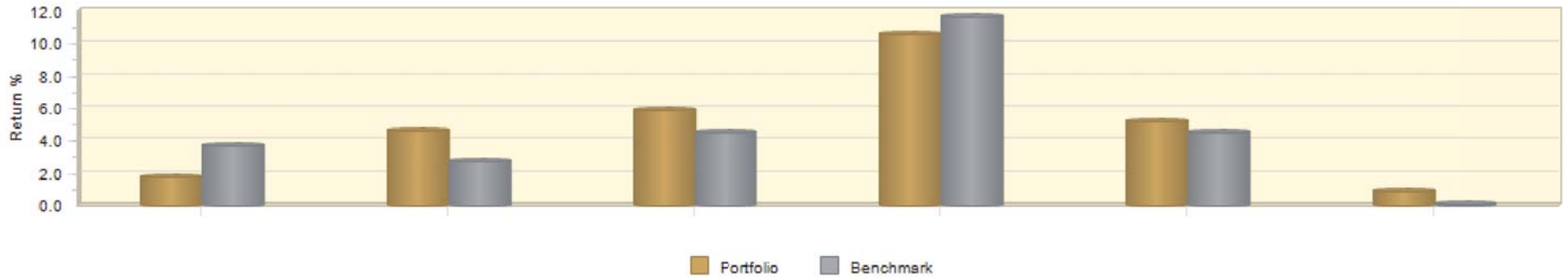
Inception Date: 31 Jan 2002

Ann = Annualised

Fund Performance - Segment Analysis



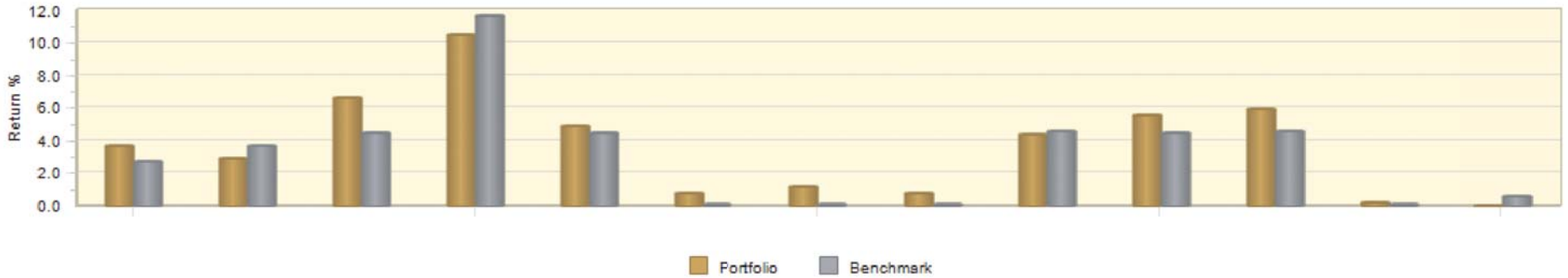
Segment Performance - 3 Months Ending 31 December 2014



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Alternatives
Portfolio	1.85	4.59	5.91	10.64	5.25	0.86
Benchmark	3.66	2.78	4.49	11.66	4.55	0.13

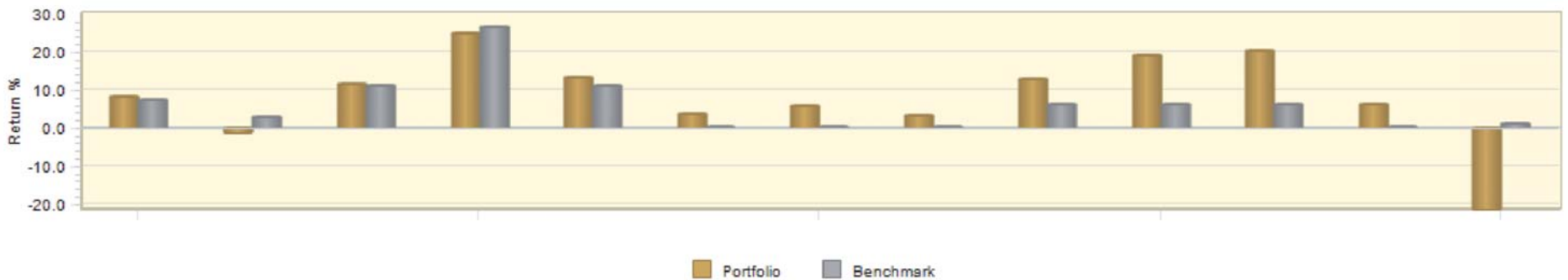
**Fund Performance - Manager Overview**

**Manager Performance - 3 Months Ending 31 December 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	3.67	2.94	6.61	10.55	4.84	0.75	1.17	0.74	4.35	5.55	5.95	0.21	0.00
Benchmark	2.78	3.66	4.49	11.66	4.49	0.13	0.13	0.13	4.56	4.52	4.56	0.09	0.58

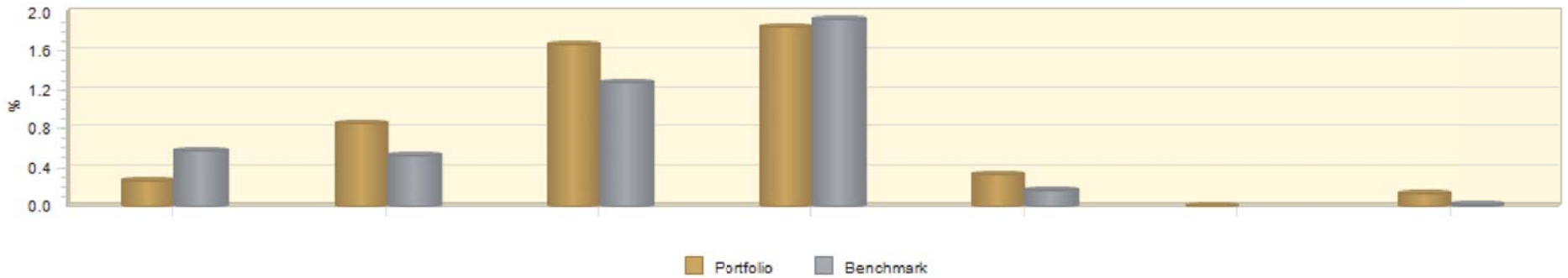
**Manager Performance - 1 Year Ending 31 December 2014**



	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	8.12	-1.37	11.68	25.12	13.42	3.66	5.66	3.36	12.95	19.31	20.34	6.33	-21.33
Benchmark	7.33	2.74	11.30	26.85	11.30	0.50	0.50	0.50	6.29	6.25	6.29	0.35	1.18

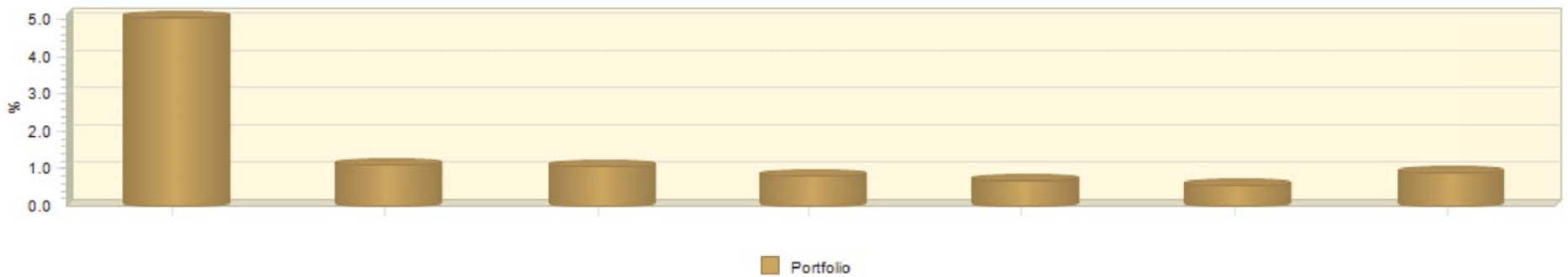
**Fund Performance - Contribution Analysis**

