

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

7 JULY 2016

STATEMENT OF FINAL ACCOUNTS 2015/16

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To approve the draft Statement of Final Accounts for the financial year 2015/16.

2.0 STATEMENT OF ACCOUNTS

- 2.1 The draft Statement of Final Accounts for 2015/16 is attached as **Appendix A**. This complies fully with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 governing the preparation of the 2015/16 Financial statements for Local Government Pension Scheme Funds.
- 2.2 Any material amendments to the draft Accounts arising from the External Audit will be reported to the September PFC meeting.
- 2.3 For 2015/16 the NYPF Statement of Final Accounts will also be consolidated in the County Council's Statement of Accounts for approval by the Audit Committee in addition to being considered separately by this Committee.
- 2.4 Once audited, these Accounts will be incorporated into the Pension Fund Annual Report which will be placed on the NYPF web site www.nypf.org.uk. The Annual Report will be submitted to Members at the PFC meeting on 15 September 2016.

3.0 RECOMMENDATIONS

- 3.1 Members are asked to approve the draft Statement of Final Accounts 2015/16.

GARY FIELDING
Treasurer
Corporate Director – Strategic Resources
County Hall
Northallerton
29 June 2016

NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

2014/15		2015/16
£000		£000 £000
	CONTRIBUTIONS AND BENEFITS	
	Contributions	
56,902	Employers - Normal	57,626
35,822	- Deficit	25,765
2,444	- Early Retirement Costs Recharged	2,572
25,075	Employees - Normal	25,492
248	- Additional Voluntary	233
120,491	Total Contributions Receivable (Note 7)	111,688
6,663	Transfers In (Note 8)	8,680
	<u>Less</u>	
	Benefits	
(69,996)	Pensions	(73,274)
(20,491)	Commutation and Lump Sum Retirement Benefits	(23,176)
(1,874)	Lump Sums Death Benefits	(2,282)
(92,361)	Total Benefits Payable (Note 9)	(98,732)
	Leavers	
(138)	Refunds to Members Leaving Service	(364)
0	Payments for Members Joining State Scheme	0
(40,840)	Transfers Out	(3,603)
(40,978)	Total Payments on Account of Leavers (Note 10)	(3,967)
(2,114)	Management Expenses (Note 11)	(1,829)
(8,299)	Net Additions From Dealings With Members	15,840
	RETURNS ON INVESTMENTS	
21,943	Investment Income (Note 12)	16,963
(390)	Taxation (Note 13)	(290)
(4,943)	Investment Management Cost (Note 11)	(7,968)
308,342	Change in market value of investments (Note 14)	(6,581)
324,952	Net Returns On Investments	2,124
316,653	Net Increase in the Fund During the Year	17,964
2,083,216	Opening Net Assets of the Fund	2,399,869
2,399,869	Closing Net Assets of the Fund	2,417,833

NORTH YORKSHIRE PENSION FUND - NET ASSETS STATEMENT

31 March 2015 £000		31 March 2016 £000
	INVESTMENT ASSETS (Notes 15 & 16)	
161,287	Fixed Interest Securities	341,598
701,918	Equities	488,055
1,335,586	Pooled Investments	1,391,947
150,011	Pooled Property Investments	176,463
82	Private Equity	82
2,348,884		2,398,145
27,437	Cash Deposits	8,339
5,327	Investment Debtors	13,584
2,381,648	TOTAL INVESTMENT ASSETS	2,420,068
	INVESTMENT LIABILITIES (Notes 15 & 16)	
0	Derivative Contracts - Forward Currency Contracts	0
(1,123)	Investment Creditors	(10,771)
(1,123)	TOTAL INVESTMENT LIABILITIES	(10,771)
2,380,525	NET INVESTMENT ASSETS	2,409,297
	CURRENT ASSETS	
9,841	Contributions due from employers	7,612
242	Other Non-Investment Debtors	903
12,049	Cash	3,780
22,132	TOTAL CURRENT ASSETS	12,295
	CURRENT LIABILITIES	
(2,788)	Non-investment creditors	(3,759)
(2,788)	TOTAL CURRENT LIABILITIES	(3,759)
2,399,869	TOTAL NET ASSETS (Note 16)	2,417,833

The accounts summarise the transactions of the Fund and deal with the net assets. They do not take account of the obligations to pay pensions and benefits which fall after the end of the Fund year.

