

Agenda

Meeting: Pension Fund Committee

**Venue: Brierley Room, County Hall,
Northallerton DL7 8AD**

Date: Thursday 19 May 2016 at 10.00am

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Business

- 1. Exclusion of the Public and Press** – To consider the exclusion of the public and press from the meeting during consideration of item 5 (appendix 3) and item 9 (appendix 2, 3 and 4) on the agenda on the grounds that these involve the likely disclosure of exempt information as defined in paragraph 5 and 3, respectively, of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information)(Variation) Order 2006
- 2. Minutes of the Meeting held on 25 February 2016.** **(Pages 6 to 14)**
- 3. Declarations of Interest**
- 4. Public Questions or Statements.**

Members of the public may ask questions or make statements at this meeting if they have given notice to Steve Loach of Democratic Services (contact details below) by midday Monday 16 May 2016, three working days before the day of the meeting. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

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

5. **Member and Employer Issues** – Report of the Treasurer **(Pages 15 to 31)**
6. **Budget/Statistics** – Report of the Treasurer **(Pages 32 to 36)**
7. **Pension Board** – verbal update by the Chair of the Pension Board
(A copy of the draft minutes from the meeting held on 14th April 2016 and the Board's Work Programme are provided for information.) **(Pages 37 to 47)**
8. **Performance of The Fund's Portfolio**
– Report of the Treasurer **(Pages 48 to 92)**
9. **LGPS Pooling Arrangements** – Report of the Treasurer **(Pages 93 to 117)**
10. **Private Debt Manager Search** - Report of the Treasurer **(Pages 118 to 120)**
11. **Other business which the Chairman agrees should be considered as a matter of urgency because of special circumstances**

NOTE:

Members are reminded that there will be presentations from Dodge and Cox and Veritas on Friday 20 May 2016 from 10.00am at the Evolution Centre, Northallerton.

Barry Khan
Assistant Chief Executive (Legal and Democratic Services)

County Hall
Northallerton

NOTES:

Emergency Procedures for Meetings

Fire

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

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Accident or Illness

First Aid treatment can be obtained by telephoning Extension 7575.

PENSION FUND COMMITTEE

1. Membership

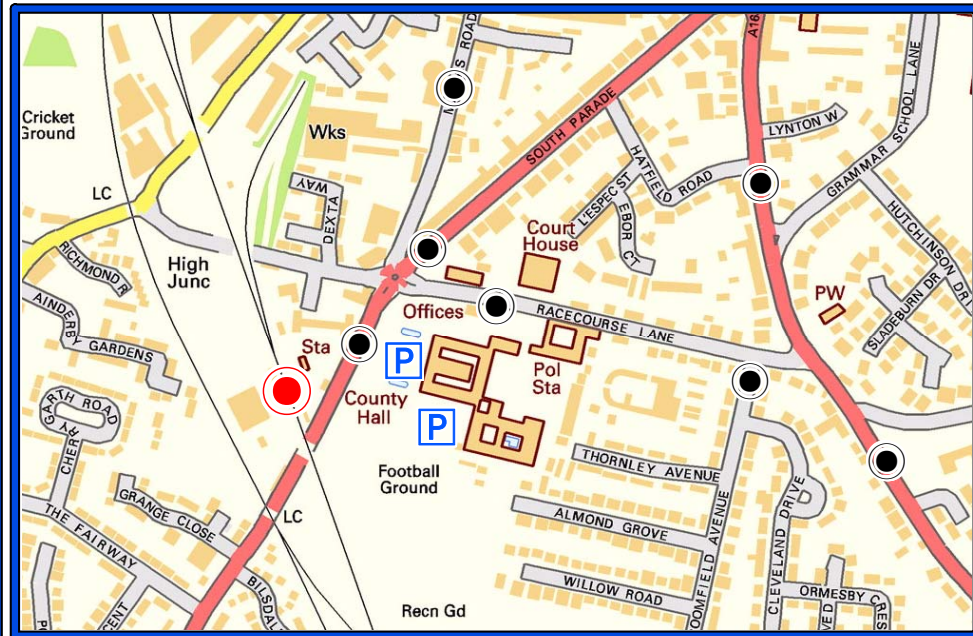
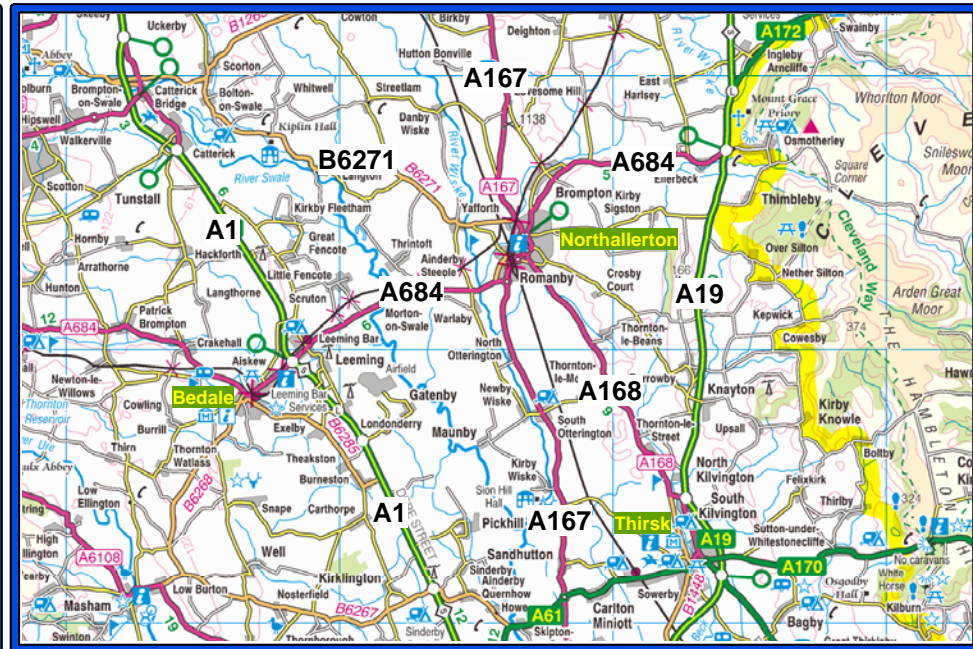
County Councillors (7)							
	<i>Councillors Names</i>				<i>Political Party</i>		
1	BLACKIE, John				NY Independent		
2	BATEMEN, Bernard MBE				Conservative		
3	De COURCEY-BAYLEY, Margaret Ann				Liberal Democrat		
4	HARRISON-TOPHAM, Roger (Vice-Chairman)				Conservative		
5	MULLIGAN, Patrick				Conservative		
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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Northallerton
North Yorkshire
DL7 8AD

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North
Yorkshire County Council

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 25 February 2016 at County Hall, Northallerton commencing at 10.00 am.

Present:-

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

Councillor Jim Clark - Local Government North Yorkshire and York.

Councillor Chris Steward - City of York Council.

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 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.

110. Minutes

Resolved -

That the Minutes of the meeting held on 26 November 2015, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record and the Minutes of the Special Meeting held on 15 January 2016, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record, subject to the addition of Councillor Chris Steward (City of York Council) being added to the list of those present at that meeting.

111. Public Questions or Statements

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

112. 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.

- (b) Membership analysis.
- (c) Annual Benefits Statement.
- (d) Administration performance.
- (e) Member training.
- (f) Meetings timetable.

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

- ◆ It was noted that the next Baillie Gifford Annual Seminar would be taking place on 26 October 2016 and places were available, but limited, for Members of the Committee to attend. Anyone wishing to attend should contact Tom Morrison.
- ◆ A Member raised concerns that a timetabled meeting of Pension Fund Committee Members, with Investment Managers, had been scheduled to take place in a political group room. In response it was noted that the rooms within the building were now designated as flexible workspace and, despite the naming of the rooms, could be utilised for multi-purpose events, including meetings. The issue was acknowledged, however, it was noted that the meeting referred to was not a formal meeting of the Committee.
- ◆ A Member noted the details relating to the movement in active membership, and, despite this still being on the increase year on year, it had reduced in relation to that reported six months ago and that had been attributed to an on-going data-cleansing exercise which was due to be completed in March 2016. He asked what that exercise was identifying. In response it was noted that a variety of issues had emerged from the data-cleansing exercise which provided a more accurate position in terms of active membership, as the backlog of cases was being cleared through this process. The Member asked, with the figures previously reported having been wrong whether this could have breached regulations in some way. In response it was noted that although the figures previously presented included some inaccuracies, they had been caveated with an appropriate comment and this did not represent a breach of regulations.

The Treasurer noted that this issue had been identified and reported to Members previously and the activity underway to resolve it was expected to be completed successfully.

- ◆ Noting that the target figure for the reduction on reliance on the Customer Helpline had been achieved exactly, a Member asked how that situation had come about. In response it was explained that, on this occasion, it was just coincidence that performance matched the target. The Member asked whether the statistics indicated that on-line contact was decreasing. In response it was stated that contact activity was variable and the reasons for the fall in on-line activity and rise in telephone activity would be investigated. It was noted that, at certain times of the year and in certain circumstances more telephone calls were expected. The Treasurer noted that the annual communications strategy document would address these issues and would be brought to a subsequent meeting.

A Member noted that she had tried to obtain details on-line and had been unable to do so and, therefore, had been required to telephone. In response

it was stated that the on-line system for Council Members was unavailable, therefore, the only access for them was via telephone.

A Member expressed strong support of the Pensions Administration Team, but was disappointed in the push towards on-line only access for Pension Fund information. He stated that he had recently objected to the move towards on-line only facilities at County Council and District Council levels, as he was aware that not everyone could be, or wanted to be, on-line. He emphasised the need for alternative communication systems to remain to ensure that those who wish to communicate in an alternative way were able to do so. In response it was emphasised that the option for telephone communication would remain and that written communication continued to be sent out to Pension Fund members when this was considered necessary. All written communication also provided details of telephone contact numbers. It was stated that the option for on-line access to information provided an out-of-hours service allowing people to access their details as and when they required.

- ◆ Some difficulties in obtaining all information, when someone had requested their personal details with regard to their potential pension benefits, when thinking of retiring, were outlined and it was noted that this could lead to frustration and negative comments filtering through with regards to the service provided. The Treasurer stated that communications were being undertaken with the various employers with a view to improving that situation.
- ◆ Clarification was provided in relation to the details regarding the implementation of Altair, which was the software for the Pensions Administration System. It was noted that the implementation of the new system had brought improved self-service facilities, however all existing users would be required to re-register their details.
- ◆ A Member expressed his concern regarding the length of time it was taking to obtain information for those wishing to obtain details, in respect of their pension benefits, when they were wishing to retire. A representative of Unison noted that this particular issue created a lot of concern for their members and a great deal of angst at what could be already a stressful time. It was asked that the Treasurer look at improving this matter as a matter of urgency.

Resolved -

That the contents of the report be noted and any action identified be undertaken accordingly.

113. Budget/Statistics

Considered -

The report of the Treasurer reporting on the following:-

- (a) The expenditure/income position to date for 2015/16.
- (b) The cash deployment of the Fund.
- (c) The proposed 2016/17 budget.

2015/16 Forecast

The cash surplus for the year to 31 December 2015 was slightly higher than forecast by £1m. Pensions' payroll expenditure was less than forecast by £0.6m which was partially offset by retirement grant expenditure of £19.9m against the forecast of £19.5m. Contributions income of £86.5m represented a £0.8m positive variance to the budget. Early retirement income exceeded the forecast by £0.2m. The bulk of retirement activity had taken place in Quarter 1 with just £113k of the £2.5m income being received in the quarter to 31 December 2015. Transfer income for the period of £6.1m exceeded forecast by £0.8m while transfer expenditure was £0.6m less than the budget at £3.1m. Performance related management fees of £3.7m exceeded the forecast by £1.4m. These were based on an extended period of substantial and awarding winning out-performance. A full year forecast for performance related fees had been increased by £1.5m to £4.5m.

Cash Deployment in 2015/16

Details of the cash deployment and rebalancing carried out during 2015/16 were provided. It was noted that December 2015 had seen equities slightly higher than they were at the moment.

Proposed 2016/17 Budget

Details of the proposed budget were provided in Appendix 1 to the report.

The budget reflected the slightly higher expectations in relation to performance related fees and also the expected increase in active members through auto-enrolment. Cash flow was expected to remain positive for the period but it was acknowledged that this was slowing and strategies were being developed in response.

During discussion of the report the following issues and points were raised:-

- ◆ A Member asked whether a definable number of members were staying in the Pension Scheme following auto-enrolment. In response it was stated there was currently no specific monitoring, per employer, as to whether people opted out following auto-enrolment, therefore trends were difficult to determine. It was noted that these issues may be picked up through the payroll of employers, where those who had been auto-enrolled were requesting refunds following opting out and, therefore, details could be obtained through that method. It was asked whether the auto-enrolment was generating large costs for the Pension Fund Administration or employers. In response it was stated that employers faced an increase in costs through this, however, there had been no significant increase in costs to the Pension Fund Administration in respect of auto-enrolment.
- ◆ Issues relating to the cash flow position of the Fund were discussed and it was noted that more detailed information, in relation to that, would be considered during the forthcoming triennial valuation. Close monitoring would continue to be undertaken in terms of the falling cash flow position going forward. It was emphasised that it was not expected that the cash flow position would become negative during the forthcoming year.
- ◆ A Member noted that the custodian fees had been over budget for 2015/16 and requested a fuller breakdown in relation to those fees. It was stated that those details would be circulated to Members.
- ◆ A Member sought clarification as to the expected returns in relation to the proposed investment expenses of around £6.8m. In response it was noted that the position could fluctuate greatly through the year and details of the

performance from the expenditure were highlighted in later reports. It was noted that the Committee would be provided with regular updates as how investments were progressing, in relation to the fees paid at meetings throughout the year.

Resolved -

- (i) That the 2016/17 budget be approved.
- (ii) That the contents of the report be noted.

114. Pension Board

The Chair of the Pension Board provided a verbal update on the work of the Pension Board, highlighting the following:-

- ◆ A meeting of the Board had been held on 14 January 2016.
- ◆ The Board had considered the Risk Register for the Pension Fund and were provided with details as to how those risks were monitored. This was discussed by the Board as included the aspects of the Fund covered by the Risk Register, the management of solvency risks, the development of fall back plans, the need for the Board to satisfy themselves that the risk management process operated satisfactorily and the development of Business Continuity Plans to reflect developments that had taken place with regard to succession planning. In response to the issues raised the Treasurer noted that there were no immediate concerns. He stated that the Continuity Plans for the Pension Fund linked in with North Yorkshire County Council and their appropriate arrangements. He stated that he would provide further comment in relation to this matter at future meetings of the Committee and the Board.
- ◆ In terms of the risk reduction actions it was noted that these would be reviewed by officers of the Pension Fund and approved by the Pension Fund Committee. It was noted that issues relating to risk were dealt with by the Risk Team within the Council and were not usually referred to Internal Audit.
- ◆ The Board considered some recent Internal Audit reports on the North Yorkshire Pension Fund and it was considered that overall, there were good systems in place for the Pension Fund. It had been noted that the audit opinion of "limited assurance" in respect of one special assignment (pension payments) had caused some concern but that steps had been put in place to address those issues, with a review undertaken by the Internal Audit team and resolved to Internal Audit's satisfaction.
- ◆ The other major issue discussed at the Pension Board meeting had been the potential for LGPS pooling arrangements, and the Chairman noted that the meeting of the Board took place before the special meeting of the Pension Fund Committee to discuss this matter.
- ◆ The latest draft of the Board's Work Plan had been agreed and details would be circulated to Members of the Pension Fund Committee shortly.
- ◆ Following the meeting a training session was undertaken by Peter Scales, the Independent Observer for the North Yorkshire Pension Fund.

A Member of the Committee asked if it would be possible to provide a written report from the Pension Board for future meetings as he considered this would make it easier for the Committee to take account of issues raised by the Pension Board. The Chairman of the Pension Board acknowledged the issue raised but emphasised that he was attempting to ensure that there was no duplication of effort for the officers supporting both Committee and Board, but would consider providing a written summary for future meetings.

Resolved -

That the report be noted.

115. 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 31 December 2015.

The report highlighted the following issues:-

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

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

- ◆ There had been an excellent performance by Fund Managers over the previous 12 months which have resulted in substantial returns, resulting in savings for the council tax payer.
- ◆ Global markets were causing concern at the current time.
- ◆ There is a period of uncertainty in respect of the forthcoming referendum on the UK remaining part of the EU and the possible knock-on effect of an exit.
- ◆ Details were provided as to the use of "tracking errors" in terms of Fund Managers actual returns.
- ◆ Although the solvency position shown in the report had indicated a 5% increase on the previous figure it was noted that recent market fluctuations would have seen solvency reduce.

- ◆ It was noted that there was unlikely to be a detrimental effect on stocks and shares in respect of the merger between the London and German Stock Exchanges.
- ◆ A detailed discussion took place in relation to the performance of Standard Life in contrast to that of Baillie Gifford. There was a full and frank discussion on this matter and on the conflicting positions of the Investment Adviser and Investment Consultants in respect of the performance of Standard Life. Comparisons were made to the performance of other Fund Managers and performances against the various benchmarks. Members warned against taking a short term view in terms of investment strategies but noted the issues raised and considered it appropriate that further detailed consideration, taking account of investments over a number of years, be undertaken at later meetings to determine how best to move forward.
- ◆ Members noted that pooling arrangements would be a factor going forward in terms of the investment strategy, however, it was emphasised that decisions on the investment strategy should not be delayed due to this.
- ◆ The Treasurer stated that he, Pensions Officers and Investment Advisers would consider issues relating to the investment strategy and would advise Members accordingly prior to the next meeting of the Pension Fund Committee.

Resolved -

- (i) That the report be noted.
- (ii) That arrangements be made for an investment strategy workshop to be held in the near future.

116. LGPS Pooling Arrangements

Considered -

The report of the Treasurer updating Members on the consultation on pooling arrangements for the LGPS.

The report updated Members on the work that had been carried out since the special Pension Fund Committee meeting on 15 January 2016 where a decision was made to join the Border to Coast Pension Partnership (BCPP). In line with Members' views, a response to the consultation was drafted from the North Yorkshire Pension Fund together with a response from the Pool. Responses were discussed and agreed by officers, the Treasurer, the Chairman and Vice-Chairman on 12 February 2016 and were circulated ahead of the meeting.

The responses demonstrated a commitment to pooling and a description of progress towards formalising arrangements, however, no formal decisions had been made at this stage. A more detailed response would be required by the second deadline of 15 July 2016.

Baillie Gifford will be providing Members with an update on national pooling arrangements on Friday 26 February 2016.

A detailed discussion of the issue was undertaken between Members, the Treasurer, the Investment Adviser and the Investment Consultants and the following issues and points were raised:-

- ◆ The size and details of the pools and Funds were starting to come together, with every Fund having made a decision on which pool it wished to be associated with, but it was emphasised that this could change.
- ◆ Clarification was provided as to the partners in the BCPP arrangement.
- ◆ Decisions would have to be made in due course as to the administrative arrangements for the pool.
- ◆ A Member raised concerns that views at the meeting held on 15 January 2016 had not been considered, as he had not been able to contribute to the final consultation submission, and would like to have made comments in relation to whether the pooling arrangements would create efficiencies for NYPF and did not believe a “one size fits all” approach to this matter was satisfactory. He considered that it was inappropriate that the opportunity to make such comments had not been available. The Member also raised concerns regarding there not having been sufficient details regarding the performance of the other Local Government Pension Funds that North Yorkshire was aiming to pool with, and considered that the process had been rushed.