Source of Contribution - Quarter to 31 December 2014



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Cash	Alternatives
Portfolio	0.26	0.85	1.67	1.85	0.33	0.00	0.13
Benchmark	0.58	0.52	1.28	1.93	0.30		0.02

Top 5 Manager Contribution - Quarter to 31 December 2014



	Total Consolidation	Baillie Gifford GA	Amundi	M&G	Fidelity	Baillie Gifford LTGG	Remaining Managers
Portfolio	5.07	1.10	1.06	0.79	0.66	0.56	0.90

*Risk Profile*





Risk Profile - Historic Risk

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



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Amundi	Baillie Gifford LTGG	ECM Asset Management	M&G	Yorkshire Fund Managers
Portfolio	7.85	9.80	14.24	10.14	9.60	13.22	1.76	9.17	19.35
Benchmark	6.44	10.57	12.26	9.87	9.56	9.87	0.09	9.56	10.33

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



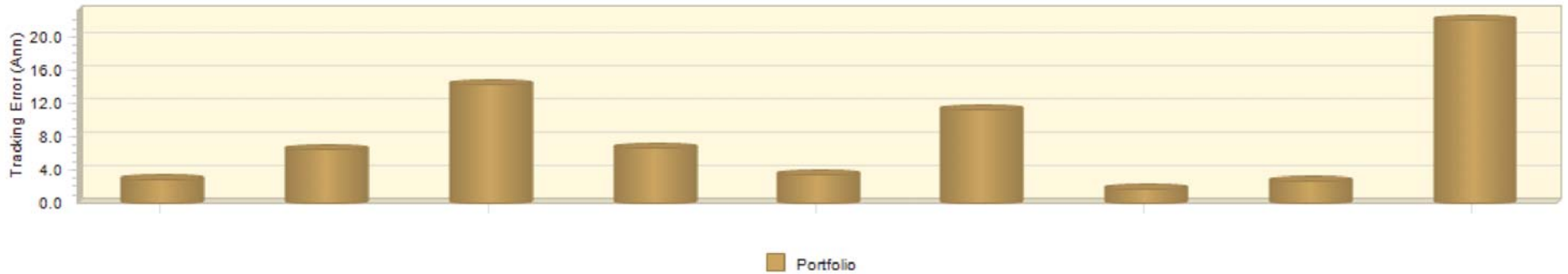
	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Amundi	Baillie Gifford LTGG	ECM Asset Management	M&G	Yorkshire Fund Managers
Portfolio	1.85	1.40	1.44	1.60	0.94	1.44	2.81	0.91	-0.99
Benchmark	1.77	1.17	1.37	1.39	0.84	1.39	0.00	0.83	1.03

Ann = Annualised



**Risk Profile - Historic Risk**

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



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Amundi	Baillie Gifford LTGG	ECM Asset Management	M&G	Yorkshire Fund Managers
Portfolio	2.90	6.46	14.21	6.60	3.36	11.20	1.78	2.69	22.08

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



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Amundi	Baillie Gifford LTGG	ECM Asset Management	M&G	Yorkshire Fund Managers
Portfolio	1.08	0.20	0.26	0.38	0.30	0.47	2.78	0.14	-1.35

Ann = Annualised

**Risk Profile - Consistency Analysis**

Manager	Active Number of Months	Number of Positive Months	Consistency Rate (%)	Benchmark Consistency (%)	Outperformance (%)
<b>Total Consolidation</b>	<b>156</b>	<b>101</b>	<b>65</b>	<b>67</b>	<b>54</b>
Fidelity	74	46	62	45	54
Standard Life	99	54	55	34	56
Baillie Gifford GA	99	60	61	38	55
Amundi	114	69	61	36	53
Baillie Gifford LTGG	100	59	59	38	53
ECM Asset Management	114	75	66	47	63
Standard Life Divers Growth	22	16	73	100	68
Newton Diversified Growth	22	10	45	100	45
M&G	37	22	59	59	57
LGIM Property	25	23	92	76	72
Hermes	34	23	68	73	56
Threadneedle	31	28	90	77	74
Yorkshire Fund Managers	138	4	3	33	17

*Fund Profile*



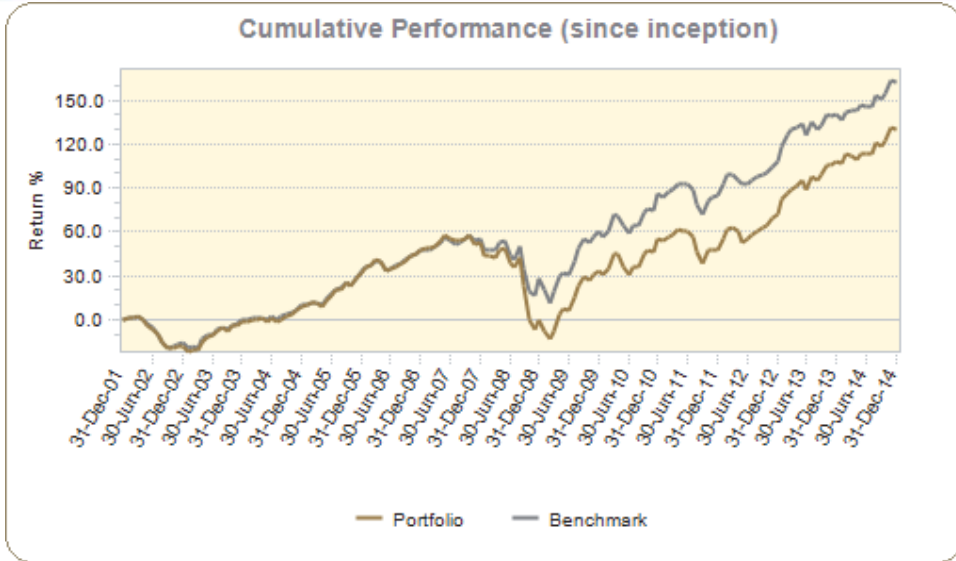
Fund Profile - Movement of Funds

Manager Name	Market Value 30-Sep-2014 (000's)	Net Contributions (000's)	Income (000's)	Gain/Loss (000's)	Market Value 31-Dec-2014 (000's)	% Change
<b>Total Consolidation</b>	<b>2,171,617.44</b>	<b>-42,242.03</b>	<b>4,481.75</b>	<b>103,827.17</b>	<b>2,237,684.33</b>	<b>3.04</b>
Total Consolidation	2,171,617.44	-42,242.03	4,481.75	103,827.17	2,237,684.33	3.04
Fidelity	396,592.01	-18,000.00	1,526.09	12,382.29	392,500.39	-1.03
Standard Life	329,770.67	0.00	2,502.04	7,207.86	339,480.58	2.94
Baillie Gifford GA	353,898.31	-0.60	0.00	23,395.82	377,293.52	6.61
Amundi	250,269.84	-31,002.24	0.00	22,904.82	242,172.42	-3.24
Baillie Gifford LTGG	235,278.20	0.00	0.00	11,393.99	246,672.19	4.84
ECM Asset Management	127,857.35	-0.78	0.00	957.46	128,814.03	0.75
Standard Life Divers Growth	86,493.93	0.00	0.00	1,009.94	87,503.87	1.17
Newton Diversified Growth	103,253.95	0.00	0.00	761.22	104,015.17	0.74
M&G	146,630.11	-74.99	160.39	16,936.27	163,651.78	11.61
LGIM Property	50,836.78	0.00	0.00	2,209.52	53,046.30	4.35
Hermes	27,703.41	-287.69	287.69	1,250.67	28,954.08	4.51
Threadneedle	49,825.83	11,695.03	0.00	3,424.26	64,945.12	30.34
Cash Account	12,885.58	-4,507.08	6.63	-7.22	8,377.92	-34.98
Yorkshire Fund Managers	257.80	0.00	0.00	0.00	257.80	0.00
Currency Hedge Cash	63.66	-63.65	-1.11	0.25	-0.86	-101.35

