

Agenda

Meeting: Pension Fund Committee

**Venue: Grand Meeting Room, County Hall,
Northallerton DL7 8AD**

**Date: Thursday 17 September 2015 at
10.00am**

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Business

1. **Minutes of the Meeting held on 9 July 2015.** (Pages 1 to 3)
2. **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 Monday 14 September 2015, three working days before the day of the meeting. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

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

3. **Member and Employer Issues** – Report of the Treasurer **(Pages 4 to 12)**
4. **Budget/Statistics** – Report of the Treasurer **(Pages 13 to 15)**
5. **Annual Report 2014/15** - Report of the Treasurer **(Pages 16 to 44)**
6. **Pension Board** – verbal update by the Chair of the Pension Board
7. **Performance of The Fund's Portfolio for the Quarter ending June 2015**
– Report of the Treasurer **(Pages 45 to 92)**
8. **Bond Strategy Review** - Report of the Treasurer **(Pages 93 to 94)**
9. **Other business which the Chairman agrees should be considered as a matter of urgency because of special circumstances**

NOTE:

Members are reminded that there will be presentations from Leadenhall Capital Partners and Christofferson Rob & Company on Friday 18 September 2015 from 10.00am.

Barry Khan
Assistant Chief Executive (Legal and Democratic Services)

County Hall
Northallerton

September 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

The fire evacuation alarm is a continuous Klaxon. On hearing this you should leave the building by the nearest safe fire exit. From the **(insert relevant room and relevant evacuation procedure)**. Once outside the building please proceed to the fire assembly point outside the main entrance

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

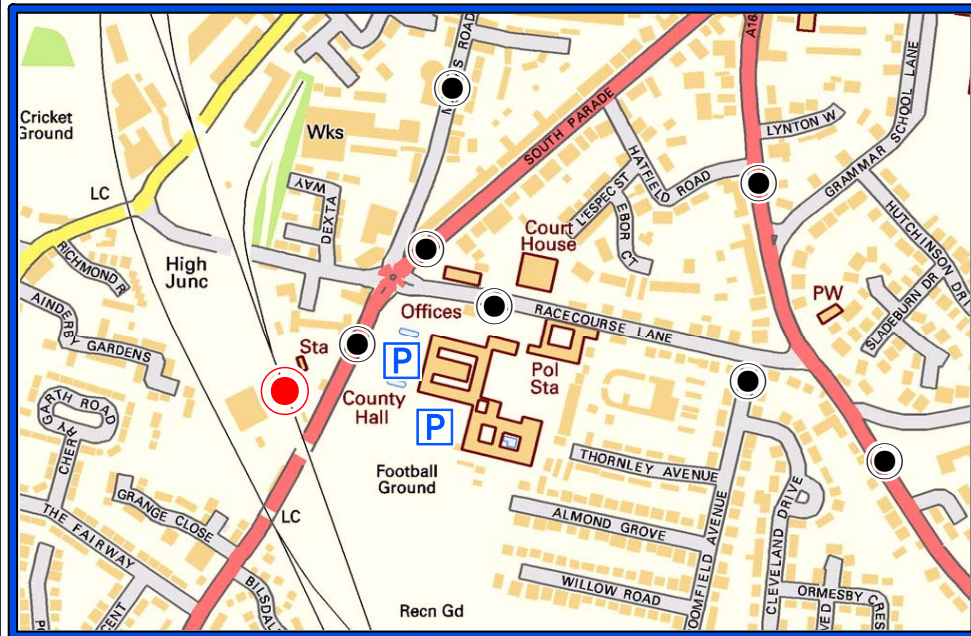
County Councillors (8)							
	<i>Councillors Names</i>				<i>Political Party</i>		
1	BLACKIE, John				NY Independent		
2	BATEMEN, Bernard MBE				Conservative		
3	De COURCEY-BAYLEY, Margaret Ann				Liberal Democrat		
4	HARRISON-TOPHAM, Roger (Vice-Chairman)				Conservative		
5	MULLIGAN, Patrick				Conservative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

2. Substitute Members

Conservative		Liberal Democrat	
	<i>Councillors Names</i>		<i>Councillors Names</i>
1	PATMORE, Caroline	1	HOULT, Bill
2	LES, Carl	2	
3	MACKENZIE, DON	3	
4		4	
5		5	
NY Independent			
	<i>Councillors Names</i>		
1	PARSONS, Stuart		
2			
3			
4			
5			

1. Substitute Members

1	CUTHBERTSON, Ian	City of York
2	PEACOCK, Yvonne	Local Government North Yorkshire and York
3	COWLING, Linda	Local Government North Yorkshire and York



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County Hall

Northallerton
North Yorkshire
DL7 8AD



North Yorkshire County Council

Tel : 0845 8 72 73 74

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 9 July 2015 at County Hall, Northallerton commencing at 10.00 am.

Present:-

County Councillors: John Weighell (Chairman), John Blackie, Margaret-Ann de Coursey-Bayley, Caroline Patmore (substituting for Bernard Bateman MBE), Roger Harrison-Topham, Patrick Mulligan and Helen Swiers.

Councillor Jim Clark - Local Government North Yorkshire and York) and Councillor Ian Cuthbertson - City of York Council (substituting for Chris Steward).

Officers: Geoff Dalton - Investment Consultant, Mercers, Gary Fielding - Corporate Director Strategic Resources, Tom Morrison - Head of Commercial & Investments, Anna Binks - Technical Manager.

Also present: County Councillor Carl Les; Ben Drake and Stella Smethurst UNISON.

Apologies were received from Bernard Bateman MBE, Councillor Chris Steward (City of York Council).

Copies of all documents considered are in the Minute Book

Declarations of Interest

County Councillors Jim Clark, Patrick Mulligan, Margaret-Ann de Coursey-Bayley, John Weighell and City of York Councillor Ian Cuthbertson stated that although not a disclosable pecuniary interest they wished it to be known that they were members of the Pension Scheme.

84. Minutes

Resolved -

That the Minutes of the meeting held on 21 May 2015, having been printed and circulated, are taken as read and are confirmed and signed by the Chairman as a correct record.

85. Public Questions or Statements

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

86. Statement of Final Accounts 2014/15

Considered -

The report of the Treasurer seeking the Committee's approval to the draft Statement of Final Accounts for the financial year 2014/15.

Tom Morrison, Head of Commercial and Investments, advised that every year the draft Statement of Accounts is brought forward for approval prior to consideration by Audit Committee. It was noted that the Accounts presented in a different format the management information which had been presented to previous meetings of the Committee. He stated that the Committee would be made aware of significant amendments, if any, at their September meeting.

Members' commented as follows:-

- Where contributions had been declining in previous years, this year they appeared higher as reflected in page 5 of the report. Gary Fielding, Corporate Director - Strategic Resources, commented that additional income had been received as a result of employers seeking to "get ahead" by making lump-sum contributions to reduce on-going costs as a way to mitigate the impact of austerity. Tom Morrison commented that a major contribution had been made by the Police at the end of the previous financial year, a sum of £8.2m, and he advised that other employers may seek to follow suit this year. In the prevailing economic climate this was felt to be a logical strategy.
- With a reducing workforce, close attention should be needs to be paid to this. Tom Morrison commented that with auto-enrolment, membership of the Fund was presently increasing despite this.
- A typographical error at the end of the first paragraph on page 20 was noted.
- It was noted that investment expenses were down by 10% due to the impact of a 'payment by results' regime. Tom Morrison commented that this reflected variations between years in performance related fees. The Member observed that a two year comparison was common practice and it might be helpful to look at this over a five year period to enable trend analysis. Tom Morrison confirmed that this is carried out, however the format of the accounts is based on CIPFA guidance.
- On the question of the reducing workforce, a Member enquired about historic arrears and the way this is taken into consideration. Tom Morrison advised of the Triennial Valuation process sets contribution levels with the focus on maintaining stability in cash terms. He further commented that this was a sensible approach for employers and the Fund, enabling any arrears to be recovered over an agreed period. He noted that owing to the consistent performance of the Fund, contribution rates had remained stable for some time.
- A Member raised the question of the internally managed funds of £20m referred to on page 16 of the report, and asked whether this would be better invested. He asked whether rebalancing was undertaken frequently enough given this sum was higher than the previous year by £7m. He also observed that the Fund includes 107 organisations and has 84,000 members who should be aware of who the members of the Pension Fund Committee are, but this information is not included in the Accounts. Responding, Tom Morrison noted that much of the £20m was made up of debtors and the £8.2m that had come from the Police which was received on 31 March 2015. The Member suggested that details could be provided to explain such one-offs. Tom Morrison added that membership of the PFC was detailed in the Annual Report which would be presented to the Committee at the next meeting.

- A Member commented upon the increase in total assets over the last year of +16%, and Tom Morrison advised that for the year to 31 March 2015 the Fund was the 10th top performing LGPS Fund in the UK.

Resolved -

That the draft Statement of Final Accounts 2014/15 are approved.

87. Governance Arrangements

Considered -

The report of the Treasurer seeking the Committee's approval of certain governance documents required to accompany the Statement of Final Accounts of the Pension Fund and presenting to the Committee the findings of the Independent Professional Observer on the Fund's governance arrangements.

Tom Morrison, Head of Commercial and Investments, noted that an error had been identified in the papers issued with the agenda, and noted that a corrected version had since been circulated. He advised that most of the documents had been drafted several years ago to respond to the regulations and received only minor updates each year, unless new or revised regulations required more substantial changes. He explained that Part C was the Risk Register which was formally reviewed twice a year. He noted that the risk rating for the investment strategy had reduced from 2 to 3 to reflect the consistent performance of the Fund's assets over recent years. He also made reference to the annual Communications Strategy. He asked that Members provide any comments by the end of the following week. Gary Fielding added that the Communications Strategy contained no surprises, as Members had been briefed periodically throughout the year. A Member commented that the use of acronyms particularly in relation to officers' titles in the Risk Register was confusing and it was agreed that such acronyms be fully explained on the website. It was also agreed to include the membership details of the Pension Board and Tom Morrison agreed to circulate this information to Members by email.

Resolved -

That the set of governance documents in Appendix 1 to the report and the report of the Independent Professional Observer in Appendix 2 of the report are noted.

88. Board Strategy Review

Considered -

The report of the Treasurer updating Members on the progress of the review and seeking a decision from Members on rebalancing the allocation to bonds.

Tom Morrison, Head of Commercial and Investments, led a discussion regarding the options for rebalancing. There was consensus that it was appropriate to equalise investments with the Fund's two liability matching managers, to spread the risk and optimise the Fund's position.

Resolved -

That £40m be transferred from Amundi to M&G so as to provide each manager with a total allocation of approximately £210m (8.9%).

The meeting concluded at 10.40 am – JO'D

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

17 SEPTEMBER 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 of benefits administration as well as related events and activity over the year to date as follows:

- | | |
|----------------------------------------|-----------------|
| (a) Admission Agreements and Academies | (see section 2) |
| (b) Membership Analysis | (see section 3) |
| (c) Administration Performance | (see section 4) |
| (d) Member Training | (see section 5) |
| (e) Meetings Timetable | (see section 6) |

2.0 Admission Agreements and New Academies

2.1 The latest position re Admission Agreements is described in the table at **Appendix 1**. There are no specific issues requiring the attention of the Committee.

2.2 The list of recently created academies is also included in **Appendix 1**.

3.0 Membership Analysis

3.1 The membership movement figures for the first quarter of 2015/16 are as follows:

Membership Category	At 31/03/14	+/- Change (%)	At 31/03/15	+/- Change (%)	At 30/06/15
Actives	31,501	+11.1	34,990	+1.7	35,569
Deferred	29,490	+3.7	30,591	+0.1	30,618
Pensioners*	17,668	+4.4	18,451	+1.5	18,735
Total	78,659	+6.8	80,032	+1.1	84,922

*Figures includes spouses' and dependants' pensions

3.2 The breakdown of retirements across the Fund in Quarter 1 of 2015/16 is at **Appendix 2**.

4.0 Administration Performance

4.1 The administration performance figures for the first quarter of 2015/16 are as follows:

Performance Indicator	Target in Q1	Achieved
Measured work achieved within target	98%	96%
Customers surveyed ranking service good or excellent	94%	97%
Reduce reliance on customer helpline. Phone queries reduced as a proportion of customer contacts to < 29%	29%	38%
Increase numbers of registered self-service users	13,000	9,463
Review approaches to scheme member communications	Communications Strategy presented to PFC in July 2015	Yes
Total Sickness absence in Q1	1.5 days per employee	3.7 days per employee

4.2 The impact of LGPS2014 changes and continuing issues with the pension administration system affected Q1 performance for 2015/16. Retirement case performance continues to be strong with 98% of associated work (645 of 656 cases) on target.

4.3 The continued trend is for a substantial increase in cases following the introduction of LGPS2014 and the associated right to retire from age 55 (rather than age 60). In 2014/2015 the number of retirements had more than doubled (1,183 cases compared with 575 in 2013/14). The appropriate level of pension administration resource is therefore being considered in light of this experience under the first year of the CARE scheme.

4.4 Telephone queries increased dramatically in April 2015 as a result of the exercise to update pension record information in relation to the NYCC unpaid leave requirement. In excess of 1,000 employees chose to pay additional contributions to replace lost pension incurred by the two day NYCC Christmas shutdown, which is classed as 'authorised absence' under the LGPS Regulations. Each employee was contacted by email to confirm that the appropriate change had been made to their pension record. This exercise resulted in a number of calls from members wishing to clarify a variety of points.

4.5 Performance indicator 4 (self-service registrations) was comfortably on target prior to the implementation of the Altair pensions administration system. While the new system

brought improved self-service facilities, all existing users were de-activated and required to re-register their details. The total number of registered self-service users is therefore building up again from a zero base.

- 4.6 Performance indicator 5 (sickness absence) shows the largest variance to target. This was predominantly due to a single member of staff on long-term sick leave during the performance review period. Sickness absence levels have previously been low within the Pension Administration Team and there are no current operational concerns in this area.
- 4.7 Following an announcement on 23 May 2015, the Government published a consultation on proposals to cap the total cost of exit payments to public sector workers at £95,000. The proposal that this cap will cover pension strain payments due on early retirement cases raises the potential for additional administrative burden on both NYPF and Scheme Employers. In August NYPF submitted a formal response to the consultation reflecting these concerns. Additional information on this issue is available by verbal update to the Committee.

5.0 Member Training

- 5.1 The Member Training Record showing the training undertaken over the year to September 2015 is attached as **Appendix 3**.
- 5.2 Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 4**. Please contact Andrew Brudenell (01609 532386 or 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 5**.

7.0 Recommendations

- 7.1 Members note the contents of this report.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

09 September 2015

LATEST POSITION RE ADMISSION AGREEMENTS

Admission Agreement	Current Position and Action to Be Taken (If Applicable)
Scarborough BC leisure services to Sports and Leisure Management Limited	Certain parts of the Scarborough BC leisure services will transfer to the contractor Sports and Leisure Management Limited on 1 October 2015. An admission agreement is to be put in place to cover the staff who will transfer under TUPE at that date.
Sewell FM Ltd contract for cleaning and caretaking services for Danesgate Community School, York	Cleaning and caretaking services for Danesgate Community School, York were awarded to Sewells Facilities Management Ltd with an effective date of 20 July 2015. An admission agreement was put in place on 17 July 2015 to cover the staff who transferred under TUPE.
Hutchison Catering Ltd catering contracts for Cannon Lee School, York and Millthorpe School, York	Hutchison Catering Ltd took over the catering service for Cannon Lee School and Millthorpe School in York on 21 July 2015. An admission agreement was signed on 18 August 2015.
Compass contract for All Saints School, York	The catering service for All Saints School, York was taken over by Compass Catering Ltd on 22 July 2015. An admission agreement is to be put in place to cover the staff who transferred under TUPE.
Mellors Catering Services Ltd catering contract for Markington CE Primary School, Moorside Junior School, Richard Taylor School, St Peters Church of England	The catering service for Markington CE Primary School, Moorside Junior School, Richard Taylor School and St Peter's Church of England has been awarded to Mellors Catering Services Ltd with an effective date of 1 August 2015. An admission agreement is to be put in place to cover the staff who have transferred under TUPE.
PA Food Management catering contract for Bilton Grange School	The catering service for Bilton Grange School was taken over by PA Food Management on 22 July 2015. An admission agreement is to be put in place to cover the staff who transferred under TUPE.

LATEST ACADEMY ADMISSIONS

Original name of school	Date of conversion/ current position	Name of academy after conversion
Brotherton and Byram School (NYCC)	School converted 1 April 2015	Part of the Ebor Academy Trust
Bilton Grange School (NYCC), Askwith School (NYCC) Lothersdale Schools (NYCC)	Schools converted to an academy on 1/8/2015	Part of the Yorkshire Academy Collaboration Trust
Mary's RC School (NYCC) St. Joseph's School (NYCC) St Stephen's RC School (NYCC)	Schools converted to an academy on 1/7/2015	Part of the Bishop Wheeler Catholic Academy Trust
All Saints CE Primary School (NYCC) St Peter's CE Primary School (NYCC)	Schools converted to an academy on 1/8/2015	Became part of the St Aidan's Church of England Schools Trust (along with St Aidan's High School and Richard Taylor CE School) which was renamed Yorkshire Causeway Schools Trust on 5 August 2015
Oatlands Junior School (NYCC) Western CP School (NYCC)	Schools converted to an academy on 1/8/2015	Became part of the Red Kite Learning Trust (along with Harrogate Grammar School)

NORTH YORKSHIRE PENSION FUND
Cumulative Total of Retirements from 1 April 2015 to 30 June 2015

Employer	Normal	Ill-Health		Efficiency/ Redundancy/ Employers Consent	Total
		Actuarial Assumption [≠]	Actual		
001 - Fulford PC	1	-	-	-	1
007 - Scarborough BC	3	1	1	2	6
009 - Hambleton DC	2	1	-	2	4
010 - Ryedale DC	1	1	-	-	1
011 - Harrogate BC	5	2	-	6	11
012 - Richmondshire DC	2	1	1	-	2
013 - Selby DC	3	1	-	1	4
014 - Craven DC	3	1	-	-	3
016 - York St John University	4	-	-	-	4
020 - York	18	7	-	6	24
025 - NYCC	56	22	1	4	61
051 - NY Fire and Rescue	2	-	1	-	3
055 - Uni of Hull	3	-	-	1	4
057 - Yorkshire Housing	3	-	-	-	3
062 - Craven College	2	1	-	-	2
068 - Scar 6 th Form College	1	-	-	-	1
074 - York College	1	-	-	-	1
076 - York Museums Trust	3	1	-	-	3
077 - Craven Housing	1	-	-	-	1
080 - Yorkshire Housing	5	-	-	-	5
086 - Superclean	1	-	-	-	1
105 - Rossett School	1	-	-	-	1
118 - Sheffield Int Venues	1	-	-	-	1
128 - NY Police and Crime C	2	-	-	-	2
128 - NY Chief Constable	3	-	-	-	3
134 - Sewell Facilities Man	1	-	-	-	1
143 - Lifeways	1	-	-	-	1
Others		12			
TOTALS	129	51	3	22	154
	(83%)		(3%)	(14%)	

Quarter by quarter analysis					
Quarter 1	129		3	22	154
Quarter 2 **	-		-	-	-
Quarter 3	-		-	-	-
Quarter 4	-		-	-	-
	129	N/A	3	22	154

[≠] **Estimated** actuarial assumptions re Ill-health numbers for the whole year - 2015/2016

Appendix 3

Date	Title or Nature of Course	Sponsor / Organiser	Venue	Bateman B	Blackie J	De Coursey-Bailey M	Harrison-Topham R	Mulligan P	Swiers H	Weighell J	Clark J	Steward C
19 Sept 2014	Investment Manager Meeting	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	✓	✓	✓	✓	✓	✓		✓	
27 Feb 2015	Investment Manager Meeting	NYCC	County Hall	✓	✓	✓	✓	✓	✓	✓	✓	
11-13 Mar 2015	Investment Conference	NAPF	Edinburgh	✓	✓	✓		✓				
18-20 May 2015	Investment Conference	NAPF	Cotswolds	✓								
21 May 2015	Fixed Income Review I	NYCC	County Hall	✓	✓	✓	✓	✓	✓	✓	✓	
22 May 2015	Investment Manager Meeting	NYCC	County Hall	✓		✓	✓	✓	✓	✓		
9 July 2015	Fixed Income Review II	NYCC	County Hall		✓	✓	✓	✓	✓	✓	✓	

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>
LGC	Investment Summit	10-11 September 2015	Newport	“Funding For the Future”: Asset allocation for cost-effective returns; London CIV progress update; Pension Board analysis; review of the Government asset pooling consultation.
NAPF	Annual Conference and Exhibition	14-16 October 2015	Liverpool	Vision statement from newly appointed Pensions Minister; Comprehensive range of investment-related topics.
LGPIF	Investment Forum	20-22 October 2015	London	Overview of Government and Regulator views on LGPS reform; Investment Strategy and Risk Management.
LAPFF	Annual Conference	2-4 December 2015	Bournemouth	Agenda not yet available.
NAPF	Investment Conference	9-11 March 2016	Edinburgh	Key investment choices, challenges and changes faced by institutional investors.

PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2015 AND 2016

Meeting Date	Time & Venue	Event	Fund Managers
17 September 2015	10am, The Grand	Pension Fund Committee	
18 September 2015	10am, Room 6	Investment Manager Meetings	Leadenhall; CRC
26 November 2015	10am, The Grand	Pension Fund Committee	1 Manager TBC
27 November 2015	10am, TBC	Investment Manager Meetings	2 Managers TBC
25 February 2016	10am, The Grand	Pension Fund Committee	1 Manager TBC
26 February 2016	10am, TBC	Investment Manager Meetings	2 Managers TBC
19 May 2016	10am, The Grand	Pension Fund Committee	1 Manager TBC
20 May 2016	10am, TBC	Investment Manager Meetings	2 Managers TBC
07 July 2016	10am, The Grand	Pension Fund Committee	
21 September 2016	10am, The Grand	Pension Fund Committee	1 Manager TBC
22 September 2016	10am, TBC	Investment Manager Meetings	2 Managers TBC

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

17 SEPTEMBER 2015

BUDGET / STATISTICS

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

- (a) the expenditure/income position to date for 2015/16 (see section 2)
- (b) the cash deployment of the Fund (see section 3)

2.0 2015/16 FORECAST

- 2.1 The Cash surplus for the quarter to 30 June 2015 (£14.2m) was slightly lower than forecast (£14.4m), by £0.2m.
- 2.2 Pensions Payroll Expenditure of £18.4m and Retirement Grant payments of £8.2m were higher than forecast by £0.1m.
- 2.3 Contributions Income of £41.1m represents a £0.5m negative variance to budget.
- 2.4 The profile for contributions income has been adjusted for the pre-payment of deficit contributions. 10 employers agreed with the Fund to pay their 2015/16 deficit contributions in single installments in April 2015. To remind Members, this arrangement means that funds are invested for longer and in return employers' deficit contribution requirements for 2015/16 are net of a 2% discount. This has resulted in an additional £18.5m of employer contribution receipts during the 3 months to June 2015.
- 2.5 Transfer Income for the period was £0.2m less than forecast at £1.6m, while Transfer Expenditure was £0.5m less than budget at £0.7m. Short term variances are to be expected. The forecasts for the year remain unchanged.

3.0 CASH DEPLOYMENT IN 2015-16

- 3.1 The cash generated in the year by the annual surplus, together with the opening balance has been utilised in 2015/16 as follows:

	£m	
Cash Balance Brought Forward from 2014/15	17.8	
Surplus to 30 June 2015 (as per Appendix 1)	14.2	
Cash Available as at 30 June 2015	32.0	(a)
Rebalancing		
April 2015 (transfer from Standard Life)	67.0	
April 2015 (transfer from Fidelity)	168.0	
April 2015 (transfer to Dodge and Cox)	-117.5	
April 2015 (transfer to Veritas)	-117.5	
May 2015 (transfer to Standard Life GARS)	-20.0	
May 2015 (transfer to Threadneedle)	-8.5	
Total Rebalancing	-28.5	(b)
Accrual for June 2015 Contribution Income	7.8	(c)
Available for Rebalancing of the Fund	11.3	(d) = (a+b+c)

3.2 Post June 2015 rebalancing activity is described in **section 7** of the **Performance of the Portfolio** report.

4.0 **RECOMMENDATIONS**

4.1 Members to note the contents of the report.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

09 September 2015

	Budget 2015/16 £000 (i)	Profiled Budget to 30 June £000 (ii)	Actual Income / Expenditure to 30 June £000 (iii)	Variance ie (iii-ii) £000 (iv)	Forecast 2015/16 £000 (v)
EXPENDITURE					
Benefits					
Pensions	74,000	18,500	18,400	-100	74,000
Lump Sums (including refunds)	26,000	8,000	8,200	200	26,000
sub total (a)	100,000	26,500	26,600	100	100,000
Admin Expenses					
Finance and Central Services	1,100	275	275	0	1,100
Other Services	210	50	70	20	210
Other Admin Expenses	200	100	100	0	200
sub total (b)	1,510	425	445	20	1,510
Investment Expenses					
Investment Management Fees (Base)	3,150	790	750	-40	3,150
Performance Related	700	150	150	0	700
Custodian Fees	150	38	34	-4	150
Other Investment Expenses	260	65	50	-15	260
sub total (c)	4,260	1,043	984	-59	4,260
Total Expenditure (d)	105,770	27,968	28,029	62	105,770
INCOME					
Contributions					
Employer and Employee Contributions	108,000	41,000	40,500	-500	108,000
Early Retirement Costs Recharged	2,500	620	600	-20	2,500
sub total (e)	110,500	41,620	41,100	-520	110,500
Transfers					
Transfers IN (per individuals)	7,000	1,750	1,590	-160	7,000
Transfers OUT (per individuals)	-5,000	-1,250	-740	510	-5,000
sub total (f)	2,000	500	850	350	2,000
Other Income					
Other Investment Income	1,000	250	240	-10	1,000
sub total (g)	1,000	250	240	-10	1,000
Total Income (h)	113,500	42,370	42,190	-180	113,500
Net Surplus (i)	7,730	14,403	14,161	-242	7,730

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

17 SEPTEMBER 2015

ANNUAL REPORT 2014/15

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To receive the Annual Report (ex-appendices) for the financial year 2014/15.
- 1.2 To approve a Letter of Representation that is required to be submitted to the External Auditor.

2.0 ANNUAL REPORT

- 2.1 The Annual Report for 2014/15 is attached as **Appendix 1**, excluding certain appendices, for the reasons set out in the table below:

Annual Report Appendix	Document	Details
A	Statement of Final Accounts 2014/15	Draft approved by the PFC 9 July 2015, see paragraph 2.2
B	Auditors Report	Not yet available
C	Statement of Investment Principles	Approved by the PFC 9 July 2015
D	Governance Compliance Statement	Approved by the PFC 9 July 2015
E	Funding Strategy Statement	Approved by the PFC 9 July 2015
F	Communications Policy Statement	Approved by the PFC 9 July 2015
G	Actuarial Rates & Adjustment Certificate	Approved by the PFC 20 February 2014 as part of the Triennial Valuation process
H	Pensions Administration Strategy	Approved by the PFC 9 July 2015

- 2.2 At the PFC meeting on 9 July 2015 it was acknowledged that there may be changes to the draft Accounts arising from the audit process. A small number of adjustments were made and the net effect is a reduction in Net Assets by approximately £1m. In addition, three “uncorrected misstatements” were identified in Deloitte’s draft Audit Report to the Audit Committee with a net value of £5.3m. £5.9m was due to the timing of pricing information used to value the underlying assets within pooled funds on the last day of the financial year, and £(0.6m) on year-end estimates of benefit payments. The materiality threshold was £24m. The final version of the Deloitte

report, which describes the approach to the audit and identifies the key areas of risk as well as making a number of comments and observations resulting from issues arising throughout the audit process, will be circulated to Members once available.

2.3 The Fund's auditor Deloitte LLP has advised informally that it will give an unqualified opinion of the Annual Report, subject to no material issues being identified before the audit process is completed. It is intended that a full version of this 104 page document, including appendices, will be signed at the Audit Committee meeting on 24 September 2015.

2.4 The Annual Report will be placed on the NYPF website by the deadline for publication of the 2014/15 Statement of Final Accounts of 30 September 2015.

3.0 **LETTER OF REPRESENTATION**

3.1 A Management Letter of Representation to Deloitte must accompany the Annual Report. This document is a written representation from management acknowledging its responsibility for the fair presentation of the Annual Report and as audit evidence on matters material to the financial statements when other sufficient appropriate evidence cannot reasonably be expected to exist.

3.2 Deloitte has therefore requested that this Letter should be discussed and agreed by the PFC and then signed on their behalf by the Chairman. This is to ensure that Members of this Committee are aware of the representations on which Deloitte intends to rely when issuing the opinion.

3.3 This Letter, the text of which is not expected to be significantly different from last year, will be circulated to Members in advance of the meeting.

3.4 Members are therefore asked to consider and approve this Letter and then authorise the Chairman to sign it on their behalf. The Letter will be countersigned by the Treasurer on the day of the Audit Committee meeting before its submission to Deloitte.

4.0 **RECOMMENDATIONS**

4.1 Members are to note the Annual Report 2014/15 (ex-appendices).

4.2 Members to approve the Letter of Representation and authorise the Chairman sign it on their behalf.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

9 September 2015



North

Yorkshire County Council

North Yorkshire Pension Fund

Annual Report and Accounts
2014/15



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PART 1 – MANAGEMENT AND FINANCIAL PERFORMANCE

1.1 Introduction

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

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

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

1.2 Pension Fund Committee

PFC membership as at 31 March 2015 was as follows:

Members	Position	Voting Rights
John Weighell (Chairman)	Councillor, NYCC	Yes
Roger Harrison-Topham (Vice-Chairman)	Councillor, NYCC	Yes
Bernard Bateman MBE	Councillor, NYCC	Yes
John Blackie	Councillor, NYCC	Yes
Margaret-Ann deCoursey-Bayley	Councillor, NYCC	Yes
Patrick Mulligan	Councillor, NYCC	Yes
Helen Swiers	Councillor, NYCC	Yes
Jim Clark	Councillor, District Councils' representative of Local Government North Yorkshire and York	Yes
Dafydd Williams (replaced by Chris Steward 7/5/2015)	Councillor, City of York Council	Yes
Sam Cross (resigned 13/5/2015 – (position vacant))	Councillor, NYCC	Yes
Chairman of the NYPF Advisory Panel (replaced by Chairman of the Pension Board 30/7/2015)	Councillor, Hambleton District Council and NYPF Advisory Panel representative	No
3 Unison representatives	Union Officials	No

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

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

1.3 Fund Administrators, Advisers and Investment Managers

Treasurer	Gary Fielding
Investment Consultant	Aon Hewitt
Independent Investment Adviser	Carolan Dobson (Investment Adviser & Trustee Services)
Independent Professional Observer	Peter Scales (AllenbridgeEpic)
Actuary	Mercer (replaced by Aon from 1 June 2015)
Legal Services	Ward Hadaway Head of Legal Services, NYCC
Auditor	Deloitte
Banker	Barclays Bank
Custodian	Bank of New York Mellon
Custodian Monitoring	Thomas Murray
Shareholder Voting	PIRC
Performance Measurement	BNY Mellon Asset Servicing
Fund Managers	Amundi Asset Management Baillie Gifford Life Dodge & Cox (appointed 17 April 2015) ECM Asset Management FIL Pensions Management Hermes Investment Management Legal & General Investment Management M&G Investment Management Newton Investment Management Standard Life Pension Funds Threadneedle Pensions Veritas (appointed 17 April 2015) YFM Venture Finance
AVC Provider	Prudential

1.4 Risk Management

Risk management is the process by which the Fund identifies and addresses the risks associated with its activities. Risk management is a key part of the North Yorkshire Pension Fund's governance arrangements, and the Pension Fund has its own dedicated risk register. Risks are identified and assessed, and controls are in place to mitigate risks. The Fund's risk register is reviewed every year, and the latest review highlighted:

- (a) Pension Fund solvency remains a high risk due to the unpredictable and volatile nature of global financial markets on which both investment returns and certain market based actuarial assumptions used to value liabilities are based. The potential consequence of the risk occurring is a significant increase in contribution rates for the Fund's employers and/or an extension to the deficit recovery period. Despite a fall in solvency over the last year due to falling Gilt yields, the Fund investment strategy has continued to provide strong returns. No remedial action is presently required in order to deliver the deficit recovery plan.
- (b) The investment strategy has moved from a red to an amber risk, reflecting the low probability (under 30%) that it will fail to deliver adequate returns. The Fund's strong performance in every year since the financial crisis and the diversification through the addition of new asset classes and managers are key reasons for this.

In addition, the approach to managing third party risk such as late payment on contributions is contained in the Pension Administration Strategy (Appendix H). Contributions received from employers are monitored, and the date of receipts is recorded and action is taken for late payments. A penalty system is applicable for employers failing to meet the required deadlines. For persistent material breaches of this protocol, the employer would be reported to the Pensions Regulator.

Further detail about how the Fund manages other risks can be found in **Note 17 Nature and Extent of Risks Arising from Financial Instruments** in the Statement of Accounts in Appendix A.

PART 2 – SCHEME ADMINISTRATION

2.1 Administering Authority Arrangements

The Fund's administration is the responsibility of Gary Fielding, the Treasurer, who is supported by Tom Morrison, Head of Commercial & Investments.

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

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

2.2 Disputes Process

The North Yorkshire Pension Fund deals with disputes under the statutory Internal Dispute Resolution Procedure (IDRP). This is a two stage process and further information is available on the nypf website with details of the procedure and the form to be completed. <https://www.nypf.org.uk/formsandguides/publications.shtml>

However as part of the Pension Section's customer care policy all questions raised are dealt with via an internal process with the aim of resolving issues to the satisfaction of the Scheme member as quickly as possible. In 2014/15 only one case was received against the Pension Fund via the IDRP process and the outcome was in favour of the Pension Fund, confirming that regulatory requirements have been followed and the appropriate action had been taken.

2.3 Pensions Administration

The introduction of the LGPS 2014 has made it more important than ever that the relationships between the Pension Fund and Scheme employers are strengthened, and that clear guidelines are provided on the respective roles under the Scheme. The data requirements have become far more complex under the LGPS since April 2014 and it has been necessary to provide additional information alongside the Pensions Administration Strategy document to ensure that Scheme employers understand the revised responsibilities. The Pension Fund strives to support employers in carrying out their function under the Scheme with a number of methods being offered for employers to obtain guidance and information, including 'hands on' training sessions on dedicated areas such as year-end. The focus on training in the year has been on both Pensions Section staff and Scheme employers as it has been recognised that the employer role in providing effective

administration is now an essential element as there is far less opportunity for the Pension Fund to recognise and resolve discrepancies under the Career Average Scheme. Much work has been done to encourage employers to capture data accurately via electronic methods including a move to quarterly data collection for some employers and it is encouraging that despite setbacks relating to payroll system specifications employers have worked hard to meet their responsibilities.

The Pension Fund continues to utilise a range of modules offered by the software provider Heywood in order to provide effective administration, communicate with employers and members electronically, and provide a self-service function for members.

2.4 Member Self-Service (MSS)

This is a web-based self-service facility which allows members to update their details and perform calculations. This facility has also been used to allow electronic communication with members for the retirement and estimates process. As at 31 March 2015 there were 8,683 registered users.

A small number of staff from employers within the fund have direct upload access to the pensions database (with access to their employees only). This allows them to carry out basic pensions administration processes (creating new starter records, updating hours and personal information) and upload associated documents. Work is monitored via a 'task' which is created on the member record by the employer detailing what they have done. All changes can be tracked through an Audit report which is run by the NYPF Systems team.

2.5 Electronic Annual Benefit Statements

Active and deferred Scheme members may view their Annual Benefit Statement online. The majority representing 98% of all statements are delivered in this way with only 935 being posted to members in 2014/15.

2.6 NYPF Website

All essential information and guides are held on the website along with links to further national guidance. Employees and employers are able to use the website to refer questions to a generic Pensions Inbox which is specifically resourced each day to provide a speedy response to member and employer queries. An 'Employers Only' area provides a central location to access forms and guides with the facility to securely submit forms electronically.

2.7 Data Quality

The Pensions Regulator guidelines on data collection and security have been applied by the Pension Fund and validation checks are carried out across all areas of activity. Periodic checks have been carried out across the database for the last five years to ensure that data gaps or queries are caught in 'real-time'. Other validation checks are carried out at each year end and queries are sent to the employer to resolve. This has become more complex with the introduction of the CARE Scheme as NYPF cannot validate CARE pay provided by employers. Support is sought where appropriate from the Internal Audit Service in order to encourage Scheme employers to maintain a consistent level of data accuracy including validating any data before it is supplied. Data is only accepted from named authorised signatories after the appropriate validation checks have been made.

PART 3– INVESTMENT POLICY AND PERFORMANCE

3.1. Investment Policy

(a) Regulations

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

(b) Investment Management arrangements

As at 31 March 2015 the following investment management arrangements were in place.

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

The Fund also has a small investment in the Yorkshire & Humber Equity Fund. The residual cost of this investment at the year-end was £0.08m.

The agreed asset class structure for the investment portfolio as at 31 March 2015 was as follows:-

	<i>Minimum %</i>	<i>Maximum %</i>
Equities	50	75
Diversified Growth Funds	5	10
Property	5	10
Fixed Income	15	30

(c) Custody of Investments

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

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

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

3.2 Performance

(a) Fund and Manager Performance

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

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

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

Performance for the year was +15.9% compared to the benchmark return of +14.3% and the local authority average (as measured by State Street) of +13.2%. Performance for the North Yorkshire Pension Fund compared with the benchmark for 5 Years is shown below.

Periodic Performance	1 Year	5 Years (p.a.)
North Yorkshire Pension Fund	15.9%	11.2%
Benchmark	14.3%	10.1%
Performance against benchmark	+1.6%	+1.1%

For the year ending 31 March 2015, NYPF was ranked 10th of out 100 Local Authorities within the State Street Universe. For the 5 year period to 31 March 2015 NYPF was ranked 14th.