The Chairman acknowledged the issues raised by the Member and stated that there had been a level of pragmatism in the arrangements that had been formed and noted that he too had not been satisfied with the speed of the arrangements that had to be made. However, he emphasised that unless this had happened within the timeframe, North Yorkshire Pension Fund may not have been able to secure its position in a pool. He also emphasised that this had to be done as required by Government. He noted that although the North Yorkshire Pension Fund had been the top performer for the previous five years, this had not always been the case, and prior to that, the NYPF had not been seen as a leading LGPS Fund. He emphasised that the North Yorkshire Pension Fund had been put in a position where it had to accept pooling arrangements and he did not feel in a position to resist that.

The Member accepted that the pooling arrangements had to be made but emphasised that he would like to have seen comments made in the consultation response about the North Yorkshire Pension Fund being a highly successful Fund and on the advantages of maintaining the existing system.

A member of the Pension Board commented that a response had been made to the consultation, from the Unson representatives, challenging the requirement to undertake pooling arrangements and had outlined concerns raised by members of the Pension Scheme that had been submitted to Unison.

The Treasurer stated that he had discussed the pooling matter with the Member who had raised concerns. He noted that the Government’s representatives had been surprised as to how well the LGPS Funds had come together in terms of developing pooling arrangements and considered that this had placed the Funds in a stronger position going forward. He stated that there had been a need to undertake a pragmatic approach and not to be seen as obstructive, to ensure that NYPF was well placed to negotiate its position later on.

- A Member asked whether suitable checks were being carried out to determine whether the other LGPS Funds outlined were appropriate to enter into pooling arrangements with, and what their stance had been in relation to the consultation. The Chairman explained that issues in relation to other

pooling authorities were being considered currently, however, he noted that the process had been undertaken somewhat speedily to ensure that the North Yorkshire Pension Fund was part of a relevant and appropriate pool. The Chairman also noted that every effort would be made to ensure that the North Yorkshire Pension Fund had as much autonomy as possible within the pooling arrangements.

The Fund's Independent Adviser noted that there were various different aspects to the pooling arrangements and not all pooling arrangements would be the same. She considered that the proposals for the pool that North Yorkshire Pension Fund was looking to enter into were balanced and also considered that the way in which the BCPP Funds had co-ordinated to create their pooling arrangement had put them ahead of the game in terms of Government expectations.

The Treasurer noted that the pooling arrangements were not clearly defined at the present time and those that had indicated that they wished to be in certain pools were at liberty to move to other pools if they so wished, before the arrangements were finalised. This would allow opportunity for the various Funds involved to undertake due diligence tests and also to gain reassurance that no single Fund's strategy was not going to have undue influence over the pooling arrangements.

The Treasurer stated that governance arrangements for the pooling arrangements were being drawn up and it was expected that those arrangements would allow each Pension Fund one vote in determining issues going forward. It was emphasised that the exact details of those governance arrangements were yet to be determined.

Resolved -

That the concerns and issues raised be acknowledged and the contents of the report be noted.

The meeting concluded at 12.45 pm.

SL/JR

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

19 MAY 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 of benefits administration as well as related events and activity over the year to date as follows;

(a) Admission Agreements and Academies	(see section 2)
(b) Membership Analysis	(see section 3)
(c) Administration Performance	(see section 4)
(d) Class Actions	(see section 5)
(e) Member Training	(see section 6)
(f) Meetings Timetable	(see section 7)

2.0 Admission Agreements and New Academies

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

2.2 The list of schools known to have converted to academy status is also included in **Appendix 1**.

3.0 Membership Analysis

3.1 The membership movement figures for 2015/16 are shown below.

Membership Category	At 31/03/14	+/- Change (%)	At 31/03/15	+/- Change (%)	At 31/03/16
Actives	31,501	+11.1	34,990	-3.4%	33,796
Deferred	29,490	+3.7	30,591	+3.7%	31,718
Pensioners*	17,668	+4.4	18,451	+5.2%	19,414
Total	78,659	+6.8	84,032	+1.1%	84,928

*Figures include spouses' and dependants' pensions

- 3.2 A data cleansing exercise has resulted in a reduction to the current membership shown in the 'active' category. The exercise included dealing with the pension records of those who had left posts, relief posts that had been terminated or not worked in for a number of years and instances of duplicate posts being incorrectly recorded.
- 3.3 The figures reflect the number of posts for which pension records are held on the pension administration system rather than FTEs. This is in line with the requirement to track each post with a separate level of pensionable pay so that members receive the highest level of pension benefits at retirement.
- 3.4 The breakdown of retirements across the Fund for 2015/16 is at **Appendix 2**.

4.0 Performance of the Pensions Administration Team

- 4.1 The performance figures for Q4 of 2015/16 are as follows:

<i>Performance Indicator</i>	<i>Target in Q4</i>	<i>Achieved</i>
Measured work achieved within target	98%	99%
Customers surveyed ranking service good or excellent	94%	95%
Employer satisfaction with the service ranked good or excellent	90%	100%
Reduce reliance on customer helpline. Phone queries reduced as a proportion of customer contacts to < 29%	29%	28%
Increase numbers of registered self-service users	13,000	11,672
Total sickness absence in Q4	6 days per employee	8.87 days per employee

- 4.2 The changes in the way key administration areas are being dealt with continue to result in the performance target being achieved.
- 4.3 The employer satisfaction survey was sent out in January 2016 to all employers with a deadline for response of 4 March 2016. 34 surveys were returned with all respondents rating the service excellent or good. A training session has been offered to one respondent who was finding the website and online forms difficult to use. The survey was used to obtain information on whether employers offer pre-retirement seminars or financial planning sessions and whether there is an interest in providing these sessions. A list has been compiled of employers who would like to pilot sessions for their staff in collaboration with neighbouring employers.

- 4.4 The self-service registration performance indicator was comfortably on 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 de-activated and required to re-register their details. The total number of registered self-service users is therefore building up again from a zero base. There has been an increase of 685 users in Q4.
- 4.5 New user registrations increase most significantly following the issue of Annual Benefits Statements as these statements are viewed using the self-service facility. This year employers will be asked to advertise the facility more prominently to their staff. There will also be an exercise in Q2 to contact members who have left employment and hold 'preserved benefits' so as to inform them of additional functionality now available to them via member self-service. It is therefore anticipated that there will be a significant increase in those registering from September 2016 onwards.
- 4.6 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 member of staff is excluded from the calculation for the year, the Section's sickness absence is well below the target.

5.0 Class Actions

Background

- 5.1 Over recent years there has been a shift of class action opportunities away from the US to other jurisdictions. This followed decisions by the US courts which effectively deter non US investors investing in non US stock exchanges from using the US courts as a route to recover losses. This is unfortunate, as NYPF has recovered substantial sums through this route in the past. Class action cases in the US require the defendant to prove their innocence, plaintiffs are not liable for costs or damages in the event that a case is unsuccessful, and investors are assumed to participate in cases pursued by others unless they choose to opt out.
- 5.2 Class action procedures in jurisdictions outside of the US are going through an evolutionary process. Although some jurisdictions are more developed than others, a much greater degree of judgement is required before a case could be joined. Typically, the burden of proof lies with the plaintiffs, and costs and damages could be awarded to the defendant.
- 5.3 However, with the appropriate legal advice and insurance protection there are opportunities for NYPF to participate in cases - where recoveries could be substantial. NYPF officers will work with lawyers and investment managers to further substantiate potential claims and fully understand the risks of participation.
- 5.4 An update of recent class action activity is included in **Appendix 3**, which contains exempt information of the description contained in paragraph 5 of Part 1 of Schedule 12a of the Local Government Act 1972 as amended by the Local Government (Access to information) (Variation) Order 2006.

6.0 MEMBER TRAINING

- 6.1 The Member Training Record showing the training undertaken over the year to May 2016 is attached as **Appendix 4**.
- 6.2 Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 5**. 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 6**.

8.0 RECOMMENDATIONS

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

LATEST POSITION RE ADMISSION AGREEMENTS

Admission Agreement	Current Position and Action to Be Taken (If Applicable)
Chartwells providing catering services for Thomas Hinderwell Primary Academy	The catering services for Thomas Hinderwell Primary Academy have been awarded to a contractor, Chartwells, part of the Compass Group UK from 1 April 2015. There are three members of staff who are in the LGPS and an admission agreement is to be put in place to allow the continued membership in the LGPS for these members of staff. The academy will be required to act as guarantor to the admission agreement.
Greenwich Leisure Limited providing leisure services for City of York Council	City of York Council are to transfer the Council's Leisure Services to Greenwich Leisure Limited. The date of transfer has yet to be finalised but an admission agreement will be put in place to cover those staff transferring who are in the LGPS at the date of transfer.

LATEST ACADEMY ADMISSIONS

Original name of school	Date of conversion/ current position	Name of academy after conversion
St. Peter's Church of England Primary School (NYCC)	School converted to an academy on 1 March 2016	School became part of the Yorkshire Causeway Schools Trust
Pannal Primary School (NYCC)	School converted to an academy on 1 April 2016	School became part of the Yorkshire Causeway Schools Trust
Oatlands Infant School (NYCC)	School converted to an academy on 1 April 2016	School became part of the Yorkshire Causeway Schools Trust
Millthorpe School (York)	School converted to an academy on 1 April 2016	School became part of the South Bank Multi Academy Trust

Appendix 2

NORTH YORKSHIRE PENSION FUND Cumulative Total of Retirements from 1 April 2015 to 31 March 2016

<i>Employer</i>	<i>Normal</i>	<i>Ill-Health</i>		<i>Efficiency/ Redundancy/ Employers Consent</i>	<i>Total</i>
		<i>Actuarial Assumption^z</i>	<i>Actual</i>		
001 - Fulford PC	1	-	-	-	1
007 - Scarborough BC	15	1	1	4	20
009 - Hambleton DC	5	1	1	2	8
010 - Ryedale DC	8	1	-	3	11
011 - Harrogate BC	25	2	2	15	42
012 - Richmondshire DC	7	1	-	-	7
013 - Selby DC	4	1	-	1	5
014 - Craven DC	6	1	-	-	6
015 - Welcome to Yorkshire	1	-	-	-	1
016 - York St John University	12	-	-	-	12
020 - York	85	7	3	25	113
025 - NYCC	295	22	6	35	336
051 - NY Fire and Rescue	4	2	2	-	6
052 - NY Moors NP	2	-	-	-	2
053 - Yorkshire Dales NP	2	-	-	-	2
055 - Uni of Hull	3	-	-	1	4
057 - Yorkshire Housing	7	-	-	-	7
061 - Askham Bryan College	2	-	-	-	2
062 - Craven College	3	1	-	-	3
065 - Selby College	3	-	-	-	3
068 - Scar 6 th Form College	1	-	-	-	1
074 - York College	6	-	-	5	11
076 - York Museums Trust	7	1	-	-	7
077 - Craven Housing	2	-	-	-	2
080 - Yorkshire Coast Homes	12	-	-	1	13
084 - Jacobs	1	-	-	-	1
086 - Superclean	1	-	-	-	1
092 - Enterprise	1	-	-	-	1
097 - ISS Mediclean	1	-	-	-	1
098 - Harrogate Grammar	5	-	-	-	5
101 - Skipton Girls' High Sc	3	-	-	-	3
102 - South Craven School	2	-	-	-	2
105 - Rossett School	1	-	-	-	1
106 - Manor CE School	1	-	-	-	1
107 - St Aidan's High School	2	-	-	-	2
110 - Ringway	12	-	-	-	12
118 - Sheffield Int Venues	1	-	-	-	1

<i>Employer</i>	<i>Normal</i>	<i>Ill-Health</i>		<i>Efficiency/ Redundancy/ Employers Consent</i>	<i>Total</i>
		<i>Actuarial Assumption[≠]</i>	<i>Actual</i>		
119 - Woodlands Academy	-	-	-	1	1
125 - Thomas Hinderwell Sch	1	-	-	-	1
126 - Robert Wilkinson Acad	2	-	-	-	2
128 - NY Police and Crime C	5	-	-	-	5
129 - NY Chief Constable	13	1	1	-	14
130 - Explore York	1	2	2	-	3
134 - Sewell Facilities Man	3	-	-	-	3
140 - Sanctuary Housing	1	-	-	-	1
143 - Lifeways	1	-	-	-	1
144 - Stokesley School	2	-	-	-	2
145 - Poppleton Ousebank Sc	1	-	-	-	1
149 - SLM Scar Leisure	-	-	-	1	1
Others	-	7	-	-	-
TOTALS	579	51	18	94	691
	(84%)		(2%)	(14%)	

<i>Quarter by quarter analysis</i>					
Quarter 1	156		3	24	183
Quarter 2	176		3	44	223
Quarter 3	135		7	19	161
Quarter 4	112		5	7	124
	579	N/A	18	94	691

≠ **Estimated** actuarial assumptions re Ill-health numbers for the whole year - 2015/20

Appendix 4

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)
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		✓											
26 Feb 2016	NYCC Investment Manager Meeting	✓		✓	✓	✓	✓	✓	✓	✓	✓			
09-11 Mar 2016	PLSA Investment Conference								✓					
16-18 May 2016	PLSA Local Authority Conference	✓							✓					

Appendix 5

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>
CIPFA	Pensions Network Workshop	05 or 06 July 2016	London / Manchester	LGPS Regulatory Update; Economic Update; Good Governance in Investment Structures; Employer Covenants; Data Issues
LGC	Investment Summit	08-09 September 2016	Newport	Sustainable investment solutions; asset allocation under new regulatory regime; collaboration; cost efficient implementation.
PLSA	Annual Conference and Exhibition	19-21 October 2016	Liverpool	UK's largest gathering of experts on pensions and lifetime savings. Speakers set out the latest ideas on tackling the new challenges stemming from policy reform and political upheaval. Programme details TBC.
PLSA	Local Authority Forum	02 November 2016	London	Specialist pensions event for Local Authority pension managers, committee members and their advisers. Programme details TBC.
PLSA	Investment Conference	9-11 March 2017	Edinburgh	Key investment choices, challenges and changes faced by institutional investors. Programme details TBC.

PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2016 AND 2017

<i>Meeting Date</i>	<i>Time & Venue</i>	<i>Event</i>	<i>Managers</i>
19 May 2016	10am, The Brierley Room	Pension Fund Committee	
20 May 2016	10am, The Evolution Centre	Investment Manager Meeting	Dodge & Cox, Veritas
07 July 2016	10am, The Brierley Room	Pension Fund Committee	
21 September 2016	10am, TBC	Pension Fund Committee	1 Manager TBC
22 September 2016	10am, TBC	Investment Manager Meeting	2 Managers TBC
24 November 2016	10am, TBC	Pension Fund Committee	1 Manager TBC
25 November 2016	10am, TBC	Investment Manager Meeting	2 Managers TBC
23 February 2017	10am, TBC	Pension Fund Committee	1 Manager TBC
24 February 2017	10am TBC	Investment Manager Meeting	2 Managers TBC
18 May 2017	10am TBC	Pension Fund Committee	1 Manager TBC
19 May 2017	10am TBC	Investment Manager Meeting	2 Managers TBC

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

19 MAY 2016

BUDGET / STATISTICS

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

- 1.1 To report on the following:
- | | |
|--|-----------------|
| (a) the income/expenditure and position for the year 2015/16 | (see section 2) |
| (b) the cash deployment of the Fund | (see section 3) |
| (c) NYPF staffing budget | (see section 4) |

2.0 2015/16 INCOME AND EXPENDITURE POSITION

- 2.1 The Cash surplus for the year to 31 March 2016 of £6.5m exceeded the budgeted figure by £1.1m. As shown in **Appendix 1**, expenditure was £0.2m below budget and income was higher than anticipated by £0.9m.
- 2.2 Pensions Payroll Expenditure of £73.9m was within £50k of the annual forecast, while Retirement Grant expenditure of £24.8m was £1.2m lower. The bulk of retirement activity took place in the first half of 2015/16.
- 2.3 Performance Related Management Fees of £3.7m exceeded forecast by £750k while Base Management Fees of £3.4m were also higher than expected by £290k. While recent quarters have seen modest performance, the increased performance fee level is indicative of a sustained period of relative outperformance.
- 2.4 Contributions Income of £107.8m represents a £0.1m (0.1%) negative variance to budget, partially offset by Early Retirement income exceeding forecasts by £40k. Employer contribution levels have held up well compared to previous years. Strain on the fund costs are recharged to employers and this has acted to substantially decrease the impact of any employer payroll reductions on this income area.
- 2.5 Transfer receipts of £7.1m were £140k more than forecast while outgoing payments of £4.4m were lower than forecast by £580k. Transfer expenditure was substantially increased in March due to a bulk payment of £502k to the London Pension Fund Authority. This disbursement was associated with the transfer to the LPFA of all residual pension liability in relation to the Voluntary Tribunal Service. This was an exceptional payment and the £1m reduction to the 16/17 transfer expenditure budget is still considered appropriate.

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 March 2016 (as per Appendix 1)	6.5	
Cash Available as at 31 March 2016	24.3	(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	3.8	(c) = (a+b)

4.0 NYPF STAFFING BUDGET

- 4.1 The cost of NYCC staff required to administer the Fund includes the Pensions Administration Team which deals with scheme member and employer benefit issues, and staff within the Finance Team which deal with investment and accounting issues. This cost, including overheads, is met by the Fund and is shown in Appendix 1 against Admin Expenses, Central Services.
- 4.2 Staffing resources on both teams have been reassessed to establish whether they are appropriate to meet the current requirements of the Fund, and the expected impact on these requirements of changing circumstances - such as the Governments academisation programme.

Pensions Administration Team

- 4.3 Two issues in particular, being the introduction of the CARE scheme in 2014 and the GMP project, have increased the workload of the Pensions Administration Team over the last few years. However, a number of operational and process efficiencies have mitigated their impact so that it has been possible to keep on top of the additional work without the need to increase staffing.
- 4.4 Looking forward, there is the prospect of hundreds of new academies being created, with each being a separate NYPF employer. There is also the expectation that the newly created academies will, in some cases, alter contractual arrangements for services which will lead to TUPE transfers and new employer admissions into the Fund. Although the government has set out the timescale over which all primary and secondary schools must convert, there is some resistance to this agenda which is adding to a lack of clarity of the expected rate of conversions.
- 4.5 To deal with the additional workload the academisation programme will inevitably bring, officers estimate that an additional 3 FTE staff will be required as conversion activity escalates, most likely in early to mid-2017. The financial impact is shown in the table below.

	Current Budget £	Current Cost £	Proposed Budget £
Staffing	750,000	750,000	824,000
Overheads (10%)	75,000	75,000	82,000
Total	825,000	825,000	906,000

- 4.6 As the proposed budget is based on an estimate of academy conversion activity, Members are asked only to note the potential budget increase at this time. The workload of the Pensions Administration Team will be periodically reassessed, and when appropriate Members will be asked to approve a change to the budget.

Finance Team

- 4.7 The budget for the Finance team was agreed a number of years ago and it has not been revisited since then. It was based on the requirements of the Fund half the size it is now, with half as many managers and mandates and half the number of employers.
- 4.8 The gradual growth of the Fund was managed within the budget constraints but more recently an increase in staffing has been required to meet the Funds needs in such areas as contractual arrangements, accounting requirements and more recently, on pooling. The current cost, shown in the table below, reflects an increase of 1.1 FTE above budget. This increase has not been charged to the Fund.
- 4.9 Looking forward, there is a need to deal with the increasing workload relating to pooling, the Governments academisation programme, to allocate significantly more time to class actions, and to increase resilience in the team. Class actions are described in the **Member & Employer Issues report, paragraph 5** and is an area with significant potential to generate additional income for the Fund. Key person risk has been identified as a significant risk for the Fund, reflected by its inclusion in the Risk Register.