*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	5.1	8.5	10.2	11.4	7.8	6.6
Benchmark	4.6	8.0	9.5	10.4	9.1	7.7

Risk Profile - 3 Years (Ann) to 31 December 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	7.9	1.9	2.9	1.1
Benchmark	6.4	1.8		

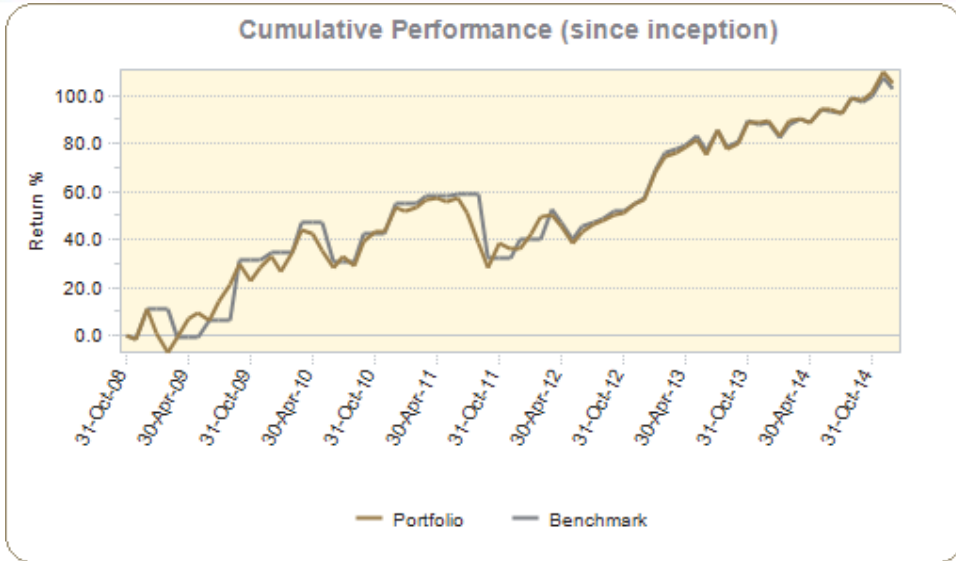
Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
2,237,684,333	Total Plan

Allocation - 31 December 2014							
	UK Equities	Overseas Equities	Global Equity	Bonds	Property	Cash	Alternative
Portfolio	13.89	18.18	27.88	18.03	6.57	1.14	14.32
Benchmark	15.90	18.00	28.00	17.00	6.60		14.50

**Summary - 3 Months Ending 31 December 2014**

The fund's relative performance of the Quarter and 1 Year was 0.5% and 0.7% respectively.

**Manager Analysis - Fidelity**



Inception Date: 30 Nov 2008

Portfolio Size and Mandate	
<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
392,500,394	Global Equities

Allocation - 31 December 2014			
	UK Equities	Overseas Equities	Cash
Portfolio	0.25	98.08	1.67
Benchmark		100.00	

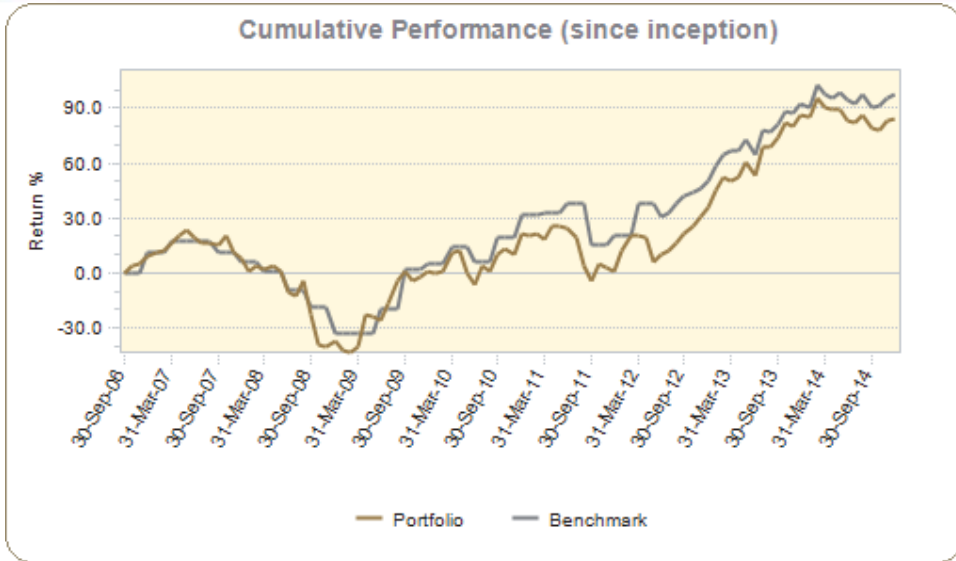
Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	3.7	7.6	8.1	9.1	12.4
Benchmark	2.8	6.6	7.3	8.5	12.0

**Summary - 3 Months Ending 31 December 2014**

The manager's relative performance of the Quarter and 1 Year was 0.9% and 0.8% respectively.

Risk Profile - 3 Years (Ann) to 31 December 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	9.8	1.4	6.5	0.2
Benchmark	10.6	1.2		

**Manager Analysis - Standard Life**



Inception Date: 31 Oct 2006

Portfolio Size and Mandate	
<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
339,480,583	UK Equities

Allocation - 31 December 2014			
	UK Equities	Overseas Equities	Cash
Portfolio	91.19	6.41	2.40
Benchmark	100.00		

Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	2.9	-3.5	-1.4	12.7	7.7
Benchmark	3.7	0.1	2.7	13.5	8.6

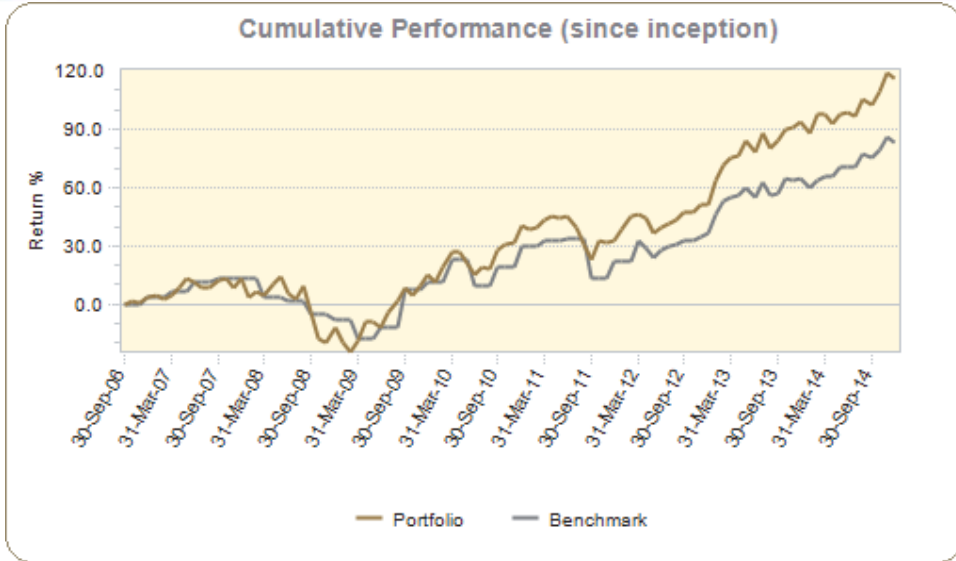
**Summary - 3 Months Ending 31 December 2014**

The manager's relative performance of the Quarter and 1 Year was -0.8% and -4.1% respectively.