The performance of the Fund as a whole and of the individual fund managers for the year to 31 March 2015 compared with their defined benchmarks is shown in the following table:

Fund Manager	Share of Fund @ March 2015	Fund Performance	Customised Benchmark	+/-
	%	%	%	%
Baillie Gifford Life Ltd - Global Alpha	17.2	19.4	19.2	0.2
Baillie Gifford Life Ltd - LTGG	11.4	27.5	19.2	8.3
Fidelity International	17.9	17.9	16.0	1.9
Standard Life Investments - Equities	14.9	1.7	6.3	-4.6
ECM Asset Management	5.4	3.4	0.5	2.9
Amundi Asset Management	10.6	25.7	27.9	-2.2
M&G Investment Management Ltd	7.2	29.0	27.9	1.1
Hermes Investment Management Ltd	1.2	18.8	8.8	10.0
Legal & General	2.3	12.3	8.7	3.6
Threadneedle	2.8	18.1	8.7	9.4
Standard Life (GARS)	3.8	10.1	0.5	9.6
Newton Investments (RR)	4.5	6.3	0.5	5.8
Internally Managed Cash	0.8	0.8	0.4	0.4
Total Fund	100.0	15.9	14.3	1.6

(b) **Analysis of Accounts**

The Statement of Accounts for the year 2014/15 is shown at Appendix A.

The value of the Fund's assets at 31 March 2014 was £2,083m, and this increased by £317m during the year to give a value of £2,400m at 31 March 2015.

Analysis of Fund Account over three years to 2014/15

	2014/15 £000	2013/14 £000	2012/13 £000
Net additions/(withdrawals) from dealings with members	(8,299)	26,665	19,893
Net investment return	16,610	17,059	18,071
Change in market value of investments	308,342	198,759	237,204
Net increase/(decrease) in the Fund	316,653	242,483	275,168

Analysis of Net Asset Statement over three years to 2014/15

	2014/15 £000	2013/14 £000	2012/13 £000
Fixed Interest Securities	161,287	71,424	72,005
Equities	701,918	742,593	622,265
Pooled Funds	1,335,586	1,141,317	1,059,513
Pooled Property	150,011	98,592	66,982
Private Equity	82	258	478
Cash Deposits	27,437	12,185	8,427
Other	4,204	3,158	(542)
Total Investment Assets	2,380,525	2,069,527	1,829,128

Current Assets and Current Liabilities	19,344	13,689	11,605
Net Assets of the Fund	2,399,869	2,083,216	1,840,733

(c) Accounting and Cash Flow

Prior to the start of the 2014/15 financial year, a Budget was prepared for NYPF which expressed the expected levels of expenditure (ie pensions, lump sums, administrative expenses) and income (ie employees and employers' contributions, net transfer values in, early retirement costs recharged). The Budget was monitored at each subsequent quarterly PFC meeting, and revised as necessary to take into account the latest projections.

The revised Budget for 2014/15 forecast a net cash surplus of £8.9m. The actual surplus for the year was £20.7m, resulting in an overall cash flow of £11.8m above expectations.

	Budget 2014/15 £m	Actual Income / Expenditure £m	Variance £m
Expenditure			
Benefits	96.0	92.5	-3.5
Administration	1.5	1.5	0
Investment Expenses	4.6	5.5	0.9
Total Expenditure	102.1	99.5	2.6
Income			
Employer and Employee contributions	108.0	120.5	12.5
Transfers	3.0	-0.3	-3.3
Total Income	111.0	120.2	9.2
Net Surplus	8.9	20.7	11.8

The main reasons for the variances were:

- the impact of local government austerity was less than expected in terms of the timing of early retirements and lump sum payments as well as on contribution payments
- outstanding investment performance resulted in higher than anticipated management and performance fees

- one of the Fund's employers paid an additional £8.3m deficit contribution on the last day of the financial year

This analysis of expenditure was reported to the PFC as part of the quarterly Fund management arrangements and has been analysed differently in the Statement of Accounts to comply with accounting requirements and guidance. It also excludes the bulk transfer of Probation members to Greater Manchester Pension Fund during the year (£33.8m).

PART 4 – PENSION ADMINISTRATION ACTIVITY

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

(a) Key Performance Indicators

The Local Government Pensions Committee has defined a range of performance indicators through which Pension Funds can be compared. NYPF's performance in these areas for the year to 31 March 2015 is shown below.

Performance Indicator	LGPC Target	Achieved (%)
Letter detailing transfer <i>in</i> quote	10 days	95
Letter detailing transfer <i>out</i> quote	10 days	100
Process and pay refund	5 days	95
Letter notifying estimate of retirement benefits	10 days	95
Letter notifying actual retirement benefits	5 days	100
Process and pay lump sum retirement grant	5 days	100
Initial letter acknowledging death of active/deferred/pensioner member	5 days	87
Letter notifying amount of dependant's benefits	5 days	87
Calculate and notify deferred benefits	10 days	75

(b) Benefit Calculation Activity

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

Task	Number
Retirements	1918
Transfers In	145
Refunds	274
Frozen Refunds	230
Preserved Benefits	2867
AVCs/ARCs	11
Divorce cases	202
Deaths in Service	29
Deaths of Pensioners	503

(c) Administration

The total numbers of joiners and leavers during 2014/15 were:

Joining	7,299
Retiring	1,447
Deaths	571
Other Leavers	3,292

The performance and activity reflect the efforts the Pension Administration team goes to in providing a first class service to the Fund membership. NYPF is one of the leaders across LGPS administering authorities in terms of communication initiatives and innovative use of technology. Examples of this over 2014/15 include:

- Maintaining the drive to encourage the use of the improved NYPF website to carry out 'self-service' calculations, building in the LGPS 2014 changes, and making use of the information on the website
- Developing an on-line version of the feedback form completed by leavers going through the retirement process
- Running extra 'NYPFOG' employer workshop events, at which employers were more involved in actively sharing and discussing their experience with LGPS 2014 and learning from each other
- Working with employers to communicate key messages to Fund members in their employment via their internal emailing facilities, chief officer messages and their e-magazines
- Tailoring communication methods in relation to needs of active members based on ability to use the website, how complex their circumstances are and how close a member is to retirement

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

PART 5 – MEMBERSHIP CONTRIBUTIONS AND SCHEME BENEFITS

5.1 Membership

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

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

Employees therefore have various options:-

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

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

Membership Type	31 March 2011	31 March 2012	31 March 2013	31 March 2014	31 March 2015
Current Contributors	29,295	27,770	29,036	31,501	35,056
Deferred Pensions	23,800	25,534	27,503	29,490	30,591
Pensioners receiving Benefits	14,888	15,839	16,755	17,668	18,444

5.2 Contributions

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

The total contributions received for 2014/15 were £120m, and North Yorkshire County Council being the main employer in the Fund contributed £48m.

5.3 Employer Analysis

At 31 March 2015 there were 107 contributing employer organisations within NYPF including the County Council itself. Full details of all employers can be found in the Statement of Accounts (Appendix A). The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Scheduled	62	15	77
Admitted Body	45	0	45
Total	107	15	122

5.4 Employee Rates

For employee contributions a banded structure has been in place from April 2008 linked to the rate of pensionable pay a member receives. The band ranges were updated in April 2014 as follows:

Band	Range	Contribution rate
1	£0 to £13,500	5.5%
2	£13,501 to £21,000	5.8%
3	£21,001 to £34,000	6.5%
4	£34,001 to £43,000	6.8%
5	£43,001 to £60,000	8.5%
6	£60,001 to £85,000	9.9%
7	£85,001 to £100,000	10.5%
8	£100,001 - £150,000	11.4%
9	Over £150,000	12.5%

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

Employers' contributions are determined in a cycle every three years by a Triennial Valuation. The Valuation assesses the contributions required to meet the cost of pension benefits payable as they are earned, as well as additional contributions employers may be required to pay to address any deficit relating to previous years. Further details, including a list of each employer's minimum contributions following the 2013 Valuation for the financial years 2014/15, 2015/16 and 2016/17 are shown at

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

5.5 Scheme Benefits

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

Normal Pension Age

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

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

Pension (Normal)

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

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

Pension (Ill Health)

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

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

Lump Sum Retirement Grant

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

Death Grant

(i) Death in Service

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

(ii) Death after Retirement

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

(iii) Death of a member with Preserved Benefits

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

Spouses, civil partners and nominated cohabiting partner's pension

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

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

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

Children's Pension

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

- Partner with one child:** Child's pension is $\frac{1}{320}$ th of member's service, multiplied by the pensionable pay plus a pension equal to $\frac{1}{160}$ th of the Assumed Pensionable Pay for each year of membership the member would have built up from the date of death to Normal Pension Age.
- Partner with more than one child:** Child's pension is $\frac{1}{160}$ th of the member's service, multiplied by the pensionable pay plus a pension equal to $\frac{1}{160}$ th of the Assumed Pensionable Pay for each year of membership the member would have built up from the date of death to Normal Pension Age. The total children's pension payable is divided by the number of children who are entitled to equal shares.
- No partner and one child:** Child's pension is $\frac{1}{240}$ th of the member's service, multiplied by the pensionable pay plus a pension equal to $\frac{1}{160}$ th of the member's Assumed Pensionable Pay for each year of membership the member would have built up from the date of death to Normal Pension Age.
- No partner & more than one child:** Child's pension is $\frac{1}{120}$ th of the member's service, multiplied by the pensionable pay plus a pension equal to $\frac{1}{160}$ th of the Assumed Pensionable Pay for each year of membership the member would have built up from the date of death to Normal Pension Age. The total children's pension payable is divided by the number of children who are entitled to equal shares.

Pension Increases

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

Contracting Out Status (with effect from 1 April 2002)

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

AVCs

A facility is available for scheme members to make Additional Voluntary Contributions (AVCs). The Pension Fund Committee (PFC) has appointed the Prudential as the nominated provider for this purpose. Further details are available from the Prudential on 0800 032 6674.

PART 6 – GOVERNANCE DOCUMENTATION

The main governance documentation is as follows:

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

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

(a) Statement of Investment Principles

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

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

(b) Governance Compliance Statement

Under the Statement under the LGPS (Administration) Regulations 2013, as an administering authority is required to publish a document describing how the Fund must assess its governance arrangements and compliance with any principles listed in the guidance. This statement is available at Appendix D. The main areas covered by this are:

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

(c) Funding Strategy Statement

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

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

In addition to this, the Funding Strategy Statement covers:

- responsibilities of the key parties
- solvency issues and target funding levels
- link to Investment Strategy set out in the Statement of Investment Principles
- identification of risks and counter measures
- method and assumptions and results of the 2013 Actuarial Valuation

A revised Funding Strategy Statement will be issued following the 2016 Actuarial Valuation.

(d) Communications Policy Statement

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

(e) Pension Administration Strategy

This document sets out the administration protocols that have been agreed between the Fund and its employers. It includes the responsibilities and duties of the Employer and NYPF, performance levels, and communications. The latest Pension Administration Strategy is shown at Appendix H.

PART 7 – TRAINING

7.1 Public Sector Pensions – Finance Knowledge and Skills

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

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

7.2. Training for Pension Fund Committee Members and Officers

(i) Internal

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

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

(ii) Externally Provided

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

Events attended by PFC Members during 2014/15 were:

Event	Place	Date
LGC Investment Summit	Newport	09 – 10 September 2014
NAPF Annual Conference	Liverpool	15 – 17 October 2014
LGPF Investment Forum	London	22 October 2014
NAPF Annual Conference	Edinburgh	11 – 13 March 2015

PART 8 – GLOSSARY AND CONTACT DETAILS

ACTIVE MEMBER:

Current employee who is contributing to a pension scheme.

ACTUARY:

An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC):

An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

ADMINISTERING AUTHORITY:

North Yorkshire County Council as Administering Authority is responsible for the administration of the North Yorkshire Pension Fund (NYPF).

ADMITTED BODY:

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

ASSET ALLOCATION:

The apportionment of a fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

BENCHMARK:

A measure against which the investment policy or performance of an investment manager can be compared.

CARE (Career Average Revalued Earnings)

From 1 April 2014, the LGPS changed from a final salary scheme to a CARE scheme. It is still a defined benefit scheme but benefits built up from April 2014 are worked out using a member's pay each scheme year rather than the final salary. The pension earned each scheme year is added to the member's pension account and inflation is then added to the pension built up in the account so it keeps its value.

DEFERRED MEMBERS:

Scheme members, who have left employment or ceased to be an active member of the scheme whilst remaining in employment, but retain an entitlement to a pension from the scheme.

DEFINED BENEFIT SCHEME:

A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

DIVERSIFIED GROWTH FUNDS (DGF):

An alternative way of investing in shares, bonds, property and other asset classes.

EMPLOYER CONTRIBUTION RATES:

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

EQUITIES:

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

FIXED INTEREST SECURITIES:

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

INDEX:

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

POOLED FUNDS:

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

RETURN:

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

SCHEDULED BODY:

An organisation that has the right to become a member of the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

THE PENSIONS ADVISORY SERVICE (TPAS)

TPAS is an independent non-profit organisation that provides information and guidance on all areas of the pensions industry. They also help any member of the public who has a problem, complaint or dispute with their occupational or private pension arrangement

UNREALISED GAINS/LOSSES:

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

Contact Information

North Yorkshire Pension Fund

County Hall
Northallerton
North Yorkshire
DL7 8AL

Telephone: Pensions Help & Information Line on 01609 536335

Email: pensions@northyorks.gov.uk

website: www.nypf.org.uk

The Pensions Advisory Service (TPAS)

TPAS
11 Belgrave Road
London
SW1V 1RB

Telephone: The Pensions Helpline: 0845 601 2923

Email: enquiries@pensionsadvisoryservice.org.uk.

website: www.pensionsadvisoryservice.org.uk

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

17 SEPTEMBER 2015

PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER
ENDING 30 JUNE 2015

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 30 June 2015.

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 30 June 2015.
- 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 (-2%) was above the customised benchmark for the Fund (-2.4%) by +0.4%.**
- 3.2 **The 12 month absolute rolling return was +12.9%, 2.6% above the customised benchmark.**
- 3.3 Absolute and relative returns over the rolling years to each of the last four quarter ends were as follows.

Year End	Absolute %	Relative %
30 June 2015	+12.9	+2.6
31 March 2015	+15.9	+1.6
31 December 2014	+10.2	+0.7
30 September 2014	+9.8	+1.9

- 3.4 The performance of the various managers against their benchmarks for the Quarter ended 30 June 2015 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 30 June 2015 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 negative absolute return of -2% in the Quarter decreased the invested value of the Fund by £48m. Seven managers/funds outperformed their respective benchmarks and seven did not. At the end of the June 2015 quarter the value of the Fund was £261m above the value at the end of June 2014, an increase of 12.4%.

4.2 **Appendix 3** shows the **performance of NYPF relative to other Funds in the LGPS universe**. For the one, three and five year periods to June 2015 NYPF was placed 5th, 1st and 1st respectively.

Overseas Equities

4.3 **Fidelity** produced a positive relative return in the quarter of 1.5% over the benchmark return of -5.5%. Performance over the year to June 2015 was +3.7% relative. The longer term figures also look impressive, at +2.2% pa and +1.1% pa over the last three and five years respectively. Since inception in November 2008 the manager has exceeded the benchmark by 0.6% 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 -4.8% for the quarter against a benchmark return of -5.0%. Outperformance over the longer term was +3% over 1 year and +2.9% pa over 5 years. Since inception in 2006, the Fund has outperformed the FTSE All World by 2.2% p.a.

The LTGG fund, also managed by **Baillie Gifford** on an absolute return basis, produced a positive relative return for the quarter (+3.7%) against the same benchmark return of -5.0%. Outperformance over the longer term was +11.4%

over 1 year and +5.3% pa over 5 years. Performance since inception in 2006 was 4.1% pa above the benchmark.

The newly invested Global equity funds Veritas and Dodge & Cox returned +1.3% and -0.4% against the MSCI All Country World benchmark of -7.8% respectively. Both managers invest on a global unconstrained basis so this benchmark is for performance measurement purposes only. This was their first part-quarter with the NYPF.

UK Equities

- 4.5 **Standard Life** produced a positive relative return (+0.7%) in the quarter against the benchmark return of +3.4%. Relative performance for the year was -1.3% against the benchmark of 11.5%. Performance over the longer term was +3.1% p.a. over three years and +1.1% pa over five years.

Fixed Income

- 4.6 **ECM** produced -1.1% relative against cash for the quarter and +0.7% relative for the year to June 2015. Performance for the 5 years to June 2015 was +3.4% relative.
- 4.7 **Amundi** performed on the benchmark (-4.2%) in the quarter and was below it (-1.4%) for the year to June 2015. Relative performance over the longer term was +0.1% pa over the five year period.
- 4.8 The investment in Gilts with **M&G** slightly underperformed the liability matching benchmark of -4.2% for the quarter to June 2015 by 0.1%. Performance for the year was 1% above the benchmark return of +20.6%, and performance since inception in 2010 was +0.6% pa.

Property

- 4.9 The investments with **Hermes**, **Threadneedle** and **L&G** produced -0.2%, +0.2% and +0.3% respectively in relative terms, against the property index for each manager for the quarter to June 2015.
- 4.10 Property has performed well over the year to June 2015 with Hermes, Threadneedle and L&G returning in absolute terms +19.4%, +16% and +15.3% 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 underperformance for the quarter of -1.2% and -2.9% respectively against a cash benchmark of +0.1%.
- 4.12 Over the period since inception in March 2013, in absolute terms, Standard Life returned +5.4% pa against cash of +0.5% and a performance target of +5.5% and Newton +2.1% pa against cash of +0.5% and a performance target of +4.5%.

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, was 7% for the rolling three year period to June 2015, 0.7% 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 June 2015 is +0.3% above the benchmark.
- 5.4 The **Tracking Error** figure reflects how closely a fund manager's actual return follows their respective benchmark. As at June 2015 the figure was 2.1%.
- 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 up to June 2015 the ratio for the Fund was +1.5%.

6.0 SOLVENCY

- 6.1 The **solvency position** is presented in **Appendices 4 and 5**. As at 30 June 2015 the estimated solvency remained on the same level as 31 March 2015 at 78%. This is a 5% increase from the 2013 Actuarial Valuation figure.
- 6.2 Since the 2013 Actuarial Valuation, asset outperformance has elevated the funding level by 10%, however financial assumptions – substantially falling gilt yields which have increased liability valuations – partially mitigated this improvement.
- 6.3 The deficit has slightly increased in cash terms from £668m as at 31 March 2013 to £674m as at 30 June 2015.

7.0 REBALANCING

- 7.1 At the PFC meeting on 9 July 2015 Members agreed to rebalance the investments with Amundi and M&G so that these managers, both of which operate to a liability matching benchmark, manage a similar value the Fund's assets. £40m was transferred from Amundi to M&G (£35m) and cash (£5m) on 9 September 2015. The transfer to cash was required to address the requirements following the advance payment of deficit contributions by some of the Fund's employers. See **Appendix 6** for the Rebalancing Schedule.