NOTES TO THE NORTH YORKSHIRE PENSION FUND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

1. Description of the Fund

The North Yorkshire Pension Fund (NYPF) is part of the Local Government Pension Scheme (LGPS) and is administered by North Yorkshire County Council (NYCC). The County Council is the reporting entity for the Fund.

The following description of the Fund is a summary only. For more detail, refer to the NYPF Annual Report 2015/16 and the statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009

It is a contributory defined benefit pension scheme administered by NYCC to provide pensions and other benefits for pensionable employees of NYCC, other local authorities in North Yorkshire and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and fire fighters are not included as they come within other national pension schemes.

The Fund is overseen by the Pension Fund Committee, which is a committee of NYCC.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in NYPF include:

- scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- admitted bodies, which are other organisations that participate in the fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

At 31 March 2016 there were 125 contributing employer organisations within NYPF including the County Council itself, these are detailed below

77 Scheduled Bodies

Ainsty 2008 Internal Drainage Board
All Saints CE School (Yorkshire Causeway Trust)
Archbishop Holgate's School
Askham Bryan College
Askwith School (YA Collaboration Trust)
Bilton Grange School (YA Collaboration Trust)
Brotherton and Byram School (Ebor Academy Trust)
Chief Constable - North Yorkshire Police Force
City of York Council
Craven College
Craven District Council
Easingwold Town Council
Filey Town Council
Foss Internal Drainage Board
Fulford Parish Council
Glusburn Parish Council
Great Ayton Parish Council
Great Smeaton Academy Primary School
Hambleton District Council
Harrogate Borough Council
Harrogate Grammar (Red Kite Learning Trust)
Harrogate High (Northern Star Academy Trust)
Haxby Road Academy (Ebor Academy Trust)
Haxby Town Council
Hunmanby Parish Council
Huntington Primary Academy
Knaresborough Town Council
Lothersdale Schools (YA Collaboration Trust)
Malton Town Council
Manor Academy (Hope Learning Trust)
Mary's RC School (Bishop Wheeler Academy Trust)
North Yorkshire Moors National Park
North Yorkshire County Council
North Yorkshire Fire & Rescue Authority
North Yorkshire Police & Crime Commissioner
Northallerton / Romanby Burial Board
Northallerton Town Council
New Park Academy (Northern Star Academy Trust)
Norton College
Norton on Derwent Town Council
Oatlands Junior School (Red Kite Learning Trust)
Outwood Academy
Pickering Town Council
Poppleton Ousebank School (Hope Learning Trust)
Richard Taylor School (Yorkshire Causeway Trust)
Riccall Parish Council
Richmond Town Council
Richmondshire District Council
Ripon City Council
Robert Wilkinson Primary Academy (Ebor Academy Trust)
Roseberry Academy (Enquire Learning Trust)
Rossett School
Ryedale District Council
Scarborough Borough Council
Scarborough Sixth Form College
Selby College
Selby District Council
Selby Town Council
Skipton Girls High School (Northern Star Academies Trust)
Skipton Town Council
South Craven School (South Craven Academy Trust)
St Aidan's CESchool (Yorkshire Causeway Schools Trust)
St Peter's CE Primary School (Yorkshire Causeway Trust)
St Stephen's RC School (Bishop Wheeler Academy Trust)
St. Joseph's School (Bishop Wheeler Academy Trust)
Stokesley School Academy
Sutton in Craven Parish Council
Tadcaster Town Council
The Grove Academy
The Skipton Academy (Craven Educational Trust)
The Woodlands Academy
Thomas Hinderwell Primary Academy
Thornton (Vale of Pickering) IDB
Western CP School (Red Kite Learning Trust)
Whitby Town Council
York College
Yorkshire Dales National Park