Risk Profile - 3 Years (Ann) to 31 December 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	14.2	1.4	14.2	0.3
Benchmark	12.3	1.4		



Manager Analysis - Baillie Gifford GA



Inception Date: 31 Oct 2006

Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	6.6	9.3	11.7	13.5	9.8
Benchmark	4.5	10.7	11.3	10.5	7.6

Risk Profile - 3 Years (Ann) to 31 December 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	10.1	1.6	6.6	0.4
Benchmark	9.9	1.4		

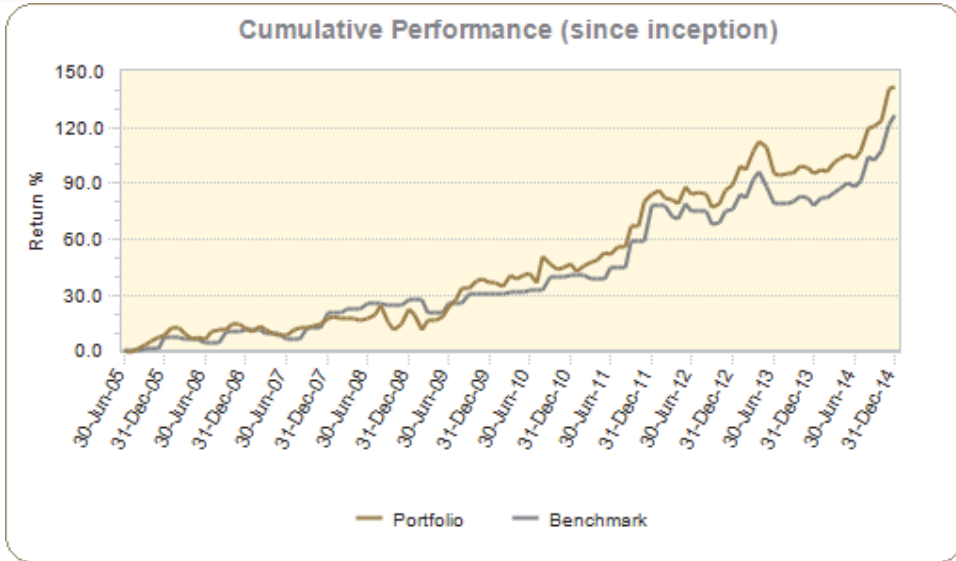
Portfolio Size and Mandate	
Portfolio Size (GBP)	377,293,519
Portfolio Mandate	Global Equities

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

Summary - 3 Months Ending 31 December 2014

The manager's relative performance of the Quarter and 1 Year was 2.1% and 0.4% respectively.

**Manager Analysis - Amundi**



Inception Date: 31 Jul 2005

Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	9.8	20.2	23.9	12.1	9.7
Benchmark	11.7	22.1	26.8	11.5	9.0

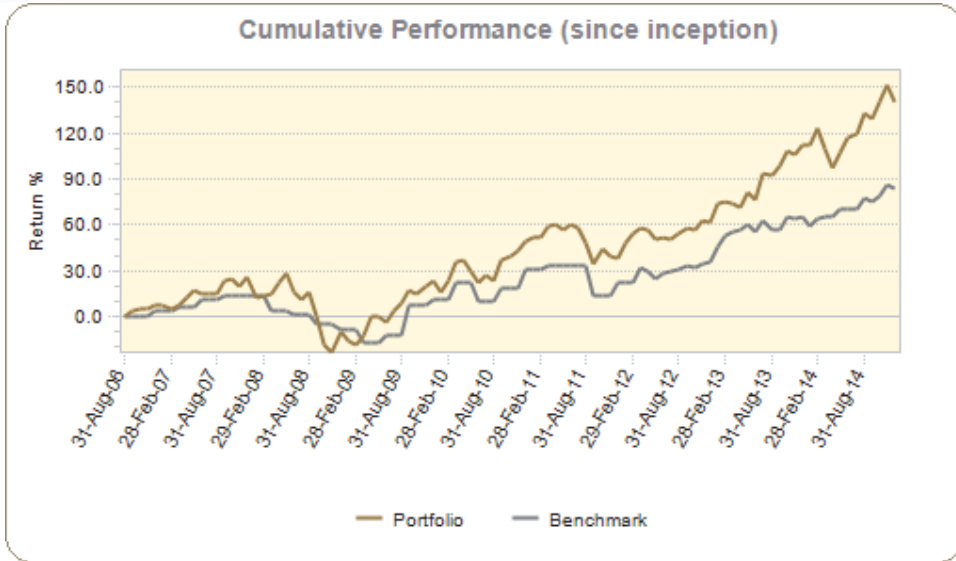
Risk Profile - 3 Years (Ann) to 31 December 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	9.6	0.9	3.4	0.3
Benchmark	9.6	0.8		

Portfolio Size and Mandate	
<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
242,172,424	Global Bonds

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

**Summary - 3 Months Ending 31 December 2014**  
 The manager's relative performance of the Quarter and 1 Year was -1.9% and -2.9% respectively.

**Manager Analysis - Baillie Gifford LTGG**



Inception Date: 30 Sep 2006

Portfolio Size and Mandate	
<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
246,672,185	Global Equities

Allocation - 31 December 2014	
	<b>Global Equity Units</b>
Portfolio	100.00
Benchmark	100.00

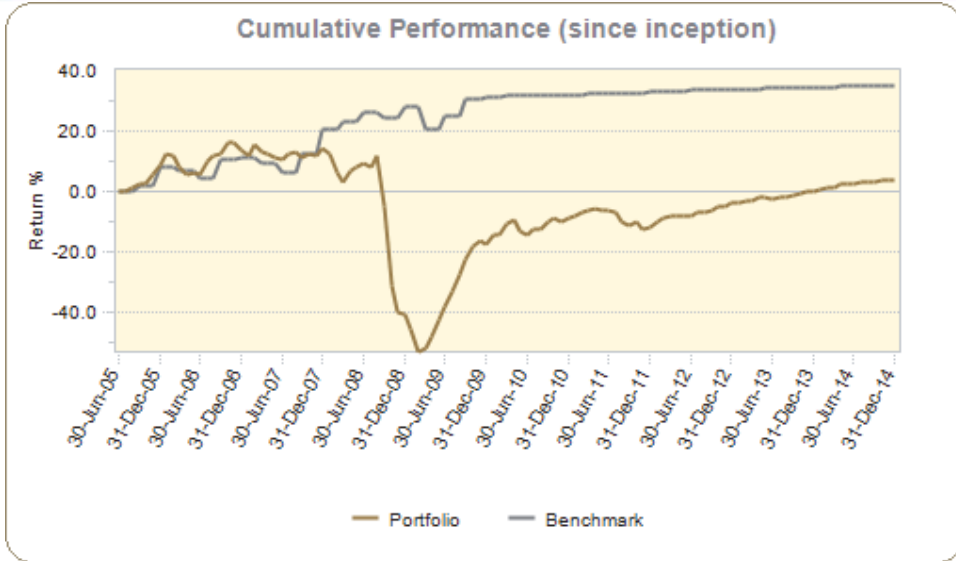
Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	4.8	14.8	13.4	14.2	11.1
Benchmark	4.5	10.7	11.3	10.5	

**Summary - 3 Months Ending 31 December 2014**

The manager's relative performance of the Quarter and 1 Year was 0.3% and 2.1% respectively.

