

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

6 JULY 2017

STATEMENT OF FINAL ACCOUNTS 2016/17

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To approve the draft Statement of Final Accounts for the financial year 2016/17.

2.0 STATEMENT OF ACCOUNTS

- 2.1 The draft Pension Fund Statement of Final Accounts for 2016/17 is attached as **Appendix A**. This complies fully with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 governing the preparation of the 2016/17 Financial statements for Local Government Pension Scheme Funds.
- 2.2 This year has seen an earlier production of the Statement of Final Accounts (SOFA) for the County Council which, as administering authority, includes the NYPF accounts. The draft SOFA was presented to the Audit Committee on 22 June 2017 and the final version is set to be considered by the Audit Committee on 7 September 2017 (with a reserve date of 28 September 2017 should that be necessary). Next year (i.e. 2017/18 SOFA) will need to be approved by the Audit Committee by 31 July 2018 further accelerating the timetable. As a result, it is necessary to change the approach for PFC consideration of the NYPF accounts.
- 2.3 Whilst the SOFA and the Pension Fund accounts may well change before 7 September 2017 there is no scheduled PFC meeting before 7 September 2017. It is therefore suggested that the PFC approves the draft NYPF accounts attached as Appendix A and delegates authority to the Chairman of the PFC to make any required changes following consultation with the Treasurer. Should the changes be of significance then information would be shared with all Members of the PFC and an additional meeting of the PFC could be arranged if deemed necessary.
- 2.4 Members are therefore asked to approve the draft Statement of Final Accounts for submission to the Audit Committee on 7 September 2017. The Pension Fund accounts form part of the NYCC Statement of Final Accounts which are subject to review and approval by the Audit Committee. It is therefore not legally necessary for the Pension Fund Committee to approve the Pension Fund Statement of Accounts; however the terms of reference for the PFC in the Constitution state that it shall "approve a Statement of Final Accounts". Given timescales in the future it will be necessary to re-align the committee schedule or to revise the Constitution accordingly.
- 2.5 As the accounts reflect the activities of the Pension Fund it is appropriate that they are brought to the PFC to provide the PFC with the opportunity to feed any comments to the Audit Committee.
- 2.6 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 14 September 2017 at which point it will be

possible to report as to whether the Audit Committee has approved the SOFA at its meeting of 7 September 2017.

3.0 RECOMMENDATIONS

- 3.1 Members are asked to approve the draft Statement of Final Accounts for 2016/17 and delegate authority to the Chairman to make any required changes following consultation with the Treasurer in the period up to Audit Committee consideration of the SOFA.

GARY FIELDING
Treasurer
Corporate Director – Strategic Resources
County Hall
Northallerton
28 June 2017

NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

2015/16		2016/17	
£000	-	£000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions		
57,626	Employers - Normal	58,793	
25,765	- Deficit	38,953	
2,572	- Early Retirement Costs Recharged	3,091	
25,492	Employees - Normal	26,226	
233	- Additional Voluntary	187	
111,688	Total Contributions Receivable (Note 7)		127,250
8,680	Transfers In (Note 8)		11,959
	 Less		
	Benefits		
(73,274)	Pensions	(76,846)	
(23,176)	Commutation and Lump Sum Retirement Benefits	(23,693)	
(2,282)	Lump Sums Death Benefits	(3,664)	
(98,732)	Total Benefits Payable (Note 9)		(104,203)
	 Leavers		
(364)	Refunds to Members Leaving Service	(267)	
0	Payments for Members Joining State Scheme	0	
(3,603)	Transfers Out	(9,280)	
(3,967)	Total Payments on Account of Leavers (Note 10)		(9,547)
(1,829)	Management Expenses (Note 11)		(2,168)
15,840	Net Additions From Dealings With Members		23,291
	 RETURNS ON INVESTMENTS		
16,963	Investment Income (Note 12)		19,375
(290)	Taxation (Note 13)		265
(7,968)	Investment Management Cost (Note 11)		(14,853)
(6,581)	Change in market value of investments (Note 14a)		589,445
2,124	Net Returns On Investments		594,232
17,964	Net Increase in the Fund During the Year		617,523
2,399,869	Opening Net Assets of the Fund		2,417,833
2,417,833	Closing Net Assets of the Fund		3,035,356