4.10 The proposed budget in the table below reflects an increased cost of 1.7 FTE's (2.8 FTE's above budget) to address these issues.

	Current Budget £	Current Cost £	Proposed Budget £
Staffing	100,000	154,000	218,000
Senior Management	20,000	15,000	15,000
Overheads (10%)	12,000	17,000	23,000
Total	132,000	186,000	256,000

4.11 Ideally, a proposal to increase the level of staffing resources deployed on the Fund would have been included in the report to the PFC meeting on 25 February 2016 when Members approved the budget for 2016/17. However, this did not happen. Rather than revise this budget, Members are asked to approve the increase to be effective from April 2017, which will form part of the proposed budget for 2017/18.

CIPFA Benchmarking Exercise

4.12 NYPF is one of the more efficient LGPS funds with an administration cost of £14 per member, which compares very well to the average of £19 per member. If NYPF Finance Team staffing costs were to increase as described above, the cost would rise to £16 per member which would see NYPF remain in the bottom quartile. This is without taking into account costs for other LGPS funds which are also expected to increase in order to address these challenges.

5.0 RECOMMENDATIONS

5.1 Members approve an increase in the staffing budget of £123k for Finance Team costs, effective from April 2017.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

11 May 2016

	Budget 2015/16 £000 (i)	Profiled Budget to 31 Mar £000 (ii)	Actual Income / Expenditure to 31 Mar £000 (iii)	Variance ie (iii-ii) £000 (iv)	Budget 2016/17 £000 (vi)
EXPENDITURE					
Benefits					
Pensions	74,000	74,000	73,950	-50	75,000
Lump Sums (including refunds)	26,000	26,000	24,810	-1,190	27,000
sub total (a)	100,000	100,000	98,760	-1,240	102,000
Admin Expenses					
Finance and Central Services	1,100	1,100	1,130	30	1,100
Other Services	210	210	220	10	250
Other Admin Expenses	200	200	190	-10	200
sub total (b)	1,510	1,510	1,540	30	1,550
Investment Expenses					
Investment Management Fees (Base)	3,150	3,150	3,440	290	3,400
Performance Related	3,000	3,000	3,750	750	4,500
Custodian Fees	150	150	140	-10	150
Other Investment Expenses	260	260	240	-20	260
sub total (c)	6,560	6,560	7,570	1,010	8,310
Total Expenditure (d)	108,070	108,070	107,870	-200	111,860
INCOME					
Contributions					
Employer and Employee Contributions	108,000	108,000	107,850	-150	108,000
Early Retirement Costs Recharged	2,500	2,500	2,540	40	2,500
sub total (e)	110,500	110,500	110,390	-110	110,500
Transfers					
Transfers IN (per individuals)	7,000	7,000	7,140	140	7,000
Transfers OUT (per individuals)	-5,000	-5,000	-4,420	580	-4,000
sub total (f)	2,000	2,000	2,720	720	3,000
Other Income					
Other Investment Income	1,000	1,000	1,250	250	1,300
sub total (g)	1,000	1,000	1,250	250	1,300
Total Income (h)	113,500	113,500	114,360	860	114,800
Net Surplus (i)	5,430	5,430	6,490	1,060	2,940

North Yorkshire County Council

Pension Board

Minutes of the meeting of the Pension Board held on Thursday 14 April 2016 at County Hall, Northallerton commencing at 10 am.

Present:-

Members of the Board

David Portlock (Independent Chairman).

Employer Representatives:

County Councillor Mike Jordan, Councillor Ian Cuthbertson (City of York), Phil MacDonald (University of Hull) and Louise Branford-White (Hambleton District Council).

Scheme Members:

Ben Drake, (Unison), Gordon Gresty, Stella Smethurst (Unison) and Mandy Swithenbank (GMB).

In attendance:-

County Council Officers: Amanda Alderson, Anna Binks, Steve Loach, Tom Morrison and Jo Wade.

Copies of all documents considered are in the Minute Book

31. Appointment of Employer Representative

Resolved -

That Phil MacDonald (University of Hull) be appointed to the vacant employer representative position.

32. Apologies for Absence

There were no apologies for absence.

33(a) Minutes

Resolved -

That the Minutes of the meeting held on 14 January 2016, having been printed and circulated are taken as read, confirmed and signed by the Chairman as a correct record.

Arising from those Minutes a Member referred to the comments at Minute No. 27, Internal Audit Reports and it was asked whether these actions had been carried out. In response it was stated that the PFC had been made aware of the issues raised via

the Chairman's update, and the Treasurer of the Fund confirmed that pension payments was subject to another internal audit review to assess progress.

The Chairman noted that the PFC had discussed delays in the process of providing pension scheme members with pension details, reported by scheme member representatives, and that the specific cases causing concern would be investigated.

33(b) Action Record

Considered -

The action record noting the progress made on actions agreed at previous meetings.

The record was updated as follows:-

01/10/15

Minute No. 19 - Work Plan

It was emphasised that the Work Plan was a working document and would continue to be updated as Pension Board activity progressed. It was noted that it had been agreed that the Work Plan would be circulated to the PFC.

14/01/16

Minute No. 26 - Risk Register

In relation to succession planning, discussions with the Treasurer were underway with a view to putting arrangements in place. The Risk Register would be updated accordingly.

Resolved -

That the updates be noted.

34. Declarations of Interests

There were no declarations of interests from Members at this stage of the meeting.

35. Public Questions or Statements

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

36. Internal Audit Report

Considered -

The report of Legal and Democratic Services which provided an update on Internal Audit activity.

It was noted that there had been no Internal Audit activity in relation to the Pension Fund since the last Pension Board meeting, however, there had been follow-up work carried out by the Internal Audit Team that had established a significant improvement in the area that had received limited assurance, as reported previously.

Details of the Internal Audit Plan for 2016/17 in relation to the Pension Fund were provided for information. From the data provided it was noted that, at the time of the

next meeting of the Pension Board, it was expected that there would be three reports available to review.

Clarification was provided as to the timescales for the reports, as a question was raised on the time taken for some of the audits to be completed. It was emphasised that the activity outlined was dependent upon the availability of Internal Auditors to undertake the work, alongside that of other internal audit work for the County Council and other clients.

The Chairman noted that payments/expenditure (an issue which had previously been given limited assurance and had been discussed both at Audit Committee and the Pension Fund Committee) was due to be reviewed again by Internal Audit shortly. Their report should be available at the next meeting of the Board.

Resolved -

That the report, together with comments made, be noted.

37. LGPS Pooling - Update

Considered -

The report of Legal and Democratic Services providing an update on LGPS pooling arrangements.

It was noted that at the special meeting of the Pension Fund Committee on 15 January 2016 Members decided in principle to join the Border to Coast Pensions Partnership (BCPP). The partnership consisted of 13 Funds most of which are based in the North of England.

In order to meet the Government's consultation deadline of 19 February 2016 it was agreed that a response would be drafted by BCPP officers, in consultation with the Chair, Vice-Chair and Treasurer of the PFC. The BCPP response and a separate NYPF response were attached to the report. In addition three scheme representatives of the Pension Board, all of whom were union representatives, had also submitted a response which was also attached to this report.

A letter of response had been received from Marcus Jones MP, Minister for Local Government, to the Chair of the Pension Fund Committee which was broadly supportive of the BCPP response.

Before and after the consultation deadline, representatives from all 13 Funds had been discussing options around the governance and investment arrangements necessary to both fulfil the Government's requirements and meet the fiduciary responsibilities of the Local Authorities managing funds. The aim was to have appropriate proposals in place by the second deadline imposed by the Government of 15 July 2016. The Pension Board would be kept informed of developments, however no concrete proposals had been made at this early stage.

Members of the Board undertook an in-depth discussion of the proposed pooling arrangements and the following issues and points were raised:-

- ◆ An explanation was provided in relation to the "scheme route" versus "joint committee route" and it was noted that a meeting of the 13 participating bodies, including representative officers and legal advisers, would be taking

place on 15 April and it was expected that further details would emanate from there.

- ◆ A Member considered that it would have been appropriate for the Government to give advice as to how authorities should manage the pool arrangements, in view of the fact that it is a Government-led initiative. It was noted that the arrangements were left to the Authorities to make themselves, therefore a considerable amount of negotiation was required to ensure that the most appropriate arrangements were in place for the various Funds involved.
- ◆ Members asked whether the Government would be advising the pooled Funds of their wish for them to undertake infrastructure investment.

In response it was noted that the DCLG had indicated that whilst there would be a preference for pools to invest into infrastructure projects there was no indication that this would be mandated. It was noted that a Member of the Pension Board had contacted his local MP with regards to the infrastructure investment issue, the response had reinforced the position that whilst investment in infrastructure would be desired there would be no requirement forced requirement. The Member agreed to share the letter of response with other Pension Board Members.

- ◆ Further updates on the position, going forward, would be brought to the next meeting of the Pension Board.
- ◆ Members raised concerns regarding how the Pension Board would fit into the new pooled investment arrangements. Details of the potential governance arrangements for the ACS or joint committee approach would be circulated in due course. It was also emphasised that members had a significant voice in relation to Pension Fund matters, with the establishment of the Pension Board and observer places for Unison on the PFC.

Scheme member representatives noted that there appeared to be no place for them within the pooled investment arrangements, nor was there a position for the representatives of the employers.

The Chairman acknowledged the issues being raised noting that Pension Boards had been established to consider the governance arrangements for Pension Funds, however, there was some concern regarding whether Pension Boards would be able to have any influence over the governance of pooling arrangements. He noted that until those governance arrangements were in place it was difficult to know how the Pension Board could be involved. Union representatives of the Pension Board considered that it would be appropriate that the Board's views were submitted before the governance arrangements were developed, to allow those opinions to be fed into that process.

The Chairman said that the pooling arrangements were a requirement for Pension Funds and that the Pension Board would have influence through their input into the PFC. He also noted that the role of the Pension Board was to monitor and assist the PFC with its governance arrangements and emphasised that there was still plenty of work for the Board in relation to that. Members still had concerns that the fundamental reason for establishing the Pension Board was for Members of the Board to be able to consider the

governance arrangements around investments, which appeared they would be considerably diminished through the pooling arrangements. A Member reiterated that it was difficult to understand the role of the Pension Board and the PFC in the pooled arrangements.

By way of explanation it was stated that the pool would be responsible for the appointment of investment managers and the investment of money, however, each PFC would retain responsibility for the investment strategy.

A Member asked, if the majority of members of the pool made a decision that was not in accordance with the North Yorkshire investment strategy would it not be the case that North Yorkshire would have to follow that majority decision.

In response to this issue it was again explained that the PFC would remain responsible for the investment strategy, and that the pool would be required to implement it, including appointing suitable investment managers.

- ◆ A Member asked whether differences in investment strategies between BCPP funds could mean that the pool could finish up with a series of small pots of funding.

The position regarding how investments would be undertaken through the pool was again clarified and it was noted that variations in investment strategies would be accommodated. Each Fund would make a decision based on factors such as the cost of investment alongside other Funds and the impact of economies of scale from larger blocks of investments.

- ◆ A Member questioned that 13 Pension Funds could have similar strategies, and whether performance for the group would converge. It was emphasised that each Fund's strategy would be implemented in a way that would provide returns specific to each, so that there would be no sharing of returns between the various pool members.

- ◆ Members still had concerns regarding how Managers would be chosen and how investments would be made in terms of the pooling arrangements and considered that greater clarification of the position was required. The Chairman emphasised that, at this time, the arrangements were in their infancy and many of the details had yet to be clarified.

- ◆ A Member noted that a petition was in place with regards to whether investing in infrastructure this contravened European Law. She noted that should the petition reach 100,000 signatures then the matter would be debated in Parliament.

- ◆ A Member was encouraged by the discussion regarding the pooling arrangements and could see some benefit from being able to compare and contrast with other Funds in terms of their investment strategies. He raised concerns regarding the statement within the BCPP response that assets would be managed in the most tax efficient way. In light of publicity about international tax evasion an ethical approach should not be forgotten.

- ◆ The Chairman addressed the issue regarding a request from three Members of the Pension Board to submit a response from the Pension Board to the consultation, as a body. He noted that those Members had submitted a

response, but this had not constituted an official response of the Pension Board. He stated that he had discussed the matter with the County Council's Monitoring Officer and had taken account of the remit and terms of reference for the Board and it had been concluded that an official response from the Pension Board would not be appropriate. It had been noted that other Pension Boards had not responded to the consultation.

In view of the issues raised in relation to this it was noted that the next stage of the consultation would conclude on 15 July 2016 and the Chairman asked whether Members considered it appropriate that an official response from the Pension Board should be submitted. Members discussed this matter and were advised that only the respective pools would respond to the next stage of the consultation. However some Pension Board members indicated they may wish to respond.

Members of the Board considered that further details of the governance arrangements were required before a view could be formed. It was noted that a meeting was taking place on 15 April 2016 involving the Chairs of the 13 Pension Fund Committees, and the Section 151 Officers of those Authorities. It was emphasised that the draft response would be ready by the beginning of July and that a great deal of work would be required to meet that deadline. Members emphasised the need for the issues to be considered by the Pension Board before they were agreed. Another Member considered it right that the Pension Board looked at the issues, in terms of the governance of the pooling arrangements.

- ◆ The Chairman asked whether the next round of consultation would address the issue of investment costs. In response it was stated that this would be included, however the effectiveness of investment managers net of fees would be the primary concern. Every effort would be made, therefore, to ensure the best outcomes for NYPF in the pooling arrangements.
- ◆ Members asked what opportunity would be provided to them to comment and impact on the final arrangements for pooling. A Member suggested that comments from the Pension Board should be submitted through the Pension Fund Committee, and as such, she did not consider that there was need for a separate response from the Pension Board.

A number of Members expressed disappointment that the response to the consultation had not been passed to the Pension Board for comment before submission. The Chairman noted that there had not been time for the PFC to comment on it fully due to the timescales for submission. Pension Board Members believed that there should have been an opportunity for their views to be included, although it was acknowledged that scheme member representatives had responded separately.

Members suggested that it was appropriate that the PFC heard what the Pension Board had to say on the pooling issue in relation to the next round of consultation.

- ◆ In response to the issues raised, it was noted that it had been impossible to consult before the response was submitted by the PFC because of the tight deadline. A draft response was first available for review on 15 February, and it was finalised on 18 February, the day before the deadline. The concerns expressed were acknowledged, but unfortunately, circumstances did not allow for a more collaborative approach. Members emphasised the need to

be heard in advance of the next deadline and stated that they would be unhappy if this did not happen.

- ◆ Members asked whether they could be invited to the meeting of the PFC when it met to discuss the next response to the consultation on pooling. It was noted that this could be accommodated.

Resolved -

- (i) That an additional meeting of the Pension Board be arranged, if necessary, to allow Members to discuss the next response by the BCPP.
- (ii) That the following points should be included in the NYPF response to the second consultation on Local Government Pension Scheme pooling:-
 - (a) that arrangements for governance must ensure that accountability to Scheme Members and contributory employers is at least as robust at pool level as they currently are at Fund level; and
 - (b) that there should be no undue compulsion in respect of investment in any particular asset class.

DRAFT

38. Draft Minutes of the Pension Fund Committee Meeting held on 25 February 2016

The Chairman stated that he had attended the above-mentioned meeting and had provided an update on the work of the Pension Board to that meeting.

Members outlined their appreciation of the attendance of the Chairman at Pension Fund Committee meetings and thanked him for his reports to the Committee from the Pension Board and of his reports back to the Board in relation to the issues discussed at the Committee.

The Chairman stated that, in future, the draft Minutes of the Pension Board would be submitted to Pension Fund Committee meetings to allow them to observe what had been discussed and to raise questions with the Chairman if necessary.

Resolved -

That the draft Minutes be noted and the submission of the draft Minutes of the Pension Board to future meetings of the Pension Fund Committee be agreed.

39. Training

Considered -

The report of Legal and Democratic Services providing an update on Pension Board Member training.

Details of training activity undertaken by Members of the Board were provided as an appendix to the report and Members present provided updates to those details.

The Chairman stated that any issues that Members considered to be relevant to their role on the Pension Board, whether directly related to pensions or not, could be submitted to the Clerk for inclusion in the training record, as this helped to identify areas where the Pension Board, as an entity, had experience and knowledge gaps. He noted that a self-assessment tool had been circulated to all Members of the Board and it would be useful if everyone could return that to identify such gaps.

Members noted that details of some training sessions had been circulated but raised concerns regarding the high level of costs. In response it was stated that details would continue to be circulated and levels of costs of the training provision would be balanced against the need of Members of the Board. Members acknowledged this position but emphasised the need to guard against the perception that excessive costs were being incurred by the Board on training.

A Member considered it appropriate that contact be made with the Scheme's Fund Managers to determine whether they could provide local training sessions, possibly involving other Pension Boards situated locally, to provide a more cost-effective training programme. It was noted that the County Council's external Auditors may also be able to deliver relevant training to Pension Board Members.

The Chairman stated that he and Officers would investigate the possibility of developing a training programme through the methods outlined by Members.

Resolved -

That the report be noted, together with the updates and the action outlined in terms of developing a training programme be undertaken accordingly.

40. Pension Board Work Plan

Considered -

The report of Legal and Democratic Services which provided details of the areas of planned work for the Pension Board. The report outlined the process for undertaking the activities set out in the Work Plan. The Chairman noted that the list provided was not definitive and issues could be removed, or added to, depending upon the wishes of the Board.

A Member noted that, previously, an issue had been identified with regards to problems with the new software which had impacted on the pensions administration process. She wondered whether this matter was worth addressing through the Work Programme. In response it was stated that further improvements had been achieved which had eradicated the majority of the glitches in the system. This was not to say that there were not still some problems, but these were now manageable. It was emphasised that there was no reason for undue concern in relation to this matter, going forward.

A Member asked whether queries were being answered on a timely basis and again it was emphasised that, in the main this was the case. There would always be certain occasions where problems occurred which would take a little longer to resolve.

It was noted that, with the proposed academisation of all schools, the number of employers within the North Yorkshire Pension Fund would rise significantly.

A Member asked whether any issues were envisaged regarding the changes in National Insurance payments following the revisions to the State Pension Scheme and the contracted out basis in which National Insurance used to be paid. In response it was stated that there was an expectation that communications would increase in relation to this. It was noted that amendments to the tax threshold and some internal arrangements by NYCC should see members of the Scheme not being adversely affected, as first thought. The impact of the new State Pension Scheme would take some time to emerge.

The Chairman noted that the Pension Board would be required to provide an annual report. This would be produced following the first year of work of the Board and would be submitted to the County Council.

Members considered that the main topic of work worthy of inclusion in the Work Programme was the situation regarding pooling arrangements. It was considered appropriate that this be entered either as a separate item or included with one of the existing items within the Work Plan.

A Member stated that she would like to undertake and lead a programme of work on investment costs, but would consider developing that later in the year, following the consideration of the pooling arrangements, as that was a priority at the moment.

Resolved -

That the Work Programme be noted and that alterations be made to the Plan to accommodate the issue of pooling arrangements within it.

The meeting concluded at 12.10 pm.