Risk Profile - 3 Years (Ann) to 31 December 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	13.2	1.4	11.2	0.5
Benchmark	9.9	1.4		

Manager Analysis - ECM Asset Management



Inception Date: 31 Jul 2005

Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	0.7	2.4	3.7	4.7	0.4
Benchmark	0.1	0.4	0.5	0.6	3.2

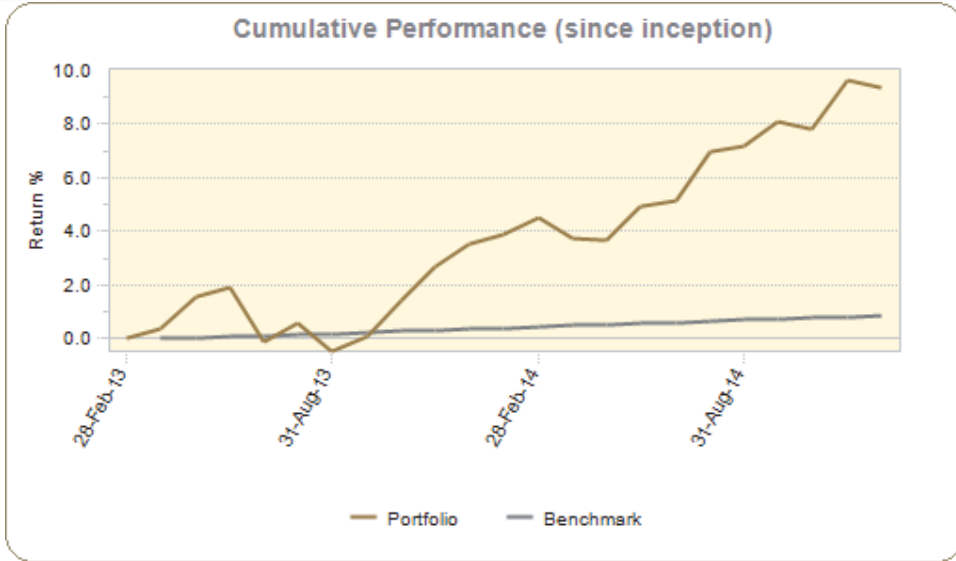
Risk Profile - 3 Years (Ann) to 31 December 2014				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	1.8	2.8	1.8	2.8
Benchmark	0.1	0.0		

Portfolio Size and Mandate	
Portfolio Size (GBP)	128,814,034
Portfolio Mandate	European Bonds

Allocation - 31 December 2014	
	Alternatives
Portfolio	100.00
Benchmark	100.00

**Summary - 3 Months Ending 31 December 2014**  
 The manager's relative performance of the Quarter and 1 Year was 0.6% and 3.2% respectively.

**Manager Analysis - Standard Life Divers Growth**



Inception Date: 31 Mar 2013

Portfolio Size and Mandate	
<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
87,503,871	Diversified Growth

Allocation - 31 December 2014	
	<b>Alternatives</b>
Portfolio	100.00
Benchmark	100.00

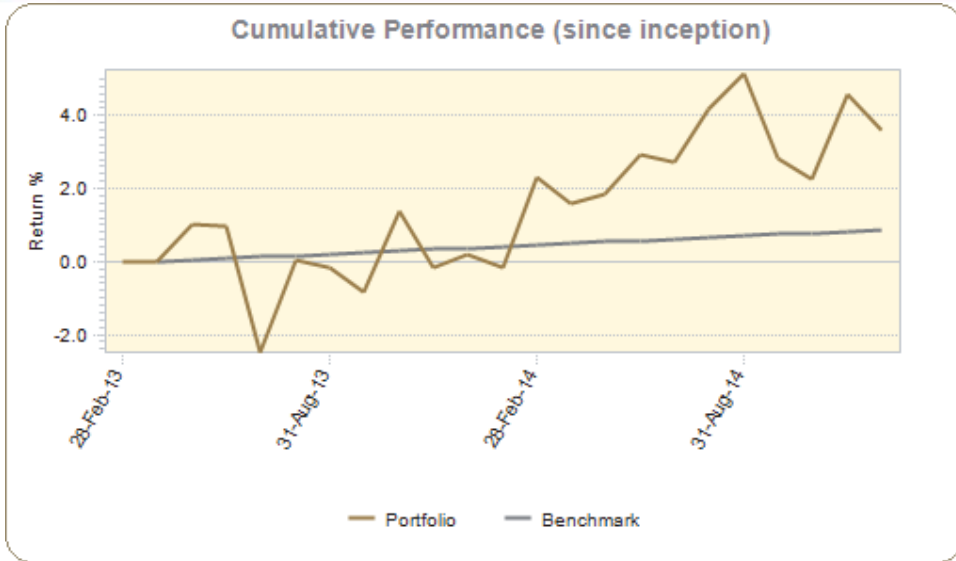
Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	1.2	5.4	5.7	5.0
Benchmark	0.1	0.4	0.5	0.5

**Summary - 3 Months Ending 31 December 2014**

The manager's relative performance of the Quarter and 1 Year was and 1.1% & 5.2% respectively.

Risk Profile - 3 Years (Ann) to 31 December 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	
<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
104,015,175	Diversified Growth

Allocation - 31 December 2014	
	<b>Alternatives</b>
Portfolio	100.00
Benchmark	100.00

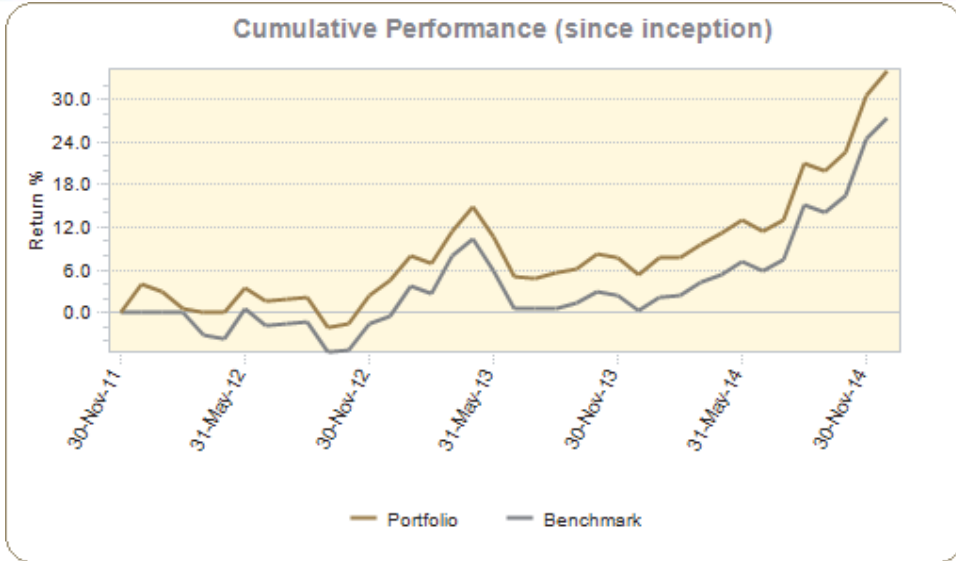
Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	0.7	2.0	3.4	1.9
Benchmark	0.1	0.4	0.5	0.5

**Summary - 3 Months Ending 31 December 2014**

The manager's relative performance of the Quarter and 1 Year was 0.6% and 2.9% respectively.

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

**Manager Analysis - M&G**



Inception Date: 31 Dec 2011

Portfolio Size and Mandate	
<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
163,651,784	Global Bonds

Allocation - 31 December 2014		
	<b>Bonds</b>	<b>Cash</b>
Portfolio	98.52	1.48
Benchmark	100.00	

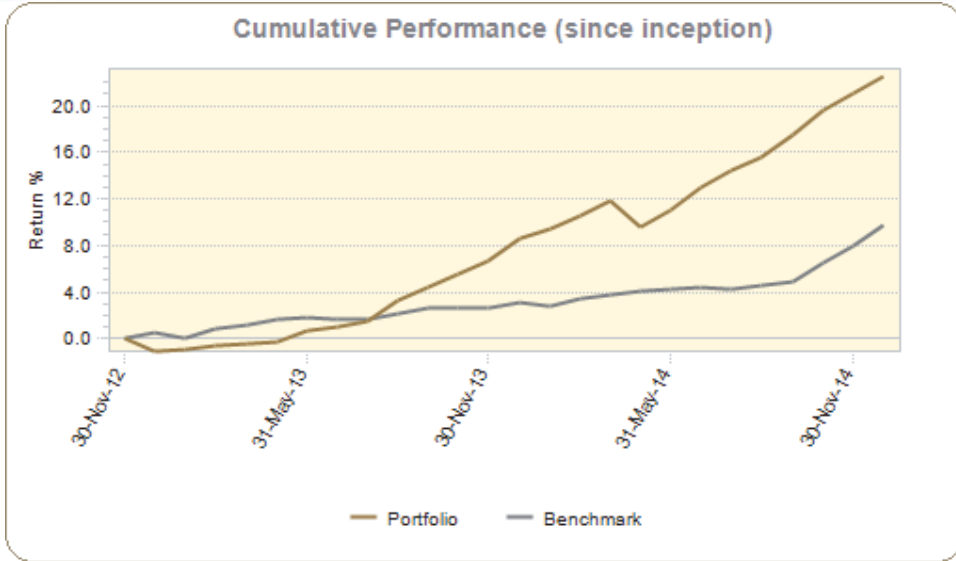
Periodic Performance				
	<b>Quarter</b>	<b>Fiscal Year To Date</b>	<b>1 Year</b>	<b>Since Inception (Ann)</b>
Portfolio	11.7	22.1	27.2	9.9
Benchmark	11.7	22.1	26.8	8.1

**Summary - 3 Months Ending 31 December 2014**

The manager's performed equal of the Benchmark over the Quarter and outperformed by 0.4% over the 1 year period.

