

Agenda

Meeting: Pension Fund Committee

**Venue: The Brierley Room,
County Hall, Northallerton**

Date: Thursday, 25 February 2016 at 10am

Recording is allowed at County Council, committee and sub-committee meetings which are open to the public, subject to:- (i) the recording being conducted under the direction of the Chairman of the meeting; and (ii) compliance with the Council's protocol on audio/visual recording and photography at meetings, a copy of which is available to download below. Anyone wishing to record must contact, prior to the start of the meeting, the Officer whose details are at the foot of the first page of the Agenda. Any recording must be clearly visible to anyone at the meeting and be non-disruptive. <http://democracy.northyorks.gov.uk/>

Business

1. **Minutes of the Meeting held on 26 November 2015 and the Special Meeting held on 15 January 2016.**

(Pages 1 to 15)

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 19 February 2016. 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 16 to 25)

4. **Budget/Statistics** - Report of the Treasurer **(Pages 26 to 29)**
5. **Pension Board** – verbal update by the Chair of the Pension Board
6. **Performance of the Portfolio** - Report of the Treasurer **(Pages 30 to 74)**
7. **LGPS Pooling Arrangements** – Report of the Treasurer **(Pages 75 to 76)**
8. **Such other business as, in the opinion of the Chairman should, by reason of special circumstances, be considered as a matter of urgency.**

NOTE:

Immediately following the meeting of the Pension Fund Committee, there will be a presentation on Fund valuation from Aon Hewitt

Members are reminded that there will be presentations from Newton Investments and Baillie Gifford on Friday 26th February 2016 from 10.00am.

Barry Khan
Assistant Chief Executive (Legal and Democratic Services)

County Hall
Northallerton
February 2016

NOTES:

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

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

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

Fire

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Accident or Illness

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PENSION FUND COMMITTEE

1. Membership

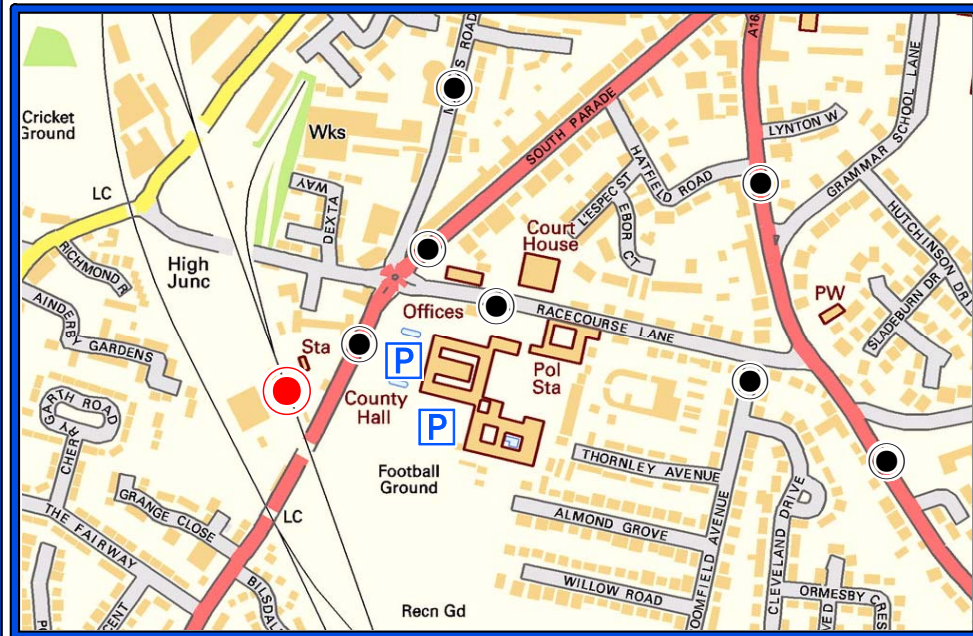
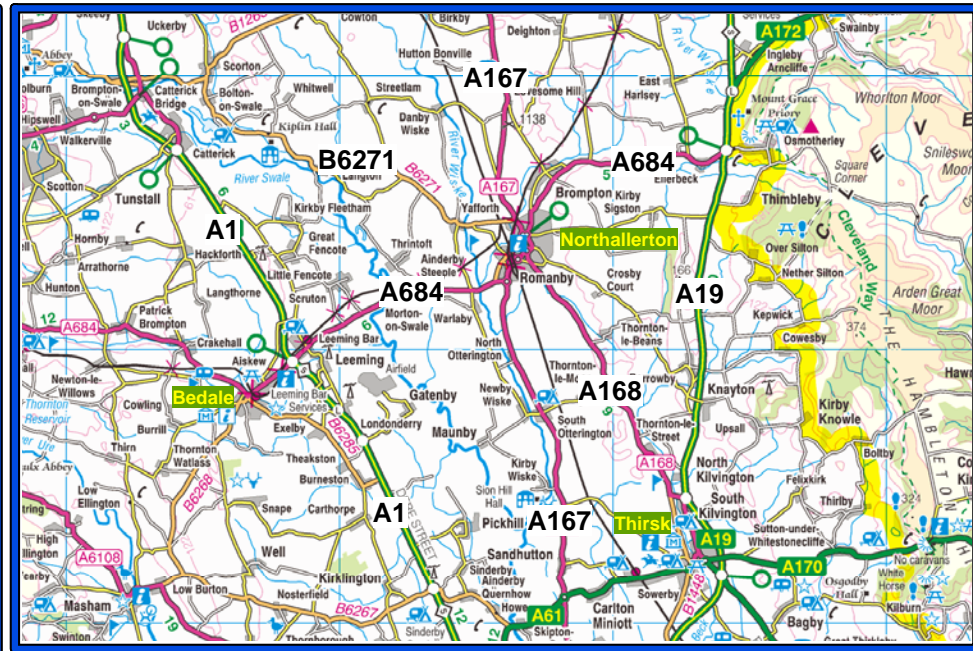
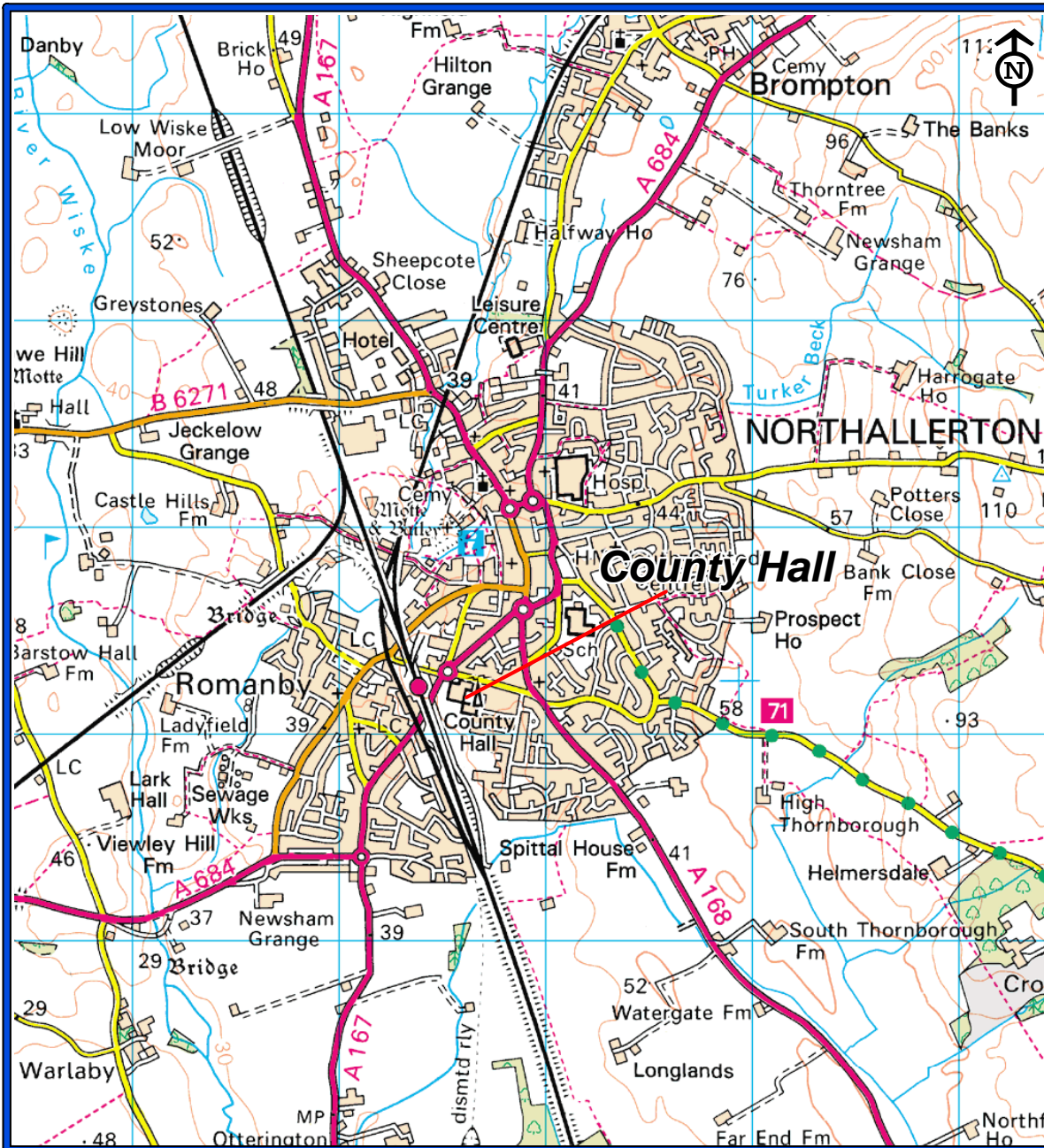
County Councillors (7)							
	<i>Councillors Names</i>				<i>Political Party</i>		
1	BLACKIE, John				NY Independent		
2	BATEMEN. Bernard MBE				Conservative		
3	De COURCEY-BAYLEY, Margaret Ann				Liberal Democrat		
4	HARRISON-TOPHAM, Roger (Vice-Chairman)				Conservative		
5	MULLIGAN, Patrick				Conservative		
6	SWIERS, Helen				Conservative		
7	WEIGHELL, John OBE (Chairman)				Conservative		
Members other than County Councillors (1 and 2) Voting (3) Non-voting							
1	STEWARD, Chris				City of York		
2	CLARK, Jim				Local Government North Yorkshire and York		
3	PORTLOCK, David				Chair of the Pension Board		
Total Membership – (10)				Quorum – (3) County Councillors			
Con	Lib Dem	NY Ind	Labour	Liberal	UKIP	Ind	Other voting and non-voting Members
5	1	1	0	0	1	0	3

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	MERCER, Suzie	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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North
Yorkshire County Council

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 26 November 2015 at County Hall, Northallerton commencing at 10.00 am.

Present:-

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

Councillor Jim Clark - Local Government North Yorkshire and York.

David Portlock - Chair of the Pension Board.

There were three members of the public present.

Copies of all documents considered are in the Minute Book

Declarations of Interest

County Councillors Bernard Bateman MBE, Margaret-Ann de Coursey-Bayley, Patrick Mulligan and John Weighell; together with Councillor Jim Clark declared non-pecuniary interests in respect of them being members of the Pension Scheme.

97. Exclusion of the Public and Press

Resolved -

That the public and press be excluded from the meeting during consideration of Minute No. 106, on the grounds that it involved the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

98. Minutes

Resolved -

That the Minutes of the meeting held on 17 September 2015, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

99. Public Questions or Statements

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

100. Fund Advisory and Consultancy Services

Representatives of the Fund's Investment Consultancy - AON Hewitt and the Fund's Independent Adviser - Carolan Dobson, left the meeting during consideration of this item.

Considered -

The report of the Treasurer updating Members on procurement arrangements for the North Yorkshire Pension Fund's Independent Adviser and Consultant Contracts.

The Treasurer explained the report related to the contracts for both the Investment Consultancy and the Independent Adviser coming to an end in March and May 2016, respectively. He noted that Members had been approached to determine their satisfaction with the services provided, whether the present arrangements should continue and whether there was scope to amend the contracts, going forward.

Details of the responses from Members were outlined. It was considered that, overall, Members were supportive of both the Investment Consultant's and the Independent Adviser's contribution to the Pension Fund. Members were particularly satisfied with how the two different views were submitted into meetings and often provided challenge to each other's views. It was suggested that Members would like this to continue.

Members discussed the report and the following issues and points were highlighted:-

- ◆ Future, potential pooling arrangements could have an impact on whether it was felt justified to have both an adviser and consultant, however, it was considered that as the pooling arrangements could take a number of years to be developed, that it was appropriate to continue with the current arrangements as it provided a good balance of advice.
- ◆ Clarification was provided of the roles played by the representatives that attended Pension Fund Committee meetings on behalf of the consultants.
- ◆ Due process would be followed in terms of a procurement process for the positions to ensure value for money was being obtained in respect of the arrangements for the Fund's Independent Adviser and Consultant contracts.
- ◆ Members discussed the nature of the procurement process and the level of their involvement in that. A number of suggestions were put forward as to how the process should be developed and how Members of the Committee could be involved. Members were minded to undertake a light touch approach to the process with Chairman/Vice-Chairman, Treasurer and Pension Fund Officers being involved in the long listing, shortlisting and interview processes, with other Members involved in an informal discussion on those chosen to be interviewed. Another Member suggested that the process should involve a formal interview panel throughout the process with four/five Members from the Committee involved throughout that process.

Resolved -

- (i) That a procurement process be undertaken in respect of the contracts for the Independent Adviser and the Investment Consultant to the North Yorkshire Pension Fund.
- (ii) That the process be undertaken as follows:-

The Chairman/Vice-Chairman/Treasurer/Pension Fund Officers, who will make up the Selection Panel, undertake the evaluation of the written submissions from the candidates.

An informal discussion between Members of the Pension Fund Committee and the shortlisted candidates take place, to identify any specific issues that Members would like the Selection Panel to probe in detail.

The Selection Panel will then interview the candidates and complete the formal evaluation, before making the decision on who to appoint.

County Councillor John Blackie asked for his vote to be recorded as against resolution (ii), as outlined above.

101. Member and Employer Issues

Considered -

The report of the Treasurer providing Members with information relating to membership movements, performance and costs of benefits administration as well as related events and activity over the year to date as follows:-

- (a) Admission agreements and academies.
- (b) Annual allowance.
- (c) Administration performance.
- (d) Membership analysis.
- (e) CIPFA benchmarking return 2014/15.
- (f) End of contracting out.
- (g) Member training.
- (h) Meetings timetable.

In discussion of the report Members raised the following issues and points:-

- ◆ A Member noted the issue regarding the end of contracting out in terms of Local Government Pension Scheme Members, with them having to pay full contributions of National Insurance from April 2016. Details of how Local Government Pension Scheme Members would be affected by this were outlined to the meeting and it was noted that it was unlikely that LGPS members would receive the full value of the new single tier state pension due to the fact they had not paid the full rate of NI contributions during their period of membership of the LGPS previously.

A Member noted that employers would also be facing a much larger bill in terms of National Insurance in view of this and it was noted that the County Council had built this sum into their budget going forward.

- ◆ Issues relating to the challenge currently facing the Pensions Administration in terms of providing information, in view of the complexities of trying to provide data, with the old system of the Local Government Pension Scheme running parallel to the new system. It was noted that this had led to some delays in providing data to Members. It was noted that this was an issue

affecting all Local Government Pension Scheme Pension Funds. It was noted that the Pensions Regulator was sympathetic to the position in view of the overall difficulties being faced by all LGPS Funds, however, the service would update the Pensions Regulator where appropriate.

It was clarified with Members that the delays outlined did not relate to cash being paid from employers to the Pension Fund, but related wholly to delays in information being provided in relation to the Annual Benefit Statements.

- ◆ It was noted that the meetings timetable within the report (Appendix 6) indicated dates of 21 September 2016 for a Pension Fund Committee and 22 September 2016 for an Investment Manager meeting, whereas these dates should in fact read Pension Fund Committee - 15 September 2016 at 10 am and Investment Manager meeting - 16 September 2016 at 10 am.

Resolved -

That the report be noted and changes to the meeting dates as indicated above be agreed.

102. Budget/Statistics

Considered -

The report of the Treasurer reporting on:-

- (a) The expenditure/income position to date for 2015/16.
- (b) The cash deployment of the Fund.

The Treasurer highlighted how the cash surplus for the quarter to 30 September 2015 was slightly higher than the forecast by £1m. He noted there had been only slight variances in terms of the original budget and that the budget was on target for the end of the year.

He highlighted details of the cash rebalancing that had taken place in terms of the various transfers to and from Fund Managers.

A Member noted that Councillors would have to withdraw from the LGPS when next due for re-election and wondered what impacts that would have on the budget. In response it was stated that this issue would be picked up at that time.

Resolved -

That the report be noted.

103. Pension Board

The Chairman of the Pension Board, David Portlock, gave a verbal update on the work of the Pension Board in respect of what had taken place at its most recent meeting, on 1 October 2015, and the Work Plan going forward. He highlighted the following:-

- ◆ The Assistant Chief Executive (Legal and Democratic Services) attended the meeting to clarify positions in relation to the remit of the Committee and the appointment of employee representatives.