SL/JR

DRAFT

PENSION BOARD WORK PLAN

APPENDIX 1

		14-Apr-16	14-Jul-16	06-Oct-16	Jan 2017	Apr 2017	2017	2018
<u>Business planning</u>								
1	Agree plan for the year				✓			✓
2	Review performance against the plan				✓			✓
3	Report to the PFC / NYCC				✓			✓
4	Report to Scheme Advisory Board / DCLG					✓		✓
<u>Compliance checks</u>								
5	Review regular compliance monitoring reports		✓				✓	✓
6	Review the compliance of scheme employers							
7	Review such documentation as is required by the Regulations						✓	✓
8	Review the outcome of internal audit reports	✓	✓	✓	✓	✓	✓	✓
9	Review the outcome of external audit reports			✓			✓	✓
10	Review annual report			✓			✓	✓
11	Review the compliance of particular issues on request of the PFC							
12	Review the outcome of actuarial reporting and valuations						✓	
13	Assist with compliance with the UK Stewardship Code							
<u>Administration procedures and performance</u>								
14	Review management, administrative and governance processes and procedures							
15	Monitor complaints and performance							
16	Review the Internal Dispute Resolution Process							
17	Review cases referred to the Pensions Ombudsman							
18	Review the implementation of revised policies and procedures							
19	Review the exercise of employer and administering authority discretions							
20	Assist with the development of improved customer services							
21	Monitor performance of administration, governance and investments							
22	Review processes for the appointment of advisors and suppliers							
23	Monitor investment costs							
24	Review the risk register		✓		✓		✓	✓
25	Assist with the development of improved structures and policies							
26	Assist in assessing process improvements on request of PFC							
27	Assist with asset voting and engagement processes							
28	Pooling arrangements and governance	✓	✓					
<u>Communications</u>								
28	Review scheme member and employer communications							
<u>Training</u>								
29	Review Pension Board knowledge and skills self assessment	✓				✓		✓
30	Review training log	✓				✓		✓
31	Review training arrangements for the Board and other groups	✓				✓		✓

Notes

- 3 arrangements to be determined by the Council.
- 4 arrangements to be determined by SAB/DCLG.

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

19 MAY 2016

PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER
ENDING 31 MARCH 2016

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To report the investment performance of the overall Fund, and of the individual Fund Managers, for the Quarter to 31 March 2016.

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 March 2016.
- 2.2 The report highlights the performance of the total Fund by asset class against the customised Fund benchmark. It also includes an analysis of the performance of each manager against their specific benchmark and a comparison of performance levels over time.

3.0 PERFORMANCE OF THE FUND

- 3.1 The absolute overall return for the quarter (+1%) was below the customised benchmark for the Fund (+2.6%) by 1.6%.
- 3.2 The 12 month absolute rolling return was +0.4%, 0.7% below the customised benchmark of +1.1%.
- 3.3 Absolute and relative returns over the rolling years to each of the last four quarter ends were as follows.

Year End	Absolute %	Relative %
31 March 2016	+0.4	-0.7
31 December 2015	+6.2	+1.8
30 September 2015	+5.7	+0.8
30 June 2015	+12.9	+2.6

- 3.4 The performance of the various managers against their benchmarks for the Quarter ended 31 March 2016 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 March 2016 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 +1% in the Quarter increased the invested value of the Fund by £25m. This Quarter 7 managers/funds outperformed their respective benchmarks and 7 did not. At the end of the March 2016 quarter the value of the Fund was £19m above the value at the end of March 2015, an increase of 0.8%.

Overseas Equities

4.2 **Fidelity** produced a relative return in the quarter of 1.3% below the benchmark return of +2.4%. Performance over the year to March 2016 matched the benchmark. Over the last 5 years the manager has exceeded the benchmark by +0.7% p.a. (gross of fees).

Global Equities

4.3 The Global Alpha fund managed by **Baillie Gifford** returned +0.4% for the quarter against a benchmark return of +3%. Relative performance over the longer term was +0.3% over 1 year and +2.2% pa over 5 years. Since inception in 2006, the Fund has outperformed the FTSE All World by 2% p.a.

The LTGG fund, also managed by **Baillie Gifford** produced a negative return for the quarter of -4.3% against a benchmark return of +3%. LTGG is a relatively concentrated fund and short term volatility is to be expected. Relative performance over the longer term was +4.6% over 1 year and +3.6% p.a. over 5 years.

The recently invested Global equity funds **Veritas** and **Dodge & Cox** returned +4.7% and +1.3% respectively against the MSCI All Country World benchmark of +2.9%. Both managers invest on a global unconstrained basis so this benchmark is for performance measurement purposes only. Since inception in April 2015 Veritas returned +2.5% and Dodge & Cox -10.9% against the benchmark return of -3.5%.

UK Equities

- 4.4 **Standard Life** produced an absolute return of 0% for the quarter. This represents a positive relative return against a benchmark return of -0.4%. Relative performance for the year was a disappointing -5.5% against the benchmark of +0.9%. Relative annualised performance over the longer term was -0.6% pa over five years.

Fixed Income

- 4.5 **ECM** produced 0.3% relative against cash (+0.1%) for the quarter and 1% relative for the year. Annualised performance for the 5 years to March 2016 was +1.7% relative.
- 4.6 The investment in Gilts with **M&G** slightly underperformed against the liability matching benchmark of +7.7% for the quarter to March 2016 by -0.2%. Performance for the year was +1.2% above the benchmark return of 2.6%, and annualised performance since inception in 2010 was +0.9% pa above the benchmark of +8.4%.

Property

- 4.7 The investments with **Hermes and Threadneedle** produced +0.6% and +0.9% respectively in relative terms, against the property index for each manager in the quarter to March 2016. **L&G** underperformed against the benchmark of 1.1% by -0.6%.
- 4.8 Over the year to March 2016 **Hermes and Threadneedle** outperformed against the benchmark, returning in absolute terms +12.9%, and +12.4% respectively. **L&G** underperformed returning +10.4% in absolute terms against the benchmark of +10.6%.

Diversified Growth Funds

- 4.9 The Investment with the **Standard Life** Global Absolute Return Strategy (GARS) Fund produced a relative under-performance for the quarter of -3.4% against a cash benchmark of +0.1%. The **Newton Investments** Real Return Fund produced a relative over-performance for the quarter of 3.8% against the same cash benchmark.
- 4.10 Over the period since inception in March 2013, in absolute terms, Standard Life returned +2.9% pa against cash of +0.5% and a performance target of +5.5% and Newton +2.8% pa against cash of +0.5% and a performance target of +4.5%.

5.0 RISK INDICATORS

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

- 5.2 The Fund's annualised **Standard Deviation**, which is a reflection of volatility, was 7.7% for the rolling three year period to March 2016, 1.3% 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 March 2016 is +0.1% above the benchmark.
- 5.4 The **Tracking Error** figure reflects how closely a fund manager's actual return follows their respective benchmark. As at March 2016 the figure was 2.3%.
- 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 March 2016 the ratio for the Fund was +0.9%.

6.0 **SOLVENCY**

- 6.1 The **solvency position** is presented in **Appendices 3 and 4**. As at 31 March 2016 the estimated solvency was 72%. This is a 6% decrease from the solvency figure as at 31 December 2015 and is also a decrease of 1% to the 2013 Actuarial Valuation figure.
- 6.2 Asset outperformance since the 2013 Actuarial Valuation has been 9.3% p.a., however due to falling gilt yield values the solvency has actually decreased by 1% over the three years.
- 6.3 The liability valuation has been carried out on a basis consistent with that used for the 2013 Triennial Valuation. The Fund's actuary, Aon Hewitt will use a different methodology for the 2016 Valuation, where the discount factor will be based on the Fund's assets and not on gilt yields. Going forward, it is expected that this approach will reduce the significant volatility the Fund has experienced in liability valuations from quarter to quarter.

7.0 **REBALANCING**

- 7.1 No rebalancing has taken place since the end of the December 2016 quarter.

8.0 **PROXY VOTING**

- 8.1 The report from PIRC is available on request summarising the proxy voting activity in the period January 2016 to March 2016. 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 March 2016.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

11 May 2016



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ASSET SERVICING

North Yorkshire Pension Fund

3 Months Ending 31 March 2016

Fund Analysis & Performance Report





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Market Review

Market Briefing - Quarter Ended 31 March 2016

Market Summary

During the first quarter of 2016, returns were primarily positive with the only exception being UK Equities and Japan Equities. Fixed Income market alongside cash and property achieved positive returns.

UK Equities

The FTSE 100 was the best performing index with a return of 0.1%, followed by the FTSE All Share with a return of -0.4%. The FTSE 250 was the weakest performing sector with a return of -2.4%.

Over the one year period ending 31st March 2016, the FTSE 250 was the best performing index with a return of 1.7%. The FTSE 100 was the weakest performing index with a return of -5.3%. Basic Materials was the best performing industry sector with a return of 20.0% for the quarter. The weakest performing sector was Financials with a return of -10.0%.

Over the one year period returns ranged from 17.5% for Consumer Goods to -26.4% for Basic Materials. Technology was the second best performing sector with a return of 11.9%.

Overseas Equities

Overseas Equity markets showed mixed returns over the quarter.

Within Europe, Netherlands was the best performing country with a return of 6.9%. This was followed by Portugal with a return of 5.9%. The weakest performing country was Greece with a return of -17.3%. Over the one year period, Ireland was the strongest performing country with a return of 14.1%, and Greece the weakest with a return of -53.6%.

Outside Europe, Brazil was the best performing country with a return of 31.4. Brazil was followed by Canada with a return of 14.5%. Japan was the weakest performing country with a return of -4.4% in Sterling terms.



Market Review

UK Bonds

For UK-Bonds the 1st quarter returns were positive for all sectors. UK-Gilts outperformed Non-Gilts with a return of 4.9% compared to 3.0%. Within Gilts, Long-dated Gilts was the strongest performing sector with a return of 8.2%. Short-dated Gilts was the weakest performing sector with a return of -1.4%.

Over the one year period ending 31st March 2016, UK-Gilts was the best performing sector with a return of 3.2% compared to the return of 0.4% for Non-Gilts. Within Gilts, Long-dated Gilts provided the strongest performance with a return of 4.0%, whilst the weakest came from Short-dated Gilts with 1.9%.

Overseas Bonds

The first quarter saw positive returns for Overseas Bonds. Within Europe, Denmark was the best performing country with a return of 12.8%. Sweden was the weakest performing country with a return of 9.9%. Outside Europe, Japan was the best performing country with a return of 14.8%. The US was the weakest performing country outside Europe with a return of 6.0%.

Over the twelve month period, most European Bonds saw positive returns. Italy provided the strongest performance with a return of 11.6%, followed by France with a return of 10.3%. Outside Europe, the best performance came from Japan with a return of 17.3%. The weakest performing country was Canada with a return of 2.6%.

UK Index-Linked Gilts

UK Index Linked-Gilts achieved a positive return of 5.7% for the first quarter of 2016. Within this sector, Long-dated Index-Linked Gilts provided the strongest performance with a return of 7.5%, whereas the weakest performance was provided by Short-dated Index-Linked Gilts with return of 1.0%.

Over the one year period to 31st March 2016, on an overall basis UK Index-Linked Gilts achieved a return of 1.7%. Over the same period, Long-dated Index-Linked Gilts was the strongest performing sector with a return of 2.4%, whereas Short-dated Index Linked Gilts showed the weakest performance, returning 0.5%.

UK Cash and Property

Property recorded a positive return of 1.0% for the quarter. The overall return for the one year period ending 31st March 2016 was 8.5%. 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 first quarter of 2016, the fund returned 1.02% versus its benchmark of 2.57%, thereby underperforming by 1.55%. In terms of longer period performance, the fund has outperformed over 3 years by 2.26% p.a.

At asset class level, the fund underperformed its blended benchmark in the majority of asset classes. UK Equity is the best performing sector which outperformed its benchmark by 0.84%. Global Equity units however underperformed the benchmark by 3.46% respectively.

Over the quarter, seven accounts out-performed their benchmarks. The best performance was shown by Newton Diversified Manager which out-performed its benchmark by 3.76%.

For asset allocation the fund is closely matched to the benchmark, with the largest variances being in UK Equities and Global Equity Units where the fund is 1.77% underweight and 1.68% overweight respectively.



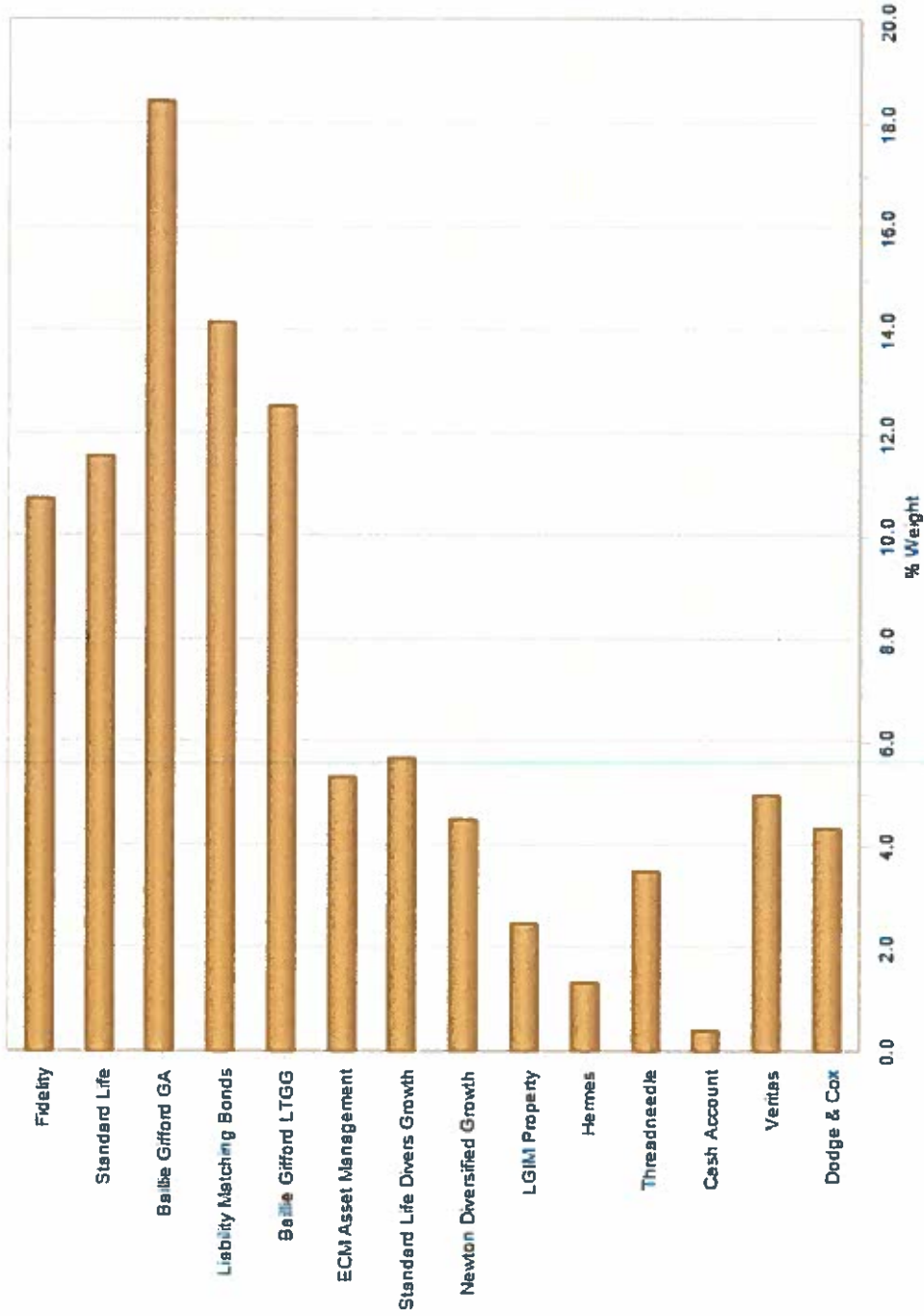
North Yorkshire County Council - 3 Months Ending 31 March 2016

Fund Allocation - Managers



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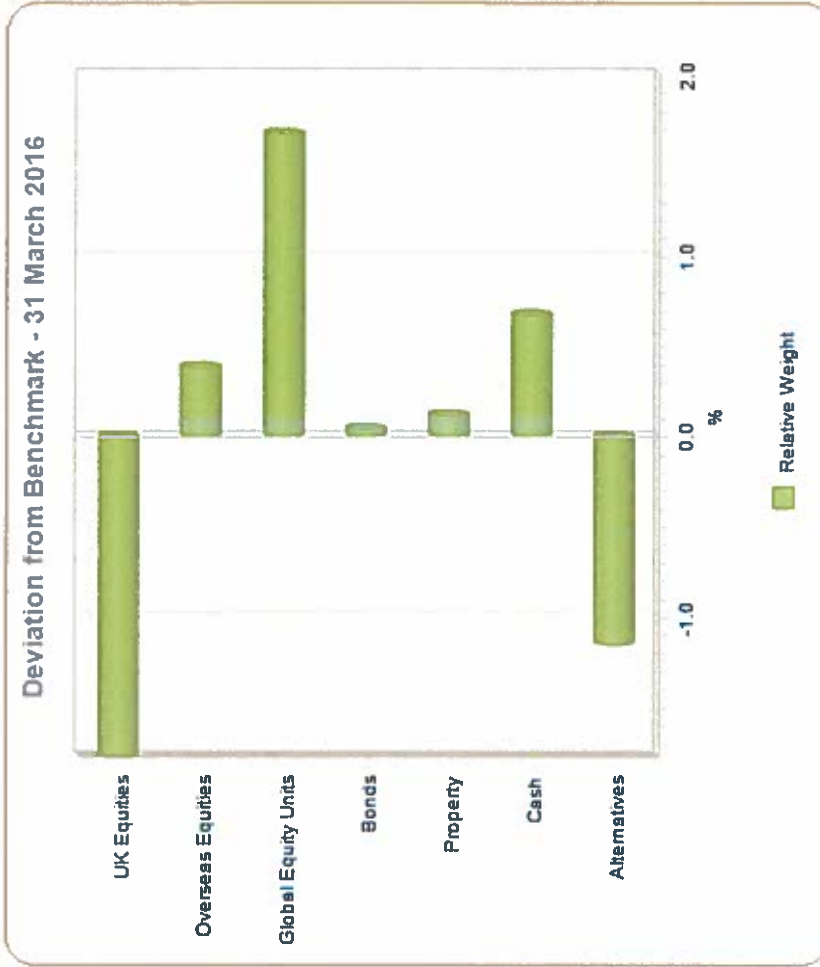
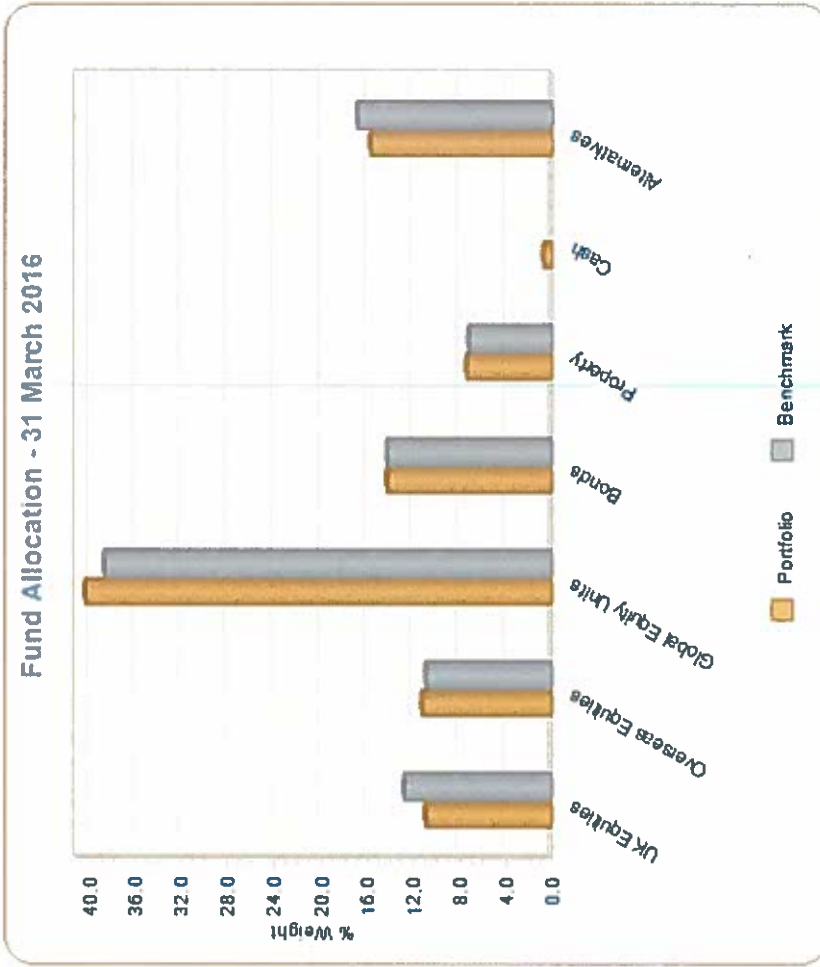
Manager Allocation - 3 Months Ending 31 March 2016