NORTH YORKSHIRE PENSION FUND - NET ASSETS STATEMENT

31 March 2016 £000	-	31 March 2017 £000
	INVESTMENT ASSETS (Notes 15 & 16)	
341,598	Fixed Interest Securities	422,864
488,055	Equities	587,799
1,391,947	Pooled Investments	1,742,033
176,463	Pooled Property Investments	252,966
82	Private Equity	55
2,398,145		3,005,717
8,339	Cash Deposits	10,126
13,584	Investment Debtors	6,234
2,420,068	TOTAL INVESTMENT ASSETS	3,022,077
	INVESTMENT LIABILITIES (Notes 14 & 15)	
0	Derivative Contracts - Forward Currency Contracts	(182)
(10,771)	Investment Creditors	(1,670)
(10,771)	TOTAL INVESTMENT LIABILITIES	(1,852)
2,409,297	NET INVESTMENT ASSETS	3,020,225
	CURRENT ASSETS	
7,612	Contributions due from employers	7,878
903	Other Non-Investment Debtors	313
3,780	Cash	8,683
12,295	TOTAL CURRENT ASSETS	16,874
	CURRENT LIABILITIES	
(3,759)	Non-investment creditors	(1,743)
(3,759)	TOTAL CURRENT LIABILITIES	(1,743)
2,417,833	TOTAL NET ASSETS (Note 17)	3,035,356

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 2017

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 2016/17 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 2016

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 2017 there were 140 contributing employer organisations within NYPF including the County Council itself, and over 87,000 individual members, as detailed below

95 Scheduled Bodies incl 52 Academies	
	Academy Trusts
Ainsty 2008 Internal Drainage Board	<u>Bishop Wheeler Academy Trust Bodies</u>
Askham Bryan College	- Mary's RC School
Chief Constable NYP	- St Stephen's RC School
City of York Council	- St. Joseph's School
Craven College	<u>Craven Education Trust</u>
Craven District Council	- The Skipton Academy
Easingwold Town Council	<u>Ebor Academy Trust</u>
Filey Town Council	- Brotherton and Byram School
Foss 2008 Internal Drainage Board	- Haxby Road Academy

Fulford Parish Council	- Staynor Hall
Glusburn Parish Council	- Filey School Academy
Great Ayton Parish Council	- Camblesworth CP School
Hambleton District Council	- Robert Wilkinson Primary Academy
Harrogate Borough Council	<u>Enquire Learning Trust</u>
Haxby Town Council	- Roseberry Academy
Hunmanby Parish Council	- East Whitby C.P.
Knaresborough Town Council	- Stokesley C.P.
Malton Town Council	<u>Hope Learning Trust</u>
North York Moors National Park	- Manor Academy
North Yorkshire County Council	- Poppleton Ousebank School
North Yorkshire Fire and Rescue	- Burton Green Primary
North Yorkshire Police and Crime Comissioner	- Forest of Galtres
Northallerton & Romanby JBB	<u>Northern Star Academy Trust</u>
Northallerton Town Council	- Harrogate High
Norton on Derwent Town Council	- Hookstone Chase Primary School
Pickering Town Council	- New Park Academy
Richmond Town Council	- Skipton Girls High School
Richmondshire District Council	<u>Pathfinder Academy Trust</u>
Ripon City Council	- Archbishop Holgate
Ryedale District Council	- Badger Hill
Scarborough Borough Council	- Hempland Primary
Scarborough Sixth Form College	- Heworth Primary
Selby College	<u>Red Kite Learning Trust</u>
Selby District Council	- Harrogate Grammar
Selby Town Council	- Oatlands Junior School
Skipton Town Council	- Western CP School
Sutton in Craven Parish Council	<u>Rodillian Multi Academy Trust</u>
Tadcaster Town Council	- Brayton High School
Thornton (Vale of Pickering) IDB	<u>Scalby Learning Trust</u>
Whitby Town Council	- Scalby School
York College	<u>South Bank Multi Academy Trust</u>
Yorkshire Dales National Park	- Knavesmire
	- Millthorpe
University Technical College Scarborough	- Scarcroft
Great Smeaton Academy Primary School	<u>South Craven Academy Trust</u>
Huntington Primary Academy	- South Craven School
Norton College	<u>Vale of York Academy Trust</u>
Outwood Academy	- Canon Lee
Rossett School	<u>YA Collaboration Trust</u>
Stokesley School Academy	- Askwith School
The Grove Academy	- Bilton Grange School
The Woodlands Academy	- Lothersdale Schools
Thomas Hinderwell Primary Academy	<u>Yorkshire Causeway Trust</u>
	- Richard Taylor School
	- St Aidans CE School
	- Oatlands Infant School
	- Pannal Primary School
	- St Peter's CE Primary School