8.0 PROXY VOTING

- 8.1 The report from PIRC is available on request summarising the proxy voting activity in the period April 2015 to June 2015. 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.

9.0 RECOMMENDATION

9.1 Members are asked to note the investment performance of the Fund for the Quarter ending 30 June 2015.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

9 September 2015



BNY MELLON
ASSET SERVICING

North Yorkshire Pension Fund

3 Months Ending 30 June 2015

Fund Analysis & Performance Report



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Executive Summary

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Market Briefing - Quarter Ended 30 June 2015

Market Summary

During the second quarter of 2015, returns were negative with Overseas Bonds providing the weakest result of the quarter, followed by Overseas Equities, UK Bonds, and UK Index-Linked Gilts. UK Cash and Property were the strongest performers over the quarter.

UK Equities

The FTSE 250 was the best performing sector with a return of 3.6%, followed by the FTSE Small Cap and FTSE All-Share, with a return of 2.6% and -1.6% respectively.

Over the one year period ending 30th June 2015, all the indices achieved positive returns. The FTSE 250 was the best performing index with a return of 14.5% over this period. The FTSE 100 was the weakest performing index with a return of 0.2%.

Telecommunications was the best performing industry sector with a return of 6.0% for the quarter. The weakest performing sector was Health Care with a return of -10.7%.

Over the one year period ending on 30th June 2015, returns ranged from 22.6% for Technology to -21.0% for Oil & Gas. Telecommunications was the second best performing sector with a return of 22.5%.

Overseas Equities

The second quarter of 2015 saw negative results for most Overseas Equity markets. Within Europe, Greece was the best performing country with a return of 2.6%. This was followed by Ireland and Norway with returns of 1.0% and -2.5% respectively. Germany was the weakest performing country with a return of -10.7%, followed by Finland with a return of -10.5%. Over the one year period, Ireland was the strongest performing country with a return of 27.9%, and Greece the weakest with a return of -55.5%.

Outside Europe, Brazil was the best performing country with a return of 1.3%. Hong Kong provided the second best performance with a return of -2.2%. The weakest performing country was Australia with a return of -11.5% in Sterling terms.

Executive Summary

Market Review

UK Bonds

Returns were negative across all the UK Bond sectors during the quarter. UK-Gilts outperformed Non-Gilts with a return of -3.4% compared to -3.9%. Within Gilts, Short-dated Gilts was the strongest performing sector with a return of -0.4%. Long-dated Gilts was the weakest performing sector with a return of -6.3%.

Over the one year period ending 30th June 2015, UK Gilts was the best performing sector with a return of 8.9% compared to the return of 6.5% for UK Non-Gilts. Within Gilts, Long-dated Gilts provided the strongest performance with a return of 16.3%, whilst the weakest came from Short-dated Gilts with 2.6%.

Overseas Bonds

The second quarter of 2015 saw Overseas Bonds record a negative performance of -7.5%. Within Europe, Sweden was the best performing country with a return of -5.3%. Denmark was the weakest performing country with a return of -8.6%. Outside Europe, Canada was the best performing country with a return of -5.7%, whereas Australia was the weakest performing country with a return of -7.8%.

Over the twelve month period, European Bonds saw negative returns. Belgium and Denmark provided the strongest performance both with a return of -6.9%, followed by Sweden with a return of -7.0%. Outside Europe, the best performance came from the USA with a return of 11.6%. The worst performing country was Japan with a return of -7.9%.

UK Index-Linked Gilts

UK Index Linked-Gilts achieved a negative return of -2.7% for the second quarter of 2015. Within this sector, Long-dated Index-Linked Gilts provided the weakest performance with a return of -3.8%, whereas the strongest performance was provided by Short-dated Index-Linked Gilts with return of 0.0%.

Over the one year period to 30th June 2015, on an overall basis UK Index-Linked Gilts achieved a return of 14.2%. Over the same period, Long-dated Index-Linked Gilts was the strongest performing sector with a return of 21.6%, whereas short-dated Index Linked Gilts showed the weakest performance, returning -0.3%.

UK Cash and Property

Property recorded a positive return of 2.7% for the second quarter. The overall return for the one year period ending 30th June 2015 was 12.9%. Cash achieved a return of 0.1% over the quarter and 0.4% over the last twelve months.

Fund Performance, Risk and Allocation Highlights

During the second quarter of 2015, the fund returned -2.03% versus its benchmark of -2.44%, thereby outperforming by 0.41%. In terms of longer period performance, the fund has outperformed over 5 year by 1.74%.

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 2.78%. Alternatives however underperformed the benchmark by 1.70% respectively.

Over the quarter, Eight accounts out-performed their benchmarks. The best performance (excluding the Cash Account) was shown by Yorkshire Fund Manager which out-performed its benchmark by 45.31%.

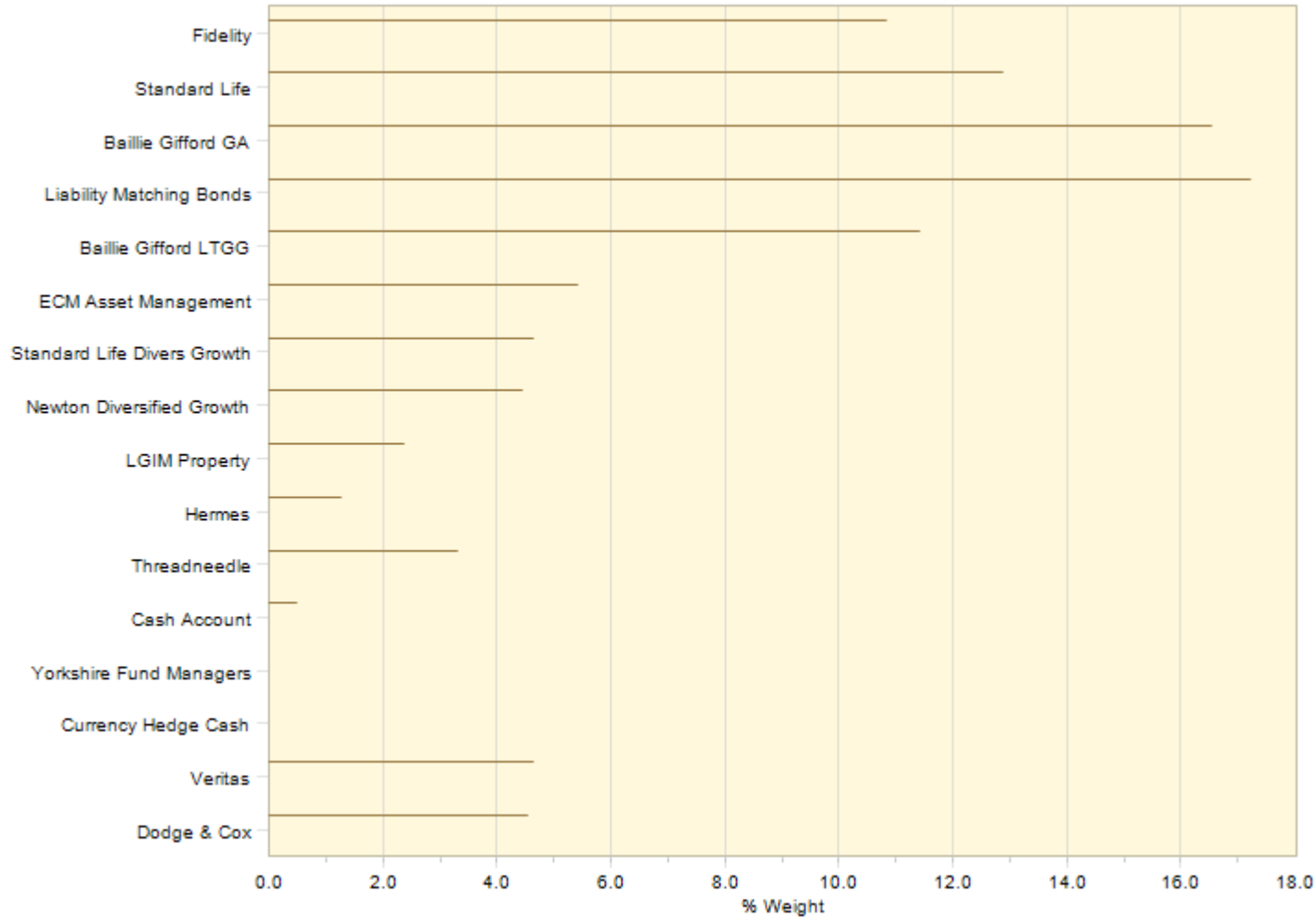
For asset allocation the fund is closely matched to the benchmark with the largest variances being in Global Equity Units and Overseas Equity where the fund is -1.07% underweight and 0.46% overweight respectively.

Fund Allocation

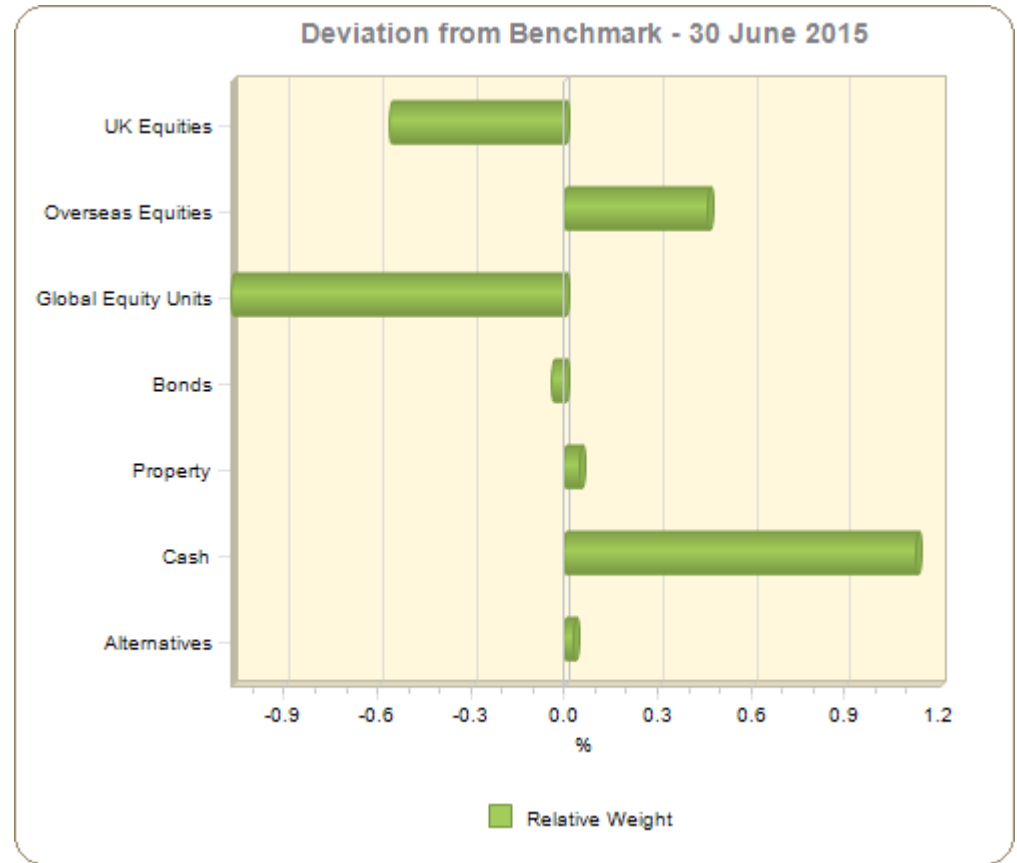
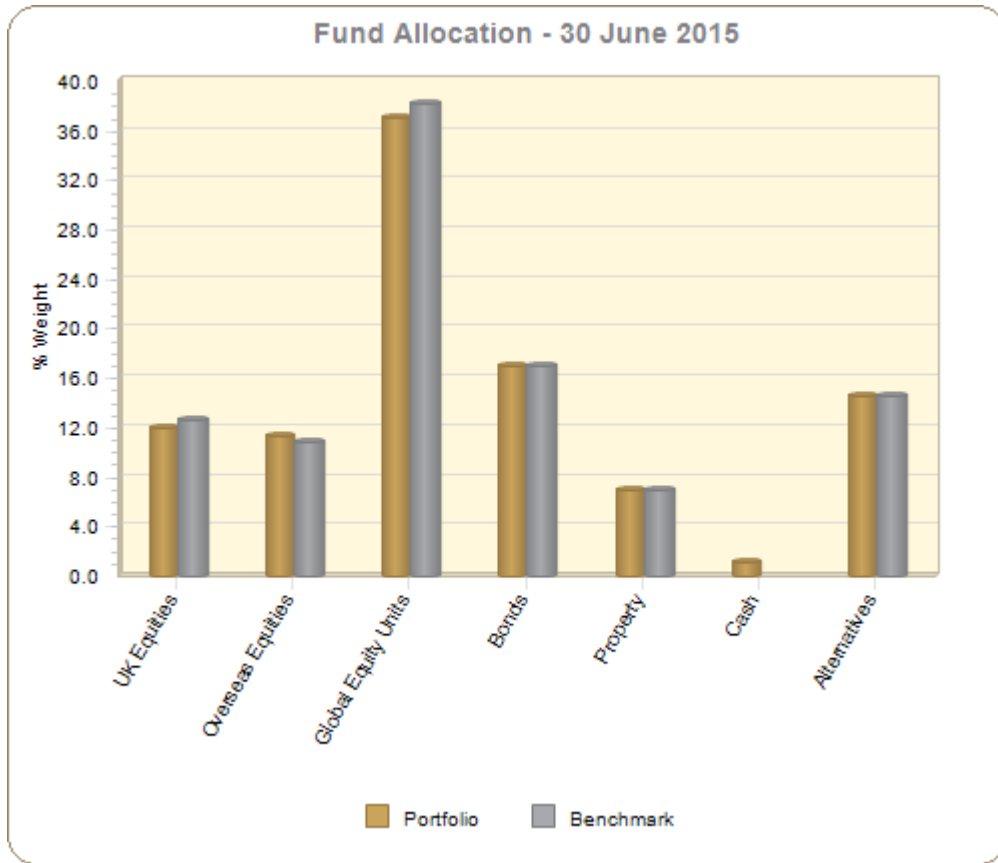


Fund Allocation - Managers

Manager Allocation - 3 Months Ending 30 June 2015



Manager	Weight (%)
Fidelity	10.83
Standard Life	12.87
Baillie Gifford GA	16.55
Liability Matching Bonds	17.21
Baillie Gifford LTGG	11.40
ECM Asset Management	5.43
Standard Life Divers Growth	4.65
Newton Diversified Growth	4.44
LGIM Property	2.38
Hermes	1.28
Threadneedle	3.30
Cash Account	0.48
Yorkshire Fund Managers	0.01
Currency Hedge Cash	0.00
Veritas	4.63
Dodge & Cox	4.55



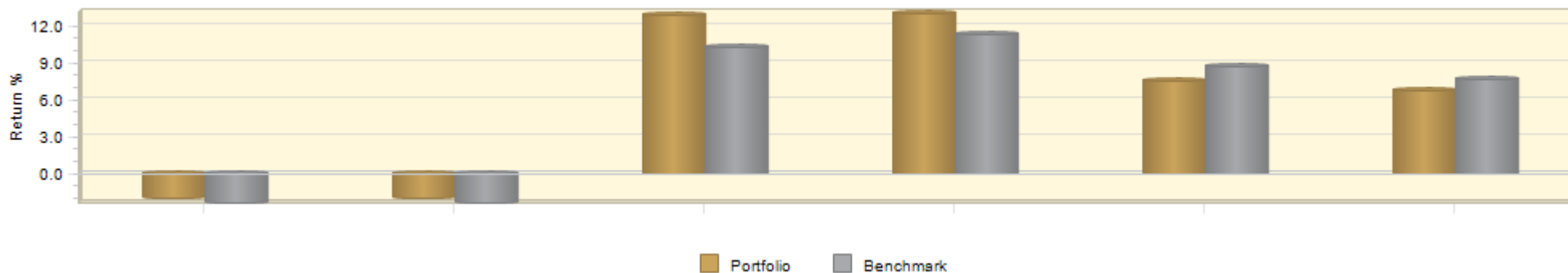
	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Cash	Alternatives
Portfolio	12.04	11.26	37.13	16.96	6.95	1.13	14.53
Benchmark	12.60	10.80	38.20	17.00	6.90	1.13	14.50
Relative Weight	-0.56	0.46	-1.07	-0.04	0.05	1.13	0.03

Fund Performance



Fund Performance - Summary

Periodic Performance



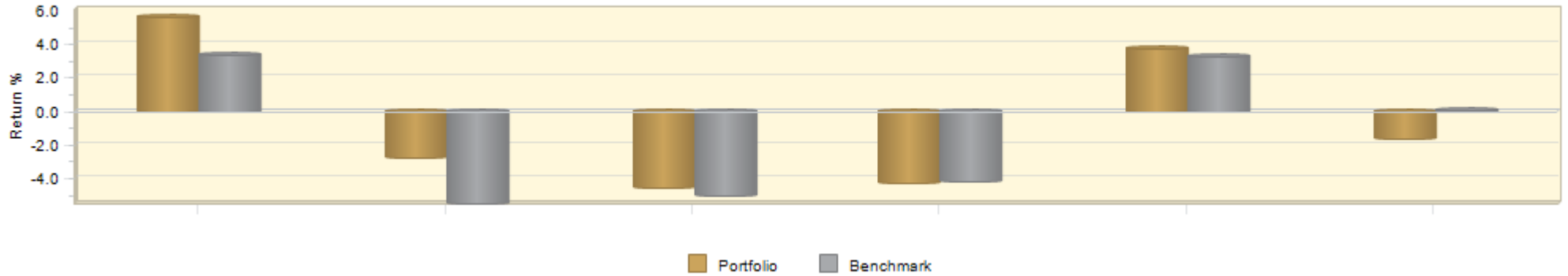
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	10 Years (Ann)	Since Inception (Ann)
Portfolio	-2.03	-2.03	12.94	13.00	7.54	6.72
Benchmark	-2.44	-2.44	10.33	11.26	8.73	7.67

Inception Date: 31 Jan 2002

Ann = Annualised

Fund Performance - Segment Analysis

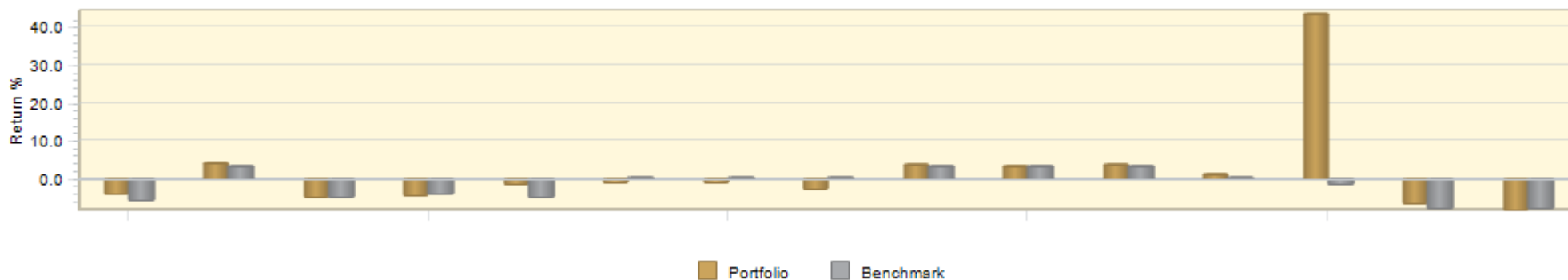
Segment Performance - 3 Months Ending 30 June 2015