Manager	Weight (%)
Fidelity	10.74
Standard Life	11.56
Baillie Gifford GA	18.44
Liability Matching Bonds	14.16
Baillie Gifford LTGG	12.53
ECM Asset Management	5.35
Standard Life Divers Growth	5.68
Newton Diversified Growth	4.52
LGIM Property	2.48
Hermes	1.33
Threadneedle	3.51
Cash Account	0.38
Veritas	4.98
Dodge & Cox	4.33



Fund Allocation - Relative Analysis



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Cash	Alternatives
Portfolio	10.83	11.19	40.28	14.15	7.32	0.68	15.55
Benchmark	12.60	10.80	38.60	14.10	7.20	0.68	16.70
Relative Weight	-1.77	0.39	1.68	0.05	0.12	0.68	-1.15



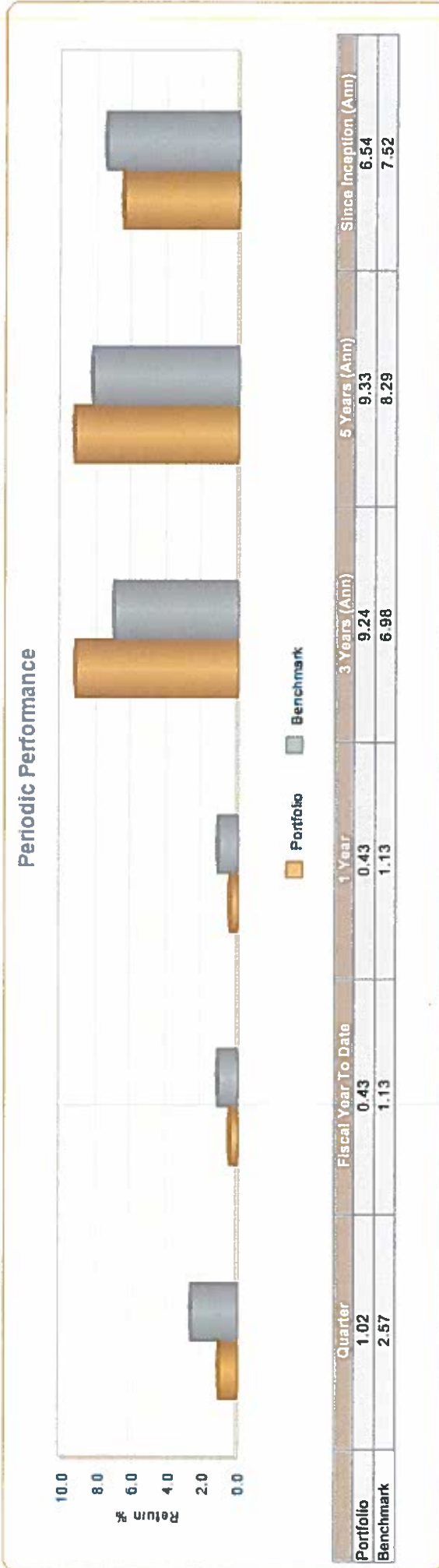
Fund Performance

North Yorkshire County Council - 3 Months Ending 31 March 2016

Fund Performance - Summary



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Inception Date: 31 Jan 2002

Ann = Annualised

North Yorkshire County Council - 3 Months Ending 31 March 2016

Fund Performance - Segment Analysis

Segment Performance - 3 Months Ending 31 March 2016



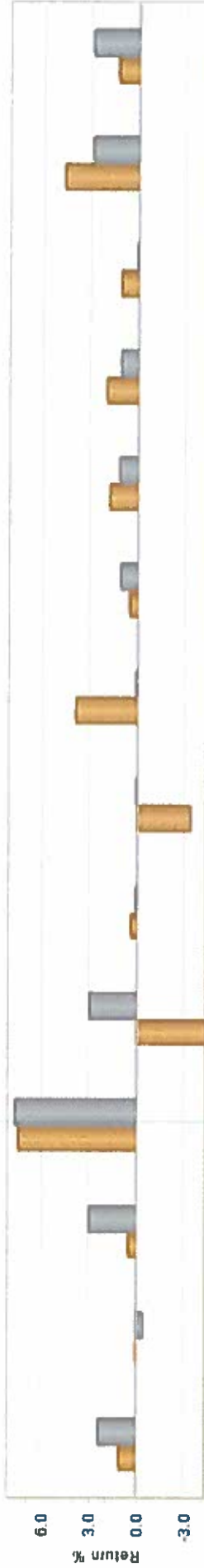
	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Alternatives
Portfolio	0.41	0.53	-0.51	7.56	1.44	-0.01
Benchmark	-0.43	2.38	2.95	7.65	1.11	0.13

North Yorkshire County Council - 3 Months Ending 31 March 2016

Fund Performance - Manager Overview



Manager Performance - 3 Months Ending 31 March 2016

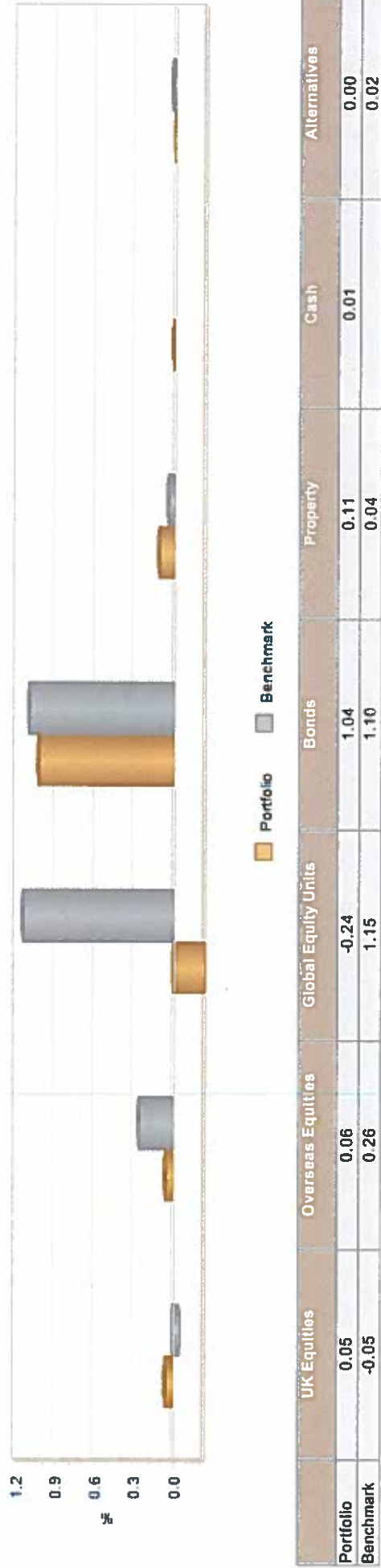


Manager Performance - 1 Year Ending 31 March 2016

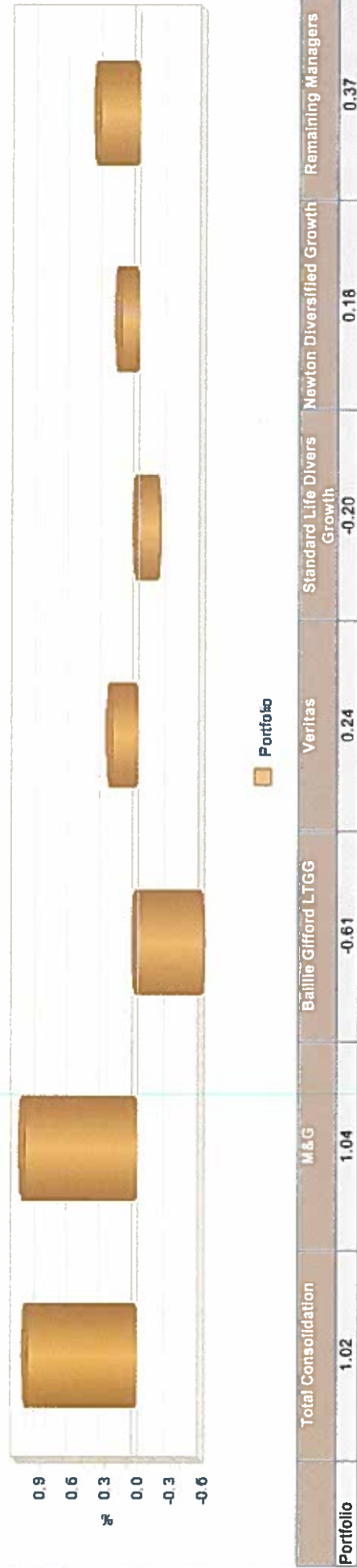




Source of Contribution - Quarter to 31 March 2016



Top 5 Manager Contribution - Quarter to 31 March 2016

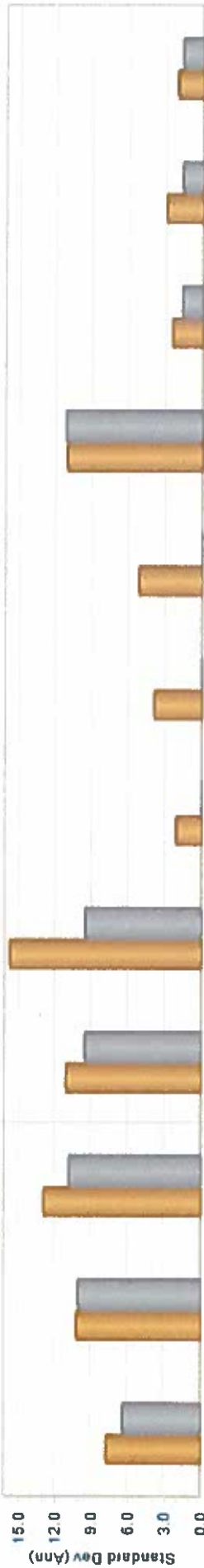






Risk Profile - Historic Risk

Standard Deviation - 3 Years (Ann) to 31 March 2016



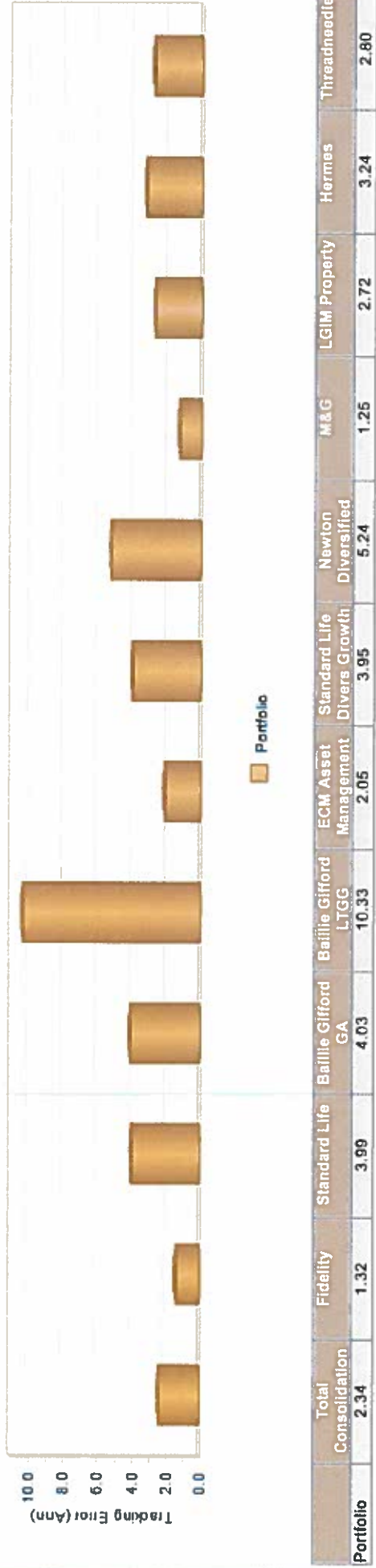
Sharpe Ratio - 3 Years (Ann) to 31 March 2016



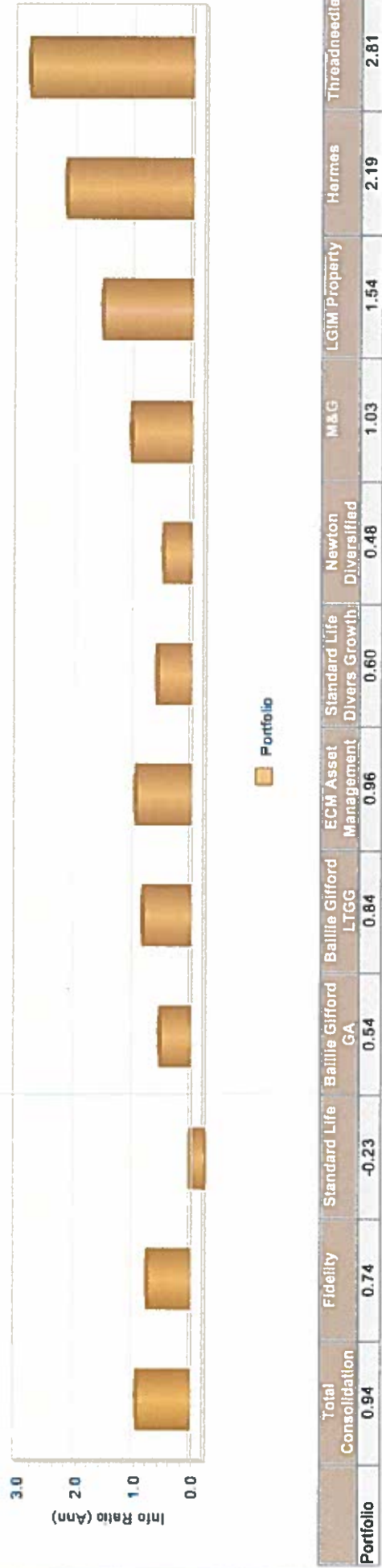
Ann = Annualised



Tracking Error - 3 Years (Ann) to 31 March 2016



Information Ratio - 3 Years (Ann) to 31 March 2016



Ann = Annualised

North Yorkshire County Council - 3 Months Ending 31 March 2016



BNY MELLON
ASSET SERVICING

Risk Profile - Consistency Analysis

Manager	Active Number of Months	Number of Positive Months	Consistency Rate (%)	Benchmark Consistency (%)	Outperformance (%)
Total Consolidation	171	110	64	67	56
Fidelity	89	56	63	48	54
Standard Life	114	62	54	38	54
Baillie Gifford GA	114	70	61	42	55
Amundi	125	73	58		
Baillie Gifford LTGG	115	68	59	42	53
ECM Asset Management	129	84	65	53	61
Standard Life Divers Growth	37	23	62	100	59
Newton Diversified Growth	37	20	54	100	54
M&G	52	29	56	62	56
LGIM Property	40	37	93	85	60
Hermes	49	38	78	81	57
Threadneedle	46	43	93	84	72
Veritas	12	6	50	58	67
Dodge & Cox	12	5	42	58	25



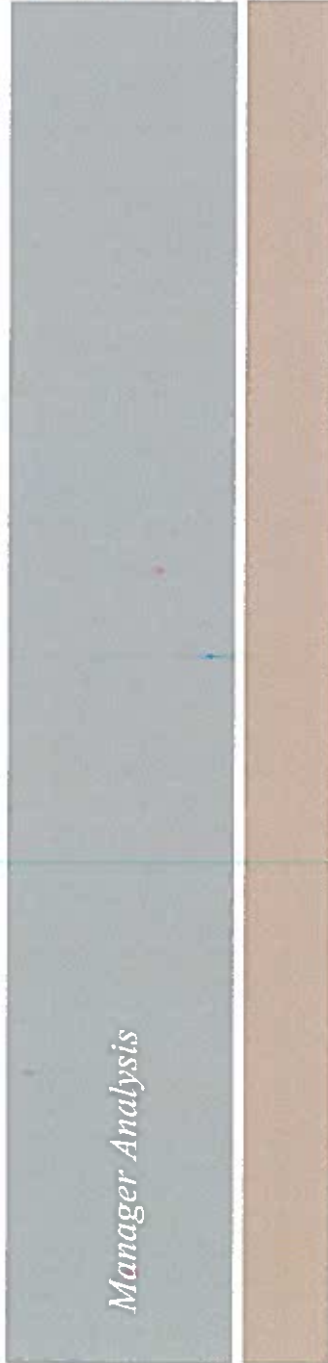
Fund Profile

North Yorkshire County Council - 3 Months Ending 31 March 2016

Fund Profile - Movement of Funds



Manager Name	Market Value 31-Dec-2015 (000's)	Net Contributions (000's)	Income (000's)	Gain/Loss (000's)	Market Value 31-Mar-2016 (000's)	% Change
Total Consolidation	2,393,573.12	462.77	2,760.50	21,635.39	2,418,431.80	1.04
Total Consolidation	2,393,573.12	462.77	2,760.50	21,635.39	2,418,431.80	1.04
Fidelity	257,061.04	0.00	899.13	1,890.05	259,850.22	1.09
Standard Life	279,595.89	0.00	889.45	-851.44	279,633.91	0.01
Baillie Gifford GA	443,926.06	0.00	0.00	1,980.09	445,906.15	0.45
Baillie Gifford LTGG	316,729.71	0.00	0.00	-13,674.61	303,055.10	-4.32
ECM Asset Management	128,890.49	0.00	0.00	504.05	129,394.54	0.39
Standard Life Divers Growth	141,963.04	0.00	0.00	-4,650.77	137,312.27	-3.28
Newton Diversified Growth	105,312.08	0.00	0.00	4,097.45	109,409.53	3.89
M&G	318,614.91	-129.21	550.32	23,439.28	342,475.30	7.49
LGIM Property	59,723.41	0.00	0.00	305.45	60,028.86	0.51
Hermes	31,877.66	-341.85	341.85	235.17	32,112.83	0.74
Threadneedle	83,274.49	0.00	0.00	1,636.54	84,911.03	1.97
Cash Account	8,132.15	933.84	79.74	-10.67	9,135.07	12.33
Veritas	114,974.72	0.00	0.00	5,421.93	120,396.65	4.72
Dodge & Cox	103,416.71	0.00	0.00	1,312.85	104,729.56	1.27