Risk Profile - 3 Years (Ann) to 31 December 2014				
	<b>Standard Deviation</b>	<b>Sharpe Ratio</b>	<b>Tracking Error</b>	<b>Information Ratio</b>
Portfolio	9.2	0.9	2.7	0.1
Benchmark	9.6	0.8		

**Manager Analysis - LGIM Property**



Inception Date: 31 Dec 2012

Portfolio Size and Mandate	
<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
53,046,305	Property

Allocation - 31 December 2014	
	<b>Property</b>
Portfolio	100.00
Benchmark	100.00

Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	4.3	9.5	12.9	10.3
Benchmark	4.6	5.7	6.3	4.5

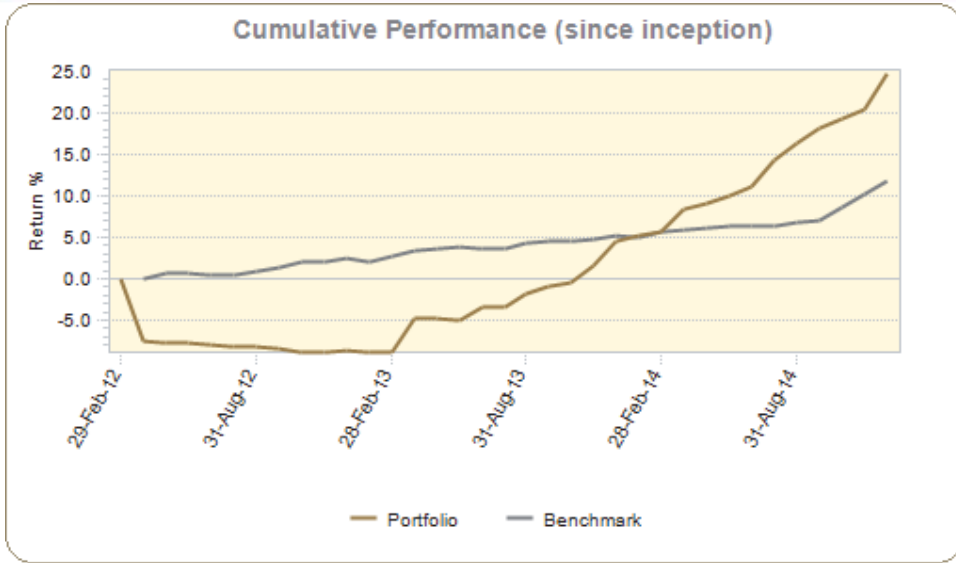
**Summary - 3 Months Ending 31 December 2014**

The manager's relative performance of the Quarter and 1 year was -0.3% and 6.6% respectively.

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



**Manager Analysis - Hermes**



Inception Date: 31 Mar 2012

Portfolio Size and Mandate	
<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
28,954,082	Property

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

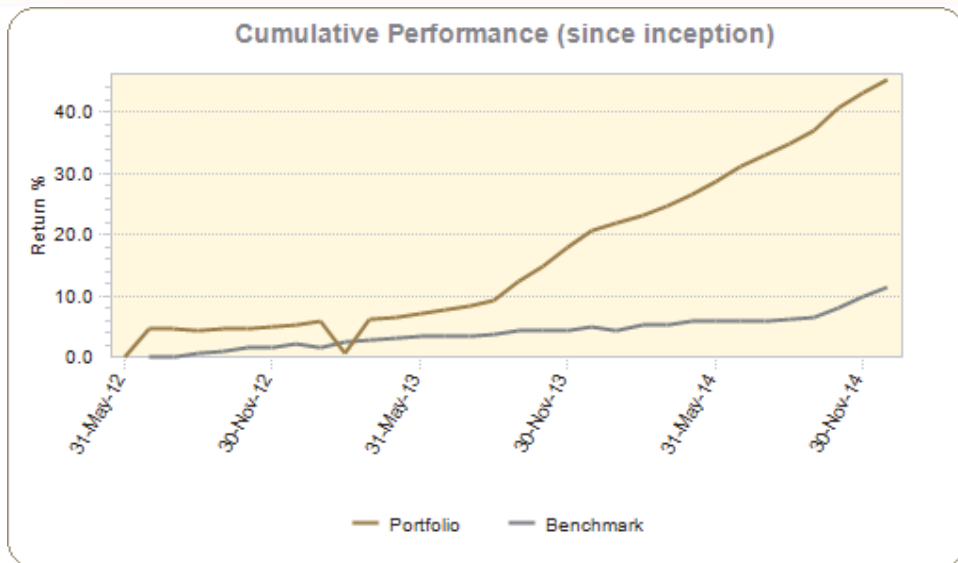
Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	5.6	15.2	19.3	8.1
Benchmark	4.5	5.7	6.3	4.1

**Summary - 3 Months Ending 31 December 2014**

The manager's relative performance of the Quarter and 1 Year was 1.1% and 13% respectively.

Risk Profile - 3 Years (Ann) to 31 December 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	6.0	16.6	20.3	15.5
Benchmark	4.6	5.7	6.3	4.4

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

Portfolio Size and Mandate	
Portfolio Size (GBP)	64,945,117
Portfolio Mandate	Property

Allocation - 31 December 2014	
	Property
Portfolio	100.00
Benchmark	100.00

**Summary - 3 Months Ending 31 December 2014**

The manager's relative performance of the Quarter and 1 year was 1.4% and 14% respectively.