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Alternatives
Portfolio	5.64	-2.76	-4.65	-4.27	3.74	-1.57
Benchmark	3.44	-5.54	-5.05	-4.17	3.33	0.13

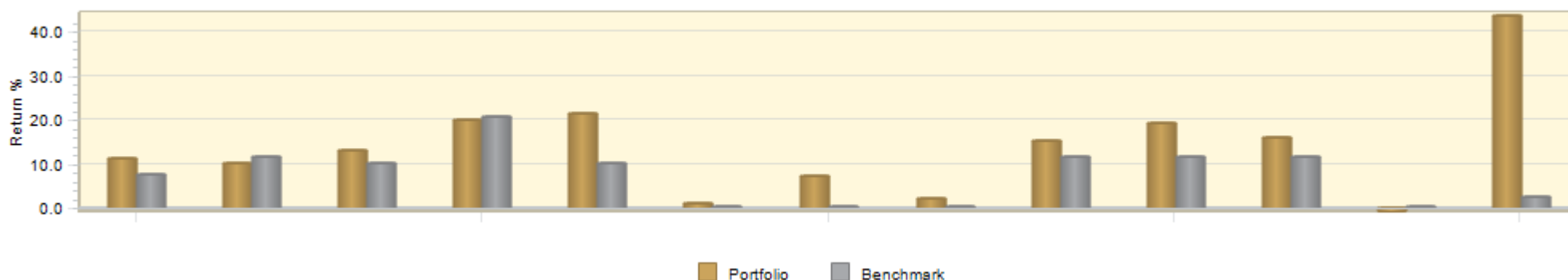
Fund Performance - Manager Overview

Manager Performance - 3 Months Ending 30 June 2015



	Fidelity	Standard Life	Baillie Gifford GA	Liability Matching	Baillie Gifford	ECM Asset Management	Standard Life Divers	Newton Diversified	LGIM Property	Hermes	Threadneedle	Cash Account	Yorkshire Fund	Veritas	Dodge & Cox
Portfolio	-4.00	4.13	-4.79	-4.20	-1.31	-0.97	-1.11	-2.82	3.56	3.17	3.46	1.16	43.73	-6.54	-8.23
Benchmark	-5.54	3.44	-5.03	-4.17	-5.03	0.13	0.13	0.13	3.32	3.35	3.32	0.09	-1.58	-7.80	-7.80

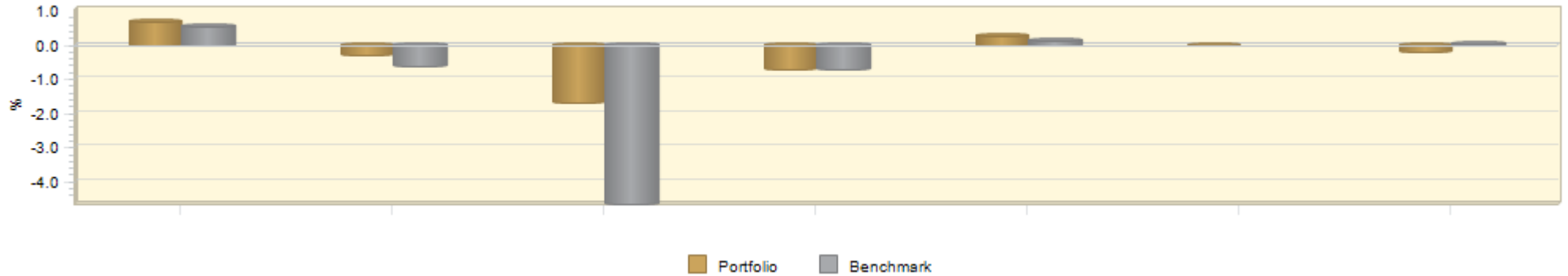
Manager Performance - 1 Year Ending 30 June 2015



	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	11.28	10.19	13.23	20.16	21.60	1.21	7.38	2.16	15.29	19.42	16.05	-0.71	43.73
Benchmark	7.61	11.52	10.24	20.60	10.24	0.50	0.50	0.50	11.62	11.83	11.62	0.36	2.60

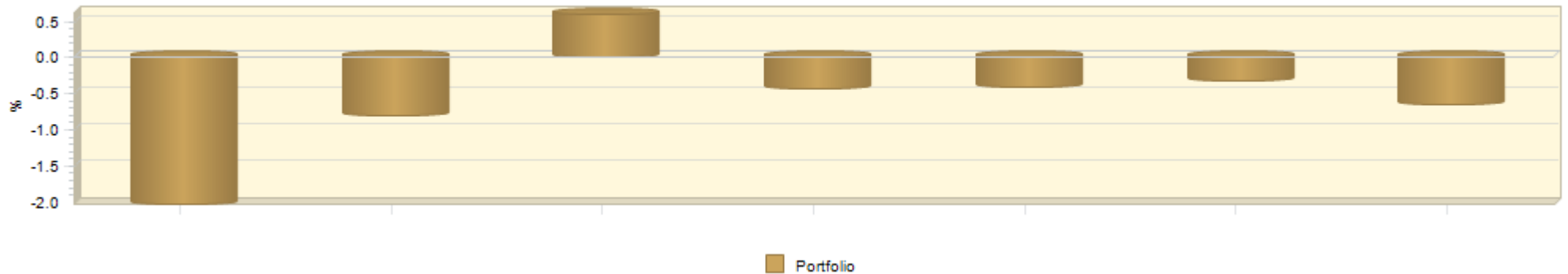
Fund Performance - Contribution Analysis

Source of Contribution - Quarter to 30 June 2015



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Cash	Alternatives
Portfolio	0.67	-0.29	-1.68	-0.73	0.24	-0.01	-0.22
Benchmark	0.53	-0.62	-4.66	-0.71	0.12		0.02

Top 5 Manager Contribution - Quarter to 30 June 2015



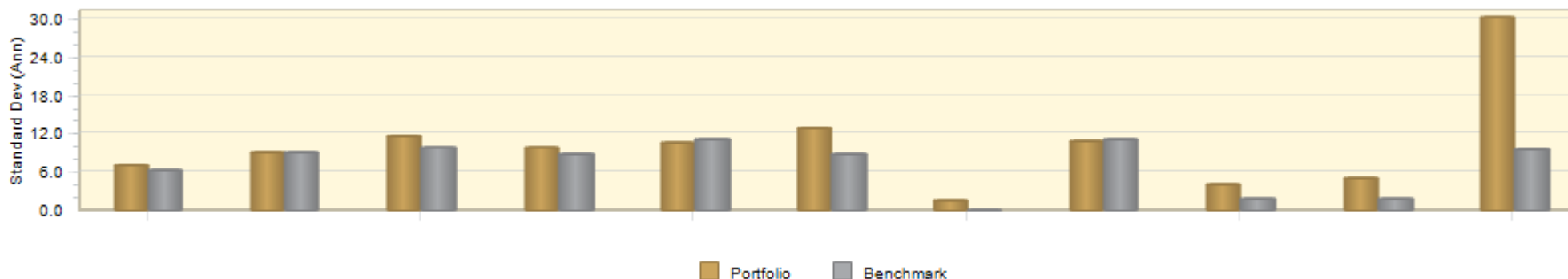
	Total Consolidation	Baillie Gifford GA	Standard Life	Amundi	Dodge & Cox	Veritas	Remaining Managers
Portfolio	-2.03	-0.81	0.59	-0.43	-0.40	-0.32	-0.66

Risk Profile



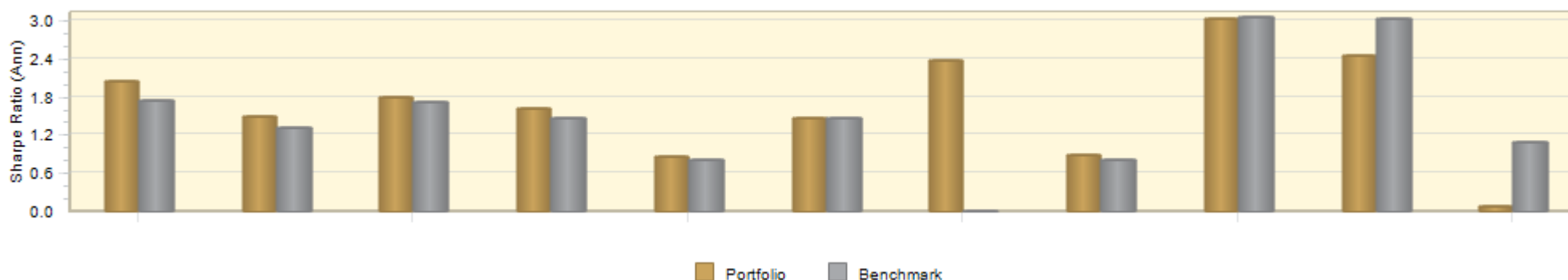
Risk Profile - Historic Risk

Standard Deviation - 3 Years (Ann) to 30 June 2015



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Amundi	Baillie Gifford LTGG	ECM Asset Management	M&G	Hermes	Threadneedle	Yorkshire Fund Managers
Portfolio	7.04	9.19	11.52	9.92	10.64	12.80	1.55	10.91	3.93	4.97	30.12
Benchmark	6.33	9.19	9.95	8.80	11.18	8.80	0.01	11.18	1.71	1.69	9.69

Sharpe Ratio - 3 Years (Ann) to 30 June 2015

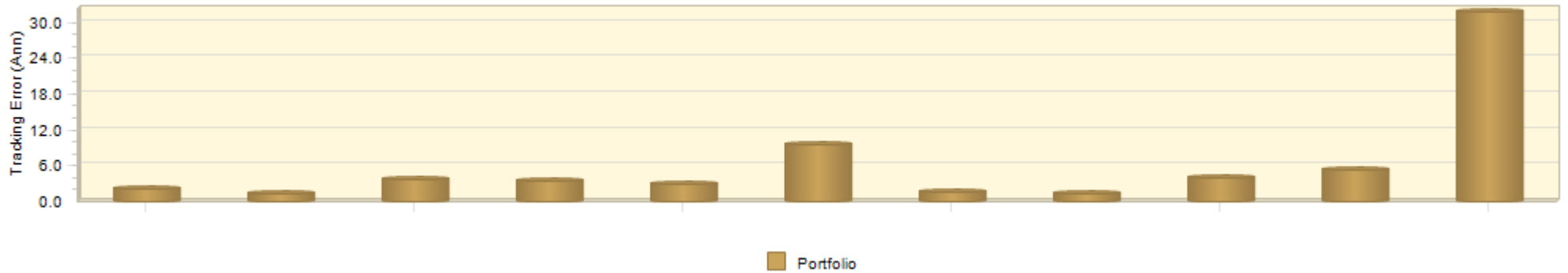


	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Amundi	Baillie Gifford LTGG	ECM Asset Management	M&G	Hermes	Threadneedle	Yorkshire Fund Managers
Portfolio	2.03	1.48	1.78	1.61	0.86	1.47	2.37	0.89	3.02	2.45	0.07
Benchmark	1.75	1.31	1.72	1.45	0.80	1.45	0.00	0.80	3.05	3.03	1.08

Ann = Annualised

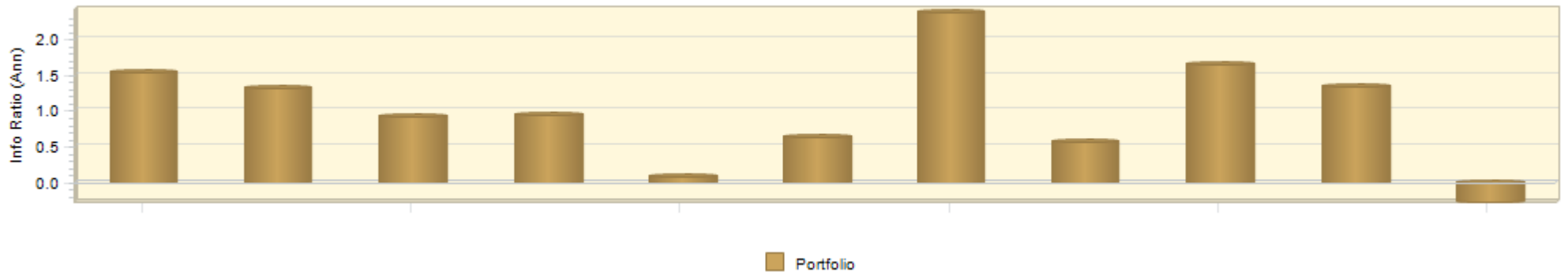
Risk Profile - Historic Risk

Tracking Error - 3 Years (Ann) to 30 June 2015



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Amundi	Baillie Gifford LTGG	ECM Asset Management	M&G	Hermes	Threadneedle	Yorkshire Fund Managers
Portfolio	2.06	1.22	3.73	3.45	2.86	9.41	1.55	1.45	4.02	5.29	31.74

Information Ratio - 3 Years (Ann) to 30 June 2015



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Amundi	Baillie Gifford LTGG	ECM Asset Management	M&G	Hermes	Threadneedle	Yorkshire Fund Managers
Portfolio	1.54	1.31	0.92	0.95	0.09	0.64	2.38	0.57	1.66	1.33	-0.27

Ann = Annualised

Risk Profile - Consistency Analysis

Manager	Active Number of Months	Number of Positive Months	Consistency Rate (%)	Benchmark Consistency (%)	Outperformance (%)
Total Consolidation	162	105	65	67	56
Fidelity	80	50	63	46	56
Standard Life	105	58	55	36	55
Baillie Gifford GA	105	64	61	40	55
Amundi	120	72	60	37	53
Baillie Gifford LTGG	106	63	59	40	54
ECM Asset Management	120	79	66	50	62
Standard Life Divers Growth	28	20	71	100	68
Newton Diversified Growth	28	14	50	100	50
M&G	43	25	58	63	58
LGIM Property	31	29	94	81	65
Hermes	40	29	73	77	55
Threadneedle	37	34	92	81	68
Yorkshire Fund Managers	144	5	3	35	18
Veritas	3	1	33	33	67
Dodge & Cox	3	1	33	33	33

Fund Profile



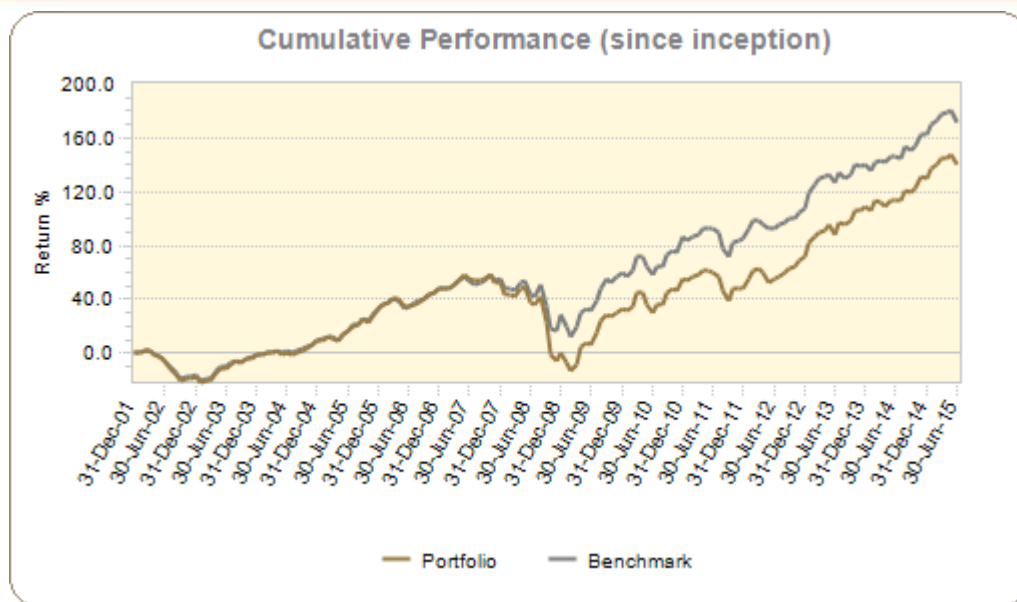
Fund Profile - Movement of Funds

Manager Name	Market Value 31-Mar-2015 (000's)	Net Contributions (000's)	Income (000's)	Gain/Loss (000's)	Market Value 30-Jun-2015 (000's)	% Change
Total Consolidation	2,398,500.23	21,553.04	7,000.92	-55,821.76	2,371,232.45	-1.14
Total Consolidation	2,398,500.23	21,553.04	7,000.92	-55,821.76	2,371,232.45	-1.14
Fidelity	430,200.21	-168,000.06	2,210.02	-7,589.99	256,820.18	-40.30
Standard Life	357,560.50	-66,999.99	3,969.35	10,659.08	305,188.93	-14.65
Baillie Gifford GA	412,226.54	0.00	0.00	-19,741.81	392,484.73	-4.79
Amundi	253,247.58	0.00	0.00	-10,517.74	242,729.84	-4.15
Baillie Gifford LTGG	273,838.57	0.00	0.00	-3,590.88	270,247.69	-1.31
ECM Asset Management	130,081.55	0.00	0.00	-1,267.69	128,813.86	-0.97
Standard Life Divers Growth	91,375.66	20,000.00	0.00	-1,129.14	110,246.52	20.65
Newton Diversified Growth	108,450.95	0.00	0.00	-3,054.29	105,396.66	-2.82
M&G	172,861.51	-87.04	419.27	-7,777.24	165,416.50	-4.31
LGIM Property	54,398.39	0.00	0.00	1,938.07	56,336.46	3.56
Hermes	29,574.07	-262.37	262.37	673.44	30,247.51	2.28
Threadneedle	66,628.31	8,538.00	0.00	2,975.17	78,141.48	17.28
Cash Account	17,799.46	-6,525.46	29.91	1.24	11,305.14	-36.49
Yorkshire Fund Managers	257.80	-110.00	110.00	-45.37	212.43	-17.60
Currency Hedge Cash	-0.86	0.00	0.00	0.01	-0.86	0.00
Veritas		117,500.00	0.00	-7,687.26	109,812.74	
Dodge & Cox		117,500.00	0.00	-9,667.34	107,832.66	

Manager Analysis



Manager Analysis - Total Consolidation



Inception Date: 31 Jan 2002

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
2,371,232,454	Total Plan

Allocation - 30 June 2015							
	UK Equities	Overseas Equities	Global Equity	Bonds	Property	Cash	Alternative
Portfolio	12.04	11.26	37.13	16.96	6.95	1.13	14.53
Benchmark	12.60	10.80	38.20	17.00	6.90		14.50

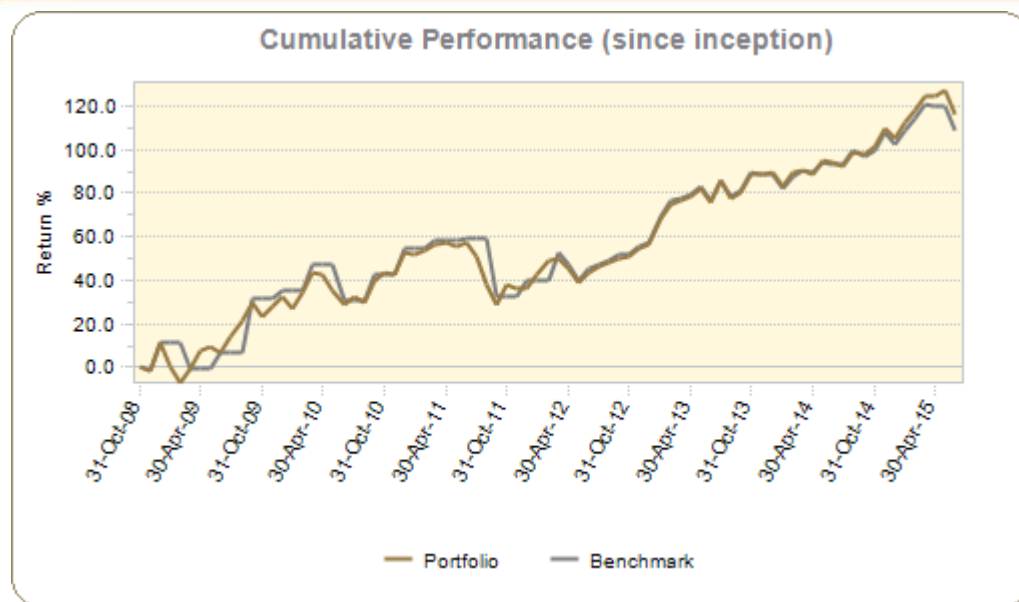
Periodic Performance						
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	10 Years (Ann)	Since Inception
Portfolio	-2.0	-2.0	12.9	13.0	7.5	6.7
Benchmark	-2.4	-2.4	10.3	11.3	8.7	7.7

Summary - 3 Months Ending 30 June 2015

The fund's relative performance of the Quarter and 1 Year was 0.40% and 2.6% respectively.

Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	7.0	2.0	2.1	1.5
Benchmark	6.3	1.8		

Manager Analysis - Fidelity



Inception Date: 30 Nov 2008

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
256,820,183	Global Equities

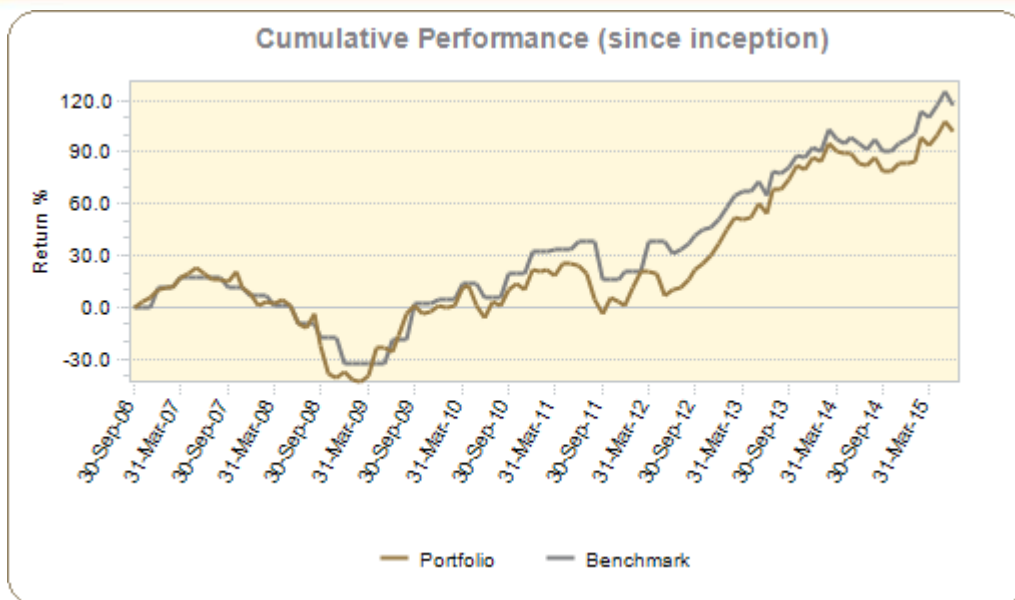
Allocation - 30 June 2015			
	UK Equities	Overseas Equities	Cash
Portfolio	0.60	98.21	1.18
Benchmark		100.00	

Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	-4.0	-4.0	11.3	10.9	12.2
Benchmark	-5.5	-5.5	7.6	9.8	11.6

Summary - 3 Months Ending 30 June 2015
 The manager's relative performance of the Quarter and 1 Year was 1.5% and 3.7% respectively.

Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	9.2	1.5	1.2	1.3
Benchmark	9.2	1.3		

Manager Analysis - Standard Life



Inception Date: 31 Oct 2006

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
305,188,932	UK Equities

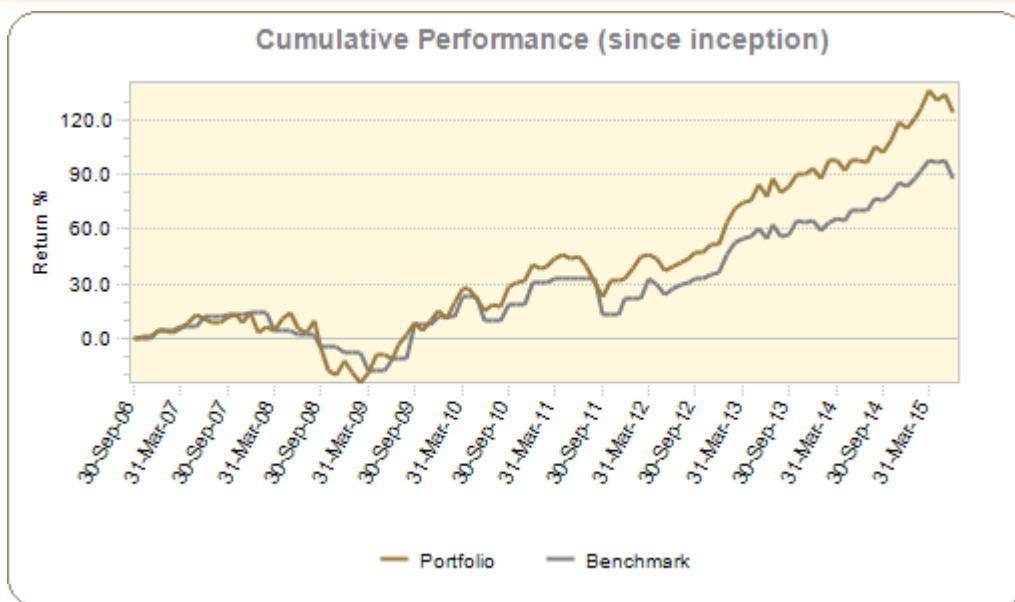
Allocation - 30 June 2015			
	UK Equities	Overseas Equities	Cash
Portfolio	93.00	4.87	2.12
Benchmark	100.00		

Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	4.1	4.1	10.2	16.6	8.4
Benchmark	3.4	3.4	11.5	15.5	9.3

Summary - 3 Months Ending 30 June 2015
 The manager's relative performance of the Quarter and 1 Year was 0.7% and -1.3% respectively.

Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	11.5	1.8	3.7	0.9
Benchmark	9.9	1.7		

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	-4.8	-4.8	13.2	14.3	9.7
Benchmark	-5.0	-5.0	10.2	11.4	7.5

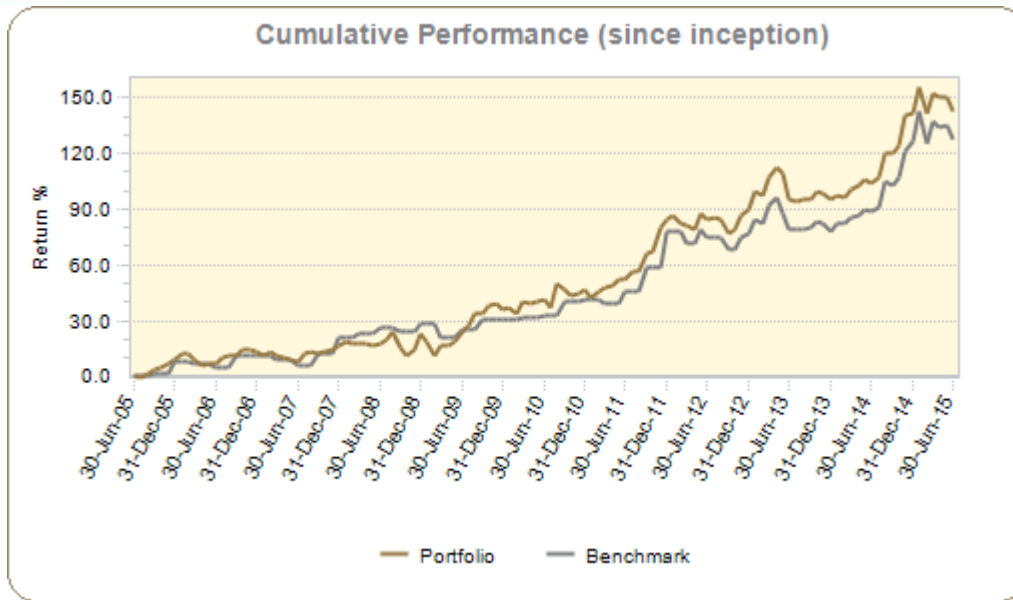
Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	9.9	1.6	3.4	0.9
Benchmark	8.8	1.4		

Portfolio Size and Mandate	
Portfolio Size (GBP)	392,484,730
Portfolio Mandate	Global Equities

Allocation - 30 June 2015		
	Global Equity Units	Cash
Portfolio	100.00	0.00
Benchmark	100.00	

Summary - 3 Months Ending 30 June 2015
 The manager's relative performance of the Quarter and 1 Year was 0.2% and 3.0% respectively.

Manager Analysis - Amundi



Inception Date: 31 Jul 2005

Periodic Performance						
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	10 Years (Ann)	Since Inception
Portfolio	-4.2	-4.2	19.2	11.4	9.3	9.3
Benchmark	-4.2	-4.2	20.6	11.3	8.5	8.5

Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	10.6	0.9	2.9	0.1
Benchmark	11.2	0.8		

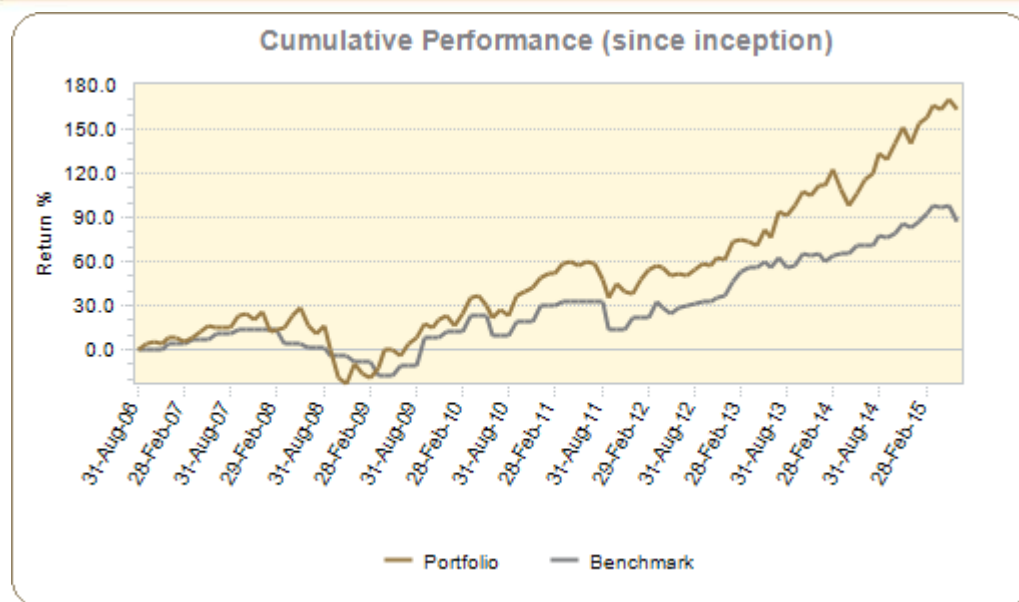
Portfolio Size and Mandate	
Portfolio Size (GBP)	242,729,843
Portfolio Mandate	Global Bonds

Allocation - 30 June 2015		
	Bonds	Cash
Portfolio	100.00	0.00
Benchmark	100.00	

Summary - 3 Months Ending 30 June 2015

The manager's returns are matching for Quarter and relative performance of 1 Year was -1.4% respectively.

Manager Analysis - Baillie Gifford LTGG



Inception Date: 30 Sep 2006

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
270,247,691	Global Equities

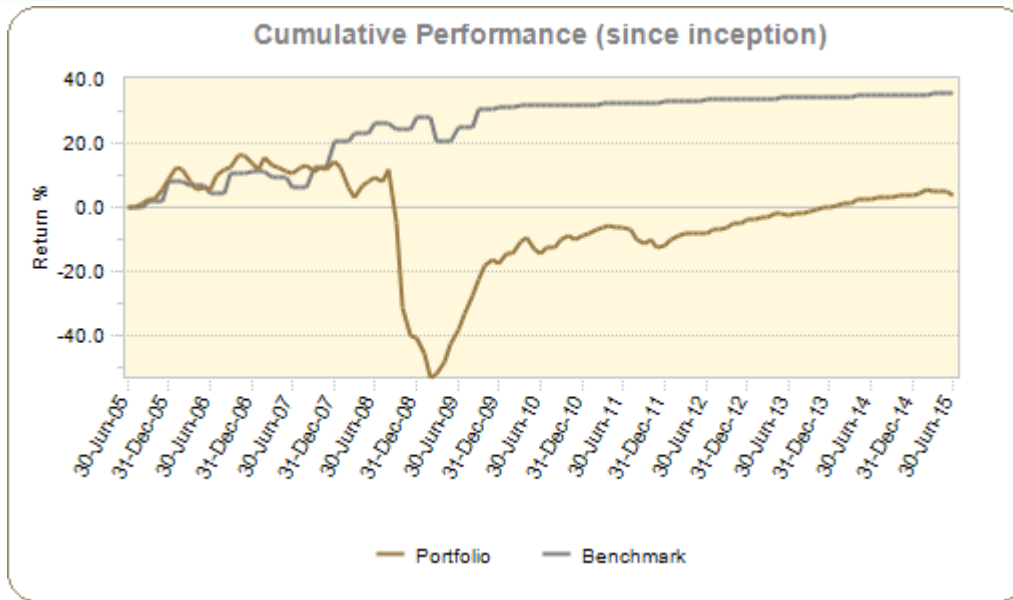
Allocation - 30 June 2015	
	Global Equity Units
Portfolio	100.00
Benchmark	100.00

Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	Since Inception (Ann)
Portfolio	-1.3	-1.3	21.6	16.7	11.6
Benchmark	-5.0	-5.0	10.2	11.4	

Summary - 3 Months Ending 30 June 2015
 The manager's relative performance of the Quarter and 1 Year was 3.7% and 11.4% respectively.

Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	12.8	1.5	9.4	0.6
Benchmark	8.8	1.4		

Manager Analysis - ECM Asset Management



Inception Date: 31 Jul 2005

Periodic Performance						
	Quarter	Fiscal Year To Date	1 Year	5 Years (Ann)	10 Years (Ann)	Since Inception
Portfolio	-1.0	-1.0	1.2	4.0	0.4	0.4
Benchmark	0.1	0.1	0.5	0.6	3.1	3.1

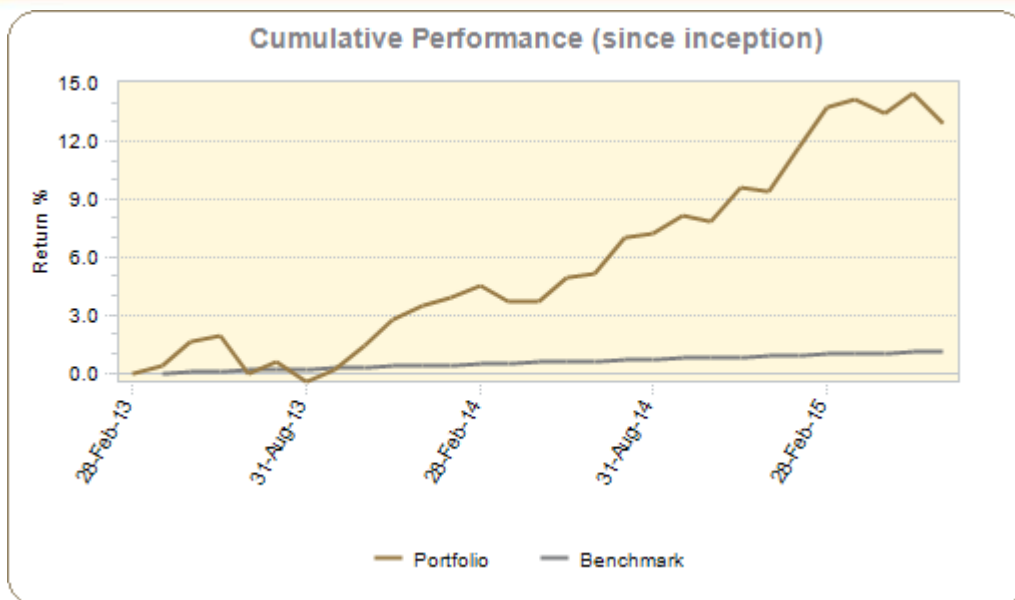
Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	1.5	2.4	1.5	2.4
Benchmark	0.0	0.0		

Portfolio Size and Mandate	
Portfolio Size (GBP)	128,813,856
Portfolio Mandate	European Bonds

Allocation - 30 June 2015	
	Alternatives
Portfolio	100.00
Benchmark	100.00

Summary - 3 Months Ending 30 June 2015
 The manager's relative performance of the Quarter and 1 Year was -1.1% and 0.7% respectively.