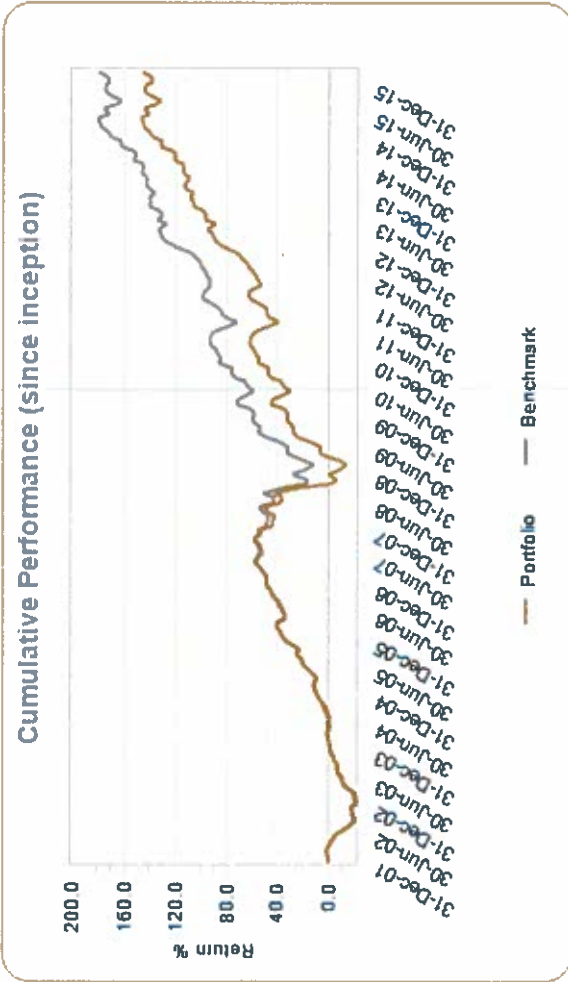


North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - Total Consolidation



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Portfolio Size and Mandate		Portfolio Mandate
Portfolio Size (GBP)		Total Plan
2,418,431,798		

Allocation - 31 March 2016							
	UK Equities	Overseas Equities	Global Equity	Bonds	Property	Cash	Alternative
Portfolio	10.83	11.19	40.28	14.15	7.32	0.68	15.55
Benchmark	12.60	10.80	38.60	14.10	7.20		16.70

Inception Date: 31 Jan 2002

Periodic Performance						
	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	1.0	0.4	0.4	9.2	9.3	6.5
Benchmark	2.6	1.1	1.1	7.0	8.3	7.5

Risk Profile - 3 Years (Ann) to 31 March 2016			
	Standard Deviation	Sharpe Ratio	Information Ratio
Portfolio	7.7	1.1	0.9
Benchmark	6.4	1.0	

Summary - 3 Months Ending 31 March 2016

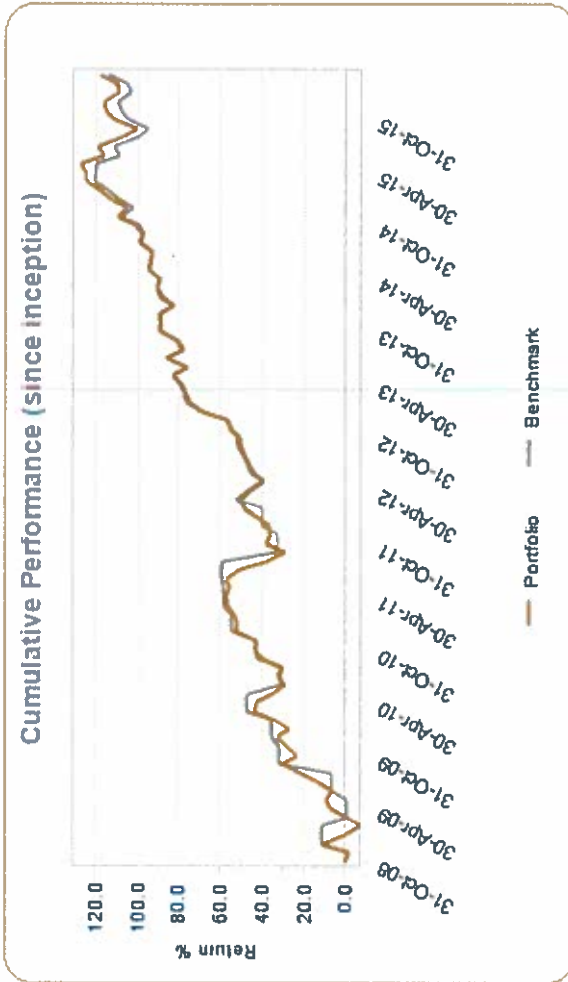
The fund's relative performance of the Quarter and 1 Year was -1.6% and -0.7% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - Fidelity



BNY MELLON
ASSET SERVICING



Inception Date: 30 Nov 2008

Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
259,850,224	Global Equities

Allocation - 31 March 2016		
UK Equities	Overseas Equities	Cash
0.25	98.53	1.22
Portfolio Benchmark	100.00	

Periodic Performance						
	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	1.1	-2.9	-2.9	7.4	6.9	11.1
Benchmark	2.4	-2.8	-2.8	6.4	6.2	10.8

Risk Profile - 3 Years (Ann) to 31 March 2016			
	Standard Deviation	Sharpe Ratio	Information Ratio
Portfolio	10.1	0.7	0.7
Benchmark	10.0	0.6	1.3

Summary - 3 Months Ending 31 March 2016

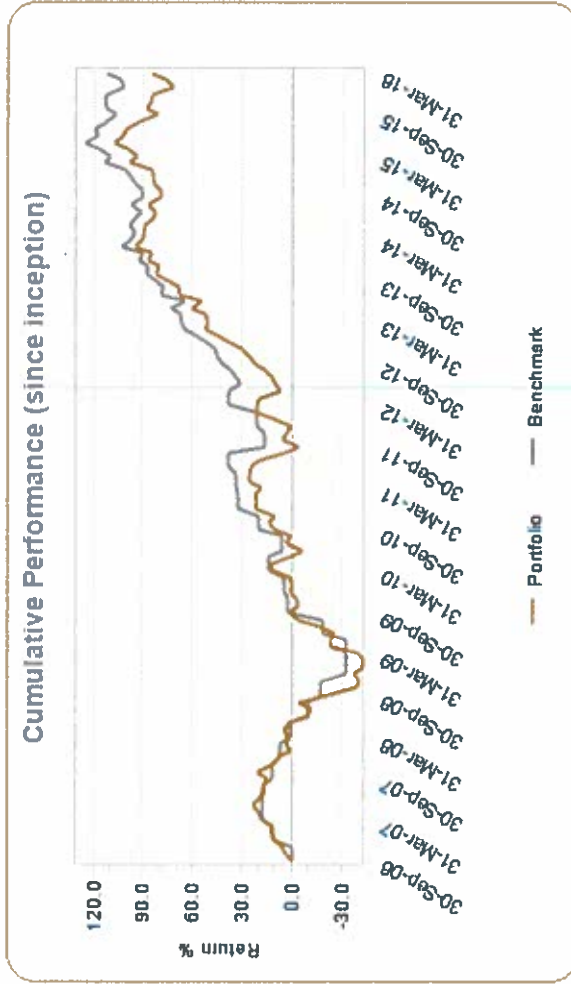
The manager's relative performance of the Quarter and 1 Year was -1.3% and -0.1% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - Standard Life



BNY MELLON
ASSET SERVICING



Inception Date: 31 Oct 2006

Portfolio Size and Mandate	
Portfolio Size (GBP)	279,633,913
Portfolio Mandate	UK Equities

Allocation - 31 March 2016	
UK Equities	93.42
Overseas Equities	5.18
Cash	1.40
Portfolio Benchmark	100.00

Periodic Performance						
	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	0.0	-4.6	-4.6	7.1	9.2	6.7
Benchmark	-0.4	0.9	0.9	8.3	9.8	8.2

Risk Profile - 3 Years (Ann) to 31 March 2016			
	Standard Deviation	Sharpe Ratio	Information Ratio
Portfolio	12.8	0.6	-0.2
Benchmark	10.8	0.8	4.0

Summary - 3 Months Ending 31 March 2016

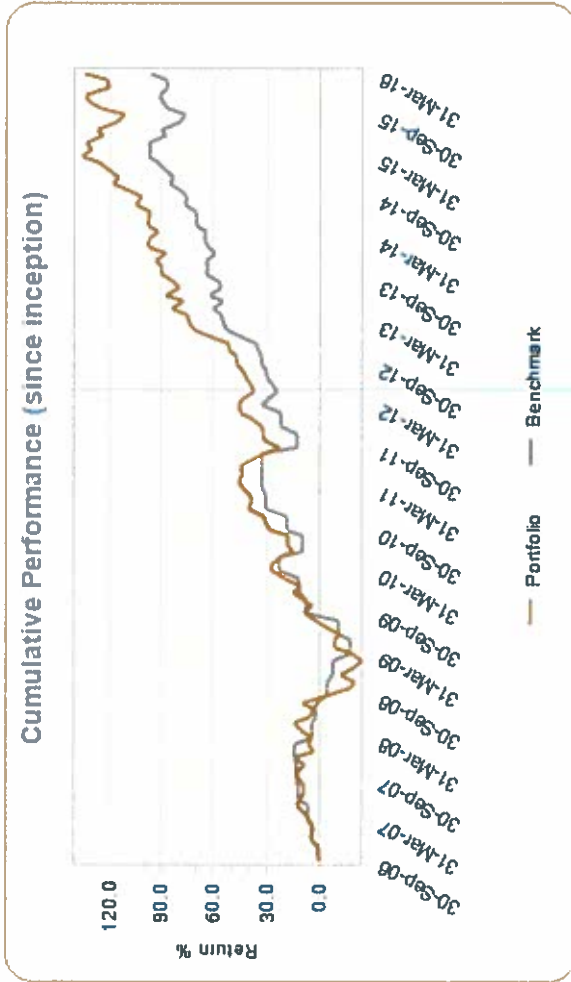
The manager's relative performance of the Quarter and 1 Year was 0.4% and -5.5% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - Baillie Gifford GA



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Portfolio Size and Mandate

Portfolio Size (GBP)	445,906,152
Portfolio Mandate	Global Equities

Allocation - 31 March 2016

Global Equity Units	100.00
Cash	0.00
Portfolio Benchmark	100.00

Inception Date: 31 Oct 2006

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	0.4	-0.2	-0.2	10.3	10.4	9.4
Benchmark	3.0	-0.5	-0.5	8.2	8.2	7.4

Risk Profile - 3 Years (Ann) to 31 March 2016

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	11.1	0.9	4.0	0.5
Benchmark	9.5	0.8		

Summary - 3 Months Ending 31 March 2016

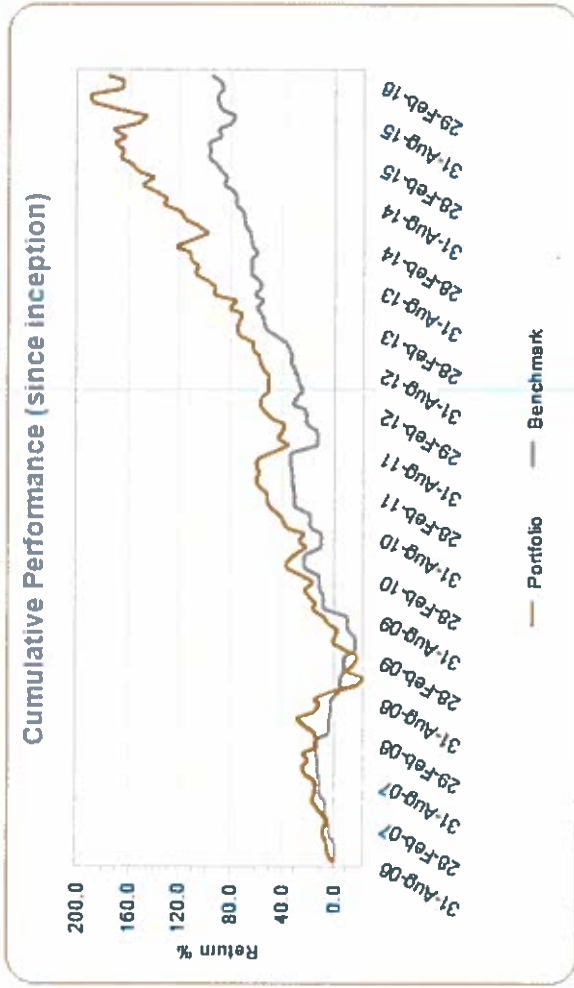
The manager's relative performance of the Quarter and 1 Year was -2.6% and 0.3% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - Baillie Gifford LTGG



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Inception Date: 30 Sep 2006

Portfolio Size and Mandate
Portfolio Size (GBP)
 303,055,103
Portfolio Mandate
 Global Equities

Allocation - 31 March 2016
Global Equity Units
 Portfolio 100.00
 Benchmark 100.00

Periodic Performance

Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	-4.3	4.1	17.0	11.8	11.3
Benchmark	3.0	-0.5	8.2	8.2	

Risk Profile - 3 Years (Ann) to 31 March 2016

Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio 15.8	1.0	10.3	0.8
Benchmark 9.5	0.8		

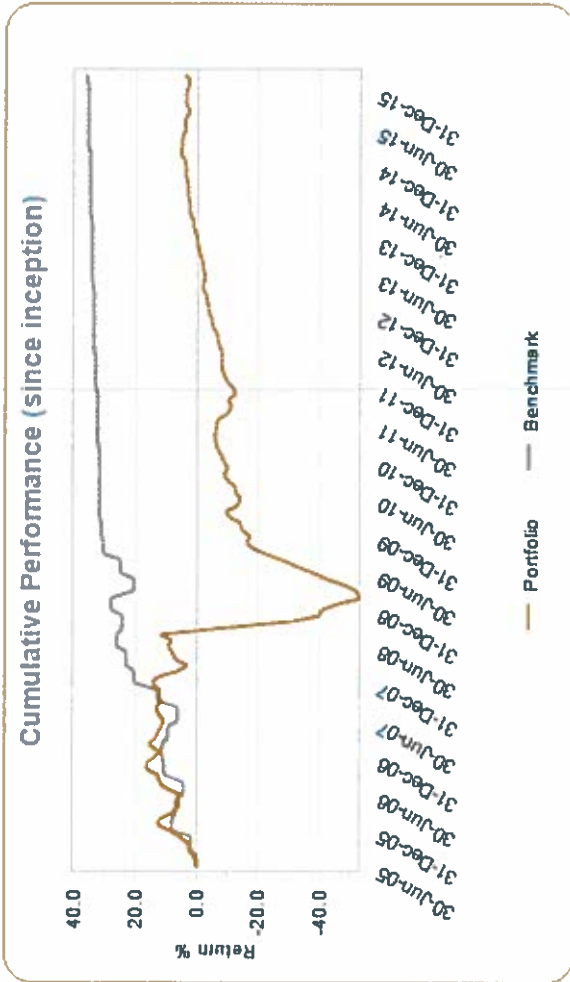
Summary - 3 Months Ending 31 March 2016
 The manager's relative performance of the Quarter and 1 Year was -7.3% and 4.6% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - ECM Asset Management



BNY MELLON
ASSET SERVICING



Inception Date: 31 Jul 2005

Portfolio Size and Mandate
Portfolio Size (GBP)
 129,394,540
Portfolio Mandate
 European Bonds

Allocation - 31 March 2016

Portfolio	100.00
Benchmark	100.00
Alternatives	

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	0.4	-0.5	-0.5	2.5	2.2	0.4
Benchmark	0.1	0.5	0.5	0.5	0.5	2.9

Risk Profile - 3 Years (Ann) to 31 March 2016

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	2.1	1.0	2.1	1.0
Benchmark	0.0	0.0		

Summary - 3 Months Ending 31 March 2016

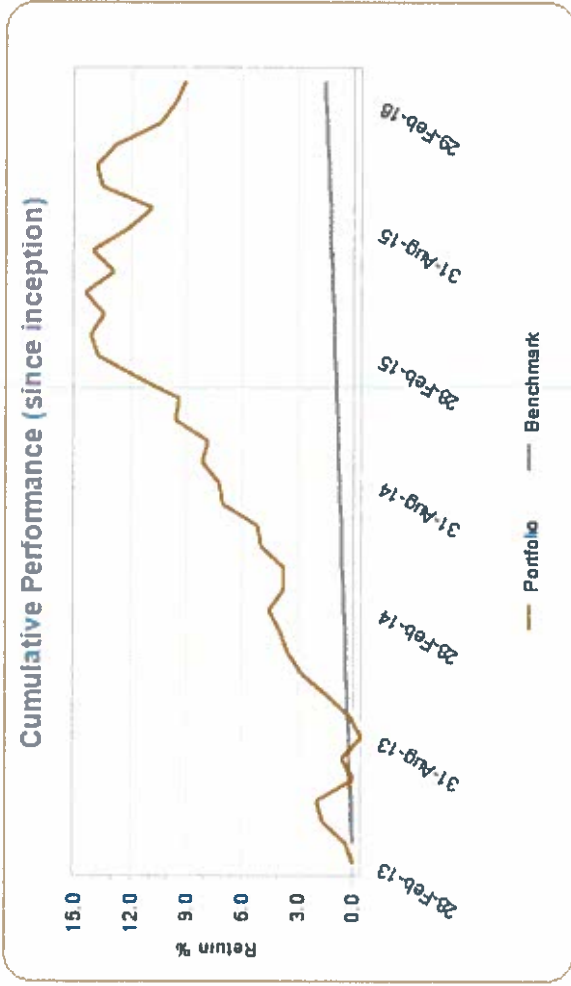
The manager's relative performance of the Quarter and 1 Year was 0.3% and -1% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - Standard Life Divers Growth



BNY MELLON
ASSET SERVICING



Inception Date: 31 Mar 2013

Portfolio Size and Mandate
Portfolio Size (GBP)
137,312,267

Portfolio Mandate
Diversified Growth

Allocation - 31 March 2016

Portfolio Benchmark
100.00
Alternatives
100.00

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	-3.3	-4.5	-4.5	2.8	2.9
Benchmark	0.1	0.5	0.5	0.5	0.5

Risk Profile - 3 Years (Ann) to 31 March 2016

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	4.0	0.6	4.0	0.6
Benchmark	0.0	0.0	0.0	0.0

Summary - 3 Months Ending 31 March 2016

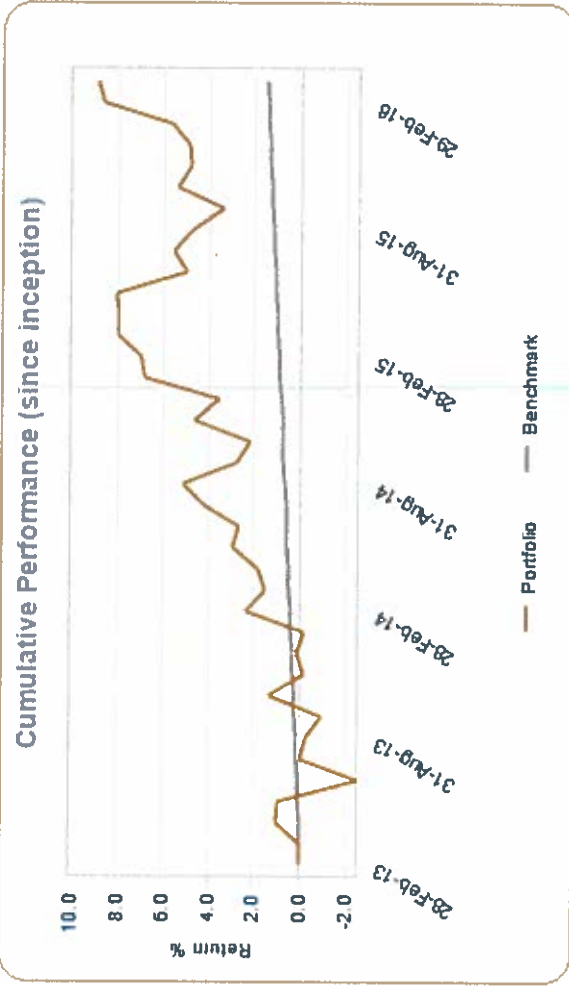
The manager's relative performance of the Quarter and 1 Year was and -3.4% and -5% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - Newton Diversified Growth