*Appendix*



Appendix - Benchmark Summary



Manager	Weight	Benchmark
Total Consolidation	28.00	Overseas Global Equity Bmk
	18.00	Overseas Equity Bmk
	17.00	Fixed Income Bmk
	15.90	UK Equity Bmk
	14.50	Cash Bmk
	6.60	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	IPD ABal Prop Fund WA^
Hermes	100.00	IPDOBALPROPMO^
Threadneedle	100.00	IPD ABal Prop Fund WA^
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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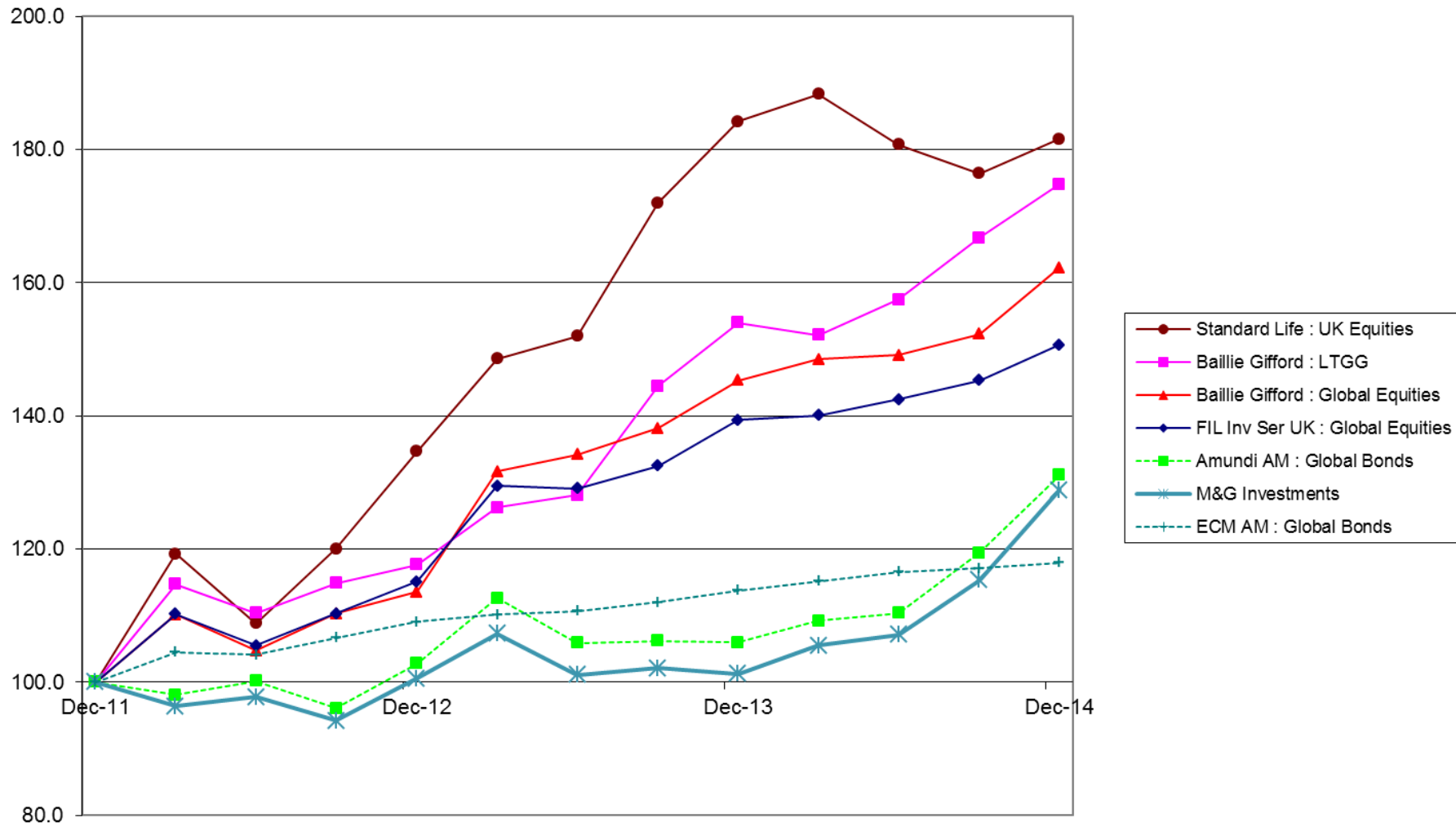
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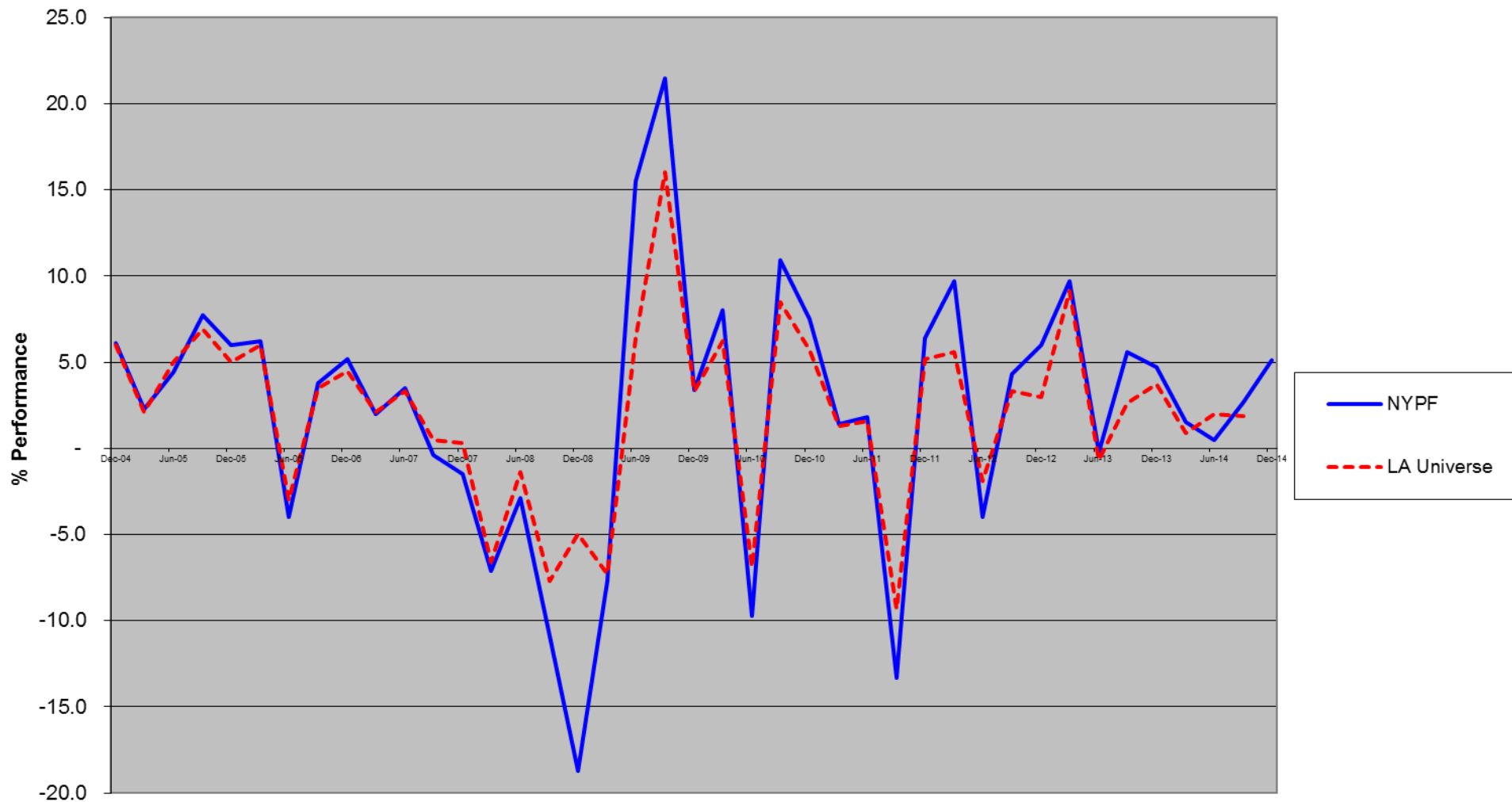
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Investment Manager Performance - cumulative absolute performance 3 years to December 2014