- ◆ The training programme for the Pension Board Members was set out at the meeting and a number of Members had commenced with the required training.
- ◆ A draft Work Plan had been presented to the Board and it was hoped to get final agreement to this at the next meeting in January 2016.
- ◆ The North Yorkshire Pension Fund's Independent Professional Observer, Peter Scales, would give a presentation to the Pension Board at its next meeting, with a view to giving guidance on how it could operate, going forward.

Following the verbal update by the Chair of the Pension Board, the following issues and points were raised:-

- ◆ A Member asked whether the Work Plan for the Pension Board could be circulated to Members of the Pension Fund Committee, subject to the discussion of this at the Pension Board in January 2016. Clarification was provided as to how the Work Plan had been put together in terms of guidance from Government and compliance matters. It was noted that some of the pieces of work would be on a bigger scale than others and the Pension Board would need to determine the scope for those issues and may delegate to sub groups to take these forward. It was emphasised that the Work Plan was being developed into a workable document which would establish a sensible programme of activity to facilitate effective operation of the Pension Board.
- ◆ Clarification was sought by a Member of the Committee as to how the Pension Board would interact with the Pension Fund Committee. In response the Chairman of the Pension Board stated that the Pension Board would not be a Scrutiny or Audit Committee of the Pension Fund Committee and had a specific role on governance and related issues, where it would work alongside the Pension Fund Committee to assist. This was supported by other Members of the Pension Board, who were in attendance to observe the Pension Fund Committee, and emphasised that their role was to support and assist rather than to be confrontational.
- ◆ A Member asked about the budgetary arrangements for the support for the Pension Board and whether that could be identified separately within the reports to the Pension Fund Committee. In response it was noted that the costs for the administration of the Board were relatively small (around £10,000-£20,000 per year) and could be identified separately to the arrangements for the Pension Fund Committee. The Chairman of the Pension Board noted that the costs of operating the Board were identified within the establishment arrangements for that body, which was a relatively small amount, and it would be ensured that the Board was as cost effective and efficient as possible.
- ◆ It was clarified that the Pension Board was introduced as part of a national initiative developed by the Government to ensure that appropriate governance was taking place in respect of all public sector Pension Funds, not just those which are a part of the LGPS.
- ◆ A Member considered that the administration costs per member of the North Yorkshire Pension Fund were extremely low in relation to other administrative set-ups throughout the country and raised concerns regarding any moves to amalgamate these arrangements with other Funds. In response to this issue the Chairman noted that there were no plans to change the administrative

arrangements, however, in contrast, the way in which investments were undertaken would inevitably change as a result of the Governments expressed intention to pool LGPS assets.

- ◆ Members considered that generally, the Pension Board working alongside the Pension Fund Committee would be a positive move and would assist them. A strong Pension Board would be an asset to the governance arrangements for the Pension Fund.
- ◆ Members noted the training arrangements for Pension Board Members.

Resolved -

That the report be noted.

104. Performance of the Fund's Portfolio

Considered -

The report of the Treasurer providing details of the investment performance of the overall Fund and of the individual Fund Managers for the quarter to 30 September 2015.

The report highlighted the following issues:-

- ◆ The performance of the Fund.
- ◆ Individual Fund Manager's performance.
- ◆ Risk indicators.
- ◆ Solvency position.
- ◆ Rebalancing.
- ◆ Proxy voting.

The Investment Adviser and Investment Consultants had provided separate reports. Members undertook a detailed discussion with both the Investment Adviser and the Investment Consultants, and the Treasurer, in relation to their reports, with the following issues being highlighted:-

- ◆ The differing performance of the various Fund Managers.
- ◆ An update on the current world economic situation and how that was affecting markets.
- ◆ The impact of the Chinese market which was developing into a mature economy rather than an emerging one.
- ◆ The continued unpredictability of the market with volatility likely to remain high for the foreseeable future.
- ◆ The continued good performance of the key Fund Managers for the North Yorkshire Pension Fund.

- ◆ Potential changes in interest rates and their effect on investment performance.
- ◆ The performance of Standard Life and the conflicting views of the Investment Adviser and the Investment Consultants. It was suggested that the issues raised by Members could be put directly to representatives of Standard Life at their meeting with them on 27 November 2015.
- ◆ Issues relating to the possible interest rate rise in the US, the effect on the equities market, the continuing effect of quantitative easing, and opportunities for wage growth.
- ◆ A Member asked for details of the current activities of PIRC. It was stated that the latest reports would be provided.
- ◆ Issues relating to the Dodge & Cox portfolio.
- ◆ Issues relating to the Newton portfolio.
- ◆ It was noted that in relation to Dodge & Cox this had been their first performance report and comments from Members would be submitted to them with a view to providing additional information at the next meeting of the Committee.

Resolved -

That the investment performance of the Fund for the quarter ending 30 September 2015 be noted.

105. LGPS Pooling Arrangements

Considered -

The report of the Treasurer updating Members on progress towards the Government's goal of pooling assets of LGPS Funds.

The report gave details of a letter from the Local Government Association clarifying issues in relation to the announcement by the Government on pooling investments in the Local Government Pension Scheme. It was noted that, although this move by the Government was described as a consultation it was expected that LGPS Funds would already be examining potential collaboration opportunities in respect of this so that significant will be made by the consultation deadline of 19 February 2016.

Details of how the North Yorkshire Pension Fund was addressing this matter were provided by the Treasurer and it was noted that discussions had taken place with several collaboration opportunities.

The Fund's Investment Adviser and Investment Consultants provided background details as to how the position was developing nationally and the reasons behind the potential collaborations.

- ◆ Members of the Committee raised concerns that decisions from this point, on the investment portfolio, could be affected by these proposals, particularly should the Committee wish to alter its asset allocation. In response the Treasurer emphasised that the proposals allow for the Committee to continue to determine the investment strategy for the North Yorkshire Pension Fund.

In addition, he emphasised that the pooling arrangements may provide opportunities to enhance the overall performance of the portfolio.

- ◆ It was noted that the collaborations would not be constrained by geographical preferences.
- ◆ The Treasurer stated that he would keep Members' updated on this matter and should any issue occur that required the immediate attention of Members he would either contact them or convene a meeting in respect of this.

Resolved -

That the report be noted.

106. Bond Strategy Review

Members of the Pension Board, observing the meeting, were invited to remain in the meeting, despite the report being subject to the exclusion of the public and press as detailed in Minute No. 91, as it was considered appropriate information for their work going forward.

Due to the meeting entering into closed session the following Minutes are a reflection of the confidential nature of the report and the ensuing discussion.

Considered -

The report of the Treasurer updating Members on the progress of the Bond Strategy Review and seeking a decision from Members on an investment in illiquid credit.

- ◆ Both the Investment Adviser and Investment Consultants provided details related to the way forward in terms of the Committee's Bond Strategy Review, in pursuing a direct lending investment as the most appropriate initial investment into illiquid credit. A paper was provided giving details of how that investment could be progressed.
- ◆ The report provided details in relation to the following:-
 - the bond allocation within the Fund
 - the current bond structure and target weight going forward
 - a recap of the bond workshops and asset classes considered to date
 - initial action - launch a direct lending procurement exercise
 - future direction – consideration of adding more illiquid opportunities to the bond allocation.
- ◆ Consider a procurement process to enable this to be put in place.

Members discussed the implications of the report and a number of issues and points were raised as follows:-

- ◆ The implications of progressing with this procurement.
- ◆ The need to establish value for money.
- ◆ The possibility of not appointing, should an appropriate Manager not be found.

- ◆ The implications for this decision as far as the move to pooling are concerned.

Resolved -

- (i) That Members agreed to pursue an investment in direct lending.
- (ii) That the parameters of the procurement process, as discussed, be followed.
- (iii) That available Members of the Pension Fund Committee, in line with details to be circulated, take part in the procurement process.

107. LGC Award

The Chairman highlighted the recent award that had been given to the Pension Fund Committee in relation to its performance within the global equities market, from the Local Government Chronicle.

Members asked to be placed on record their congratulations to all those involved, including the members of the Pension Fund Committee, Officers, the Administration Team, the Advisers and Fund Managers, in achieving this award.

The meeting concluded at 12.30 pm.

SL/JR

North Yorkshire County Council

Pension Fund Committee

Minutes of the special meeting held on 15 January 2016 at County Hall, Northallerton commencing at 2.00 pm.

Present:-

County Councillors: John Weighell (Chairman), John Blackie, Bernard Bateman MBE, Margaret-Ann de Courcey-Bayley, Patrick Mulligan and Helen Swiers.

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

David Portlock - Chair of the Pension Board.

Officers: Gary Fielding, Tom Morrison, Amanda Alderson and Josie O'Dowd.

Advisers: Geoff Dalton and Dave Lyons, AON Hewitt.

Representatives of the Pension Board were in attendance as observers.

Copies of all documents considered are in the Minute Book

Declarations of Interest

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

108. Exclusion of the Public and Press

Resolved -

That the public and press be excluded from the meeting during consideration of Appendix 3 of Item 2 on the grounds that it involved the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

109. LGPS Pooling Arrangements

Considered -

The report of the Treasurer updating Members on progress towards the Government's announced intention to pool the assets of LGPS funds and seeking agreement from Members on the approach North Yorkshire Pension Fund will take through this process, specifically which group of LGPS Funds should join to work up a proposal.

Gary Fielding, Corporate Director - Strategic Resources, introduced the report acknowledging that the question had been debated on a number of occasions and that the proposal was not universally well received. He confirmed that a response to

Government was required by 19 February 2016, advising that if a response was not despatched by the due date, there would be a risk of compulsion for travel in a given direction which could be outside of the Authority's control. He commented upon the degree of coverage in the press of the issue and the likely input of the Government regarding investment decisions, whilst accepting that much was still unknown at this stage. He advised that now was the time to consider who the NY Pension Fund wish to work with, and who is best placed in light of the Government's declared direction of travel. He stressed that any decision at this point would not be final and changes could be made; he cautioned that it was not advisable to sit on the fence in this matter. He mentioned the work which was on-going, for example, with the Association of County Council Treasurers looking at the implications of these changes - given it is County Councils who tend to administer schemes. Such forums provide the opportunity to feed concerns up to Government. A particular attraction of collaboration with East Riding, Cumbria and Surrey is the proposed governance arrangement which is based upon one seat for each Pension Fund. This was felt to provide a very positive start and North Yorkshire fits well with this. Information circulated by email to all by County Councillor Roger Harrison-Topham was acknowledged, and Gary Fielding advised that many of the issues raised cannot now be changed and whilst Members may not support the proposals for pooling arrangements, these do now need to be embraced.

Members commented as follows:-

- ◆ The arrangement does not seem sustainable in the longer term as it is inappropriate to take out investment without looking at the consequent liabilities. Geoff Dalton, Adviser, stated that decisions regarding the strategic allocation would stay with the North Yorkshire Pension Fund Committee. Several Members commented upon the conflict that this situation represents and concern was voiced about the potential loss of control. It was felt that the new arrangements would potentially limit options for example around the types of investment that may be undertaken. Gary Fielding felt that the real impact was still unknown at this stage.

Geoff Dalton advised that more detail would be confirmed by July and he accepted that the situation was very frustrating for Members. Given there would be a dilution of direct control the importance of choosing the right partners with who to collaborate was of key importance. Providing an overview, he advised that many Pension Funds had made poor investments, hence the Government's impetus towards pooling. It was acknowledged that most had not performed as well as North Yorkshire. He stated that some savings would accrue in future as a result of operating on a greater scale, adding that legislation was currently being drafted to compel pooling arrangements where this proved necessary. Given this backdrop he felt that seeking like-minded partners was a prudent approach and on this basis he sought support for the proposal to work with East Riding, Cumbria and Surrey.

- ◆ A Member commented that great concern had been expressed by many local authorities at the Pension Fund Conference which had been held in December. He advised that most had issues with the Government's proposals but acknowledged the issue would move forward. He urged that the consultation response captures all the feedback given by Members at what is 'a game changing moment'. He hoped that the consultation response would reflect the collective strength of feeling on this matter. He supported resisting a partnership arrangement with a large Fund in which circumstances North Yorkshire's voice might not be heard.
- ◆ A Member queried the scope for holding assets outside of the pool to match liabilities, and therefore retain some discretion. Dave Lyons, Advisor, advised that property can be held indefinitely by local authorities as an on-going

investment. He noted that all liquid assets were outside the scope of pooling arrangements, but added the collaborative groups may later be able to have liquid options. He advised that it could take four to five years to bring the assets together as a long transition period was required.

- ◆ It was accepted that the Government was looking for the costs of administration of schemes to be reduced as a consequence of pooling arrangements.
- ◆ The Government's imperative to improve capacity for investment in infrastructure projects was noted and this was felt to be a concern as set out by Councillor Roger Harrison-Topham in his email. It was hoped that Pension Funds would not become the investor of last resort as this would compromise the responsibility to stakeholders. The Secretary of State will have the power to intervene if they think local authorities have not invested appropriately ignoring investment and return considerations. Gary Fielding confirmed that the consultation response from North Yorkshire would be based upon the views expressed. He felt that the reference to infrastructure was presently ambiguous but continued to be pushed by Government. He felt that this compromised the duty to optimise returns and he sought to defend this right. He accepted that collective investment vehicles may make it easier to invest in good infrastructure projects but stressed that this was not because they happened to be infrastructure projects.
- ◆ A Member queried the impact of what Government is proposing upon governance arrangements, particularly in relation to the importance of Fund Managers. It was felt that the function would still survive but clearly in a diminished role. Geoff Dalton advised that the emphasis would very much be upon checking and monitoring the success of pooled arrangements, to seek to achieve the best investment choices. He advised that this would involve the usual due diligence checks on the arrangements, with reports to Pension Board being submitted accordingly.
- ◆ A Member felt that there was no tie-up with the aspirations of good governance given so much would be taken out of Members' hands. It was felt that there would be an imperative to invest in infrastructure, for example HS2. The Member wished to know what could be done to mitigate such Government intervention, to protect stakeholders - given there is no wish to see diminishing returns in five years' time. She wished to know how steps could be taken to offer some protection whilst still complying with the Government's requirements.
- ◆ It was noted that there is nothing wrong with investment in infrastructure projects per se but it was accepted that it was difficult to find such opportunities with good returns in the long run. Rate payers could therefore end up paying for poor performing infrastructure investments.
- ◆ A Member commented that the mantra 'big is beautiful' seems to be overplayed, the risks of being involved with too large an entity are recognised. The collaborative does not necessarily need to be that large to succeed and the Member wondered at what point the Government may intervene, what will be the threshold for intervention.
- ◆ In terms of the overall ranking of Pension Funds throughout the country North Yorkshire was just below the middle and so should be big enough to survive. At the other ends of the spectrum were the metropolitan funds which were the biggest and then at the other end the multitude of small London funds. Geoff

Dalton reiterated that infrastructure can provide good investment opportunities but at the present time they were producing reduced returns of 2-3% and so were not attractive - and on this basis do not fit North Yorkshire's criteria. He suggested that the criteria for investment do not necessarily need to change, however it would be beneficial to have a policy on this. Dave Lyons reminded Members that the whole question of infrastructure investment arose after George Osbourne had mentioned it at a party conference - an off the cuff comment originally, but by September DCLG were trying to manage expectations around this. Gary Fielding again stated that such an approach would be at odds with the professional responsibilities placed upon Pension Funds. He felt that if mandated to make such investments, how could the Pension Fund Committee remain accountable.

- ◆ It was noted that a second consultation response from the proposed pool group would be sought in July. Tom Morrison stated that this would provide the opportunity for a more detailed response from the pool group.
- ◆ Concerns were expressed about the seeming lack of understanding amongst Ministers regarding the self-funding nature of the LGPS. A Member felt that in view of this it was particularly important that the North Yorkshire response captured the good things about the present decision-making arrangements and that concerns were spelt out clearly. Another Member urged that the focus upon protecting the best interests of our pensioners and council taxpayers was not lost.
- ◆ It was acknowledged that the criteria for pooling was predicated upon achieving reduced costs however, whilst reduced administration costs may be achieved, the price for this may be reduced performance and therefore a greater cost to pensioners. It was noted that there will be more admitted bodies in future - for example academies and as a consequence of this taxpayers could end up picking up more costs. Gary Fielding added that in accordance with LGPS14 this scenario could result in greater contributions for active members also. Geoff Dalton advised that after 2017 the impact of the new arrangements would be reflected in returns. He noted that the performance of London Boroughs has damaged the reputation of Local Authority Pension Funds overall. He reiterated that in light of this, who North Yorkshire partners with is particularly important.
- ◆ A Member acknowledged that the North Yorkshire Pension Fund had previously been at the bottom of performance tables but this had been turned around, and now it was at the top.
- ◆ A Member asked that the response once in draft form, it should be circulated to Members for comment.
- ◆ A Member sought assurance that the day to day running of the Pension Fund would be unaffected by the additional workload created as a result of the pooling initiative. Gary Fielding acknowledged the additional burden and advised that he was conferring with other County Treasurers regarding how to address this.