48 Admitted Bodies

Be Independent	Mellors
Betterclean Services	Northern Care
Bulloughs Cleaning Ltd	NYBEP
Catering Academy Ltd	OCS Group UL Ltd
Chartwells Compass	Premier Support Services
Churchill Security	Richmondshire Leisure
Community Leisure	Ringway
Consultant Services Group	Sanctuary Housing Association
Craven Housing	Sewell Facilities Management
Dewent Facilities Management	Sheffield International Venues
Dolce Ltd	Sports and Leisure Management
Elite	Springfield Home Care
Enterprise	Streamline Taxis
Explore York Libraries and Archives	Superclean
Grosvenor Facilities Management	University of Hull
Housing and Care 21	Veritau Ltd
Human Support Group	Veritau North Yorkshire Ltd
Hutchison Catering	Welcome to Yorkshire
Interserve	Wigan Leisure & Culture Trust
ISS Mediclean Ltd	York Archaeological Trust
Jacobs UK Ltd	York Museums & Gallery Trust
Joseph Rowntree Trust	York St John University
Lifeways Community Care Ltd	Yorkshire Coast Homes
Make It York	Yorkshire Housing Ltd

Active, pensioner and deferred pensioner numbers, split between NYCC as the Administering Authority and all other employers were as follows:

	31 March 2016	31 March 2015
	No	No
Number of Employers with Active Members	125	107
Employees in the Fund		
NYCC	20,497	21,931
Other employers	13,493	13,125
Total	<u>33,990</u>	<u>35,056</u>
Pensioners		
NYCC	10,623	9,961
Other employers	9,087	8,483
Total	<u>19,710</u>	<u>18,444</u>
Deferred pensioners		
NYCC	19,560	18,829
Other employers	12,409	11,762
Total	<u>31,969</u>	<u>30,591</u>

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2016. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013 and details of the rates for individual employers are available on the Fund's website.

d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS up to 31 March 2014 are based on final pensionable pay and length of pensionable service. For service up to 31 March 2008 each year worked is worth $1/80^{\text{th}}$ of final pensionable salary, an automatic lump sum of three times salary is payable, and part of the annual pension can be exchanged for a one-off tax free cash payment at the rate of £12 lump sum for each £1 pension given up. For service from 1 April 2008 each year worked is worth $1/60^{\text{th}}$ of final pensionable salary, there is no automatic lump sum, and part of the annual pension can be exchanged at the same rate as for service up to 31 March 2008.

From 1 April 2014 the scheme became a career average scheme whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of $1/49^{\text{th}}$. Accrued pension is uprated annually in line with CPI.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details please refer to the Publications section on the Fund's website.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its year end position as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the rate recommended by the Fund's Actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for in the period in which they are payable under the schedule of contributions set by the Actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current asset. Amounts due in future years are classed as long term assets.

b) Transfers To and From Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with LGPS Regulations (see notes 8 and 10).

Individual Transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions or other defined contribution arrangements to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial cost of the instrument and its value at maturity calculated on an effective interest rate basis.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current asset.

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense Items

d) Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the financial year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Administrative Expenses and Oversight and Governance Costs

All administrative expenses, oversight and governance costs are accounted for on an accruals basis. All associated staff costs are charged to the Fund. Management, accommodation and other overheads borne by NYCC are apportioned to the Fund in accordance with NYCC policy.

g) Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the Fund has negotiated with the following managers that an element of their fee will be performance related:

- Baillie Gifford & Co - Global Equities
- FIL Pensions Management (Fidelity) - Global (ex-UK) Equities
- Standard Life Investments – UK Equities

Net Assets Statement

h) Assets

Assets are included in the Net Asset Statement on a fair value basis as at the reporting date. An asset is recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from the fair value of the asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

- the value of investments for which there are readily available market prices are determined by the bid market prices
- fixed interest securities are recorded at net market value based on prevailing yields
- interests in limited partnerships are based on the net asset value ascertained from periodic valuations provided by those controlling the partnership
- pooled investment vehicles are valued at closing bid price if both bid and offer prices are published, otherwise at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax
- the value of assets held within limited partnerships are based on periodic valuations provided by those controlling the partnership

i) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investment and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are valued at bid prices and liabilities at offer prices. Changes in the value of derivative contracts are included as a change in market value.

The value of forward currency contracts is based on market forward exchange rates at the year end and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

k) Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to minimal risk of changes in value.

l) Liabilities

The Fund recognises liabilities at fair value as at the reporting date. A liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

m) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund's Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an **Appendix** to these statements.

n) Additional Voluntary Contributions

NYPF provides an Additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the Accounts in accordance with Section 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (**Note 22**).

4. Critical Judgement in Applying Accounting Policies

Unquoted Private Equity Investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment manager using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2016 was £82k (31 March 2015, £82k).