Manager Analysis - Standard Life Divers Growth



Inception Date: 31 Mar 2013

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
110,246,518	Diversified Growth

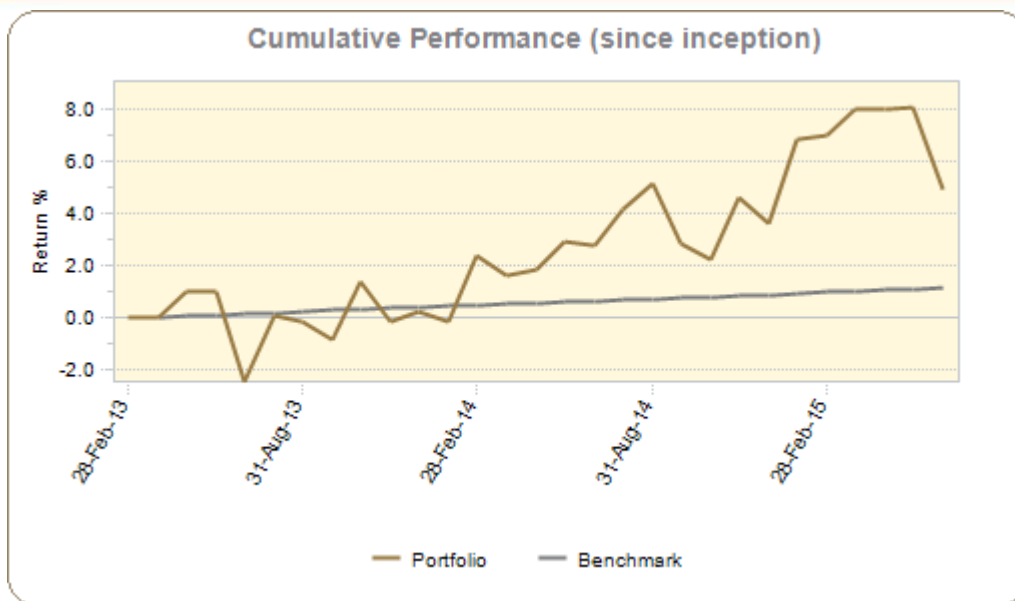
Allocation - 30 June 2015	
	Alternatives
Portfolio	100.00
Benchmark	100.00

Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	-1.1	-1.1	7.4	5.4
Benchmark	0.1	0.1	0.5	0.5

Summary - 3 Months Ending 30 June 2015
 The manager's relative performance of the Quarter and 1 Year was and -1.2% & 6.9% respectively.

Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Manager Analysis - Newton Diversified Growth



Inception Date: 31 Mar 2013

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
105,396,655	Diversified Growth

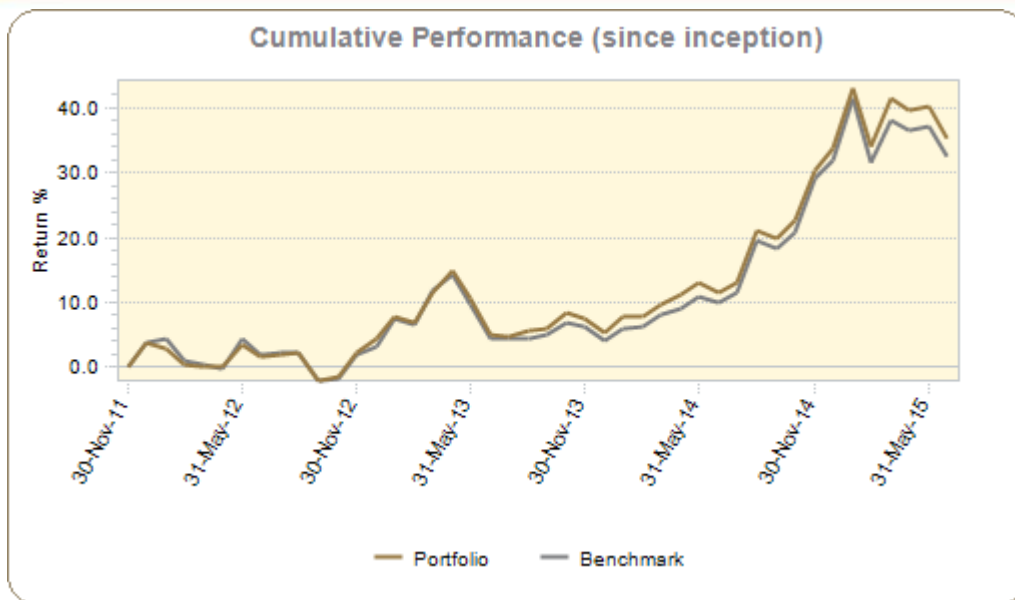
Allocation - 30 June 2015	
	Alternatives
Portfolio	100.00
Benchmark	100.00

Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	-2.8	-2.8	2.2	2.1
Benchmark	0.1	0.1	0.5	0.5

Summary - 3 Months Ending 30 June 2015
 The manager's relative performance of the Quarter and 1 Year was -2.9% and 1.7% respectively.

Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Manager Analysis - M&G



Inception Date: 31 Dec 2011

Portfolio Size and Mandate

Portfolio Size (GBP)	Portfolio Mandate
165,416,503	Global Bonds

Allocation - 30 June 2015

	Bonds	Cash
Portfolio	96.40	3.60
Benchmark	100.00	

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	-4.3	-4.3	21.6	8.8
Benchmark	-4.2	-4.2	20.6	8.2

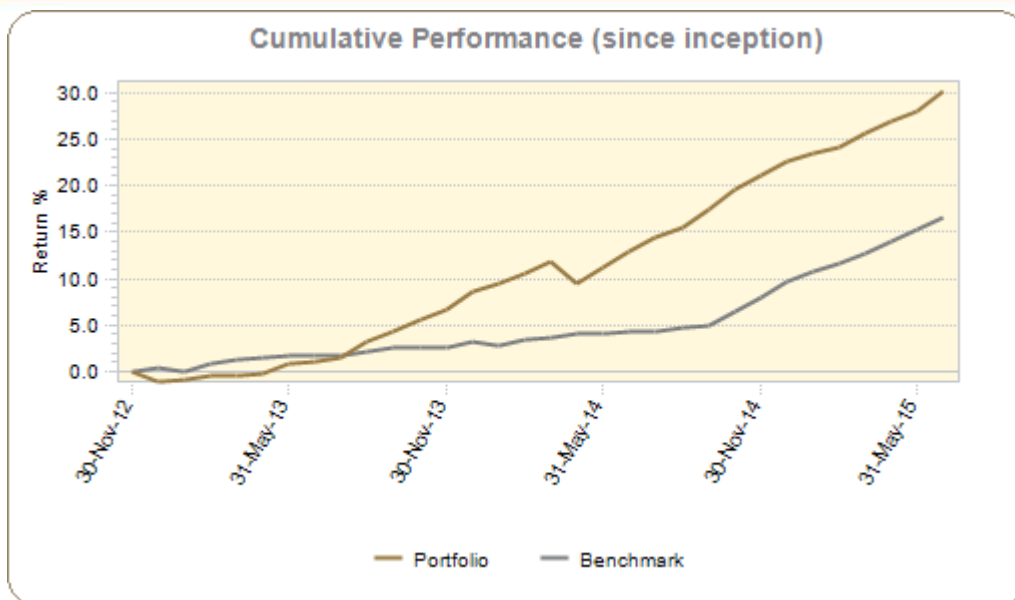
Summary - 3 Months Ending 30 June 2015

The manager's relative performance of the Quarter and 1 Year was -0.1% and 1.00% respectively.

Risk Profile - 3 Years (Ann) to 30 June 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	10.9	0.9	1.4	0.6
Benchmark	11.2	0.8		

Manager Analysis - LGIM Property



Inception Date: 31 Dec 2012

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
56,336,458	Property

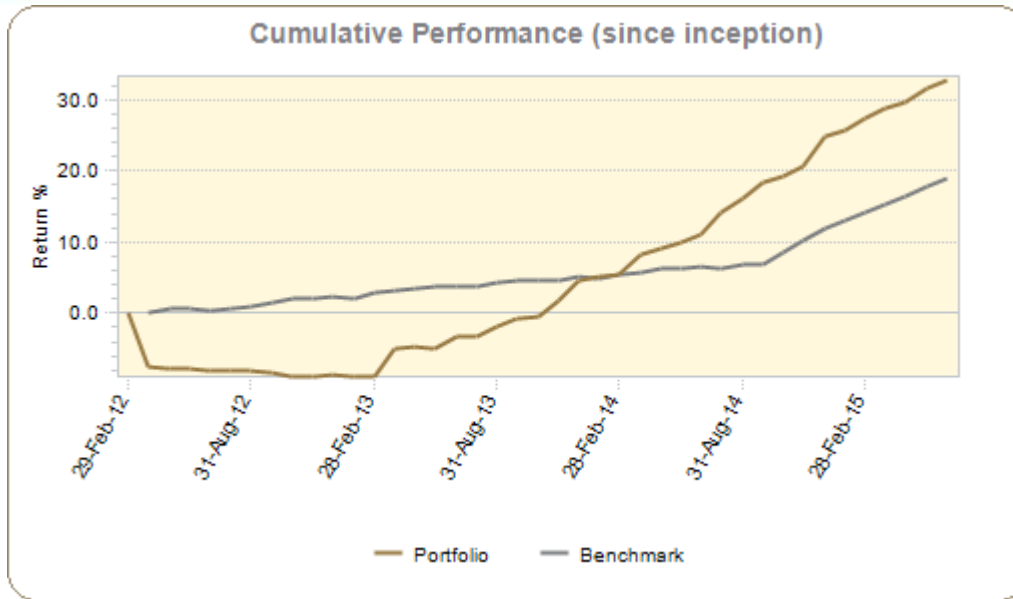
Allocation - 30 June 2015	
	Property
Portfolio	100.00
Benchmark	100.00

Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	3.6	3.6	15.3	10.8
Benchmark	3.3	3.3	11.6	6.1

Summary - 3 Months Ending 30 June 2015
 The manager's relative performance of the Quarter and 1 year was 0.3% and 3.7% respectively.

Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Manager Analysis - Hermes



Inception Date: 31 Mar 2012

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
30,247,514	Property

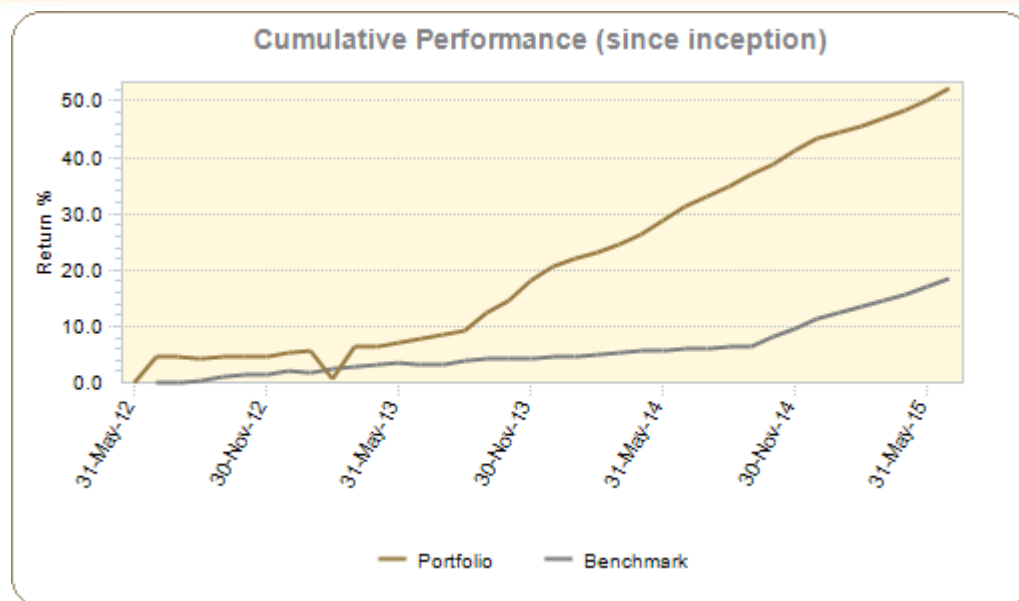
Allocation - 30 June 2015	
	Property
Portfolio	100.00
Benchmark	100.00

Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	3.2	3.2	19.4	8.9
Benchmark	3.4	3.4	11.8	5.5

Summary - 3 Months Ending 30 June 2015
 The manager's relative performance of the Quarter and 1 Year was -0.2% and 7.6% respectively.

Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	3.9	3.0	4.0	1.7
Benchmark	1.7	3.0		

Manager Analysis - Threadneedle



Inception Date: 30 Jun 2012

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
78,141,478	Property

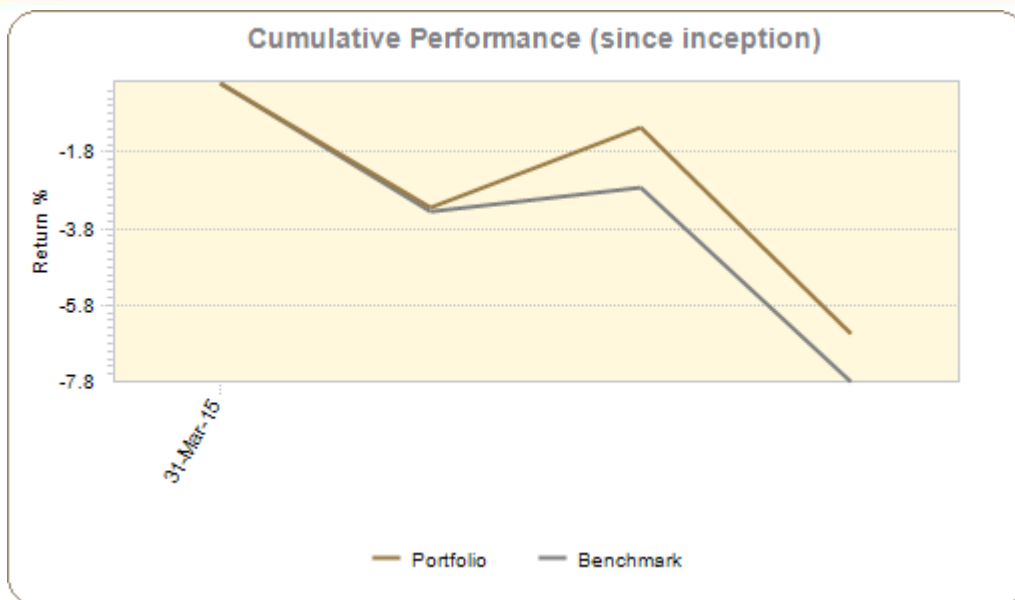
Allocation - 30 June 2015	
	Property
Portfolio	100.00
Benchmark	100.00

Periodic Performance				
	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	3.5	3.5	16.0	14.6
Benchmark	3.3	3.3	11.6	5.8

Summary - 3 Months Ending 30 June 2015
 The manager's relative performance of the Quarter and 1 Year was 0.2% and 4.4% respectively.

Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	5.0	2.4	5.3	1.3
Benchmark	1.7	3.0		

Manager Analysis - Veritas



Inception Date: 30 Apr 2015

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
109,812,737	Global Equities

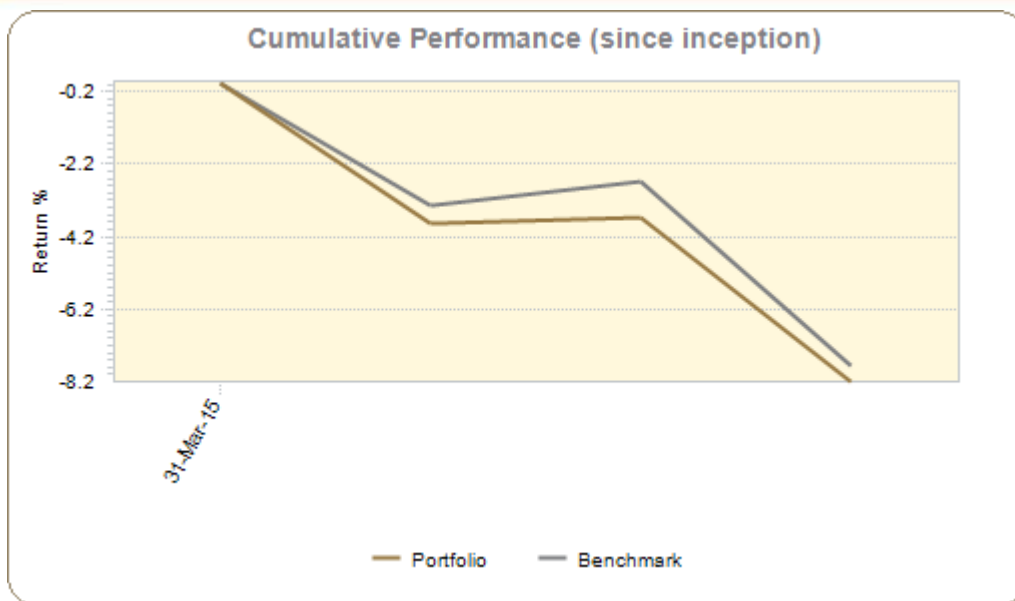
Allocation - 30 June 2015	
	Global Equity Units
Portfolio	100.00
Benchmark	100.00

Periodic Performance			
	Quarter	Fiscal Year To Date	Since Inception (Ann)
Portfolio	-6.5	-6.5	-6.5
Benchmark	-7.8	-7.8	-7.8

Summary - 3 Months Ending 30 June 2015
 The manager's relative performance of the Quarter was 1.3% respectively.

Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Manager Analysis - Dodge & Cox



Inception Date: 30 Apr 2015

Periodic Performance			
	Quarter	Fiscal Year To Date	Since Inception (Ann)
Portfolio	-8.2	-8.2	-8.2
Benchmark	-7.8	-7.8	-7.8

Risk Profile - 3 Years (Ann) to 30 June 2015				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
107,832,656	Global Equities

Allocation - 30 June 2015	
	Global Equity Units
Portfolio	100.00
Benchmark	100.00

Summary - 3 Months Ending 30 June 2015
 The manager's relative performance of the Quarter was -0.4% respectively.