Discussion then turned to the exempt Appendix 3 and Gary Fielding advised that this contained the limited information which was available, acknowledging that this was not an ideal scenario upon which to make an evidence-based decision. He reiterated that more information would be available by July 2016, following the undertaking of due diligence checks. Any decisions regarding potential partners could still be reversed if adverse information were forthcoming, and similarly if there were any

change of direction from Government. It was hoped that North Yorkshire would be seen as an attractive partner as an award winner, and hopefully this would also allow North Yorkshire to influence future discussions. He felt that the success achieved around global equities hopefully demonstrates that the Fund has something to offer.

Dave Lyons then outlined the four criteria set out by the Government for the pooling of assets. These being:

1. Asset pooled must achieve the benefits of scale (as least £25bn).
2. Strong governance and decision-making.
3. Reduced costs and excellent value for money.
4. An improved capacity to invest in infrastructure.

He explained that this situation had been emerging for the last 13 to 14 years, and transition was finally underway. He advised that other criteria were likely to apply further down the line. He also spoke of the three types of collaboration and support was expressed for collaboration with like-minded partners, which therefore had a better chance of success. Details were shared regarding ten emerging collaboratives and there was discussion of their various strengths and weaknesses.

Members shared the feedback they had gleaned from their various networks of contacts. Some Members felt that the options were “a dog’s breakfast” and that the criteria for coming together were not always obvious. County Councillor Roger Harrison-Topham had looked at the figures and had identified the costs per Member of each option. It was noted that the shire costs were generally good and less so for others. There was concern that the right partnering decisions were made and that the decision should not be taken out of desperation to avoid compulsion. Whilst geographic proximity may be helpful, there was consensus that working with like-minded authorities was most important factor.

Tom Morrison advised that some £14bn sat with Funds who had yet to declare their hand, they were remaining silent presently. Information was shared regarding other Authorities who may choose to collaborate with East Riding, Cumbria, Surrey and North Yorkshire bringing the total funds to a level approaching the required threshold. Members reiterated their deep concerns regarding the question of performance and insolvency - Tom Morrison acknowledged that there were some synergies due to common Fund Managers. There was also discussion of the ability to participate in various Fund classes. The benefits of working with similar sized Authorities was also noted, enabling gains to be shared equitably. Geoff Dalton accepted the point that some of the proposed collaborations appear almost random and he reiterated that that the arrangement proposed for North Yorkshire generally appeared better than the others.

A Member highlighted the concerns around in-house versus external investment and Gary Fielding accepted that this was a fair challenge. He felt that this was a judgment call rather than an issue for evidence based decision. He went on to speak of his support for collaboration with East Riding, Cumbria and Surrey, as these Authorities were actively seeking to work with North Yorkshire. He acknowledged the importance of getting on with partners and good relationships with their Treasurers – he felt mutual trust was important.

A Member noted that the Government’s imperative was all about reducing administration costs and he felt that the decision regarding collaboration needed to be taken based upon performance in the round. He asked whether the Pension

Fund Committee was at risk of taking this significant decision without looking at both sides of the issue.

The Chairman, County Councillor John Weighell, felt that the Pension Fund Committee was placed in an untenable position, given the Government is compelling local authorities to decide upon pooling arrangements with the threat of Secretary of State intervention on the horizon. There was consensus amongst Members that the process leading to this point had been somewhat chaotic, demonstrating a lack of understanding amongst many civil servants of the LGPS. The Chairman stated that this was not a happy decision.

The question was raised regarding how pooling arrangements would fit with devolution and it was noted that the two were being handled entirely separately. There was discussion of the timetable for next steps and it was noted that there was not a lot of time until the second stage of consultation in July 2016. It was also noted that some of North Yorkshire's potential partners were also in discussion with others. All reluctantly agreed that there was a need to move forward with this initiative and so the proposal was agreed with a small amendment reflected in the recommendation below.

Resolved -

Members' support, in principle, NYPF pursuing the option of joining the collaboration with East Riding, Cumbria and Surrey for the purposes of the consultation and to indicate to them that this is the intended course of action.

The meeting concluded at 15.55

JO'D

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

25 FEBRUARY 2016

MEMBER AND EMPLOYER ISSUES

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

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

- | | |
|--------------------------------|-----------------|
| (a) Admission Agreements | (see section 2) |
| (b) Membership Analysis | (see section 3) |
| (c) Annual Benefits Statements | (see section 4) |
| (d) Administration Performance | (see section 5) |
| (e) Member Training | (see section 6) |
| (f) Meetings Timetable | (see section 7) |

2.0 ADMISSION AGREEMENTS

2.1 The latest position re Proposed 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 schools known to be converting to academy status is also included in **Appendix 1**.

3.0 MEMBERSHIP ANALYSIS

3.1 The membership movement figures for the nine months to 31 December 2015 are as follows:

Membership Category	At 31/03/14	+/- Change (%)	At 31/03/15	+/- Change (%)	At 31/12/15
Actives	31,501	+11.1	34,990	+1.4	35,495
Deferred	29,490	+3.7	30,591	+1.8	31,146
Pensioners*	17,668	+4.4	18,451	+4.1	19,214
Total	78,659	+6.8	84,032	+2.2	85,855

*Figures include spouses' and dependants' pensions

- 3.2 The movement in active membership for the year to 31 December 2015 (+1.4%) is lower than reported for the 6 months to 30 September 2015 (+4.8%). This reduction is partly attributable to an ongoing data-cleansing exercise due to be completed in March 2016. It is anticipated that active membership numbers will be further reduced in this period.
- 3.3 A breakdown of retirements across the Fund to 31 December 2015 is at **Appendix 2**.

4.0 ANNUAL BENEFITS STATEMENTS

- 4.1 In line with revised project timescales, the data required for producing 2014/15 Annual Benefits Statements will be provided by 29 February 2016 in time for issuing the small number of outstanding Statements by 31 March 2016.
- 4.2 An initial training session was held during the North Yorkshire Pension Fund Officers Group (NYPFOG) meeting on 27 January 2016 to prepare for the upcoming 31 March 2016 year-end exercise. This session included providing a suggested project plan for employers to adopt and a practical session on data validation checks. There are also additional training sessions planned to assist individual employers with the Year End exercise.
- 4.3 Employers have also been asked for their feedback on the support given by the NYPF for the 2015/16 year end exercise via an Employer Satisfaction Survey, the results of which will be collated in March 2016. The wording of the Pensions Administration Strategy is being strengthened to highlight the employer responsibilities under the Pensions Regulator's requirements and any associated best practice guidance which may be issued will be circulated to employers when this is available.

5.0 PERFORMANCE OF THE PENSIONS ADMINISTRATION TEAM

- 5.1 The performance figures for Quarter 3 of 2015/16 are as follows;

Performance Indicator	Target in Q3	Achieved
Measured work achieved within target	98%	99.7%
Customers surveyed ranking service good or excellent	94%	90.1%
Reduce reliance on customer helpline. Phone queries reduced as a proportion of customer contacts to <29%	29%	29%
Increase numbers of registered self-service users	11,000	10,987
Total Sickness absence to end of Q3	4.5 days per employee	6.8 days per employee

- 5.2 Changes in the way key administration areas are dealt with has continued to result in improved performance.
- 5.3 The comments received from recently retired members via the online Retired Member Survey highlight frustrations due to delays in receiving information for a number of reasons including waiting for final pay information or other details from other sources, required for the calculation of pension benefits. Developments are being looked at relating to the communications process carried out by both the Pensions Section and the employer for informing retiring members of the potential timeframe for paying pension benefits. Improvement ideas for greater employer engagement with the retirement process are being considered using a combination of revised service level agreements and by supplying regular 'outstanding information required' spread sheets to employers so they are reminded of their commitments via a helpful and structured method.
- 5.4 The self-service registration performance indicator was comfortably ahead of target prior to the implementation of the Altair pension administration system. Although the move to Altair brought improved self-service facilities, all existing users were deactivated and required to re-register their details. The total number of registered self-service users is therefore building up quickly. There has been an increase of 820 users in Quarter 3.
- 5.5 The high sickness absence figure is a result of the long-term sick leave of a member of the Section who retired in November 2015. If the sickness absence of this staff member is excluded from the annual calculation, the Section's sickness absence is comfortably within the target of 4.5 days per employee.

6.0 MEMBER TRAINING

- 6.1 The Member Training Record showing the training undertaken over the year to January 2016 is attached as **Appendix 3**.
- 6.2 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.

7.0 MEETINGS TIMETABLE

- 7.1 The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix 5**.

8.0 RECOMMENDATIONS

- 8.1 Members are asked to note the contents of this report.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

16 February 2016

Background documents: None

LATEST POSITION RE ADMISSION AGREEMENTS

Admission Agreement	Current Position / Action To Be Taken (If Applicable)
Schools Plus Ltd providing facilities management services for All Saints RC School (City of York)	The facilities management services for All Saints School, York have been awarded to a contractor, Schools Plus Ltd from 1 April 2016. There is one member of staff who is in the LGPS and an admission agreement is to be put in place to allow the continued membership on the LGPS for this member of staff.
NYCC Property and Engineering Consultancy Services	The contract for NYCC Property and Engineering Consultancy Services is to be taken over by the Kier Group (AKA Mouchel) from 1 April 2016. The final list of staff to transfer from Jacobs under TUPE arrangements is to be finalised but around five members of staff are to remain in the LGPS and an admission agreement is to be put in place to achieve this.

LATEST ACADEMY ADMISSIONS

Original School Name	Date of Conversion/ Current Position	Academy Name After Conversion
Knivesmire Primary School (York) Scarcroft School (York)	Schools converted to an academy on 1 January 2016	Schools become part of the South Bank Multi Academy Trust
New Park Primary School (NYCC)	School due to convert to an academy on 1 January 2016	School became part of the Northern Star Academies Trust (joining Harrogate High School and Skipton Girls' High School)

Cumulative Total of Retirements from 1 April 2015 to 31 December 2015

<i>Employer</i>	<i>Normal</i>	<i>Ill-Health</i>		<i>Efficiency Redundancy Emp' Consent</i>	<i>Total</i>
		<i>Actuarial Assumption</i>	<i>Actual</i>		
001 - Fulford PC	1	-	-	-	1
007 - Scarborough BC	9	1	1	3	13
009 - Hambleton DC	3	1	1	2	6
010 - Ryedale DC	7	1	-	2	9
011 - Harrogate BC	17	2	2	15	34
012 - Richmondshire DC	4	1	-	-	4
013 - Selby DC	4	1	-	1	5
014 - Craven DC	5	1	-	-	5
015 - Welcome to Yorkshire	1	-	-	-	1
016 - York St John University	9	-	-	-	9
020 - York	60	7	1	19	80
025 - NYCC	229	22	2	34	265
051 - NY Fire and Rescue	4	2	2	-	6
053 - Yorkshire Dales NP	1	-	-	-	1
055 - Uni of Hull	3	-	-	1	4
057 - Yorkshire Housing	6	-	-	-	6
062 - Craven College	2	1	-	-	2
065 - Selby College	2	-	-	-	2
068 - Scar 6 th Form College	1	-	-	-	1
074 - York College	5	-	-	5	10
076 - York Museums Trust	7	1	-	-	7
077 - Craven Housing	2	-	-	-	2
084 - Jacobs	1	-	-	-	1
080 - Yorkshire Coast Homes	10	-	-	1	11
086 - Superclean	1	-	-	-	1
092 - Enterprise	1	-	-	-	1
097 - ISS Mediclean	1	-	-	-	1
098 - Harrogate Grammar	4	-	-	-	4
101 - Skipton Girls' High Sc	2	-	-	-	2
102 - South Craven School	2	-	-	-	2
105 - Rossett School	1	-	-	-	1
107 - St Aidan's High School	1	-	-	-	1
110 - Ringway	8	-	-	-	8
118 - Sheffield Int Venues	1	-	-	-	1
119 - Woodlands Academy	-	-	-	1	1
125 - Thomas Hinderwell Sch	1	-	-	-	1
126 - Robert Wilkinson Acad	2	-	-	-	2
128 - NY Police and Crime C	3	-	-	-	3
129 - NY Chief Constable	6	1	1	-	7
134 - Sewell Facilities Man	3	-	-	-	3
143 - Lifeways	1	-	-	-	1
149 - SLM Scar Leisure	-	-	-	1	1
Others	-	9	-	-	-
TOTALS	431	51	10	85	526

(82%)

21

(2%)

(16%)

Quarter by quarter analysis					
Quarter 1	153		3	23	179
Quarter 2	172		3	44	219
Quarter 3	106		4	18	128
Quarter 4	-		-	-	-
	431	N/A	10	85	526

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

PENSION FUND COMMITTEE RECORD OF TRAINING

Date	Title or Nature of Course	Bateman B	Blackie J	De Courcey-Bailey M	Harrison-Topham R	Mulligan P	Swiers H	Weighell J	Clark J	Steward C	Portlock D	Hazeldine B	Unison (Vacancy)	Unison (Vacancy)
27 Feb 2015	NYCC Investment Manager Meeting	✓	✓	✓	✓	✓	✓	✓	✓					
11-13 Mar 2015	NAPF Investment Conference	✓	✓	✓		✓								
18-20 May 2015	NAPF Investment Conference	✓												
21 May 2015	NYCC Fixed Income Review I	✓	✓	✓	✓	✓	✓	✓	✓					
22 May 2015	NYCC Investment Manager Meeting	✓		✓	✓	✓	✓	✓						
9 July 2015	NYCC Fixed Income Review II		✓	✓	✓	✓	✓	✓	✓					
18 Sept 2015	NYCC Investment Manager Meeting	✓			✓	✓	✓	✓	✓					
14-16 Oct 2015	NAPF Investment Conference	✓				✓	✓	✓						
17 Nov 2015	LGA Trustee Fundamentals										✓			
26 Nov 2015	NYCC Investment Manager Meeting	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
27 Nov 2015	NYCC Investment Manager Meeting	✓	✓	✓	✓	✓	✓	✓	✓	✓				
02-04 Dec 2015	LAPFF Annual Conference		✓											

UPCOMING TRAINING AVAILABLE TO MEMBERS

<i>Provider</i>	<i>Course / Conference Title</i>	<i>Date(s)</i>	<i>Location</i>	<i>Theme / Subjects Covered</i>
LGC	Investment Seminar	03-04 March 2016	Chester	The Government's Saving Challenge. Developments in Pensions Governance and Fund Management
PLSA	Investment Conference	09-11 March 2016	Edinburgh	Key Investment Choices, Challenges and Changes Faced by Institutional Investors.
PLSA	Local Authority Conference	16-18 May 2016	Gloucestershire	Efficiency, Transparency and Collaboration: the Major Themes Shaping the Modern LGPS
LGC	Investment Summit	08-09 September 2016	Newport	TBA
PLSA	Annual Conference and Exhibition	19-21 October 2016	Liverpool	TBA

PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2016 AND 2017

<i>Meeting Date</i>	<i>Time & Venue</i>	<i>Event</i>	<i>Managers</i>
25 February 2016	10am, The Brierley Room	Pension Fund Committee	Aon Hewitt (Actuarial Presentation)
26 February 2016	10am, Conservative Group Room	Investment Manager Meeting	Newton and Baillie Gifford
19 May 2016	10am, The Grand	Pension Fund Committee	1 Managers TBC
20 May 2016	10am, TBC	Investment Manager Meeting	2 Managers TBC
07 July 2016	10am, The Grand	Pension Fund Committee	
21 September 2016	10am, The Grand	Pension Fund Committee	1 Managers TBC
22 September 2016	10am, TBC	Investment Manager Meeting	2 Managers TBC
24 November 2016	10am, The Grand	Pension Fund Committee	1 Managers TBC
25 November 2016	10am, TBC	Investment Manager Meeting	2 Managers TBC
23 February 2017	10am The Grand	Pension Fund Committee	1 Managers TBC
24 February 2017	10am TBC	Investment Manager Meeting	2 Managers TBC

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

25 FEBRUARY 2016

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) |
| (c) the proposed 2016/17 budget | (see section 4) |

2.0 2015/16 FORECAST

- 2.1 The Cash surplus for the year to 31 December 2015 (£10.3m) was slightly higher than forecast (£9.3m), by £1.0m.
- 2.2 Pensions Payroll Expenditure of £54.9m was less than forecast by £0.6m. This was partially offset by Retirement Grant expenditure of £19.9m against a forecast of £19.5m.
- 2.3 Contributions Income of £86.5m represents a £0.8m (0.9%) positive variance to budget. A range of factors, including pre-payment of deficits, varying payroll schedules and new employer admissions can all impact on this income area. The annual forecast is unchanged.
- 2.4 Early Retirement income exceeded the forecast by £0.2m. The profile for strain on the Fund costs sees the bulk of retirement activity taking place in Q1. Just £113k (4.2%) of the £2.5m income to date was received in the quarter to 31 December 2015. The annual forecast for this income will therefore remain unchanged.
- 2.5 Transfer Income for the period of £6.1m exceeded forecast by £0.8m, while Transfer Expenditure was £0.6m less than budget at £3.1m. Transfer activity is driven by individual member movement and is therefore a challenging area to forecast. Short term variances are to be expected and there are no bulk transfers anticipated for 2015-16.
- 2.6 Performance Related Management Fees of £3.7m exceeded the forecast by £1.4m. The fees, payable to Baillie Gifford and Fidelity, were based on an extended period of substantial and award-winning outperformance. While recent months have seen more modest performance, an accrual will be required for the period October 2015 to April 2016. The full year forecast for Performance related fees has therefore been increased by £1.5m to £4.5m.