Pension Fund Liability

The Fund's liability is calculated every three years by the Actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in **Note 18**. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

These Accounts require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the for revenue and expenses during the year. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from those based on these assumptions and estimates.

The item in the Net Assets Statement as at 31 March 2016 for which there is a significant risk of material adjustment being required is the actuarial present value of promised retirement benefits, which is based on assumptions on the discount rate, salary increases, retirement ages, mortality rates and the return on investments.

The effects of changing individual assumptions on the value of pension liabilities can be measured. A 0.1% increase in the discount rate would reduce liabilities by 1.8%, a 0.1% increase in inflation would increase liabilities by 1.8%, and an increase in life expectancy of one year would increase liabilities by 2.8%.

6. Events After the Reporting Date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are approved. They can be either those that provide evidence of conditions that existed at the end of the reporting period or those that are indicative of conditions arising after the end of the reporting period.

7. Contributions Receivable

	2015/16 £000	2014/15 £000
Contributions Receivable		
North Yorkshire County Council	49,156	48,239
Other Scheduled Bodies	55,521	65,235
Admitted Bodies	7,011	7,017
	<u>111,688</u>	<u>120,491</u>

8. Transfers In from Other Pension Funds

All Transfers In were individual transfers. There were no group transfers during the year.

9. Benefits Payable

	2015/16 £000	2014/15 £000
Benefits Payable		
North Yorkshire County Council	42,069	39,268
Other scheduled bodies	49,115	47,440
Admitted bodies	7,548	5,653
	<u>98,732</u>	<u>92,361</u>

10. Payments To and On Account of Leavers

All payments were in relation to individual members. There were no group transfers during the year.

11. Management Expenses

	2015/16 £000	2014/15 £000
Administrative Costs	1,412	1,519
Investment Management Costs	7,968	4,943
Oversight and Governance Costs	417	595
	<u>9,797</u>	<u>7,057</u>

Investment Management Costs includes £3,947k (2014/15: £1,177k) in respect of performance related fees payable to the Fund's investment managers and £644k in respect of transaction costs (2014/15: £725k).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of acquisitions and in the proceeds from the sales of investments (see **Note 14a**).

12. Investment Income

	2015/16 £000	2014/15 £000
Fixed Interest and Index Linked Securities	2,301	2,094
Dividends from Equities	12,683	18,186
Pooled Property Investments	1,265	1,066
Pooled Investments - Other Managed Funds	63	0
Interest on Cash Deposits	81	50
Other	570	547
	<u>16,963</u>	<u>21,943</u>

13. Taxes on Income

	£000	£000
Withholding Tax on Dividends	<u>290</u>	<u>390</u>

14. Investments

a) Reconciliation of Movements in Investments and Derivatives

	Value at 31 March 2016 £000	Change in market value at 31 March 2016 £000	Sales proceeds and derivative receipts £000	Purchases at cost and derivative payments £000	Value at 1 April 2015 £000
Fixed Interest	341,598	14,473	(660,265)	826,103	161,287
Equities	488,055	(24,619)	(418,664)	229,420	701,918
Pooled Funds	1,391,947	(14,349)	(270,622)	341,332	1,335,586
Pooled Property	176,463	17,914	0	8,538	150,011
Private Equity	82		0	0	82
Derivative Contracts	0				0
Total Invested	<u>2,398,145</u>	<u>(6,581)</u>	<u>(1,349,551)</u>	<u>1,405,393</u>	<u>2,348,884</u>
Cash Deposits	8,339				27,437
Net Investment Debtors	2,813	(1,391)			4,204
Net Investment Assets	<u>2,409,297</u>	<u>(7,972)</u>			<u>2,380,525</u>

	Value at 31 March 2015	Change in market value at 31 March 2015	Sales proceeds and derivative receipts	Purchases at cost and derivative payments	Value at 1 April 2014
	£000	£000	£000	£000	£000
Fixed Interest	161,287	36,090	(482,958)	536,731	71,424
Equities	701,918	48,328	(434,593)	345,590	742,593
Pooled Funds	1,335,586	204,266	(30,997)	21,000	1,141,317
Pooled Property	150,011	19,724	0	31,695	98,592
Private Equity	82	(66)	(110)	0	258
Derivative Contracts	0	0	23	0	(23)
Total Invested	<u>2,348,884</u>	<u>308,342</u>	<u>(948,635)</u>	<u>935,016</u>	<u>2,054,161</u>
Cash Deposits	27,437				12,185
Net Investment Debtors	4,204	1,023			3,181
Net Investment Assets	<u>2,380,525</u>	<u>309,365</u>			<u>2,069,527</u>