### Pension Fund Performance - NYPF vs Other Local Authorities



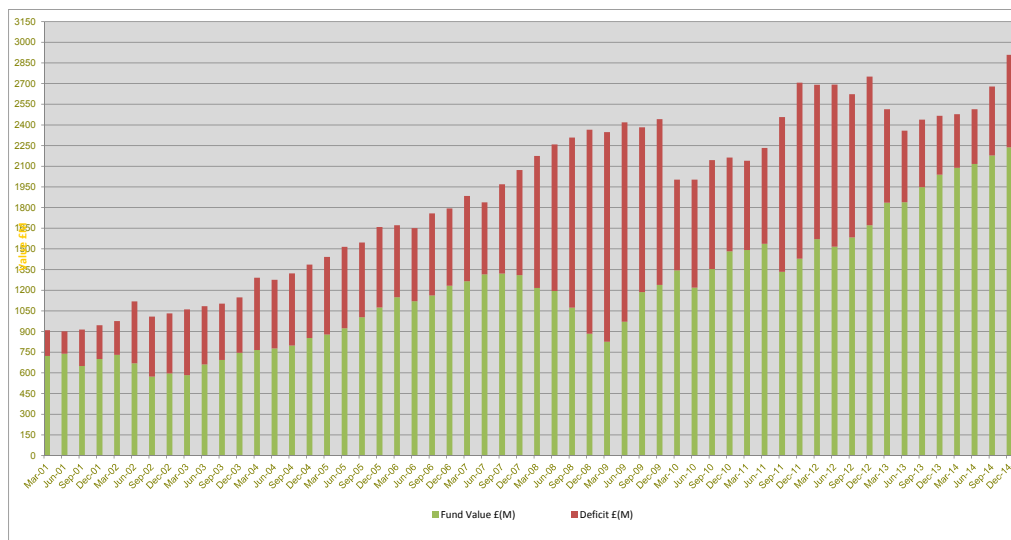


**Actuarial Model of Quarterly Solvency Position**

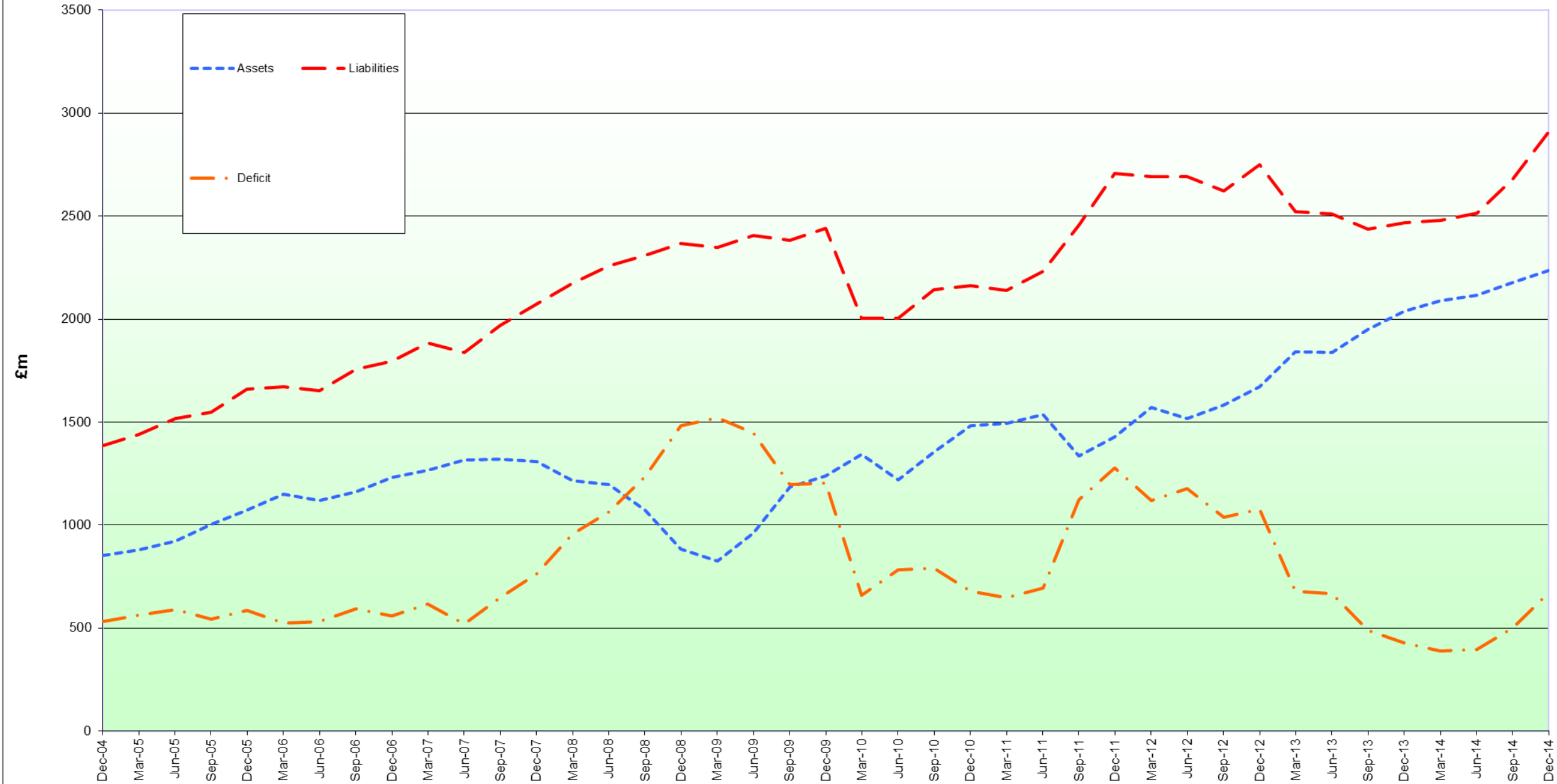
Date	Solvency	Deficit £(M)	Fund Value £(M)	FTSE 100
March 31, 2001	79%	187	724	5,634
June 30, 2001	82%	162	740	5,643
September 30, 2001	71%	265	650	4,903
December 31, 2001	74%	245	702	5,217
March 31, 2002	75%	245	732	5,272
June 30, 2002	60%	450	670	4,656
September 30, 2002	56%	435	574	3,722
December 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	66%	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	58%	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
June 30, 2014	84%	397	2117	6,744
September 30, 2014	81%	500	2179	6,623
December 31, 2014	77%	671	2238	6,566

Triennial valuation results highlighted in grey

**Movement in Assets and Liabilities**



# North Yorkshire Pension Fund Assets, Liabilities and Deficit



Appendix 5

## REBALANCING OF NYPF ASSETS AS AT 31 DECEMBER 2014

Asset Class	Minimum Allocation to Non-Equities	Maximum Allocation to Non-Equities	Allocation as at December 2014	Allocation After Rebalancing
Equity + Cash	75%	50%	61.0%	61.0%
Bonds	15%	30%	23.9%	23.9%
DGFs	5%	10%	8.6%	8.6%
Property	5%	10%	6.6%	6.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

	31-Dec-14		Min				Max		Under		Over		Post December Rebalancing	
	Value £m	actual %	%	£m	%	£m								
<b>Global Equity Managers</b>														
Baillie Gifford Global Alpha	377.29	16.9%	13.6%	304.32	20.4%	456.49	0.00	0.00				377.29	16.9%	
Baillie Gifford Global Growth	246.67	11.0%	9.0%	201.39	13.6%	304.32	0.00	0.00				246.67	11.0%	
(a)	623.96	27.9%	22.6%	505.72	34.0%	760.81	0.00	0.00			0.00	623.96	27.9%	
<b>Global (ex UK) Equity Managers</b>														
Fidelity	392.50	17.5%										392.50		
(b)	392.50	17.5%	14.5%	324.46	21.7%	485.58	0.00	0.00			0.00	392.50	17.5%	
<b>UK Equity Managers</b>														
Standard Life	339.48	15.2%	12.9%	288.66	19.2%	429.63	0.00	0.00				339.48	15.2%	
Yorkshire Fund Managers	0.26	0.0%	0.0%	0.00	0.1%	2.24	0.00	0.00				0.26	0.0%	
(c)	339.74	15.2%	12.9%	288.66	19.3%	431.87	0.00	0.00			0.00	339.74	15.2%	
<b>Equity sub-total</b>	(a+b+c)=(d)	1356.20	60.6%	50.0%	1118.84	75.0%	1678.26	0.00	0.00			0.00	1356.20	60.6%
Amundi	242.17	10.8%										242.17		
ECM	128.81	5.8%										128.81		
M & G	163.65	7.3%										163.65		
(e)	534.63	23.9%	15.0%	335.65	30.0%	671.30	0.00	0.00			0.00	534.63	23.9%	
<b>Fixed Income sub-total</b>														
Hermes	28.95	1.3%										28.95		
LGIM Property	53.05	2.4%										53.05		
Threadneedle	64.95	2.9%										64.95		
(f)	146.95	6.6%	5%	111.88	10%	223.77	0.00	0.00			0.00	146.95	6.6%	
<b>Property sub-total</b>														
Standard Life	87.50	3.9%										87.50		
Newton	104.02	4.6%										104.02		
(g)	191.52	8.6%	5%	111.88	10%	223.77	0.00	0.00			0.00	191.52	8.6%	
<b>DGF sub-total</b>														
Cash	8.38	0.4%	0.0%	0.00	0.0%	0.00	0.00	-8.38				8.38	0.4%	
(h)														
<b>Total Assets</b>	(d+e+f+g+h)=(i)	2237.68	100.0%										100.0%	