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 31 December 2015 (as per Appendix 1)	10.3	
Cash Available as at 31 December 2015	28.1	(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	
September 2015 (transfer from Amundi)	40.0	
September 2015 (transfer to M&G)	-35.0	
October 2015 (transfer from Amundi)	85.0	
October 2015 (transfer to Baillie Gifford LTGG)	-33.0	
October 2015 (transfer to Baillie Gifford GA)	-17.0	
October 2015 (transfer to Standard Life GARS)	-32.0	
Total Rebalancing	-20.5	(b)
Available for Rebalancing of the Fund	7.6	(c) = (a+b)

4.0 PROPOSED 2016/17 BUDGET

4.1 The proposed budget for 2016/17 can be found in column (vi) of **Appendix 1**.

4.2 The budget for Pension Payments has been increased by £1m and Retirement Grants by £1m. While the CPI-linked pension increases will be 0% from April 2016, a rise in overall Pensioner numbers is envisaged due to continuing austerity measures within the public sector.

4.3 Investment Management Fees have been increased by £250k to £3.4m. This reflects the increase in value of investment assets upon which fees are based and the addition of new Managers during 2015/16.

4.4 The Administration Expenses (Other Services) budget has been increased by £40k as Actuarial fees increase to meet the cost of the Triennial Valuation exercise in 2016/17.

5.0 RECOMMENDATIONS

5.1 Members to approve the 2016/17 Budget

5.2 Members to note the contents of the report.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

16 February 2016

	Budget 2015/16 £000 (i)	Profiled Budget to 31 Dec £000 (ii)	Actual Income / Expenditure to 31 Dec £000 (iii)	Variance ie (iii-ii) £000 (iv)	Forecast 2015/16 £000 (v)	Proposed Budget 2016/17 £000 (vi)
EXPENDITURE						
Benefits						
Pensions	74,000	55,500	54,859	-641	74,000	75,000
Lump Sums (including refunds)	26,000	19,500	19,953	453	26,000	27,000
sub total (a)	100,000	75,000	74,812	-188	100,000	102,000
Admin Expenses						
Finance and Central Services	1,100	825	825	0	1,100	1,100
Other Services	210	158	155	-3	210	250
Other Admin Expenses	200	150	95	-55	200	200
sub total (b)	1,510	1,133	1,075	-58	1,510	1,550
Investment Expenses						
Investment Management Fees (Base)	3,150	2,363	2,585	223	3,150	3,400
Performance Related	3,000	2,250	3,746	1,496	4,500	3,000
Custodian Fees	150	113	94	-19	150	150
Other Investment Expenses	260	195	147	-48	260	260
sub total (c)	6,560	4,920	6,572	1,652	8,060	6,810
Total Expenditure (d)	108,070	81,053	82,459	1,406	109,570	110,360
INCOME						
Contributions						
Employer and Employee Contributions	108,000	85,777	86,547	770	108,000	108,000
Early Retirement Costs Recharged	2,500	2,292	2,525	233	2,600	2,500
sub total (e)	110,500	88,069	89,072	1,003	110,600	110,500
Transfers						
Transfers IN (per individuals)	7,000	5,250	6,093	843	7,000	7,000
Transfers OUT (per individuals)	-5,000	-3,750	-3,132	618	-5,000	-4,000
sub total (f)	2,000	1,500	2,961	1,461	2,000	3,000
Other Income						
Other Investment Income	1,000	750	730	-20	1,000	1,000
sub total (g)	1,000	750	730	-20	1,000	1,000
Total Income (h)	113,500	90,319	92,763	2,444	113,600	114,500
Net Surplus (i)	5,430	9,266	10,305	1,038	4,030	4,140

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

25 FEBRUARY 2016

PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER
ENDING 31 DECEMBER 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 31 December 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 31 December 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 (5.5%) was above the customised benchmark for the Fund (4%) by 1.5%.
- 3.2 The 12 month absolute rolling return was +6.2%, 1.8% above the customised benchmark.
- 3.3 Absolute and relative returns over the rolling years to each of the last four quarter ends were as follows.

Year End	Absolute %	Relative %
31 December 2015	+6.2	+1.8
30 September 2015	+5.7	+0.8
30 June 2015	+12.9	+2.6
31 March 2015	+15.9	+1.6

- 3.4 The performance of the various managers against their benchmarks for the Quarter ended 31 December 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 31 December 2015 in absolute percentage terms from a starting point of “100”

Appendix 3 Solvency graph – this shows the key Asset, Liability and Deficit figures in a simple graphical format

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

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

4.0 FUND MANAGER PERFORMANCE

- 4.1 In monetary terms, the absolute return of 5.5% in the Quarter increased the invested value of the Fund by £117m. This Quarter 12 managers/funds outperformed their respective benchmarks and two did not. At the end of the December 2015 quarter the value of the Fund was £156m above the value at the end of December 2014, an increase of 7%.

Overseas Equities

- 4.2 **Fidelity** produced a relative return in the quarter of 0.1% over the benchmark return of 7.6%. Performance over the year to December 2015 was +2.0% relative. Since inception in November 2008 the manager has exceeded the benchmark by +0.5% p.a. (gross of fees).

Global Equities

- 4.3 The Global Alpha fund managed by **Baillie Gifford** returned 10.6% for the quarter against a benchmark return of 8.1%. Outperformance over the longer term was +4.5% over 1 year and +2.8% pa over 5 years. Since inception in 2006, the Fund has outperformed the FTSE All World by 2.4% p.a.

The LTGG fund, also managed by **Baillie Gifford** produced a positive return for the quarter of 18% against a benchmark return of 8.1%. Outperformance over the longer term was +16.8% over 1 year and +6.2% p.a. over 5 years.

The recently invested Global equity funds **Veritas** and **Dodge & Cox** returned +0.9% and -2% respectively against the MSCI All Country World benchmark of 8.1%. Both managers invest on a global unconstrained basis so this benchmark is for performance measurement purposes only.

UK Equities

- 4.4 **Standard Life** produced an absolute return of 2% for the quarter. This represents a negative relative return of -1.3% against a benchmark return of 3.3%. Relative performance for the year was -7.1% against the benchmark of +7.6%. Relative annualised performance over the longer term was -1.6% p.a. over three years and -1.3% pa over five years.

Fixed Income

- 4.5 **ECM** produced 1.4% relative against cash for the quarter and -0.4% relative for the year to December 2015. Annualised performance for the 5 years to December 2015 was +2.1% relative.
- 4.6 The investment in Gilts with **M&G** outperformed the liability matching benchmark of -3.6% for the quarter to December 2015 by +1.1%. Performance for the year was +2.2% above the benchmark return of -0.2%, and annualised performance since inception in 2010 was +0.9% p.a.

Property

- 4.7 The investments with **Hermes, Threadneedle** and **L&G** produced +0.7%, +0.4% and +0.3% respectively in relative terms, against the property index for each manager in the quarter to December 2015.
- 4.8 Property has continued to perform strongly over the year to December 2015 with Hermes, Threadneedle and L&G returning in absolute terms +14.3%, +13.1% and +12.6% respectively.

Diversified Growth Funds

- 4.9 The Investment with the **Standard Life** Global Absolute Return Strategy (GARS) Fund and the **Newton Investments** Real Return Fund produced relative over-performance for the quarter of 1.6% and 1.3% respectively against a cash benchmark of +0.1%.
- 4.10 Over the period since inception in March 2013, in absolute terms, Standard Life returned +4.3% p.a. against cash of +0.5% p.a. and a performance target of +5.5% p.a. and Newton +1.7% p.a. against cash of +0.5% p.a. and a performance target of +4.5% p.a.

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 7.9% for the rolling three year period to December 2015, 0.9% above the benchmark.

- 5.3 The **Sharpe Ratio** is a measure of how well the return compensates an investor relative to the risk taken. A higher Sharpe Ratio reflects a better return for a given level of risk or lower risk for a given level of return. The ratio for the Fund for the rolling three year period to December 2015 is +0.2% above the benchmark.
- 5.4 The **Tracking Error** figure reflects how closely a fund manager's actual return follows their respective benchmark. As at December 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 December 2015 the ratio for the Fund was +1.1%.

6.0 **SOLVENCY**

- 6.1 The **solvency position** is presented in **Appendices 3 and 4**. As at 31 December 2015 the estimated solvency was 78%. This is a 5% increase from the solvency figure as at 30 September 2015 and is also an increase of 5% to the 2013 Actuarial Valuation figure.
- 6.2 Liabilities as values by the Actuary have decreased in the quarter from £3,134m as at 30 September 2015 to £3,076m at 31 December 2015. This decrease of £58m (2%) is due primarily to a rise in gilt yields over the Quarter.

7.0 **REBALANCING**

- 7.1 To remind Members, the Fund disinvested from Amundi during the last quarter, with transfers made to Baillie Gifford and Standard Life (GARS).
- 7.2 No further rebalancing has taken place since the end of the quarter.

8.0 **PROXY VOTING**

- 8.1 The report from PIRC is available on request summarising the proxy voting activity in the period September 2015 to December 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 31 December 2015.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

16 February 2016



BNY MELLON
ASSET SERVICING

North Yorkshire Pension Fund

3 Months Ending 31 December 2015

Fund Analysis & Performance Report



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Market Review

Market Briefing - Quarter Ended 31 December 2015

Market Summary

During the fourth quarter of 2015, returns were primarily positive with the only exception being UK Bonds and Canadian Equities. Within UK, equities provided the strongest result of the quarter, followed by Property

UK Equities

The FTSE 250 was the best performing index with a return of 5.0%, followed by the FTSE Small Cap with a return of 4.1%. The FTSE 100 was the weakest performing sector with a return of 3.7%.

Over the one year period ending 31st December 2015, the FTSE 250 was the best performing index with a return of 11.2%. The FTSE 100 was the weakest performing index with a return of -1.3%.

Technology was the best performing industry sector with a return of 11.0% for the quarter. The weakest performing sector was Basic Materials with a return of -11.1%.

Over the one year period ending on 31st December 2015, returns ranged from 18.5% for Technology to -39.3% for Basic materials. Consumer Goods was the second best performing sector with a return of 16.8%.

Overseas Equities

Most Overseas Equity markets showed positive returns, with the exception of Brazil and Canada.

Within Europe, Belgium was the best performing country with a return of 16.6%. This was followed by Finland with a return of 12.5%. The weakest performing country was Greece with a return of -17.5%. Over the one year period, Denmark was the strongest performing country with a return of 31.2%, and Greece the weakest with a return of -61.5%.

Outside Europe, Australia was the best performing country with a return of 13.2%, followed by Japan with a return of 12.5%. Canada was the weakest performing country with a return of -2.6% in Sterling terms.

Market Review

UK Bonds

For UK-Bonds the fourth quarter returns were negative for all sectors with the exception of Non-Gilts. Non-Gilts outperformed UK-Gilts with a return of 0.5% compared to -1.2%. Within Gilts, Short-dated Gilts was the strongest performing sector with a return of -0.1%. Long-dated Gilts was the weakest performing sector with a return of -2.4%.

Over the one year period ending 31st December 2015, Non-Gilts was the best performing sector with a return of 0.7% compared to the return of 0.6% for UK-Gilts. Within Gilts, Medium-dated Gilts provided the strongest performance with a return of 1.1%, whilst the weakest came from Long-dated Gilts with 0.1%.

Overseas Bonds

The fourth quarter of 2015 saw mix returns for Overseas Bonds. Within Europe, Italy was the best performing country with a return of 1.7%. Denmark was the weakest performing country with a return of -0.7%. Outside Europe, Australia was the best performing country with a return of 5.9%. Canada was the weakest performing country outside Europe with a return of -0.1%.

Over the twelve month period, most European Bonds saw negative returns. Italy provided the strongest performance with a return of -0.4%, followed by Sweden with a return of -2.0%. Outside Europe, the best performance came from the Japan with a return of 6.8%. The weakest performing country was Canada with a return of -8.4%.

UK Index-Linked Gilts

UK Index Linked-Gilts achieved a negative return of -2.9% for the fourth quarter of 2015. Within this sector, Short-dated Index-Linked Gilts provided the strongest performance with a return of -0.4%, whereas the weakest performance was provided by Long-dated Index-Linked Gilts with return of -3.9%.

Over the one year period to 31st December 2015, on an overall basis UK Index-Linked Gilts achieved a return of -1.0%. Over the same period, Long-dated Index-Linked Gilts was the strongest performing sector with a return of -0.3%, whereas Medium-dated Index Linked Gilts showed the weakest performance, returning -2.9%.

UK Cash and Property

Property recorded a positive return of 2.1% for the fourth quarter. The overall return for the one year period ending 31st December 2015 was 9.8%. 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 fourth quarter of 2015, the fund returned 5.49% versus its benchmark of 4.03%, thereby outperforming by 1.46%. In terms of longer period performance, the fund has outperformed over 3 years by 2.57% p.a.

At asset class level, the fund outperformed its blended benchmark in the majority of asset classes. Global Equity Units is the best performing sector which outperformed its benchmark by 4.01%. UK Equities however underperformed the benchmark by 1.19% respectively.

Over the quarter, eleven accounts out-performed their benchmarks. The best performance (excluding the Cash Account) was shown by Baillie Gifford LTGG Manager which out-performed its benchmark by 9.86%.

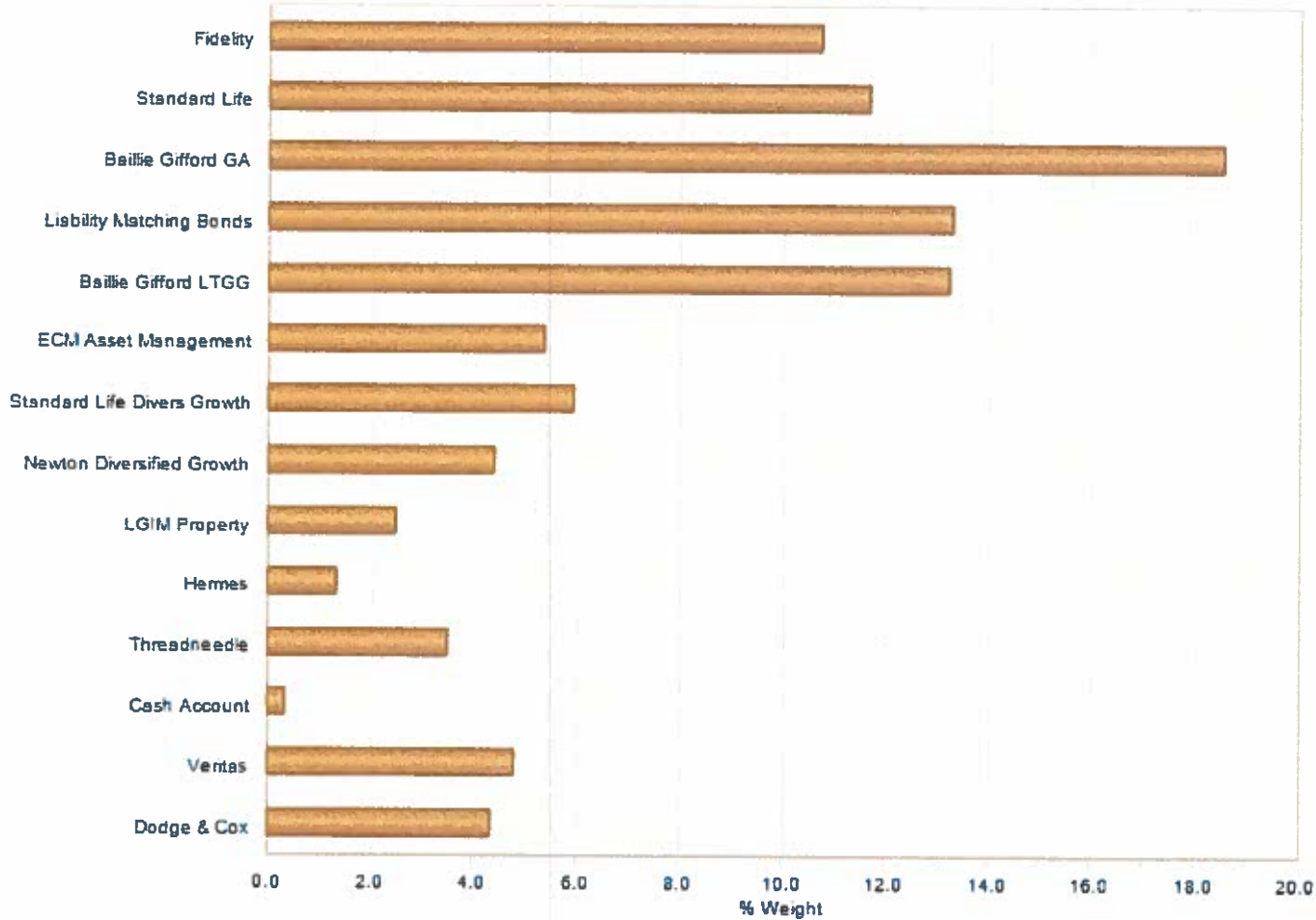
For asset allocation the fund is closely matched to the benchmark with the largest variances being in UK Equities and Alternatives where the fund is 1.68% underweight and 0.98% underweight respectively.