Transaction costs incurred during the year amounted to £644k (2014/15 £725k). In addition to these costs, indirect costs are incurred through the bid-offer spread on investment purchases and sales.

b) Analysis of Investments (excluding derivative contracts)

	2015/16 £000	2014/15 £000
Fixed Interest Securities		
UK Public Sector Quoted	<u>341,598</u>	<u>161,287</u>
Equities		
UK Quoted	274,721	347,559
Overseas Quoted	<u>213,334</u>	<u>354,359</u>
	<u>488,055</u>	<u>701,918</u>
Pooled Investments		
UK Equity	65,403	51,806
UK Property	176,463	150,011
UK Fixed Income	-	210,996
Overseas Equity	950,427	700,624
Overseas Fixed Income	<u>129,395</u>	<u>172,333</u>
	<u>1,321,688</u>	<u>1,285,770</u>
Diversified Growth Funds - UK	<u>246,722</u>	<u>199,827</u>
Private Equity - UK	<u>82</u>	<u>82</u>
Total Investments (excl Derivatives)	<u>2,398,145</u>	<u>2,348,884</u>
Cash Deposits	8,339	27,437
Net Investment Debtors	2,813	4,204
Net Investment Assets	<u>2,409,297</u>	<u>2,380,525</u>

c) Investments analysed by Fund Manager

	£000	%	£000	%
Baillie Gifford & Co. - Global Alpha	445,906	18.4	412,227	17.2
Baillie Gifford & Co. - LTGG	303,055	12.5	273,839	11.4
Fidelity International	259,850	10.7	430,200	17.9
Standard Life Investments - Equities	279,634	11.6	357,560	14.9
Standard Life Investments - DGF	137,312	5.7	91,376	3.8
ECM Asset Management	129,394	5.4	130,081	5.4
Amundi Asset Management	0	0.0	253,248	10.6
Hermes Property Unit Trust	32,113	1.3	29,574	1.2
Legal & General	60,029	2.5	54,398	2.3
Threadneedle	84,911	3.5	66,628	2.8
M&G Investments	342,475	14.2	172,862	7.2
Newton Investments	109,409	4.5	108,451	4.5
Dodge & Cox	104,730	4.3	0	0.0
Veritas	120,397	5.0	0	0.0
Currency Hedging	(1)	0.0	(1)	0.0
Yorks & Humber Equity Fund	82	0.0	82	0.0
Internally Managed (cash and net debtors)	8,537	0.4	19,344	0.8
	<u>2,417,833</u>	<u>100.00</u>	<u>2,399,869</u>	<u>100.00</u>

The investments with Baillie Gifford, ECM Asset Management and Standard Life Investments- DGF each represent more than 5% of net assets. These investments are in pooled funds. All other investments are either below 5% or constitute a portfolio of segregated assets.

d) Stock Lending

The Fund has not released stock to a third party under a stock lending arrangement within a regulated market at this period end or in any previous years.

15. Analysis of Derivatives

The Fund does not hold derivatives.

16. Financial Instruments

a) Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table summarises the carrying amounts of financial assets and liabilities by category.

31 March 2015			31 March 2016		
Designated as fair value through profit & loss	Loans & Receivables	Financial liabilities amortised at cost	Designated as fair value through profit & loss	Loans & Receivables	Financial liabilities amortised at cost
£000	£000	£000	£000	£000	£000
Assets					
161,287			Fixed Interest Securities	341,598	
701,918			Equities	488,055	
1,135,759			Pooled Investments	1,145,224	
150,011			Pooled Property	176,463	
199,827			Diversified Growth Funds	246,722	
82			Private Equity	82	
			Derivative contracts		
	39,486		Cash		12,120
5,327			Investment Debtors	13,584	-
	10,083		Non Investment Debtors		8,515
<u>2,354,211</u>	<u>49,569</u>	<u>-</u>	<u>2,411,728</u>	<u>20,635</u>	<u>-</u>
Liabilities					
-			Derivative Contracts	-	
1,123			Investment Creditors	10,771	
		2,788	Non Investment Creditors		3,759
<u>1,123</u>	<u>-</u>	<u>2,788</u>	<u>10,771</u>	<u>-</u>	<u>3,759</u>
<u>2,353,088</u>	<u>49,569</u>	<u>(2,788)</u>	<u>2,400,957</u>	<u>20,635</u>	<u>(3,759)</u>