45 Admitted Bodies

Be Independent	Mellors
Betterclean Services	Northern Care (Whistledawn)
Bulloughs Cleaning Ltd	North Yorkshire Property Services
Catering Academy Ltd	OCS Group UK Ltd
Caterservice Ltd	Richmondshire Leisure Trust
Chartwells Compass	Ringway Operatives
Churchill	Sanctuary Housing Association
Everyone Active (SLM Scarborough)	Schools Plus
Consultant Services Group	Sewell Facilities Management
Dolce Ltd	Sheffield International Venues
Enterprise	
Explore York Libraries and Archives	Springfield Home Care
Grosvenor Facilities Management	Streamline Taxis
Harrogate International Centre	Superclean Services Group
Housing 21	University of Hull
Human Support Group Ltd	Veritau Ltd
Hutchison Catering	Veritau North Yorks
Independent Cleaning Services	Welcome to Yorkshire
Interserve	Wigan Leisure and Culture Trust
ISS Mediclean Ltd	York Archaeological Trust Ltd
Joseph Rowntree Charitable Trust	York Museums and Galleries Trust
Lifeways Community Care Ltd	York St John University
Make It York	Yorkshire Coast Homes

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

	31 March 2017	31 March 2016
	No	No
Number of Employers with Active Members	140	125
Employees in the Fund		
NYCC	19,528	20,497
Other employers	14,031	13,493
Total	<u>33,559</u>	<u>33,990</u>
Pensioners		
NYCC	11,017	10,623
Other employers	9,424	9,087
Total	<u>20,441</u>	<u>19,710</u>
Deferred pensioners		
NYCC	20,318	19,560
Other employers	12,829	12,409
Total	<u>33,147</u>	<u>31,969</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 2017. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016 that set the contribution rates for 2017/18, 2018/19, 2019/20; details of the rates for individual employers are available on the Fund's website. The contribution rates in 2016/17 were set at the 2013 Valuation.

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 1/80th 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 1/60th 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 1/49th. Accrued pension is updated 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 2016/17 financial year and its year end position as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

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.

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
- Hermes Investment Management- UK Property
- Bluebay- Private Debt
- Permira- Private Debt

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund accounts.

Net Assets Statement

g) 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.

h) 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.

i) 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 purpose (see note 15)

j) Cash and Cash Equivalent

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.

k) 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.

l) 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.

m) 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(1)(b) of the LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (**Note 23**).

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 2017 was £55k (31 March 2016, £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 19**. 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 2017 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 1.9%, a 0.1% increase in inflation would increase liabilities by 1.9%, and an increase in life expectancy of one year would increase liabilities by 2.9%.