Fund Allocation



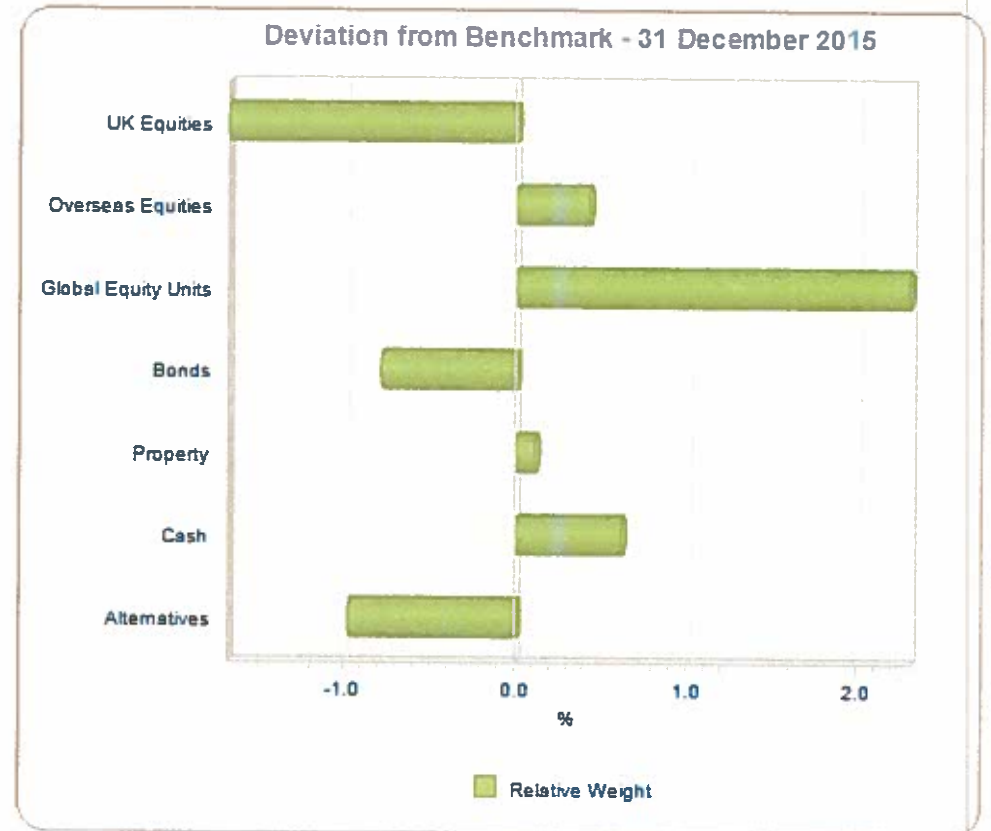
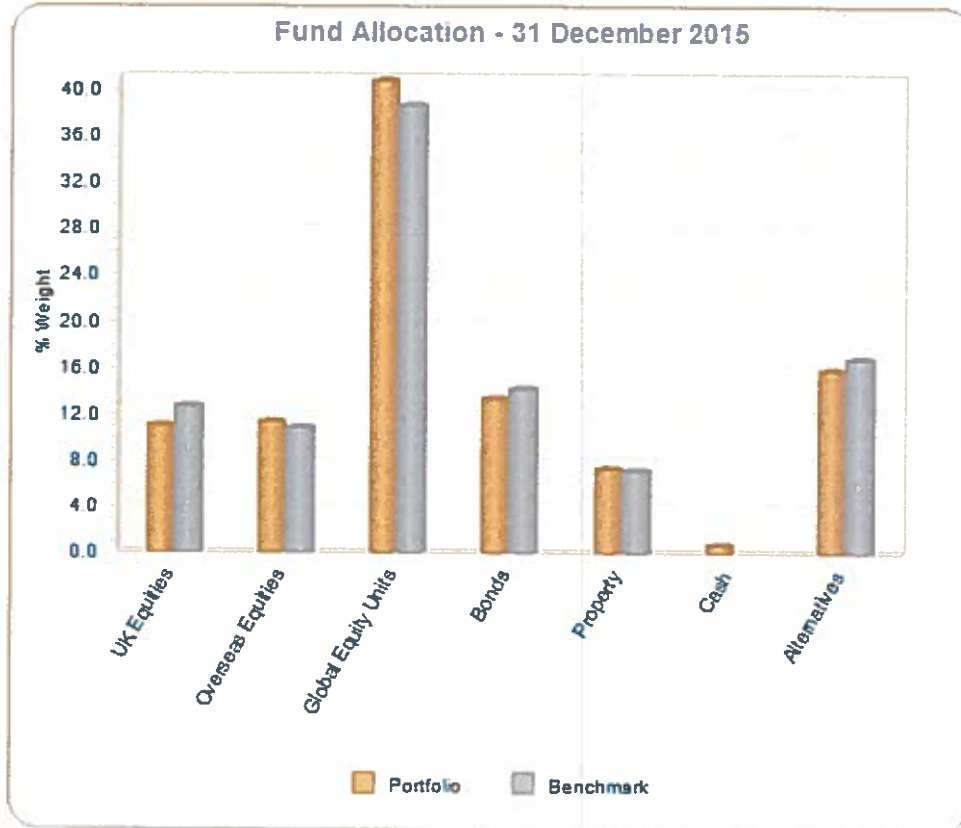
Fund Allocation - Managers

Manager Allocation - 3 Months Ending 31 December 2015



Manager	Weight (%)
Fidelity	10.74
Standard Life	11.68
Baillie Gifford GA	18.55
Liability Matching Bonds	13.31
Baillie Gifford LTGG	13.23
ECM Asset Management	5.38
Standard Life Divers Growth	5.93
Newton Diversified Growth	4.40
LGIM Property	2.50
Hermes	1.33
Threadneedle	3.48
Cash Account	0.34
Veritas	4.80
Dodge & Cox	4.32

Fund Allocation - Relative Analysis



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Cash	Alternatives
Portfolio	10.92	11.23	40.90	13.31	7.31	0.62	15.72
Benchmark	12.60	10.80	38.60	14.10	7.20	0.62	16.70
Relative Weight	-1.68	0.43	2.30	-0.79	0.11	0.62	-0.98

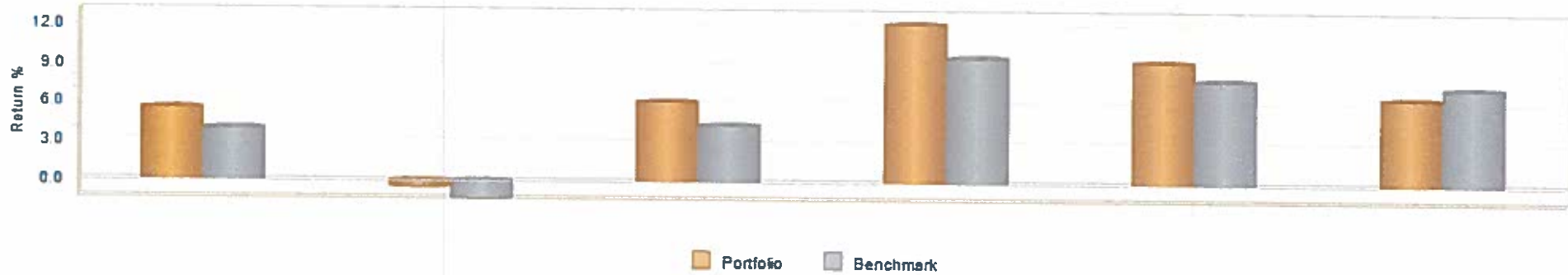
Fund Performance



Fund Performance - Summary



Periodic Performance

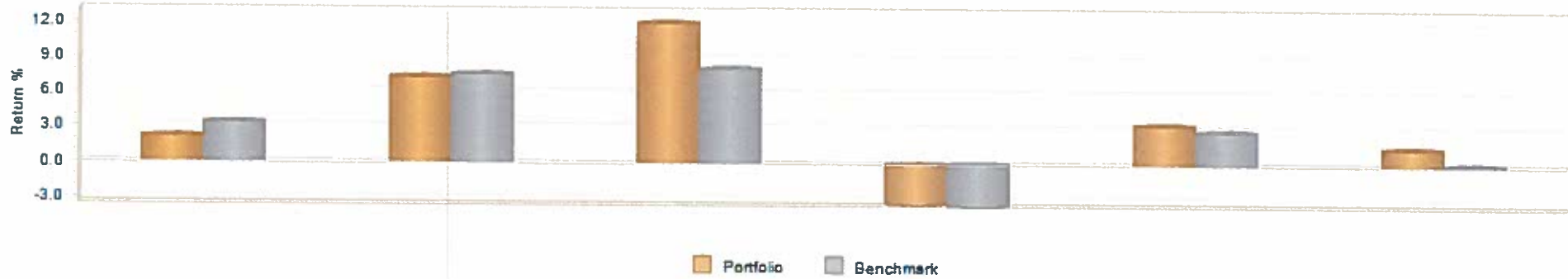


	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception (Ann)
Portfolio	5.49	-0.58	6.16	12.27	9.42	6.58
Benchmark	4.03	-1.40	4.35	9.70	7.96	7.47

Inception Date: 31 Jan 2002

Ann = Annualised

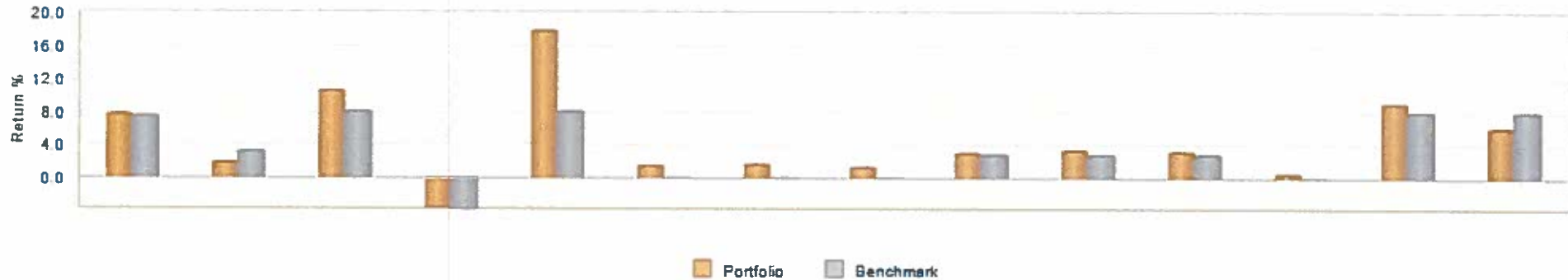
Segment Performance - 3 Months Ending 31 December 2015



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Alternatives
Portfolio	2.10	7.32	12.09	-3.47	3.27	1.52
Benchmark	3.29	7.58	8.08	-3.61	2.85	0.13

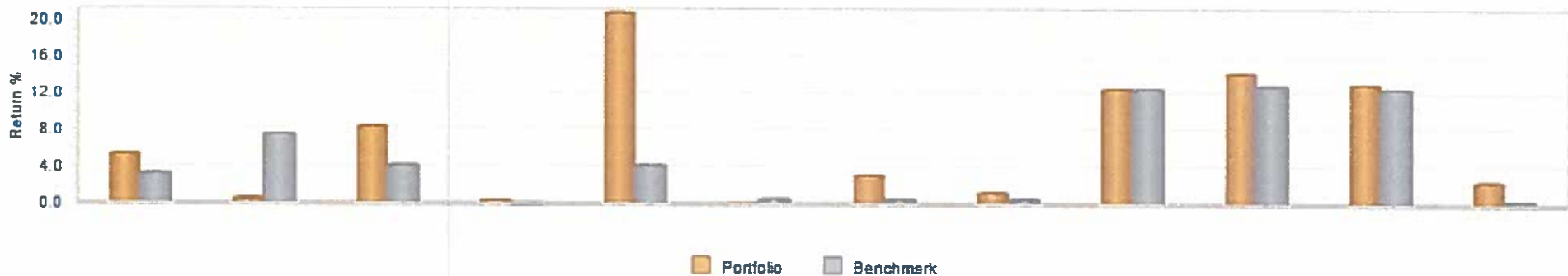
Fund Performance - Manager Overview

Manager Performance - 3 Months Ending 31 December 2015



	Fidelity	Standard Life	Baillie Gifford GA	Liability Matching	Baillie Gifford LTGG	ECM Asset Management	Standard Life Divers	Newton Diversified	LGIM Property	Hermes	Threadneedle	Cash Account	Veritas	Dodge & Cox
Portfolio	7.67	2.00	10.57	-3.47	17.96	1.53	1.73	1.41	3.14	3.58	3.25	0.63	9.01	6.12
Benchmark	7.58	3.29	8.09	-3.61	8.09	0.13	0.13	0.13	2.84	2.87	2.84	0.09	8.06	8.06

Manager Performance - 1 Year Ending 31 December 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
Portfolio	5.32	0.48	8.51	0.33	20.82	0.06	3.11	1.25	12.59	14.35	13.11	2.42
Benchmark	3.34	7.63	4.05	-0.18	4.05	0.51	0.51	0.51	12.50	12.97	12.50	0.36

Fund Performance - Contribution Analysis

Source of Contribution - Quarter to 31 December 2015



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Cash	Alternatives
Portfolio	0.25	0.80	4.51	-0.55	0.24	0.01	0.23
Benchmark	0.42	0.81	3.09	-0.51	0.09		0.02

Top 5 Manager Contribution - Quarter to 31 December 2015



	Total Consolidation	Baillie Gifford LTGG	Baillie Gifford GA	Fidelity	Veritas	Dodge & Cox	Remaining Managers
Portfolio	5.49	2.04	1.78	0.80	0.42	0.27	0.49

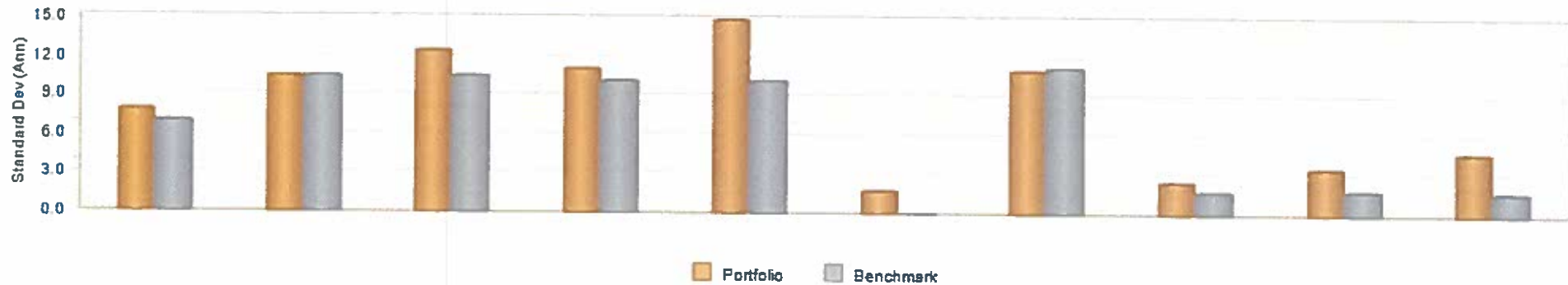
Risk Profile



Risk Profile - Historic Risk

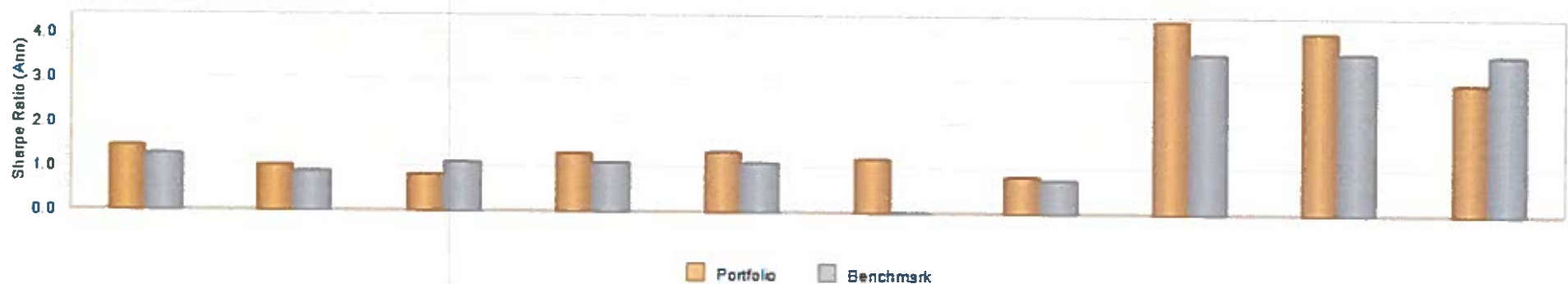


Standard Deviation - 3 Years (Ann) to 31 December 2015



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Baillie Gifford LTGG	ECM Asset Management	M&G	LGIM Property	Hermes	Threadneedle
Portfolio	7.86	10.49	12.42	11.13	14.92	1.75	10.97	2.45	3.55	4.75
Benchmark	7.00	10.48	10.54	10.07	10.07	0.00	11.21	1.76	1.79	1.76