b) Net Gains and Losses on Financial Instruments

	2015/16	2014/15
	£000	£000
Fair Value Through Profit & Loss	(6,581)	308,342
Loans and Receivables	<u>(20,489)</u>	<u>16,275</u>
	<u>(27,070)</u>	<u>324,617</u>

c) Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect in the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The value of the investment in private equity is based on a valuation provided by the manager of the fund in which NYPF has invested. This valuation has been prepared in accordance with the British Venture Capital Association guidelines. Formal valuations are undertaken annually as at the end of December.

The following table provides an analysis of the assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2016	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Assets				
Fair Value through Profit & Loss	2,411,646		82	2,411,728
Loans and Receivables	20,635			20,635
	<u>2,432,281</u>	<u>-</u>	<u>82</u>	<u>2,432,363</u>
Liabilities				
Fair Value through Profit & Loss	10,771			10,771
Liabilities at Amortised Cost	3,759			3,759
	<u>14,530</u>	<u>-</u>	<u>-</u>	<u>14,530</u>
Net Assets	<u>2,417,751</u>	<u>-</u>	<u>82</u>	<u>2,417,833</u>

Values at 31 March 2015	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Assets				
Fair Value through Profit & Loss	2,354,129		82	2,354,211
Loans and Receivables	49,569			49,569
	<u>2,403,698</u>	<u>-</u>	<u>82</u>	<u>2,403,780</u>
Liabilities				
Fair Value through Profit & Loss	1,123			1,123
Liabilities at Amortised Cost	2,788			2,788
	<u>3,911</u>	<u>-</u>	<u>-</u>	<u>3,911</u>
Net Assets	<u>2,399,787</u>	<u>-</u>	<u>82</u>	<u>2,399,869</u>

17. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. NYCC manages these investment risks as part of its overall approach to Pension Fund risk.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. A Risk Register has been established to identify and analyse the risks faced by NYCC's pensions operations. This document is periodically reviewed regularly to reflect changes in activity and in market conditions.

a) Market Risk

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Register includes identifying, managing and controlling market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the PFC and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through advice from the investment advisers to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk weighted maximum exposures to individual investments through Investment Management Agreements

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund's investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2016/17 reporting period.

Asset Type	Potential Market Movements (+/-) %
Cash and Cash Equivalents	1.0
UK Bonds	9.0
UK Equities	19.0
Overseas Equities	20.0
UK Pooled Equity	19.0
Overseas Pooled Equity	20.0
UK Pooled Bonds	9.0
Overseas Pooled Bonds	9.0
Pooled Property Investments	12.5
Diversified Growth Funds	11.5
Private Equity	27.5
Derivatives	0.0
Non Investment Debtors/Creditors	0.0

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at 31 March 2016 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	8,339	83	8,422	8,256
UK Bonds	341,598	30,744	372,342	310,854
UK Equities	274,721	52,197	326,918	222,524
Overseas Equities	213,333	42,667	256,000	170,666
UK Pooled Equity	65,403	12,427	77,830	52,976
Overseas Pooled Equity	950,428	190,086	1,140,514	760,342
UK Pooled Bonds	0	0	0	0
Overseas Pooled Bonds	129,395	11,646	141,041	117,749
Pooled Property Investments	176,463	22,058	198,521	154,405
Diversified Growth Funds	246,722	28,373	275,095	218,349
Private Equity	82	23	105	59
Derivatives	0	0	0	0
Non Investment Debtors/Creditors	4,756	0	4,756	4,756
Total Assets	2,411,240		2,801,544	2,020,936