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ASSET SERVICING



Inception Date: 31 Mar 2013

Portfolio Size and Mandate
Portfolio Size (GBP)
 109,409,529
Portfolio Mandate
 Diversified Growth

Allocation - 31 March 2016

Alternatives	Percentage
Portfolio Benchmark	100.00
Alternatives	100.00

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	3.9	0.9	0.9	2.9	2.8
Benchmark	0.1	0.5	0.5	0.5	0.5

Risk Profile - 3 Years (Ann) to 31 March 2016

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	5.2	0.5	5.2	0.5
Benchmark	0.0	0.0		

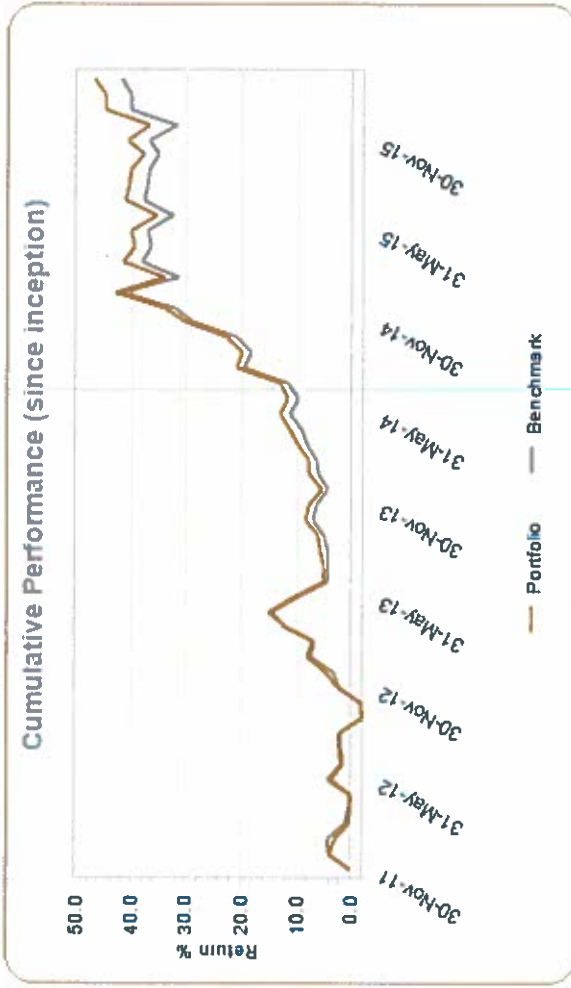
Summary - 3 Months Ending 31 March 2016
 The manager's relative performance of the Quarter and 1 Year was 3.8% and 0.4% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - M&G



BNY MELLON
ASSET SERVICING



Inception Date: 31 Dec 2011

Portfolio Size and Mandate
Portfolio Size (GBP)
 342,475,300
Portfolio Mandate
 Global Bonds

Allocation - 31 March 2016

Asset Class	Allocation
Bonds	99.96
Cash	0.04
Portfolio Benchmark	100.00

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	7.5	3.8	3.8	9.6	9.3
Benchmark	7.7	2.6	2.6	8.2	8.4

Risk Profile - 3 Years (Ann) to 31 March 2016

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	11.1	0.8	1.3	1.0
Benchmark	11.2	0.7		

Summary - 3 Months Ending 31 March 2016

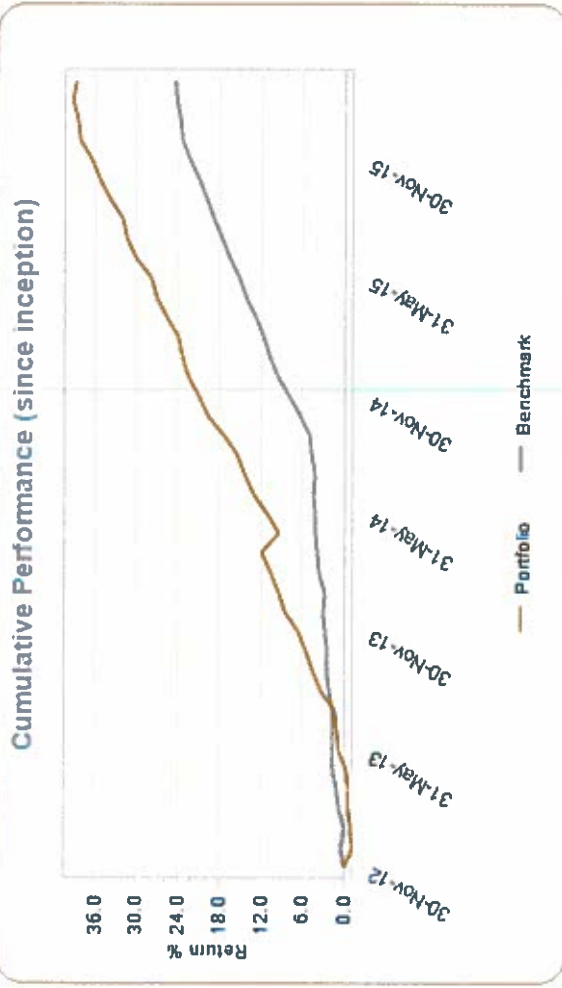
The manager's relative performance of the Quarter and 1 Year was -0.2% and 1.2% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - LGIM Property



BNY MELLON
ASSET SERVICING



Inception Date: 31 Dec 2012

Portfolio Size and Mandate

Portfolio Size (GBP)

60,028,864

Portfolio Mandate

Property

Allocation - 31 March 2016

Property

Cash

100.00

0.00

Portfolio
Benchmark

100.00
100.00

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	0.5	10.4	10.4	11.7	10.3
Benchmark	1.1	10.6	10.6	7.2	6.8

Risk Profile - 3 Years (Ann) to 31 March 2016

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	2.5	4.3	2.7	1.5
Benchmark	1.7	3.9		

Summary - 3 Months Ending 31 March 2016

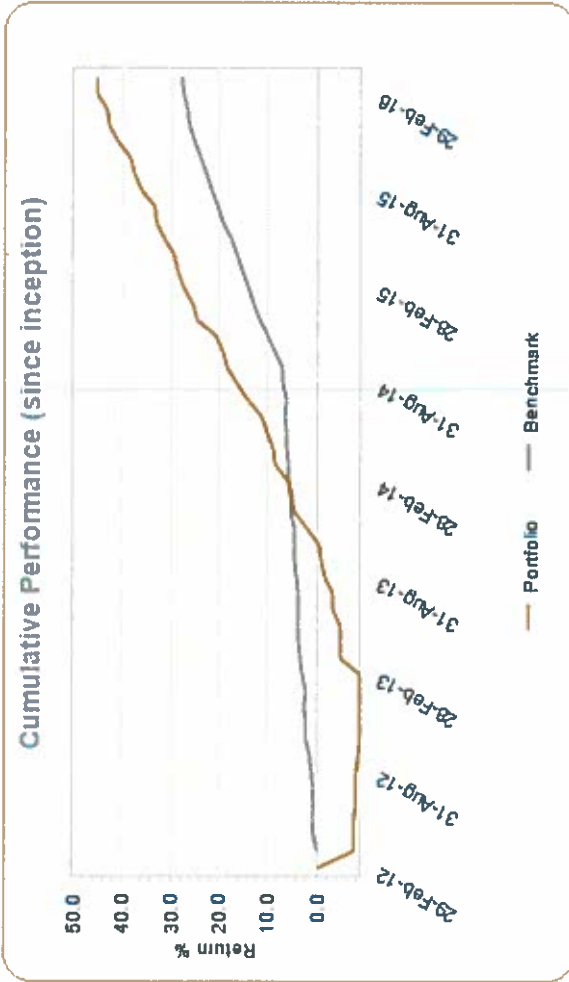
The manager's relative performance of the Quarter and 1 year was -0.6% and -0.2% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - Hermes



BNY MELLON
ASSET SERVICING



Inception Date: 31 Mar 2012

Portfolio Size and Mandate
Portfolio Size (GBP)
 32,112,834
Portfolio Mandate
 Property

Allocation - 31 March 2016
Portfolio
 100.00
Benchmark
 100.00
Property

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	1.8	12.9	12.9	15.2	9.6
Benchmark	1.2	11.0	11.0	7.4	6.3

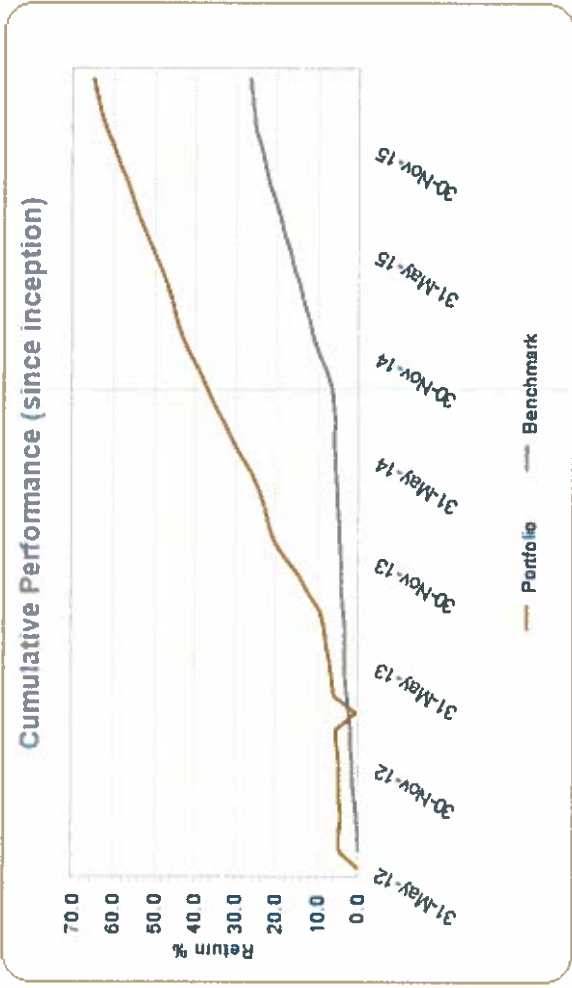
Risk Profile - 3 Years (Ann) to 31 March 2016

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	3.0	4.6	3.2	2.2
Benchmark	1.7	3.9		

Summary - 3 Months Ending 31 March 2016
 The manager's relative performance of the Quarter and 1 Year was 0.6% and 1.9% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - Threadneedle



Inception Date: 30 Jun 2012

Portfolio Size and Mandate
Portfolio Size (GBP)
 84,911,030
Portfolio Mandate
 Property

Allocation - 31 March 2016

Portfolio	Property
Benchmark	100.00
	100.00

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	2.0	12.4	12.4	15.9	14.0
Benchmark	1.1	10.6	10.6	7.2	6.5

Risk Profile - 3 Years (Ann) to 31 March 2016

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	2.1	6.8	2.8	2.8
Benchmark	1.7	3.9		

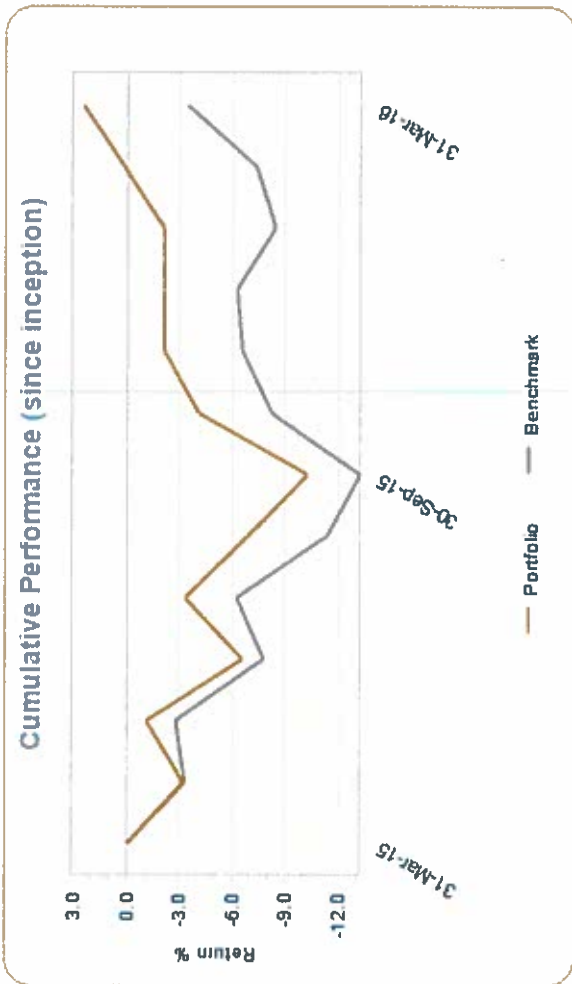
Summary - 3 Months Ending 31 March 2016
 The manager's relative performance of the Quarter and 1 Year was 0.9% and 1.8% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - Veritas



BNY MELLON
ASSET SERVICING



Inception Date: 30 Apr 2015

Portfolio Size and Mandate
Portfolio Size (GBP)
 120,396,650
Portfolio Mandate
 Global Equities

Allocation - 31 March 2016
Global Equity Units
 100.00
 100.00

Periodic Performance

Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	4.7	2.5	2.5
Benchmark	2.9	-3.5	-3.5

Risk Profile - 3 Years (Ann) to 31 March 2016

Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio			
Benchmark			

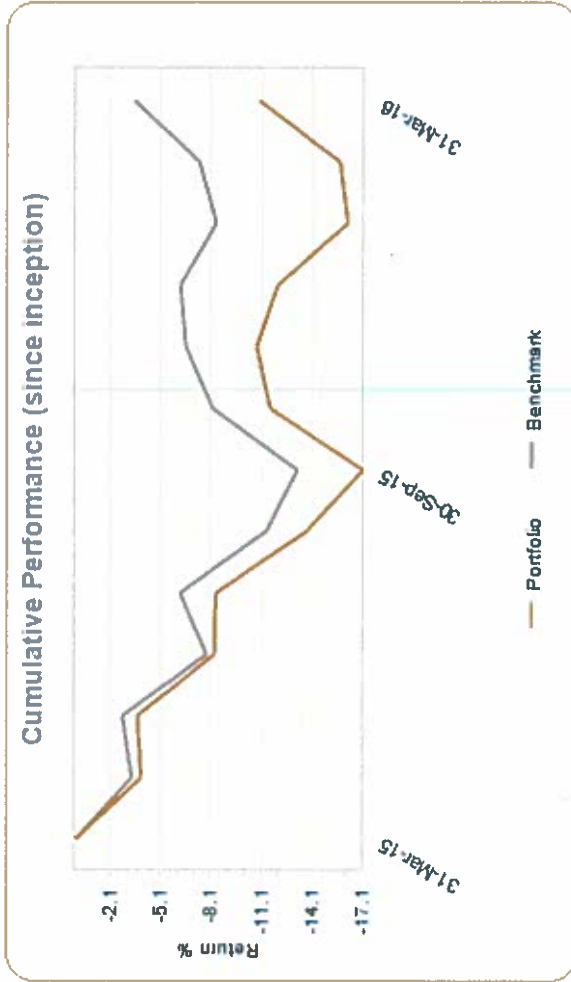
Summary - 3 Months Ending 31 March 2016
 The manager's relative performance of the Quarter and 1 Year was 1.8% and 6% respectively.

North Yorkshire County Council - 3 Months Ending 31 March 2016

Manager Analysis - Dodge & Cox



BNY MELLON
ASSET SERVICING



Inception Date: 30 Apr 2015

Portfolio Size and Mandate
Portfolio Size (GBP)
 104,729,558
Portfolio Mandate
 Global Equities

Allocation - 31 March 2016
Global Equity Units
 Portfolio 100.00
 Benchmark 100.00

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	1.3	-10.9	-10.9	-10.9
Benchmark	2.9	-3.5	-3.5	-3.5

Risk Profile - 3 Years (Ann) to 31 March 2016

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Summary - 3 Months Ending 31 March 2016

The manager's relative performance of the Quarter and 1 Year was -1.6% and -7.4% respectively.