Sharpe Ratio - 3 Years (Ann) to 31 December 2015

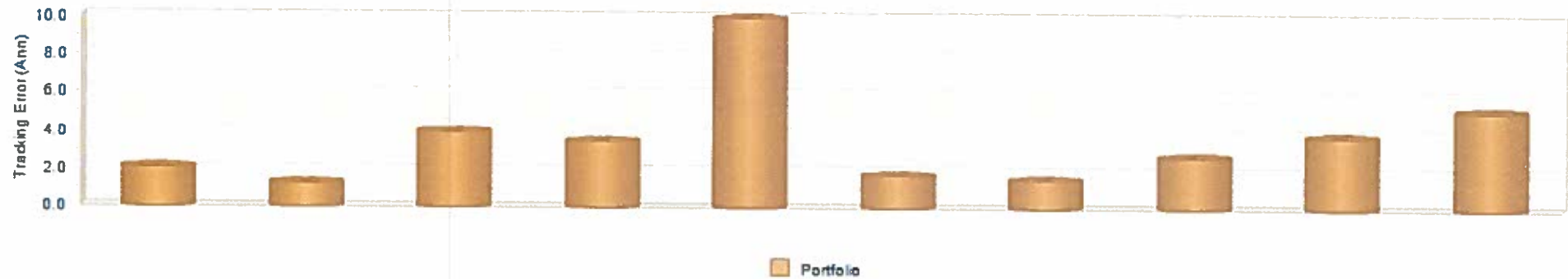


	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Baillie Gifford LTGG	ECM Asset Management	M&G	LGIM Property	Hermes	Threadneedle
Portfolio	1.45	1.03	0.84	1.33	1.36	1.23	0.83	4.36	4.10	2.96
Benchmark	1.29	0.91	1.11	1.12	1.12	0.00	0.74	3.62	3.64	3.62

Ann = Annualised

Risk Profile - Historic Risk

Tracking Error - 3 Years (Ann) to 31 December 2015



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Baillie Gifford LTGG	ECM Asset Management	M&G	LGIM Property	Hermes	Threadneedle
Portfolio	2.10	1.26	3.95	3.47	9.97	1.75	1.46	2.72	3.79	5.19

Information Ratio - 3 Years (Ann) to 31 December 2015



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Baillie Gifford LTGG	ECM Asset Management	M&G	LGIM Property	Hermes	Threadneedle
Portfolio	1.14	0.99	-0.31	1.01	0.90	1.23	0.49	1.58	2.13	1.48

Ann = Annualised

Risk Profile - Consistency Analysis



Manager	Active Number of Months	Number of Positive Months	Consistency Rate (%)	Benchmark Consistency (%)	Outperformance (%)
Total Consolidation	168	108	64	67	56
Fidelity	86	54	63	48	56
Standard Life	111	60	54	37	54
Baillie Gifford GA	111	68	61	41	56
Amundi	125	73	58		
Baillie Gifford LTGG	112	67	60	41	54
ECM Asset Management	126	83	66	52	62
Standard Life Divers Growth	34	23	68	100	65
Newton Diversified Growth	34	17	50	100	50
M&G	49	27	55	59	57
LGIM Property	37	35	95	84	62
Hermes	46	35	76	80	57
Threadneedle	43	40	93	83	70
Veritas	9	4	44	56	67
Dodge & Cox	9	3	33	56	22

Fund Profile



Fund Profile - Movement of Funds

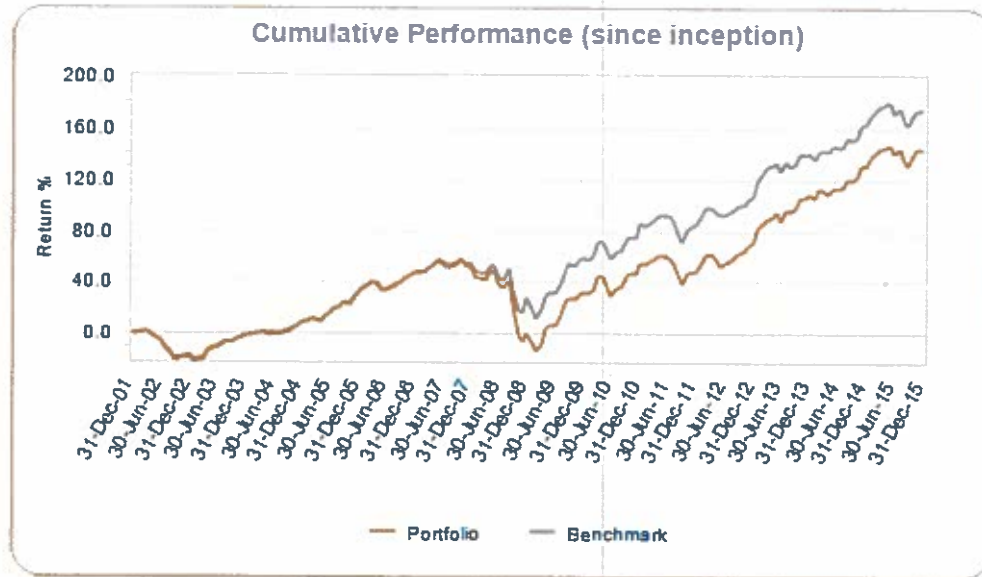
Manager Name	Market Value 30-Sep-2015 (000's)	Net Contributions (000's)	Income (000's)	Gain/Loss (000's)	Market Value 31-Dec-2015 (000's)	% Change
Total Consolidation	2,276,906.22	-8,264.61	3,140.23	121,791.28	2,393,573.12	5.12
Total Consolidation	2,276,906.22	-8,264.61	3,140.23	121,791.28	2,393,573.12	5.12
Fidelity	238,753.29	-0.06	862.24	17,445.57	257,061.04	7.67
Standard Life	274,120.03	0.00	1,685.21	3,790.64	279,595.89	2.00
Baillie Gifford GA	370,256.17	32,999.09	0.00	40,670.79	443,926.06	19.90
Amundi	210,557.70	-203,253.97	-0.01	-7,303.71		
Baillie Gifford LTGG	252,661.79	16,999.53	0.00	47,068.39	316,729.71	25.36
ECM Asset Management	126,947.65	0.00	0.00	1,942.84	128,890.49	1.53
Standard Life Divers Growth	108,209.34	31,993.89	0.00	1,759.81	141,963.04	31.19
Newton Diversified Growth	103,846.01	0.00	0.00	1,466.07	105,312.08	1.41
M&G	205,983.49	118,151.17	205.52	-5,725.28	318,614.91	54.68
LGIM Property	57,903.60	0.00	0.00	1,819.81	59,723.41	3.14
Hermes	31,118.71	-348.85	348.85	758.95	31,877.66	2.44
Threadneedle	80,656.02	0.00	0.00	2,618.47	83,274.49	3.25
Cash Account	12,894.66	-4,805.41	38.41	4.50	8,132.15	-36.93
Veritas	105,467.76	0.00	0.00	9,506.96	114,974.72	9.01
Dodge & Cox	97,449.21	0.00	0.00	5,967.50	103,416.71	6.12

Manager Analysis





Manager Analysis - Total Consolidation



Inception Date: 31 Jan 2002

Portfolio Size and Mandate

Portfolio Size (GBP)	Portfolio Mandate
2,393,573,124	Total Plan

Allocation - 31 December 2015

	UK Equities	Overseas Equities	Global Equity	Bonds	Property	Cash	Alternative
Portfolio	10.92	11.23	40.90	13.31	7.31	0.62	15.72
Benchmark	12.60	10.80	38.60	14.10	7.20		16.70

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	5.5	-0.6	6.2	12.3	9.4	6.6
Benchmark	4.0	-1.4	4.3	9.7	8.0	7.5

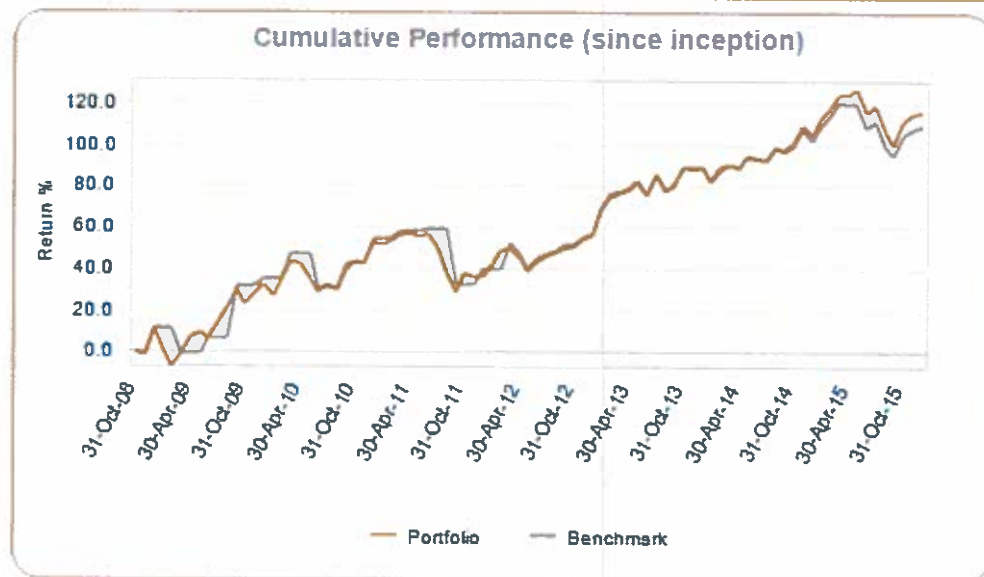
Summary - 3 Months Ending 31 December 2015

The fund's relative performance of the Quarter and 1 Year was 1.5% and 1.8% respectively.

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	7.9	1.5	2.1	1.1
Benchmark	7.0	1.3		

Manager Analysis - Fidelity



Inception Date: 30 Nov 2008

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	7.7	-3.9	5.3	11.3	7.1	11.4
Benchmark	7.6	-5.1	3.3	10.0	6.2	10.9

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	10.5	1.0	1.3	1.0
Benchmark	10.5	0.9		

Portfolio Size and Mandate

Portfolio Size (GBP)

257,061,039

Portfolio Mandate

Global Equities

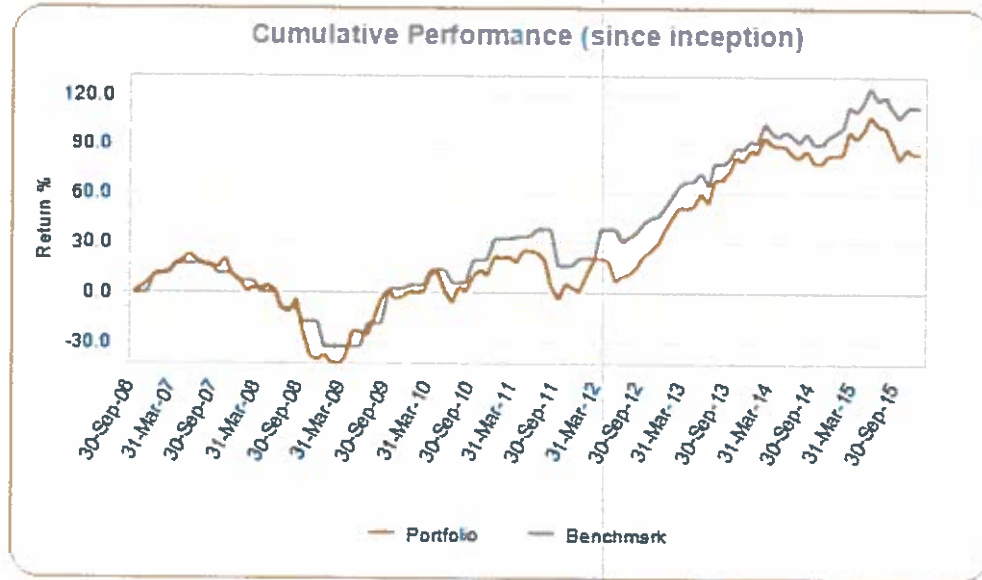
Allocation - 31 December 2015

	UK Equities	Overseas Equities	Cash
Portfolio	0.53	98.18	1.30
Benchmark		100.00	

Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter and 1 Year was 0.1% and 2.0% respectively.

Manager Analysis - Standard Life



Inception Date: 31 Oct 2006

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	2.0	-4.6	0.5	10.7	8.7	6.9
Benchmark	3.3	1.4	7.6	12.3	10.0	8.5

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	12.4	0.8	4.0	-0.3
Benchmark	10.5	1.1		

Portfolio Size and Mandate

Portfolio Size (GBP)

279,595,888

Portfolio Mandate

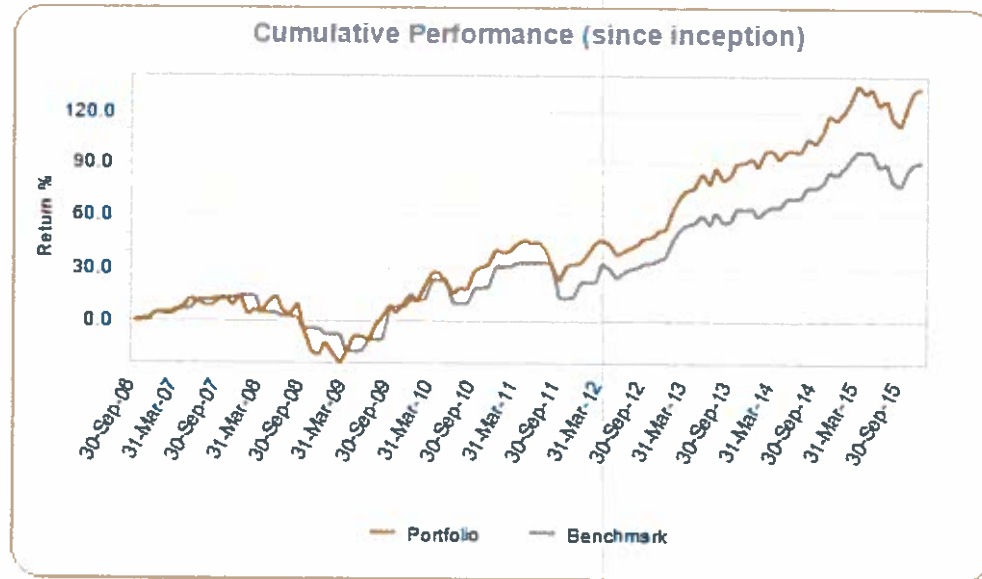
UK Equities

Allocation - 31 December 2015

	UK Equities	Overseas Equities	Cash
Portfolio	92.96	5.88	1.16
Benchmark	100.00		

Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter and 1 Year was -1.3% and -7.1% respectively



Inception Date: 31 Oct 2006

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	10.6	-0.7	8.5	15.7	10.8	9.7
Benchmark	8.1	-3.3	4.0	11.9	8.0	7.3

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	11.1	1.3	3.5	1.0
Benchmark	10.1	1.1		

Portfolio Size and Mandate

Portfolio Size (GBP)

443,926,058

Portfolio Mandate

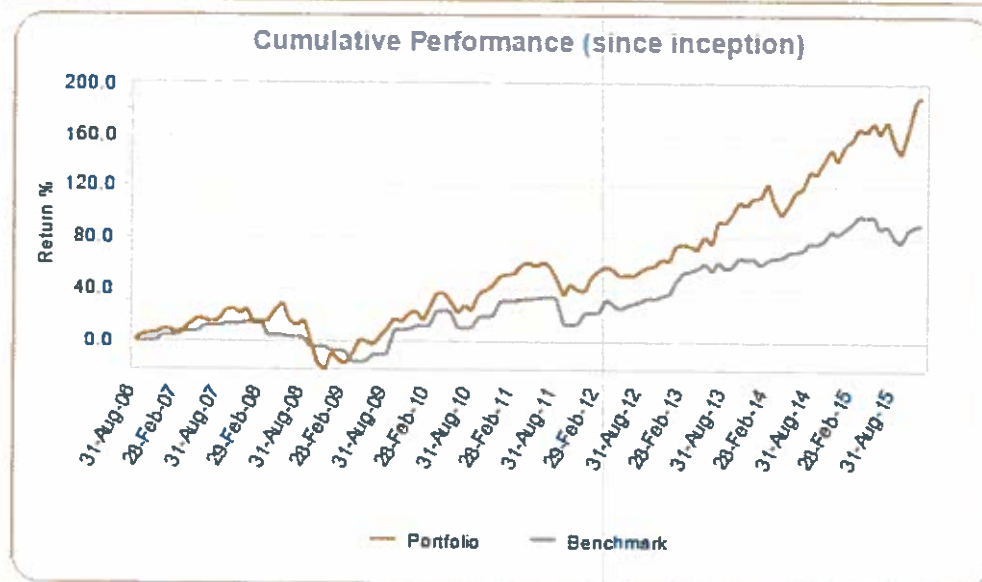
Global Equities

Allocation - 31 December 2015

	Global Equity Units	Cash
Portfolio	100.00	0.00
Benchmark	100.00	

Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter and 1 Year was 2.5% and 4.5% respectively.