Asset Type	Value as at 31 March 2015	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Cash and Cash Equivalents	27,437	0	27,437	27,437
UK Bonds	161,287	10,322	171,609	150,965
UK Equities	347,559	35,759	383,318	311,800
Overseas Equities	354,359	31,892	386,251	322,467
UK Pooled Equity	51,806	5,336	57,142	46,470
Overseas Pooled Equity	700,624	63,056	763,680	637,568
UK Pooled Bonds	210,996	13,504	224,500	197,492
Overseas Pooled Bonds	172,333	11,029	183,362	161,304
Pooled Property Investments	150,011	3,150	153,161	146,861
Diversified Growth Funds	199,827	8,393	208,220	191,434
Private Equity	82	3	85	79
Derivatives	0	0	0	0
Non Investment Debtors/Creditors	7,295	0	7,295	7,295
Total Assets	2,383,616		2,566,060	2,201,172

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is monitored by the Fund and its investment advisers through the risk management strategy including monitoring the exposure to interest rates and assessment of actual interest rates against the strategic benchmark.

The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2015/16	2014/15
	£000	£000
Cash and Cash Equivalents	8,339	27,437
Fixed Interest Securities	341,598	161,287
	<u>349,937</u>	<u>188,724</u>

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Advice suggests that it is reasonable to expect a change in the long term average rate of approximately 1%. For illustrative purposes if it were to change by +/- 100 bps the values in the table above would change by £3,499k and for 2014/15 asset values, £1,887k.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is monitored in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

After receiving advice it is considered that the likely volatility associated with foreign exchange movements to be +/-9.1%. A fluctuation of this size is considered reasonable based on the analysis of long term historical movements in the month end exchange rates.

Assuming all other variables, in particular, interest rates remain constant, a 9.1% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Value as at 31 March 2016	Value on 9.1% Increase	Value on 9.1% Decrease
	£000	£000	£000
Overseas Equities	1,163,761	1,269,663	1,057,859
Overseas Bonds	129,395	141,170	117,620
Total Assets	1,293,156	1,410,833	1,175,479

Asset Type	Value as at 31 March 2015	Value on 6.1% Increase	Value on 6.1% Decrease
	£000	£000	£000
Overseas Equities	1,054,983	1,119,337	990,629
Overseas Bonds	172,333	182,845	161,821
Total Assets	1,227,316	1,302,182	1,152,450

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivative positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt outstanding, and the cost of replacing the derivative position in the event of counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over the counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by recognised rating agencies.

Deposits are not made with banks and financial institutions unless they are rated independently and meet NYCC's credit criteria. NYCC has also set limits as to the maximum amount of deposits placed with any one financial institution. The banks and institutions chosen all have at least the minimum credit rating as described in NYCC's Treasury Management Strategy.

NYCC believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements with NYCC at 31 March 2016 was £3.8m (31 March 2015, £12m) and was held with the following institutions:

	Credit Rating	31 March 2016 £000	31 March 2015 £000
Call Accounts			
Barclays	A/F1	569	3,119
Santander UK	A/F1	15	249
Fixed Term Deposit Notice Accounts			
Bank of Scotland	A+/F1	1,208	4,759
Barclays	A/F1		280
Leeds BS	A-/F1	71	560
Nationwide	A/F1	569	1,820
Svenska Handelsbanken	AA-/F1+	114	280
Santander UK	A/F1	554	
Goldman Sachs	A/F1	426	
Lancashire County Council	-	142	280
Leicester FRA	-		84
London Borough of Enfield	-	71	280
Salford City Council	-		336
Falkirk Council	-	71	
		3,810	12,047

c) Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings, subject to the fixed periods determined when deposits are placed. These deposits are scheduled to ensure cash is available when required.

The Fund also has access to an overdraft facility for short term (up to three months) cash needs. This facility is only used to address changes in the strategic benchmark and is met by either surplus cash from contributions received exceeding pensions paid or if necessary, disinvesting.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash.

As at 31 March 2016 the value of illiquid assets was £82k, which represented less than 0.1% of total Fund assets (31 March 2015, £82k, which represented less than 0.1% of total Fund assets).

All liabilities at 31 March 2016 are due within one year. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

18. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008 the Fund's Actuary, Aon Hewitt, undertakes a funding Valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such Valuation took place as at 31 March 2013. The next Valuation will take place as at 31 March 2016.

The key elements of NYPF's funding policy are:

- to ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return

- to reflect the different characteristics of employing bodies in determining contribution rates where the Administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

The aim is to achieve 100% solvency over a period of 27 years from April 2014 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2013 Triennial Valuation the Fund was assessed as 73% funded (67% at the 2010 Valuation). This reflected a deficit of £668m (£659m at the 2010 Valuation).