Appendix



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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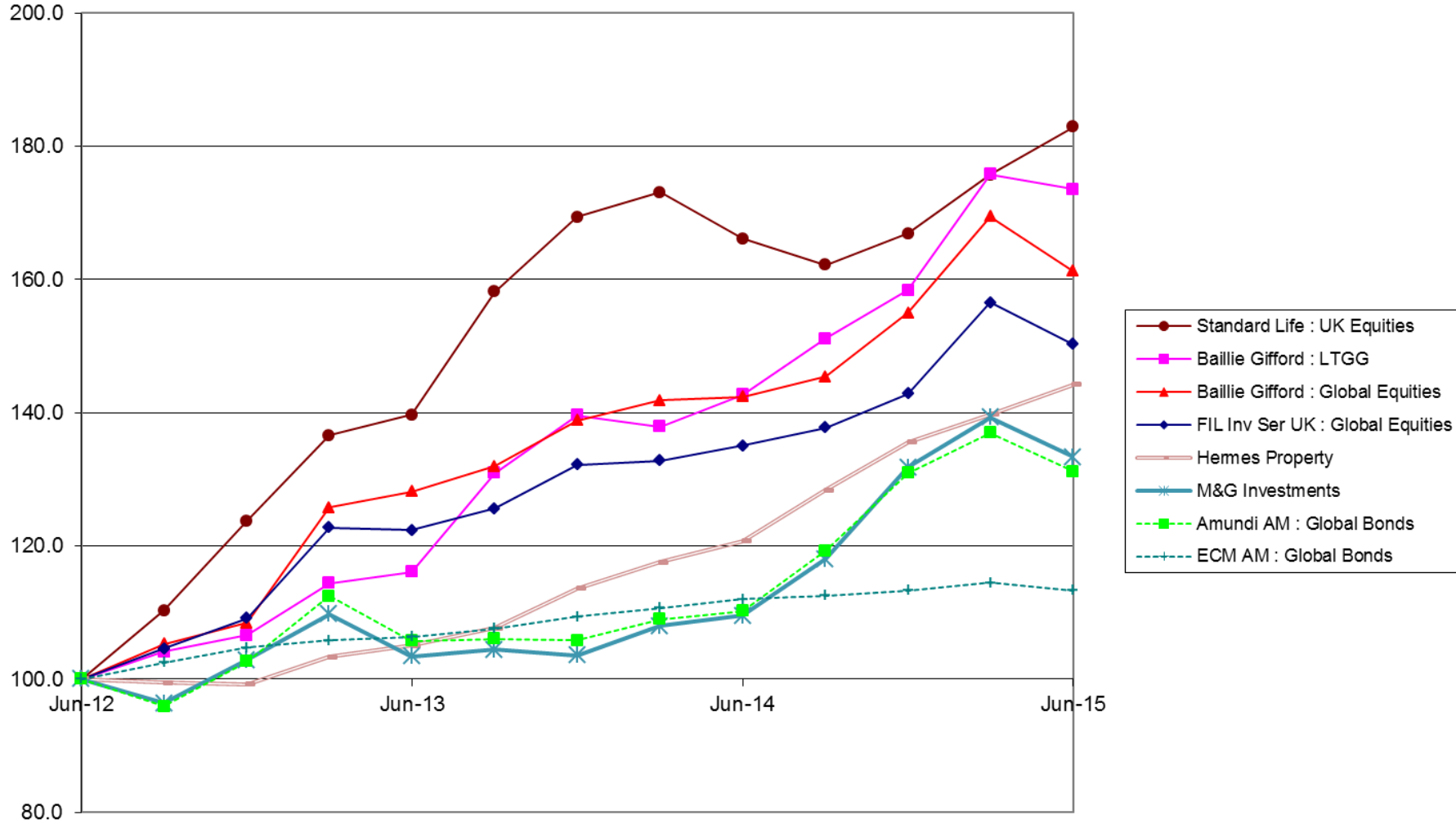
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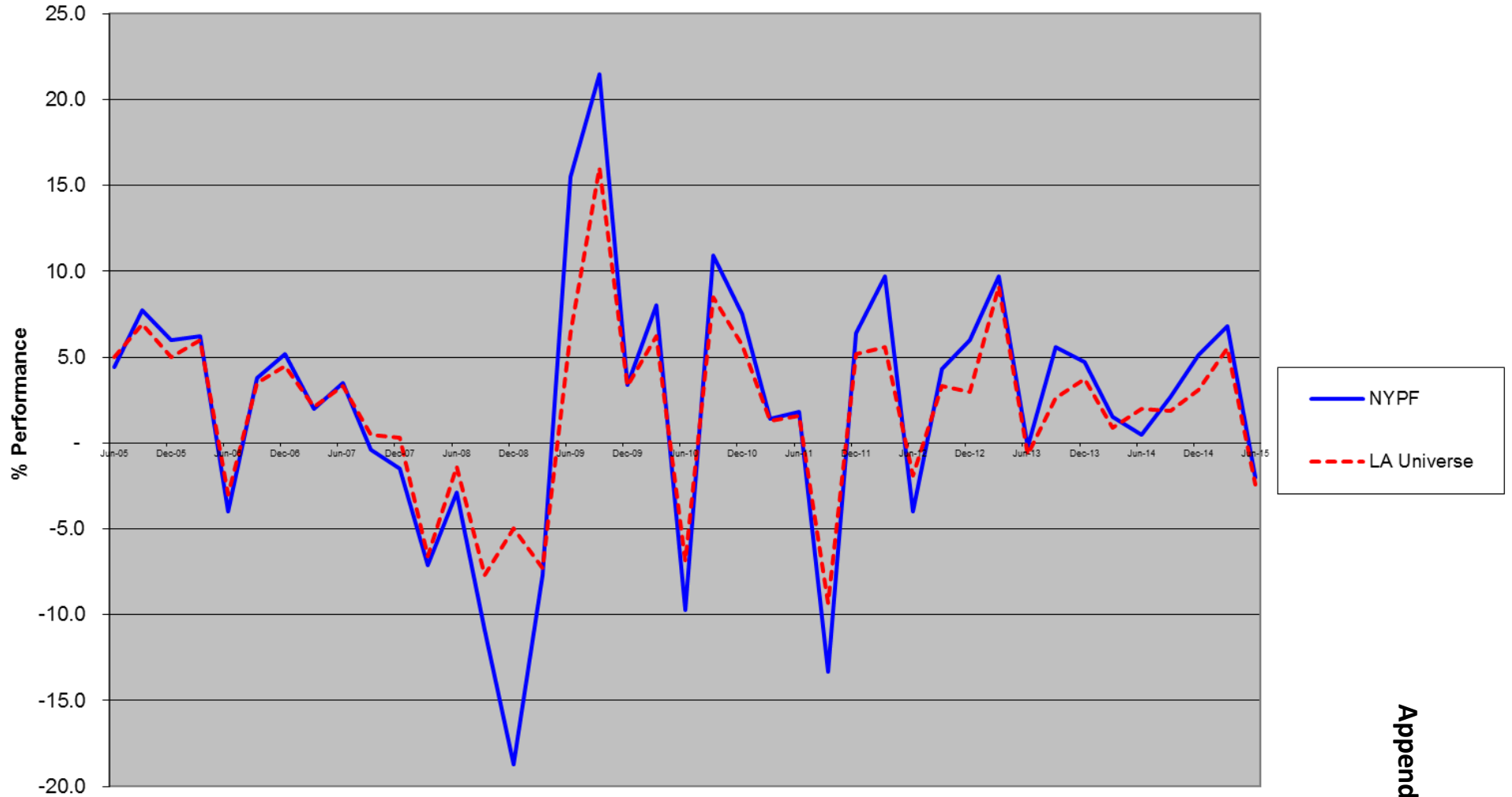
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Investment Manager Performance - cumulative absolute performance 3 years to June 2015



Pension Fund Performance - NYPF vs Other Local Authorities



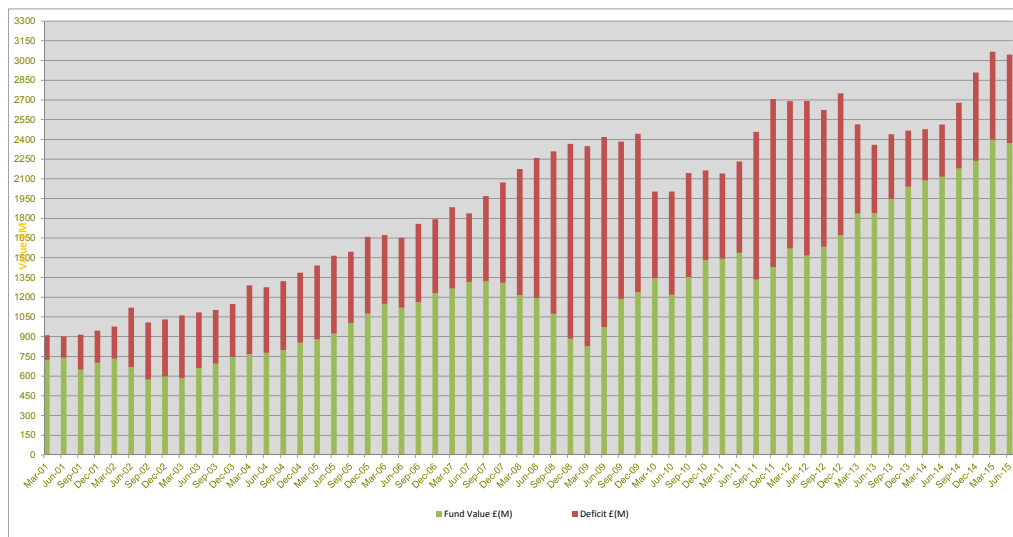
Appendix 3

Actuarial Model of Quarterly Solvency Position

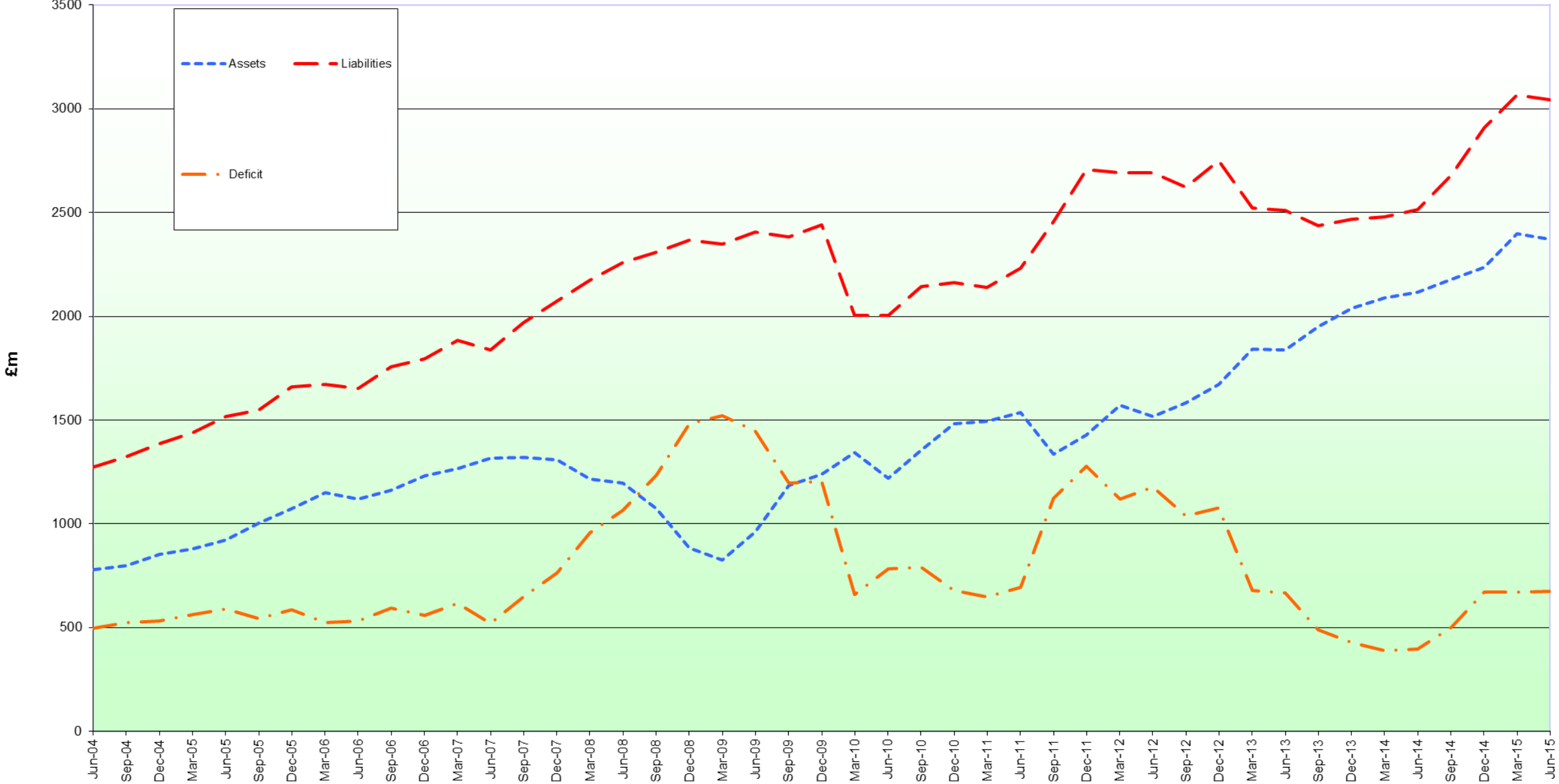
Date	Solvency	Deficit £(M)	Fund Value £(M)	FTSE 100
March 31, 2001	79%	187	724	5,634
June 30, 2001	82%	162	740	5,643
September 30, 2001	71%	265	650	4,903
December 31, 2001	74%	245	702	5,217
March 31, 2002	75%	245	732	5,272
June 30, 2002	60%	450	670	4,656
September 30, 2002	56%	435	574	3,722
December 31, 2002	58%	435	597	3,940
March 31, 2003	55%	478	584	3,613
June 30, 2003	61%	423	662	4,031
September 30, 2003	63%	408	695	4,091
December 31, 2003	65%	402	747	4,477
March 31, 2004	59%	524	767	4,386
June 30, 2004	61%	498	778	4,464
September 30, 2004	60%	524	799	4,571
December 31, 2004	62%	533	854	4,814
March 31, 2005	61%	563	879	4,884
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
March 31, 2015	78%	669	2399	6,773
June 30, 2015	78%	674	2371	6,521

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 30 JUNE 2015
Appendix 6

Asset Class	Minimum Allocation to Non-Equities	Maximum Allocation to Non-Equities	Allocation as at March 2015	Allocation After Rebalancing
Equity + Cash	75%	50%	61.3%	61.5%
Bonds	15%	30%	22.6%	22.4%
DGFs	5%	10%	9.1%	9.1%
Property	5%	10%	6.9%	6.9%
Total	100%	100%	100%	100%

	30-Jun-15		Min				Max		Under	Over	Post June Rebalancing		
	Value £m	actual %	%	£m	%	£m							
Global Equity Managers													
Baillie Gifford Global Alpha	392.48	16.6%	13.6%	322.49	20.6%	488.47	0.00	0.00				392.48	16.6%
Baillie Gifford Global Growth	270.25	11.4%	9.2%	218.15	13.7%	324.86	0.00	0.00				270.25	11.4%
Dodge & Cox	107.83	4.5%	4.1%	97.22	6.1%	144.65	0.00	0.00				107.83	4.5%
Veritas	109.81	4.6%	4.1%	97.22	6.1%	144.65	0.00	0.00				109.81	4.6%
(a)	<u>880.37</u>	<u>37.1%</u>	<u>31.0%</u>	<u>735.08</u>	<u>46.5%</u>	<u>1102.62</u>	<u>0.00</u>	<u>0.00</u>		<u>0.00</u>		<u>880.37</u>	<u>37.1%</u>
Global (ex UK) Equity Managers													
Fidelity	256.82	10.8%										256.82	
(b)	<u>256.82</u>	<u>10.8%</u>	<u>8.8%</u>	<u>208.67</u>	<u>13.1%</u>	<u>310.63</u>	<u>0.00</u>	<u>0.00</u>		<u>0.00</u>		<u>256.82</u>	<u>10.8%</u>
UK Equity Managers													
Standard Life	305.19	12.9%	10.2%	241.87	15.3%	362.80	0.00	0.00				305.19	12.9%
Yorkshire Fund Managers	0.08	0.0%	0.0%	0.00	0.1%	2.37	0.00	0.00				0.08	0.0%
(c)	<u>305.27</u>	<u>12.9%</u>	<u>10.2%</u>	<u>241.87</u>	<u>15.4%</u>	<u>365.17</u>	<u>0.00</u>	<u>0.00</u>		<u>0.00</u>		<u>305.27</u>	<u>12.9%</u>
Equity sub-total	(a+b+c)=(d)	<u>1442.46</u>	<u>60.8%</u>	<u>50.0%</u>	<u>1185.62</u>	<u>75.0%</u>	<u>1778.42</u>	<u>0.00</u>	<u>0.00</u>		<u>0.00</u>	<u>1442.46</u>	<u>60.8%</u>
Amundi	242.73	10.2%								-40.00		202.73	
ECM	128.81	5.4%										128.81	
M & G	165.42	7.0%								35.00		200.42	
Fixed Income sub-total	(e)	<u>536.96</u>	<u>22.6%</u>	<u>15.0%</u>	<u>355.68</u>	<u>30.0%</u>	<u>711.37</u>	<u>0.00</u>	<u>0.00</u>	<u>-5.00</u>		<u>531.96</u>	<u>22.4%</u>
Hermes	30.25	1.3%										30.25	
LGIM Property	56.34	2.4%										56.34	
Threadneedle	78.14	3.3%										78.14	
Property sub-total	(f)	<u>164.73</u>	<u>6.9%</u>	<u>5%</u>	<u>118.56</u>	<u>10%</u>	<u>237.12</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>		<u>164.73</u>	<u>6.9%</u>
Standard Life	110.25	4.6%										110.25	
Newton	105.40	4.4%										105.40	
DGF sub-total	(g)	<u>215.65</u>	<u>9.1%</u>	<u>5%</u>	<u>118.56</u>	<u>10%</u>	<u>237.12</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>		<u>215.65</u>	<u>9.1%</u>
Cash (inc debtors)	(h)	<u>11.43</u>	<u>0.5%</u>	<u>0.0%</u>	<u>0.00</u>	<u>0.0%</u>	<u>0.00</u>	<u>0.00</u>	<u>-11.43</u>	<u>5.00</u>		<u>16.43</u>	<u>0.7%</u>
Total Assets	(d+e+f+g+h)=(i)	<u>2371.23</u>	<u>100.0%</u>									<u>2371.23</u>	<u>100.0%</u>

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

17 SEPTEMBER 2015

BOND STRATEGY REVIEW

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To update Members on the progress of the review.
- 1.2 To seek a decision from Members on rebalancing the allocation to bonds.

2.0 BOND STRATEGY REVIEW – PROGRESS TO DATE

- 2.1 Previous Committee meetings have initiated a review of fixed income investments. A bond strategy workshop has been held and has considered the Fund's managers and mandates; the complimentary characteristics of those mandates; their contribution to the overall strategy of the Fund; and alternatives for fixed income investing.
- 2.2 To date, the specific issues addressed have been:
 - 1. is the current allocation to bonds (c.23%) appropriate?
 - 2. is the Committee happy with the overall structure of the bond portfolio and the allocation between the 3 managers?
 - 3. does the Committee have confidence in the current bond managers, both in terms of adding value to the Fund's strategy and in their ability to outperform going forward?
 - 4. does the Committee wish to change the structure and/or add new managers to the portfolio?
- 2.3 The current allocation to bonds of 23% is approximately at the mid-point of the strategic asset allocation range of 15% - 30%. Although Members considered this to be appropriate, the decision at the Committee meeting on 9 July 2015 was to transfer £40m between the Fund's liability matching managers, from Amundi to M&G, so that both manage approximately £210m.
- 2.4 Members of the Committee have received presentations from Alcentra (SME Direct Lending) and M&G (Multi Asset Credit). Following a wish to explore additional investments providing an illiquidity premium, presentations have been arranged on 18 September 2015, from Leadenhall Capital Partners (Insurance Linked Securities) and Christofferson Robb & Company (Bank Capital Release).
- 2.5 In addition, the Investment Consultant will update Members at the meeting by providing a review of the Fund's allocation to fixed income based on the position as at 31 August 2015; some thoughts on possible rebalancing to respond to recent activity in financial markets; and ideas for the next steps for the bond strategy review. Members will have the opportunity to consider the options and any recommendations put forward.

3.0 **RECOMMENDATIONS**

- 3.1 That the Pension Fund Committee considers what next steps it wishes to take as part of the bond strategy review.

GARY FIELDING
Treasurer
Corporate Director – Strategic Resources
County Hall
Northallerton

9 September 2015