Inception Date: 30 Sep 2006

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	18.0	8.8	20.8	21.5	14.2	12.1
Benchmark	8.1	-3.3	4.0	11.9	8.0	

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	14.9	1.4	10.0	0.9
Benchmark	10.1	1.1		

Portfolio Size and Mandate

Portfolio Size (GBP)

316,729,710

Portfolio Mandate

Global Equities

Allocation - 31 December 2015

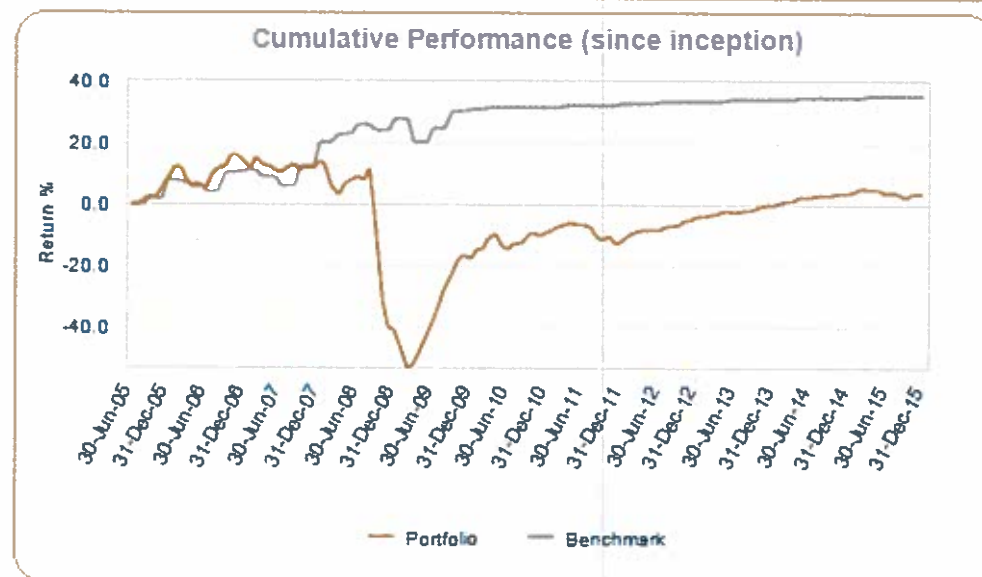
Global Equity Units

Portfolio	100.00
Benchmark	100.00

Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter and 1 Year was 9.9% and 16.8% respectively.

Manager Analysis - ECM Asset Management



Inception Date: 31 Jul 2005

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	1.5	-0.9	0.1	2.7	2.7	0.4
Benchmark	0.1	0.4	0.5	0.5	0.6	3.0

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	1.8	1.2	1.8	1.2
Benchmark	0.0	0.0		

Portfolio Size and Mandate

Portfolio Size (GBP)

128,890,493

Portfolio Mandate

European Bonds

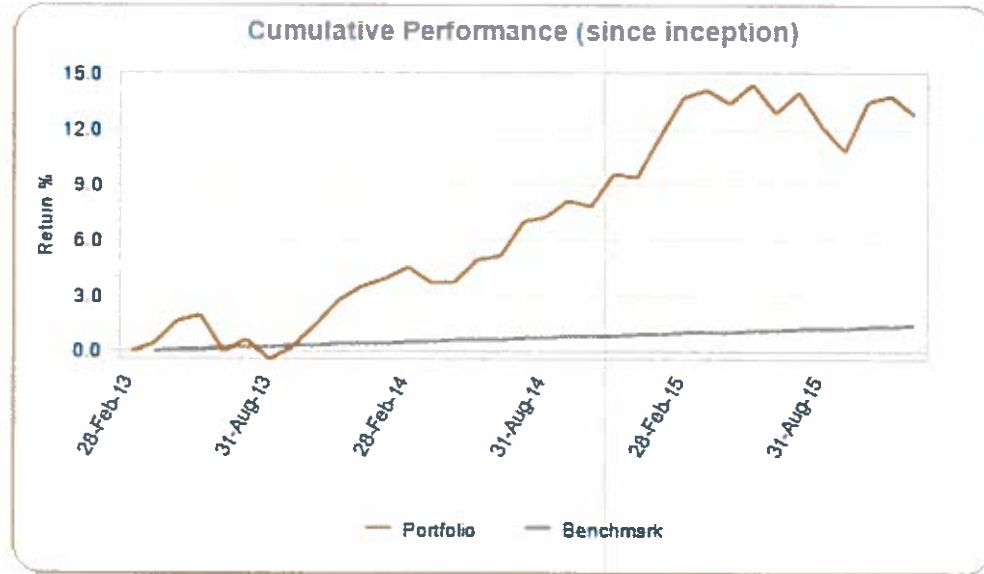
Allocation - 31 December 2015

	Alternatives
Portfolio	100.00
Benchmark	100.00

Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter and 1 Year was 1.4% and -0.4% respectively.

Manager Analysis - Standard Life Divers Growth



Inception Date: 31 Mar 2013

Portfolio Size and Mandate

Portfolio Size (GBP)

141,963,042

Portfolio Mandate

Diversified Growth

Allocation - 31 December 2015

	Alternatives
Portfolio	100.00
Benchmark	100.00

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	1.7	-1.3	3.1	4.3
Benchmark	0.1	0.4	0.5	0.5

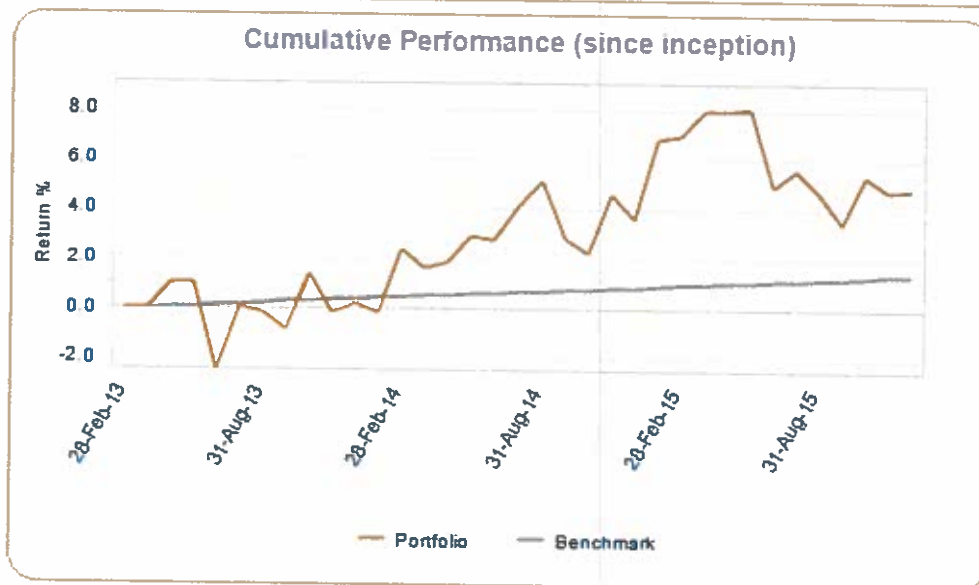
Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter and 1 Year was and 1.6% and 2.6% respectively.

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Manager Analysis - Newton Diversified Growth



Inception Date: 31 Mar 2013

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	1.4	-2.9	1.2	1.7
Benchmark	0.1	0.4	0.5	0.5

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Portfolio Size and Mandate

Portfolio Size (GBP)

105,312,075

Portfolio Mandate

Diversified Growth

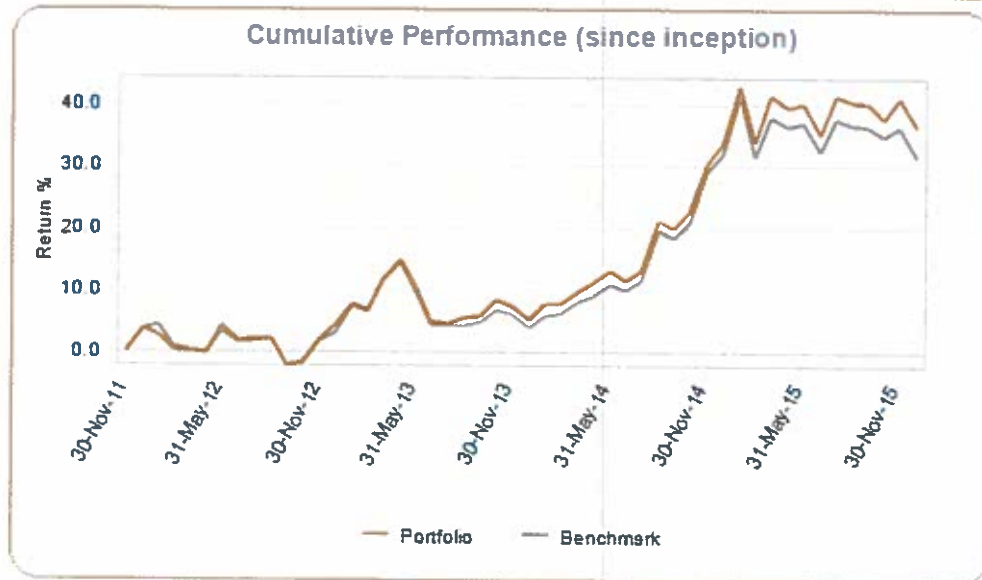
Allocation - 31 December 2015

	Alternatives
Portfolio	100.00
Benchmark	100.00

Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter and 1 Year was 1.3% and 0.7% respectively.

Manager Analysis - M&G



Inception Date: 31 Dec 2011

Portfolio Size and Mandate

Portfolio Size (GBP)

318,614,913

Portfolio Mandate

Global Bonds

Allocation - 31 December 2015

	Bonds	Cash
Portfolio	99.95	0.05
Benchmark	100.00	

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	-2.5	-3.5	2.0	9.3	7.9
Benchmark	-3.6	-4.7	-0.2	8.5	7.0

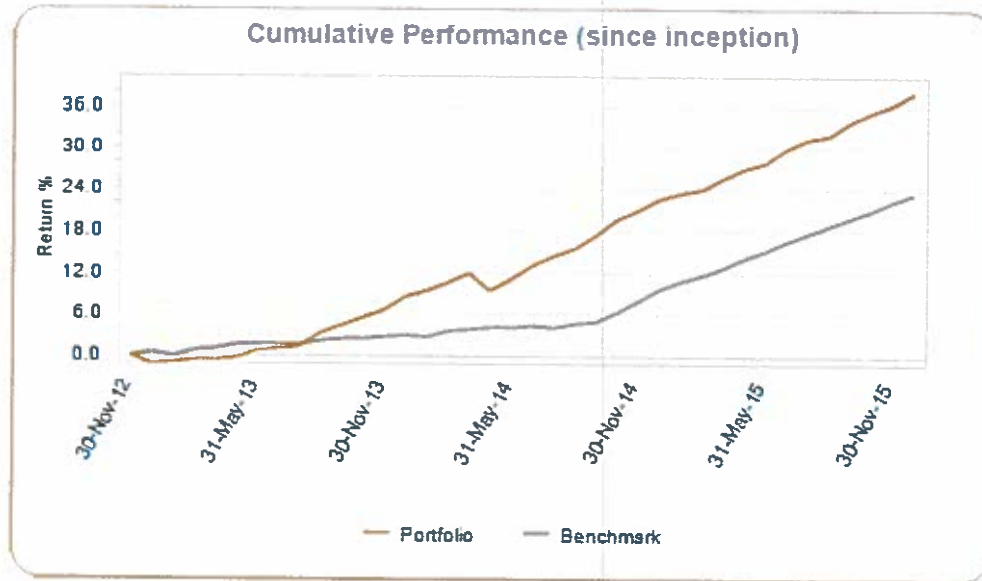
Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter and 1 Year was 1.1% and 2.2% respectively.

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	11.0	0.8	1.5	0.5
Benchmark	11.2	0.7		

Manager Analysis - LGIM Property



Inception Date: 31 Dec 2012

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	3.1	9.8	12.6	11.7	11.0
Benchmark	2.8	9.4	12.5	7.1	7.0

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	2.5	4.4	2.7	1.6
Benchmark	1.8	3.6		

Portfolio Size and Mandate

Portfolio Size (GBP)

59,723,408

Portfolio Mandate

Property

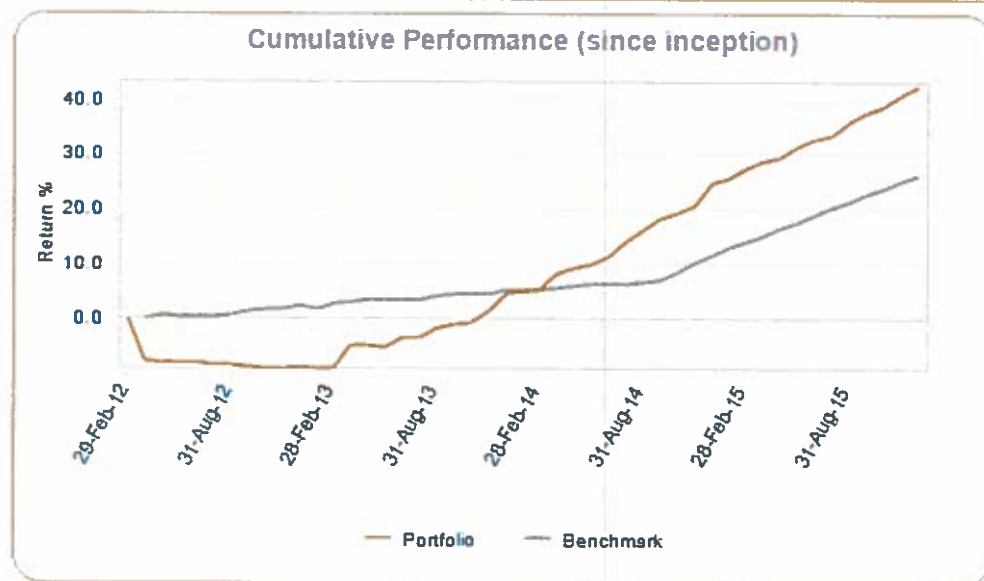
Allocation - 31 December 2015

	Property
Portfolio	100.00
Benchmark	100.00

Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter and 1 year was 0.3% and 0.1% respectively.

Manager Analysis - Hermes



Inception Date: 31 Mar 2012

Portfolio Size and Mandate

Portfolio Size (GBP)	Portfolio Mandate
31,877,664	Property

Allocation - 31 December 2015

	Property
Portfolio	100.00
Benchmark	100.00

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	3.6	10.9	14.3	16.1	9.7
Benchmark	2.9	9.7	13.0	7.2	6.4

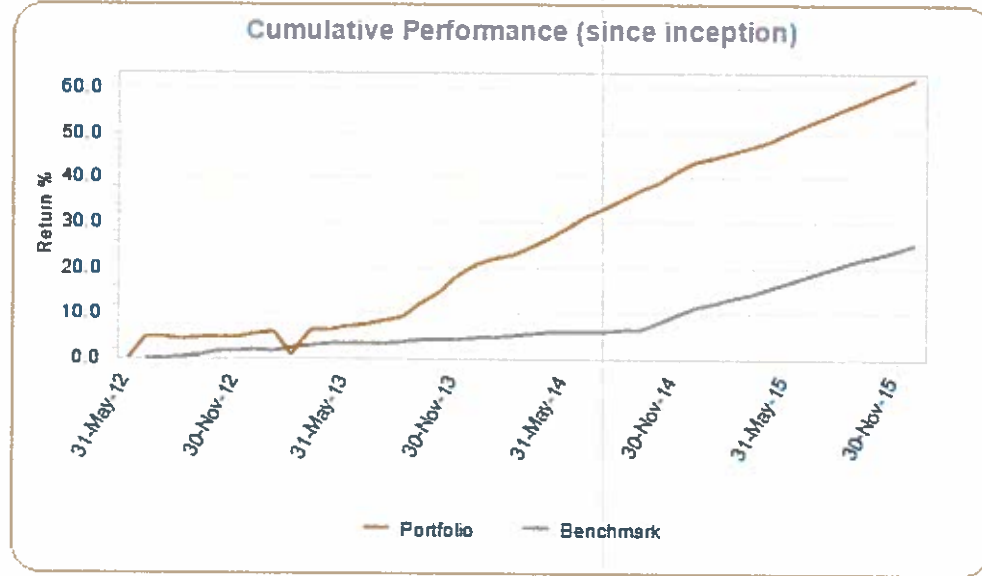
Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter and 1 Year was 0.7% and 1.4% respectively.