Appendix



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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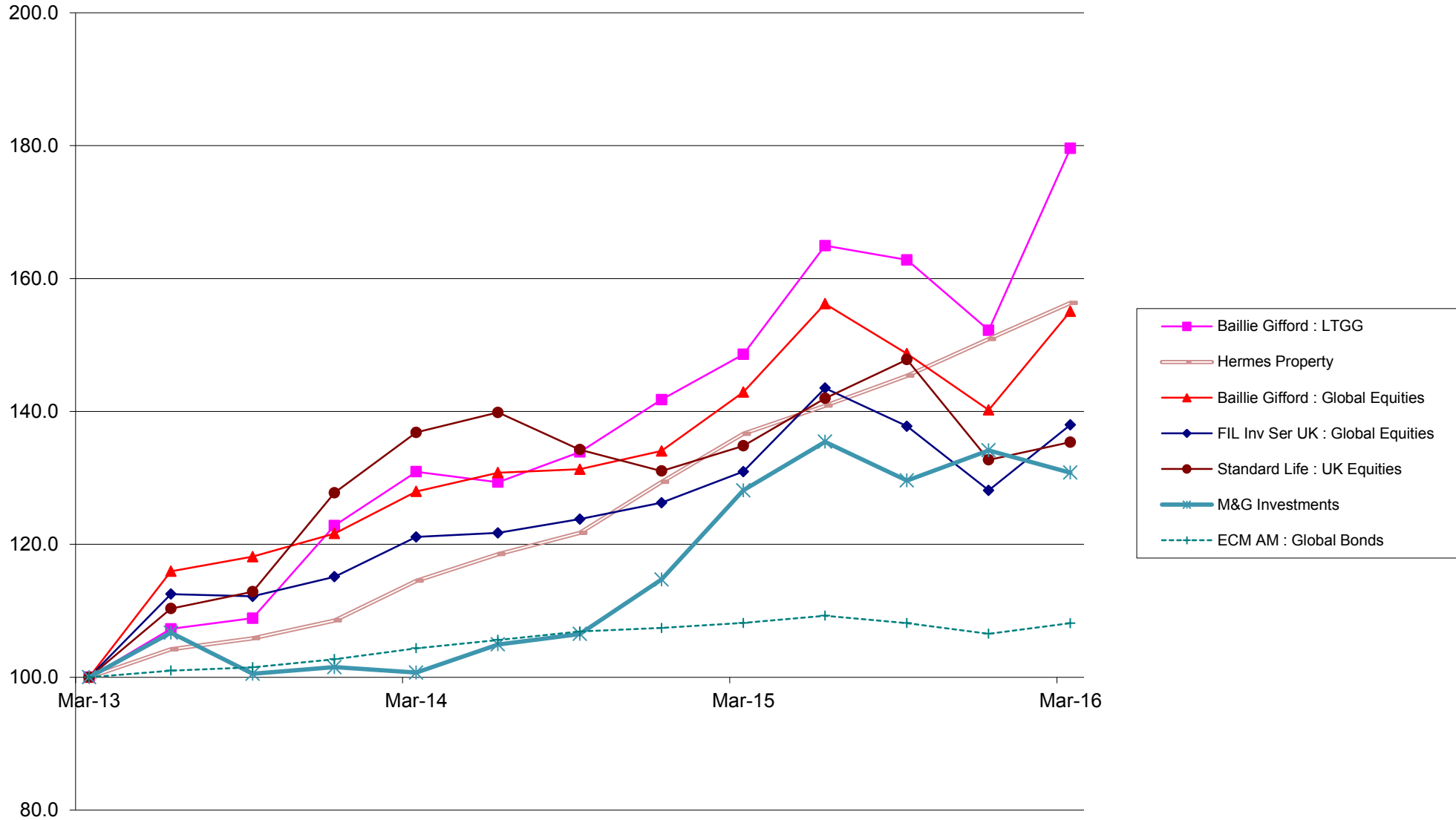
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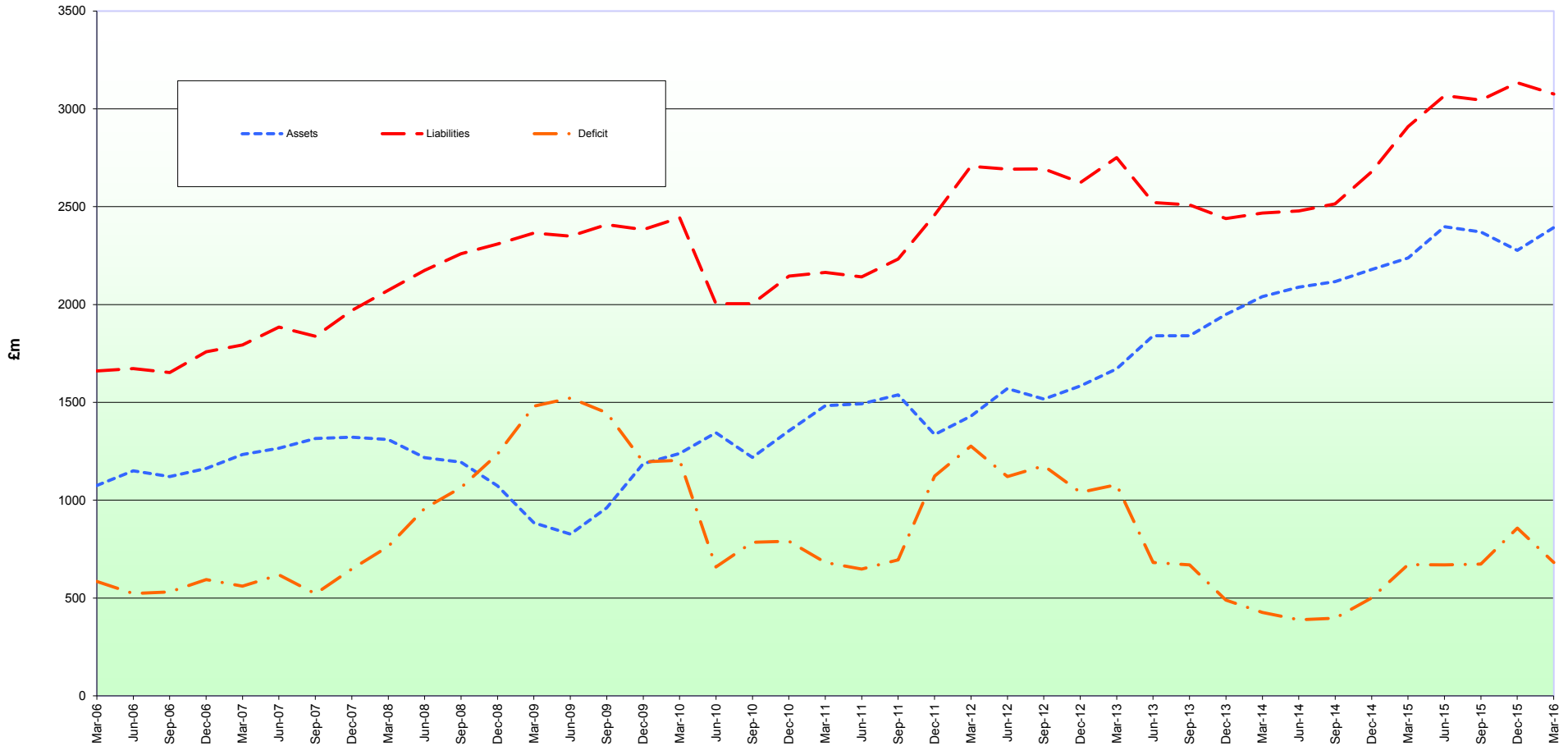
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Investment Manager Performance - cumulative absolute performance 3 years to March 2016



North Yorkshire Pension Fund Assets, Liabilities and Deficit

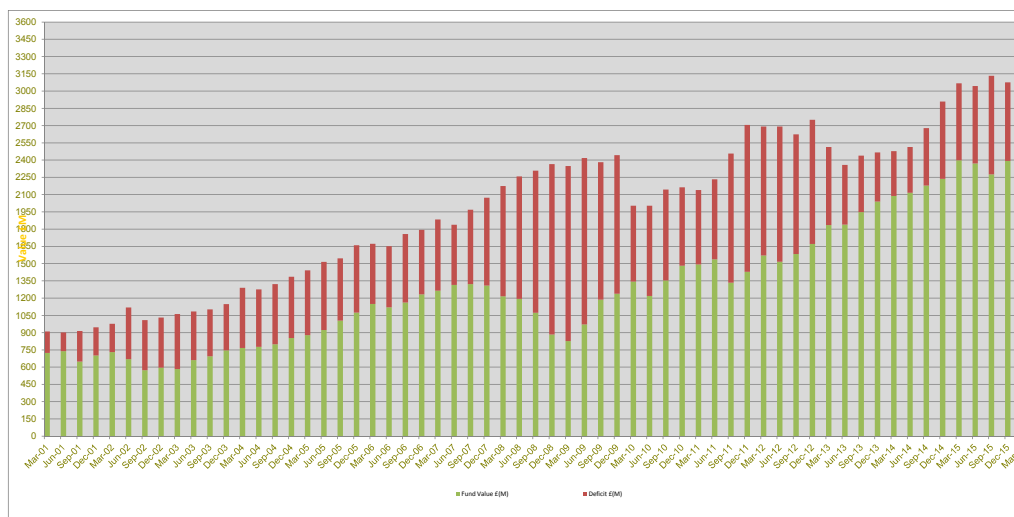


Actuarial Model of Quarterly Solvency Position

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	660	4,903
December 31, 2001	74%	245	702	5,217
March 31, 2002	75%	245	732	5,272
June 30, 2002	60%	450	670	4,656
September 30, 2002	56%	435	574	3,722
December 31, 2002	58%	435	597	3,940
March 31, 2003	55%	478	584	3,613
June 30, 2003	61%	423	662	4,031
September 30, 2003	63%	408	695	4,091
December 31, 2003	65%	402	747	4,477
March 31, 2004	59%	524	767	4,386
June 30, 2004	61%	498	778	4,464
September 30, 2004	60%	524	799	4,571
December 31, 2004	62%	533	854	4,814
March 31, 2005	61%	563	879	4,894
June 30, 2005	61%	592	924	5,113
September 30, 2005	65%	542	1005	5,478
December 31, 2005	65%	585	1075	5,619
March 31, 2006	69%	523	1150	5,965
June 30, 2006	68%	531	1121	5,833
September 30, 2006	66%	595	1163	5,961
December 31, 2006	69%	561	1233	6,221
March 31, 2007	67%	619	1266	6,308
June 30, 2007	72%	522	1316	6,608
September 30, 2007	67%	648	1322	6,467
December 31, 2007	63%	763	1310	6,457
March 31, 2008	56%	958	1217	5,702
June 30, 2008	53%	1064	1195	5,625
September 30, 2008	47%	1235	1074	4,902
December 31, 2008	37%	1481	885	4,434
March 31, 2009	35%	1522	827	3,926
June 30, 2009	40%	1447	972	4,249
September 30, 2009	50%	1196	1187	5,134
December 31, 2009	51%	1204	1239	5,413
March 31, 2010	67%	659	1345	5,880
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
March 31, 2016	72%	923	2418	6,242

Triennial valuation results highlighted in grey

Movement in Assets and Liabilities



NORTH YORKSHIRE COUNTY COUNCIL**PENSION FUND COMMITTEE****19 MAY 2016****LGPS POOLING ARRANGEMENTS****Report of the Treasurer**

Appendices 2, 3 and 4 contain 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.

1.0 PURPOSE OF REPORT

- 1.1 To update Members on progress towards the Government's announced intention to pool the assets of LGPS funds.
- 1.2 To seek agreement from Members to adopt the proposed governance arrangements for the 13 members of the Border to Coast Pensions Partnership (BCPP).

2.0 BACKGROUND

- 2.1 On 15 January 2016 Members agreed in principle that NYPF would join BCPP. This enabled the Fund to be a joint signatory to the BCPP submission on LGPS pooling, sent to Government by the deadline date of 19 February 2016. In addition, NYPF submitted its own response to the consultation.
- 2.2 Details of the BCPP members were not included in the papers for the subsequent PFC meeting which was held on 25 February 2016, as the final list was not known with certainty until 19 February 2016, which was after the papers were published. Membership was verbally reported at the meeting but for clarity the parties are:

Bedfordshire Pension Fund
Cumbria Pension Fund
Durham Pension Fund
East Riding Pension Fund
Lincolnshire Pension Fund
North Yorkshire Pension Fund
Northumberland Pension Fund
South Yorkshire Pension Fund
South Yorkshire Passenger Transport Pension Fund
Surrey Pension Fund
Teesside Pension Fund

3.0 RECENT EVENTS

- 3.1 On 24 March 2016 the PFC Chairs of each of the 13 BCPP members received a reply to the consultation response from Marcus Jones MP, the Minister for Local Government. The letter, attached as Appendix A is broadly supportive of the proposals set out in the BCPP response to the consultation. It anticipates that further details on costs and governance will be included in the response to the second consultation, due by 15 July 2016. It has always been the intention of BCPP to provide this.
- 3.2 The letter also asks for more details on constituent Fund's "ambition for infrastructure".
- 3.3 On 15 April 2016 PFC Chairs and Section 151 Officers from the BCPP members were invited to a meeting in York where they received an update from officers working on pooling arrangements. Representatives from HM Treasury, DCLG and the LGA were in attendance, to advise and to answer questions.
- 3.4 Officers from the Partnership also attended this meeting, and another meeting later the same day where they discussed the legal options for creation of the pooling entity. An FCA regulated Authorised Contractual Scheme (ACS) or an unregulated Committee type structure are two of the possible options, with an expectation that they will have very different risks and costs associated with them. To evidence the risks and costs associated with each option, a joint report was commissioned from Squire Patton Boggs and Deloitte to assess the legal position and costs respectively. The draft findings will be presented to officers on 10 May 2016 and will be reported verbally to the Committee.
- 3.5 On 29 April 2016 officers met to discuss progress on the work required for the consultation response. The LGA has drawn up a draft template to assist with this, which it hopes all pools will use to assist with comparisons between the responses. The details of the template are to be agreed but the broad areas will be:
1. The size of the pool; assets to be held outside the pool; the legal structure of the pool; how the pool will operate; the timetable for establishing the pool.
 2. Governance structure of the pool and arrangements between it and the administering authorities; how the administering authorities will hold the pool to account; the decision making process for investments; shared objectives and policies; resources required to operate the pool; benchmarking and performance reporting.

3. Historic and forecast investment cost comparisons, assessment of implementation and transition costs, an assessment of net of fees performance.
4. Current capacity to invest in infrastructure, plans to increase this capacity, ambition to increase this further.

4.0 NEXT STEPS

- 4.1 On 12 and 13 May 2016 BCPP officers will meet with Government to discuss the approach to infrastructure. Officers are also due to meet on 31 May 2016 to go through the draft consultation response in each of the broad areas covered by paragraph 3.5 above.

5.0 GOVERNANCE ARRANGEMENTS

- 5.1 A great deal of progress has been made on the plans for BCPP pooling arrangements, relying on the “like-mindedness” of all 13 members. However, it is expected that it won’t be long before formal decisions are required by the administering authorities, and that this will be well in advance of a formal pooling entity having been created.
- 5.2 To establish a framework for the collaborative work of the BCPP to continue and to allow for formal decisions to be made when appropriate, a Memorandum of Understanding (MoU) (Appendix 2) has been drawn up which describes the basis of the relationship between the parties and how they are expected to work together. Paragraph 6 of this document summarises the role of the Members Steering Group which is the elected Member group, comprising the Chairs of the 13 BCPP Funds. Paragraph 7 summarises the Officer Operations Group, which is the equivalent officer group. The terms of reference of the Members Steering Group and Officer Operations Group are included as Appendices 3 and 4 respectively.
- 5.3 Each PFC has been asked to approve the MoU. This will also mean that the working arrangements between BCPP members are as transparent as possible.
- 5.4 As matters develop it is likely that this document will need to be updated to accommodate changing circumstances. Members will be consulted should any material changes are required.

6.0 RECOMMENDATION

6.1 Members approve the Memorandum of Understanding.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

11 May 2016

Background documents: None



Department for
Communities and
Local Government

Marcus Jones MP
Minister for Local Government

**Department for Communities and Local
Government**
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

Chairs of the Pension Committees

Tel: 0303 444 3460
Fax: 020 7828 4903
E-Mail: marcus.jones@communities.gsi.gov.uk

www.gov.uk/dclg

Dear Chairs,

24 MAR 2016

BORDER TO COAST INVESTMENT POOL PROPOSAL

I would like to thank you and all the authorities involved in the proposed Border to Coast pool for submitting your initial proposal by 19 February. I was pleased to see that all 90 authorities made a commitment to pooling, with the overwhelming majority already involved in developing a pool. The move towards collective investment represents a significant opportunity for administering authorities to deliver substantial savings and efficiencies, and your contribution is much appreciated.

I welcome the initial Border to Coast proposal and encourage you to continue with your work to develop a detailed submission that fully addresses the criteria by 15 July. Your initial group clearly meets the scale criterion and your initial proposal provides a strong foundation upon which a final proposal can be built.

The key challenge for the Border to Coast pool is to complete the development of clear and effective governance which provides the assurance authorities, beneficiaries, and co-investors require. In my view, the structure, standards and systems required for an entity regulated by the Financial Conduct Authority provide substantial assurance, and I encourage you to continue to develop your understanding of the regulatory requirements. As a minimum, I expect to see a single entity at the heart of any proposal, with responsibility for selecting and contracting with managers, as well as the employment of staff. There should also be a clear distinction between the roles of those involved in the governance of the pool, and its operations.

In your July submission I will want to see more detail against the infrastructure criteria, including setting out your constituent fund's ambition for infrastructure investment where the right opportunities exist. Several pools committed to exploring a national vehicle to access infrastructure investment at a larger scale and at lower cost. We will therefore work with administering authorities to establish a new Local Government Pension Scheme (LGPS) infrastructure investment platform that meets the specific needs of LGPS investors.

I will also expect the final proposal to address the reporting requirements in the criteria and guidance in detail. Reporting will need to cover progress in establishing the pool and moving assets into it, implementation costs, fees and other costs incurred, including hidden costs, estimated savings, and net performance in each asset class.

I will also take this opportunity to respond to two questions raised in many pooling submissions:

- Some authorities have indicated that they would prefer to use more than one pool, often to ensure that their investment strategy can be fully implemented. I do not consider that this approach should be necessary as the governance structure should enable authorities to hold the pool to account and ensure that their investment strategy is implemented effectively. However, one pool may of course procure services from another, especially if a particular asset class is not yet available. The use of multiple pools should certainly not be considered as a means to access a preferred manager or very specific asset class not available through your pool.
- My expectation remains that all investments should be made through the pool. However, I recognise that there may be a limited number of existing investments that might be less suitable to pooled arrangements, such as local initiatives or some products tailored to specific liabilities. The rationale for retaining any existing investments outside of the pool will need to be set out in the final proposal, making clear how this offers value for money. Any exemptions should be minimal and kept under review. I also recognise that a similar approach will need to be taken for illiquid assets with high penalty costs for early exit of a contract. Such investments should not be wound up early as a result of pooling but instead transferred across when practicable, taking into account value for money.

I strongly encourage you to continue the current constructive dialogue with officials as you develop your thinking over the coming months. For the final assessment the panel will include members with specific expertise in investment management, and you may be asked to present at a meeting of the assessment panel well ahead of your July submission. I look forward to receiving your detailed proposals.

I am copying this letter to the chairs of Pension Committees in all the participating authorities.

Yours sincerely,

MARCUS JONES MP

By email to:

Cllr Doug McMudro
Cllr John Holtby
Cllr Tony Reid
Cllr Denise Le Gal
Cllr John Appleton

Cllr Melvyn Henry Worth
Cllr Mark Allan
Cllr David Leech
Cllr Stephen Bloundele

Cllr Andy Turner
Cllr John Weighell
Cllr Sue Ellis
Cllr Eileen Leask

NORTH YORKSHIRE COUNTY COUNCIL
PENSION FUND COMMITTEE
19 MAY 2016
PRIVATE DEBT MANAGER APPOINTMENT
Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To update Members on the process of appointing a private debt manager.

2.0 BACKGROUND AND RECENT EVENTS

- 2.1 Following a series of workshops in May, July and September 2015, at the PFC meeting on 26 November 2015 Members agreed to launch a search for a private debt manager. During this meeting Members also approved bfinance's involvement in this procurement process. To remind Members, the banking sector has withdrawn to some extent from lending to SMEs. This has created a gap in the market place which a number of investment managers have stepped in to fill.
- 2.2 Officers met with bfinance on 6 April 2016 where they discussed the 23 managers that had submitted documentation following publication of the OJEU notice on 4 January 2016. To remind Members, the criteria of the search was as follows.

Strategy Focus:

- Corporate debt

Return Target:

- Net IRR of 9%+, regular income distributions of 6%+

Type of management:

- Buy-and-hold corporate private debt

Allocation:

- Open to most corporate debt types across senior, unitranche, subordinated and mezzanine investments

- Predominantly focused on northern European markets with limited exposure to southern European markets permitted (Spain, Italy, Portugal and similar)
- No specific requirements in terms of duration/maturity of the loans
- A preference to represent no more than 20% of Fund commitments

Portfolio Diversification:

- Broadly diversified by asset types and sectors, concentration limits relevant to specific type of private debt

During the meeting with bfinance this list was reduced down to 12 managers by analysing the information against predetermined selection criteria.

2.3 In April and May 2016 bfinance carried out more detailed due diligence on the remaining 12 managers. The analysis was discussed with officers on 9 May 2016 and a shortlist of managers was agreed as suitable for interview.

3.0 **NEXT STEPS**

3.1 The next stage is to interview the shortlisted managers. There will be 4 interviews and they will all be held on 15th July 2016.

3.2 Members may wish to discuss the composition of the evaluation panel but the proposal is that it will comprise a small group of Members, preferably no more than four. Given the nature of this procurement, it is expected that the evaluation panel would report back to the PFC.

3.3 Consideration was first given to this investment opportunity at a time when Government's intentions on pooling were much less clear. Although this report updates Members on the next steps in the procurement process, the fund is not committed to invest until an actual appointment is made. Members may therefore wish to discuss the process in light of pooling developments where arrangements will not be concluded until April 2018.

4.0 **RECOMMENDATION**

4.1 Members confirm that they wish the procurement process to continue.

4.2 Members consider the makeup of the evaluation panel.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

11 May 2016