The common rate of employers' contributions is the average rate required from all employers calculated as being sufficient, together with contributions paid by employees, to meet all liabilities arising in respect of service after the Valuation date. For 2015/16 the common rate (determined at the 2013 Valuation) is 13.8% of pensionable pay.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 Triennial Valuation Report and the Funding Strategy Statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

	For future service liabilities
Investment Return	5.60% per annum
Inflation	2.60% per annum
Salary Increases	4.10% per annum
Pension Increases	2.60% per annum

Future life expectancy based on the Actuary's Fund specific mortality review was:

	Male	Female
Current pensioners	22.9 years	25.4 years
Future pensioners (assumed current age 45)	25.1 years	27.7 years

Life expectancy for the year to 31 March 2016 is based on 2012 CMI projections subject to a long-term improvement trend of 1.5% per annum.

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

50:50 option

It is assumed that 10% of active members (evenly distributed across the age, service and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

19. Actuarial Present Value of Promised Retirement Benefits

In addition to the Triennial Funding Valuation, the Actuary also undertakes a valuation of pension fund liabilities on an IAS19 basis every year using the same base data as the Valuation, rolled forward to the current financial year, taking account of changes in membership numbers and using updated assumptions. A statement prepared by the Actuary is attached as an **Appendix**.

20. Current Assets

	2015/16 £000	2014/15 £000
Debtors		
Investment Debtors		
Investment Transactions	9,676	1,499
Accrued Dividends	2,122	2,542
Withholding Taxes Recoverable	1,786	1,286
	<u>13,584</u>	<u>5,327</u>
Other Debtors		
Contributions due from Scheduled (Government) Bodies	7,137	9,361
Contributions due from Admitted Bodies	475	480
Pensions Rechargeable	253	11
Interest on Deposits	107	0
Other	543	231
	<u>8,515</u>	<u>10,083</u>
Total Debtors	<u>22,099</u>	<u>15,410</u>

21. Current Liabilities

	2015/16 £000	2014/15 £000
Creditors		
Investment Creditors	10,771	1,123
Sundry Other Creditors	3,759	2,788
	<u>14,530</u>	<u>3,911</u>

Within Sundry Other Creditors, £1,320k relates to government entities and £2,439k to non-government entities and individuals.

22. Additional Voluntary Contributions

	Market Value 31 March 2016 £000	Market Value 31 March 2015 £000
Prudential	<u>21,181</u>	<u>21,180</u>

AVC contributions of £2,036k were paid directly to Prudential during the year (£2,261k in 2014/15).

23. Agency Services

The North Yorkshire Pension Fund does not operate Agency Service contracts.

24. Related Party Transactions

North Yorkshire County Council

The North Yorkshire Pension Fund is administered by North Yorkshire County Council. Consequently there is a strong relationship between the Council and the Fund.

The Council incurred costs of £1,136k (£1,136k in 2014/15) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed £49.2m to the Fund in 2015/16 (£48.2m in 2014/15). All monies owing to and due from the Fund were paid in the year.

Part of the Fund's cash holdings are invested with banks and other institutions by the treasury management operations of NYCC, through a service level agreement. During the year to 31 March 2016 the Fund had an average investment balance of £16.8m (£6m during 2014/15) receiving interest of £107.5k (£39k paid in 2014/15) on these funds.

Governance

As at 31 March 2016 there were five Pension Fund Committee Members who were also active members of the Fund, each of whom was required to declare their interests at each meeting. The Corporate Director – Strategic Resources, who was also the Treasurer of the Fund was also an active member. Benefits for PFC Members and the Treasurer were accrued on exactly the same basis as for all other members of the Fund.

Key Management Personnel

The Code exempts local authorities from the key management personnel disclosure requirements of IAS 24. This exemption applies in equal measure to the accounts of the Fund. The disclosures required by The Accounts and Audit (England) Regulations can be found in the main accounts of NYCC.

25. Contingent Liabilities and Contractual Commitments

The Fund had no material contingent liabilities or contractual commitments at the year end (£nil in 2014/15).

26. Contingent Assets

Four admitted body employers hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of an employer default.

27. Impairment Losses

The Fund had no material impairment losses at the year-end (£nil in 2014/15).