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	3.5	4.1	3.8	2.1
Benchmark	1.8	3.6		

Manager Analysis - Threadneedle



Inception Date: 30 Jun 2012

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	3.2	10.3	13.1	15.4	14.4
Benchmark	2.8	9.4	12.5	7.1	6.7

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	4.7	3.0	5.2	1.5
Benchmark	1.8	3.6		

Portfolio Size and Mandate

Portfolio Size (GBP)

83,274,487

Portfolio Mandate

Property

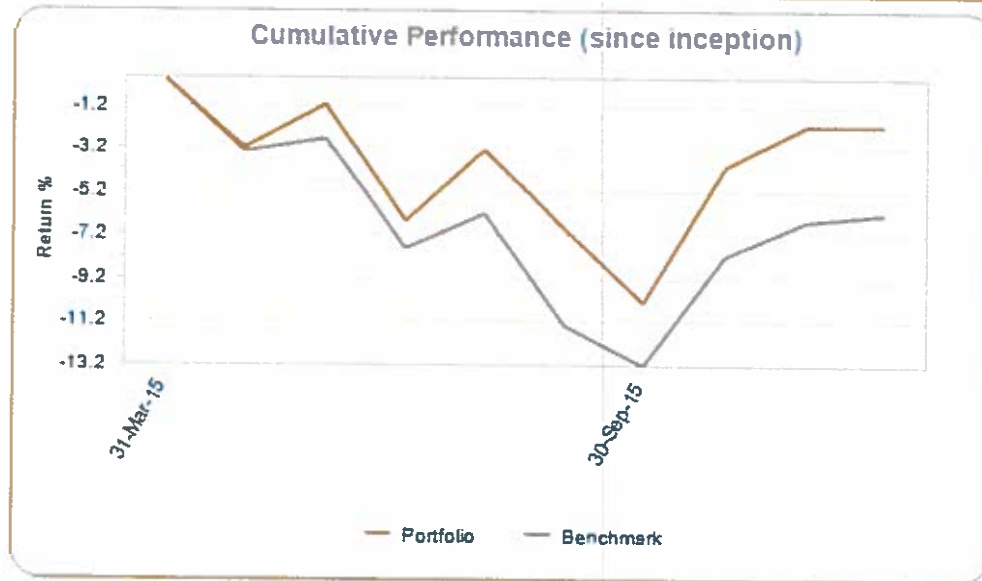
Allocation - 31 December 2015

	Property
Portfolio	100.00
Benchmark	100.00

Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter and 1 Year was 0.4% and 0.6% respectively.

Manager Analysis - Veritas



Inception Date: 30 Apr 2015

Portfolio Size and Mandate

Portfolio Size (GBP)

114,974,715

Portfolio Mandate

Global Equities

Allocation - 31 December 2015

Global Equity Units

Portfolio
Benchmark

100.00
100.00

Periodic Performance

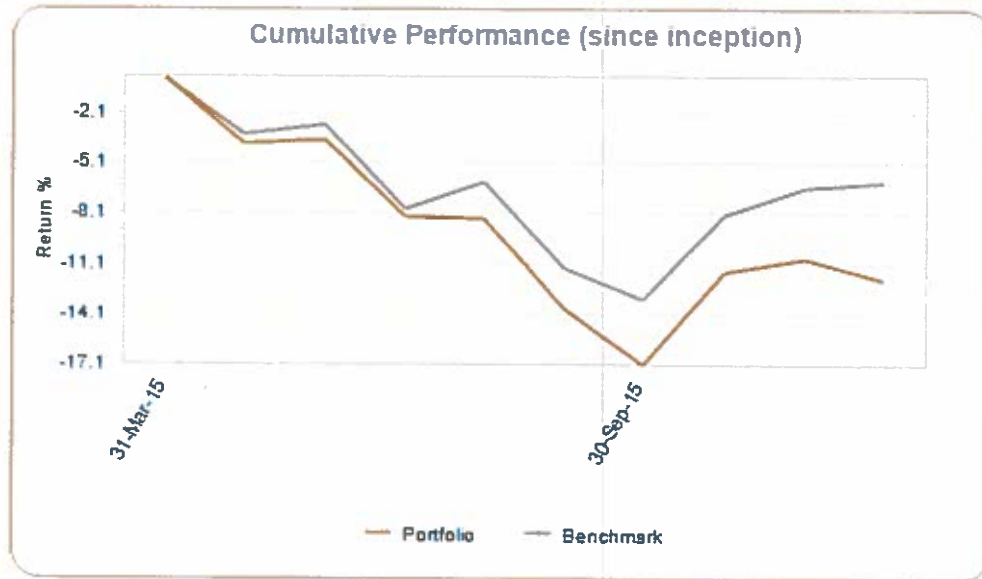
	Quarter	Fiscal Year To Date	Since Inception (Ann)
Portfolio	9.0	-2.1	-2.1
Benchmark	8.1	-6.2	-6.2

Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter was 1.0% respectively.

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				



Inception Date: 30 Apr 2015

Periodic Performance

	Quarter	Fiscal Year To Date	Since Inception (Ann)
Portfolio	6.1	-12.0	-12.0
Benchmark	8.1	-6.2	-6.2

Risk Profile - 3 Years (Ann) to 31 December 2015

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Portfolio Size and Mandate

Portfolio Size (GBP)

103,416,709

Portfolio Mandate

Global Equities

Allocation - 31 December 2015

Global Equity Units

Portfolio	100.00
Benchmark	100.00

Summary - 3 Months Ending 31 December 2015

The manager's relative performance of the Quarter was -1.9% 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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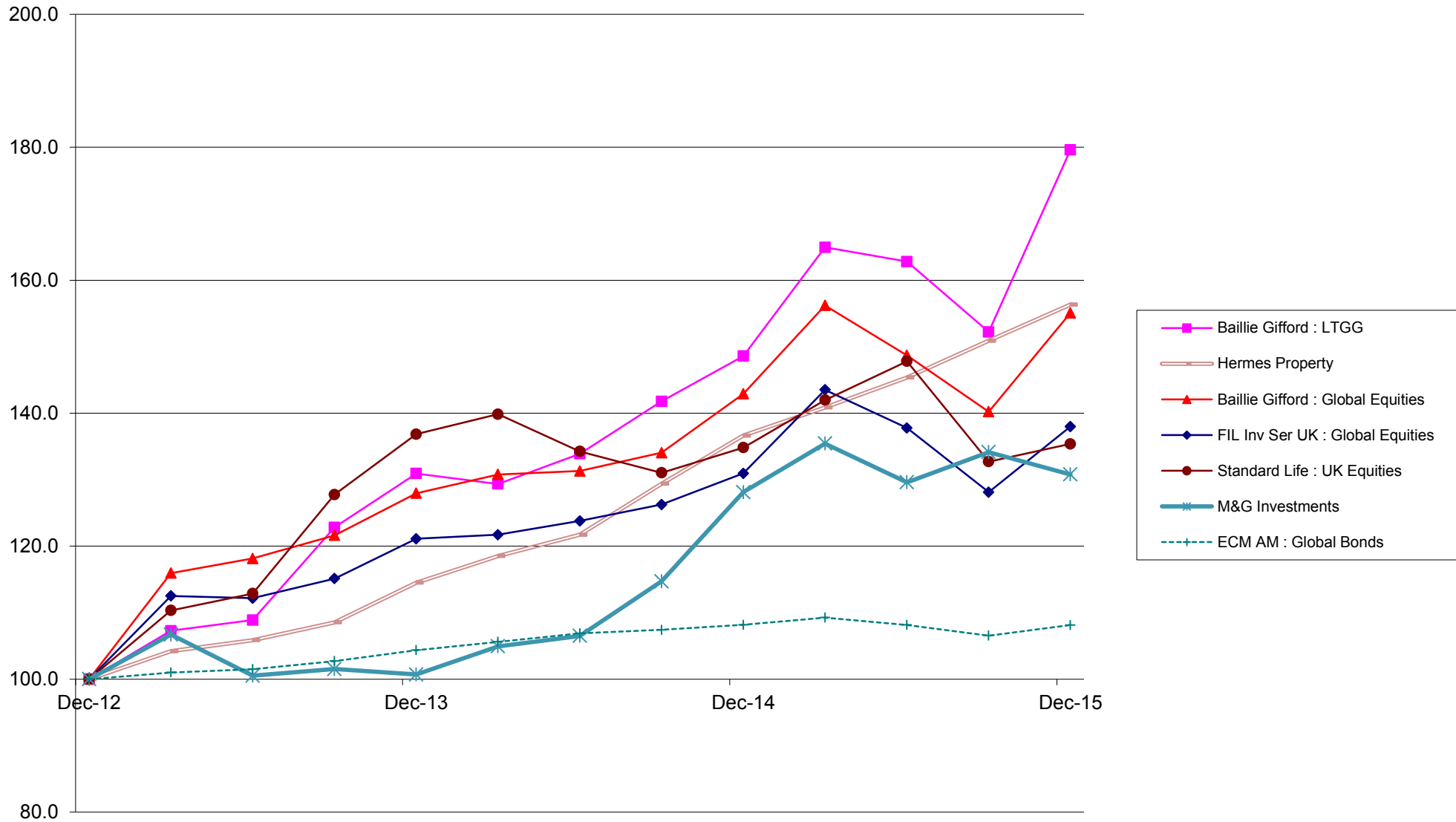
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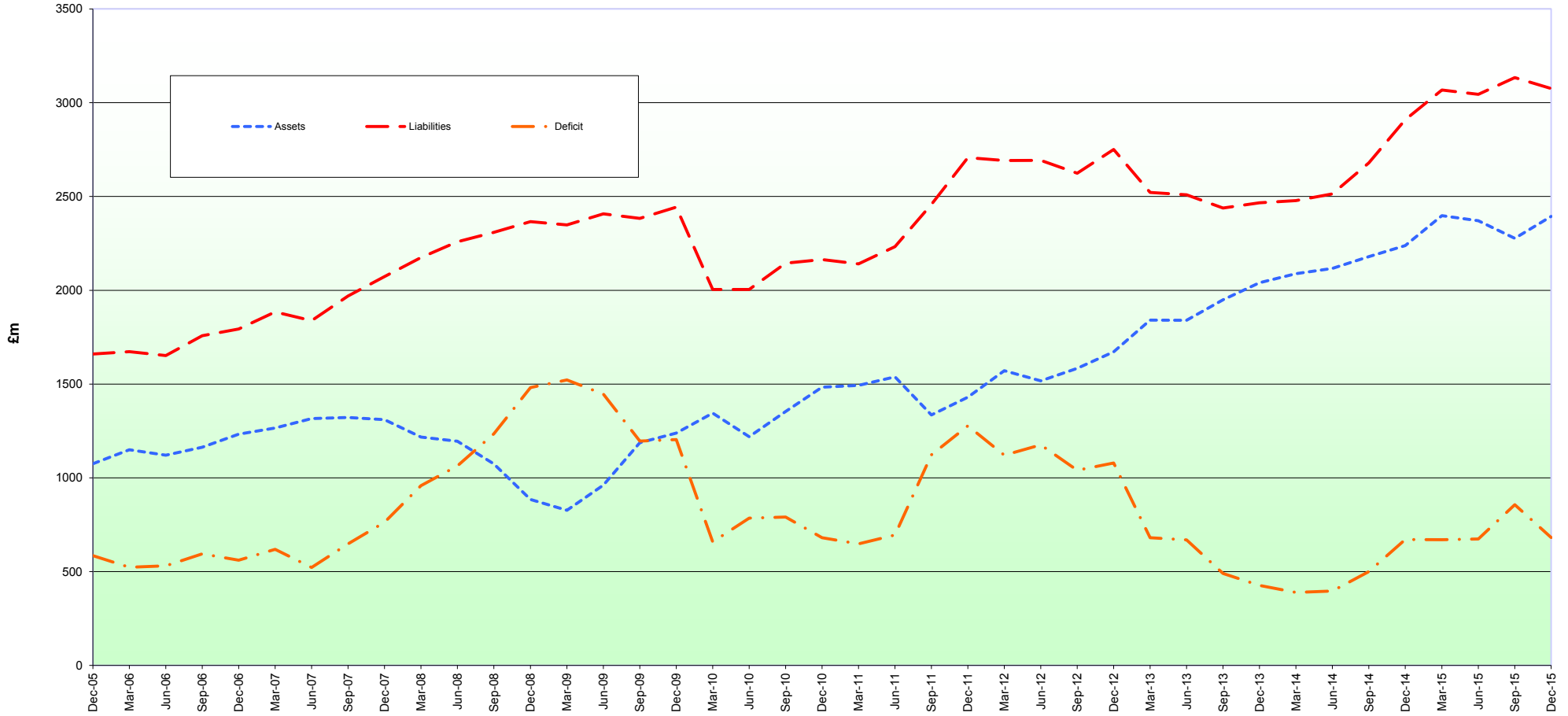
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Investment Manager Performance - cumulative absolute performance 3 years to December 2015



North Yorkshire Pension Fund Assets, Liabilities and Deficit

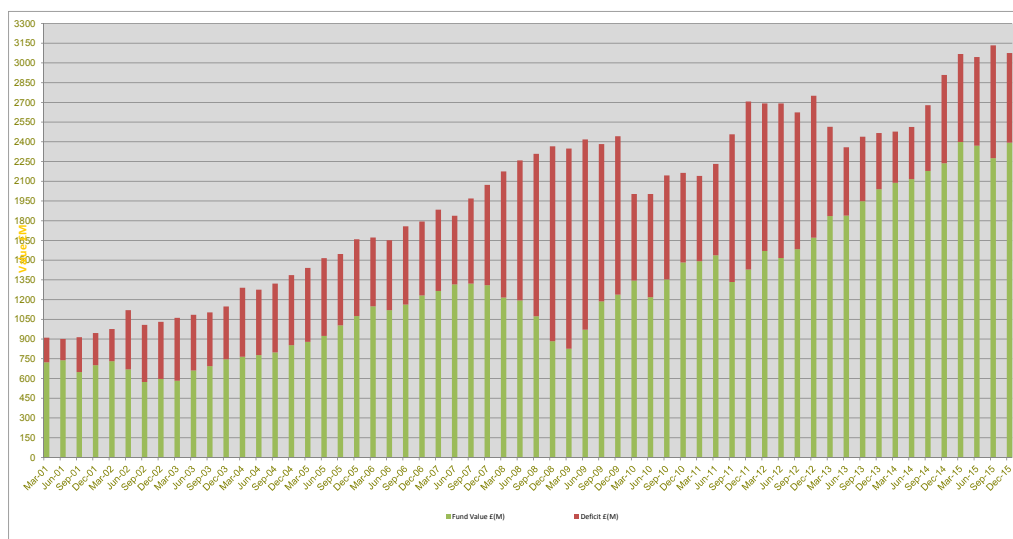


Actuarial Model of Quarterly Solvency Position

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
September 30, 2015	73%	857	2277	6,062
December 31, 2015	78%	682	2394	6,242

Triennial valuation results highlighted in grey

Movement in Assets and Liabilities



NORTH YORKSHIRE COUNTY COUNCIL**PENSION FUND COMMITTEE****25th FEBRUARY 2016****LGPS POOLING ARRANGEMENTS****Report of the Treasurer****1.0 PURPOSE OF REPORT**

- 1.1 To update members on the consultation on pooling arrangements for the LGPS.

2.0 BACKGROUND AND RECENT EVENTS

- 2.1 The consultation on the pooling arrangements started on 25 November 2015. On this date the Government issued documents outlining the criteria for Fund responses. Every Fund was expected to respond by 19 February 2016.
- 2.2 On 15 January 2016 a special PFC meeting was held and following discussions and advice from the Investment Consultant a decision was made to join the Border to Coast Pensions Partnership (BCPP). In addition, Members decided that a response to the consultation should be drafted by officers, to be agreed by the Chairman and Vice Chairman of the PFC and then circulated to the Committee for information.
- 2.3 Following this meeting officers of the BCPP began work on a pooled response to the consultation. This response outlines how the Pool will operate at a high level but also provides some details on possible savings. The NYPF response was drafted with the particular circumstances of the Fund in mind and attempted to capture the mood of Members at their meeting on 15 January 2016.
- 2.4 The responses on behalf of the Pool and NYPF were discussed and agreed by officers, the Treasurer, the Chairman and Vice Chairman on 12 February 2016. These responses will be circulated to Members ahead of the PFC meeting on 25 February 2016.

- 2.5 In relation to the BCPP response, this represents a “commitment to pooling and a description of progress towards formalising arrangements”, which is the requirement described in the consultation documentation. No formal decisions have therefore been made at this stage. A more detailed response, including stating the commitment to and expectations of the Pool, will be required by the second deadline, 15 July 2016.
- 2.6 Baillie Gifford will be providing Members with an update on national pooling arrangements at 11am on Friday 26 February 2016. The session will include Baillie Gifford describing their experiences with the London CIV and other pooling arrangements.

3.0 **RECOMMENDATION**

- 3.1 Members to note the contents of the report.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

16 February 2016