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

By category	2016/17 £000	2015/16 £000
Employees' contributions	26,413	25,725
Employers' contributions		
Normal contributions	58,793	57,626
Deficit recovery contributions	38,953	25,765
Early Retirement Recharges	2,602	2,572
Compensatory Added Years Recharges	489	0
Total Employers' contributions	<u>127,250</u>	<u>111,688</u>
By authority	2016/17 £000	2015/16 £000
Contributions Receivable		
North Yorkshire County Council	52,208	49,156
Other Scheduled Bodies	68,944	55,521
Admitted Bodies	6,098	7,011
	<u>127,250</u>	<u>111,688</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	2016/17 £000	2015/16 £000
Benefits Payable		
North Yorkshire County Council	44,144	42,069
Other scheduled bodies	53,056	49,115
Admitted bodies	7,003	7,548
	<u>104,203</u>	<u>98,732</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

	2016/17	2015/16
	£000	£000
Administrative Costs	1,516	1,412
Investment Management Costs	14,853	7,968
Oversight and Governance Costs	<u>652</u>	<u>417</u>
	<u>17,021</u>	<u>9,797</u>

Investment Management Costs includes £1,990k (2015/16: £3,947K) in respect of performance related fees payable to the Fund's investment managers and £2,638k in respect of transaction costs (2015/16 £644k).

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**).

11A. Investment Management Expenses

	2016/17	2015/16
	£000	£000
Management Fees	9,219	
Performance Related Fees	1,990	
Custody Fees	81	
Transaction Costs	2,638	
Other	<u>925</u>	
	<u>14,853</u>	

12. Investment Income

	2016/17	2015/16
	£000	£000
Income from bonds	2,830	2,301
Income from equities	12,985	12,683
Pooled Property Investments	2,877	1,265
Pooled Investments - Other Managed Funds	0	63
Interest on Cash Deposits	3	81
Other	<u>680</u>	<u>570</u>
	<u>19,375</u>	<u>16,963</u>

13. Taxes on Income

	2016/17	2015/16
	£000	£000
Withholding Tax on Dividends	<u>-265</u>	<u>290</u>

14. Investments

a) Reconciliation of Movements in Investments and Derivatives

	Value at 31 March 2017	Change in market value at 31 March 2017	Sales proceeds and derivative receipts	Purchases at cost and derivative payments	Value at 1 April 2016
	£000	£000	£000	£000	£000
Fixed Interest Securities	422,865	83,870	(1,233,264)	1,230,661	341,598
Equities	587,799	108,496	(284,776)	276,024	488,055
Pooled Investments	1,742,033	383,962	(51,263)	17,387	1,391,947
Pooled Property	252,966	13,299	(146,577)	209,781	176,463
Private Equity	55	0	(27)	0	82
Derivative Contracts	(182)	(182)	0	0	0
Total Invested	3,005,536	589,445	(1,715,907)	1,733,853	2,398,145
Cash Deposits	10,126				8,339
Net Investment Debtors	4,563	1,750			2,813
Net Investment Assets	3,020,225	591,195			2,409,297

	Value at 31 March 2016	Change in market value at 31 March 2016	Sales proceeds and derivative receipts	Purchases at cost and derivative payments	Value at 1 April 2015
	£000	£000	£000	£000	£000
Fixed Interest Securities	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	2,398,145	(6,581)	(1,349,551)	2,348,884	2,348,884
Cash Deposits	8,339				27,437
Net Investment Debtors	2,813	(1,391)			4,204
Net Investment Assets	2,409,297	(7,972)			2,380,525

b) Analysis of Investments (excluding derivative contracts)

	2016/17	2015/16
	£000	£000
Fixed Interest Securities		
UK Public Sector Quoted	422,682	341,598
Equities		
UK Quoted	308,717	274,721
Overseas Quoted	279,082	213,334
	587,799	488,055
Pooled Investments		
UK Equity	70,283	65,403
UK Property	252,966	176,463
UK Fixed Income	-	-
Overseas Equity	1,328,818	950,427
Overseas Fixed Income	93,095	129,395
	1,745,162	1,321,688
Diversified Growth Funds - UK	249,837	246,722
Private Equity - UK	55	82
Total Investments (excl Derivatives)	3,005,536	2,398,145
Cash Deposits	10,126	8,339
Net Investment Debtors	4,563	2,813
Net Investment Assets	3,020,225	2,409,297

c) Investments analysed by Fund Manager

Investment Manager	31 March 2017		31 March 2016	
	£000	%	£000	%
Baillie Gifford & Co. - Global Alpha	604,424	19.9	445,906	18.4
Baillie Gifford & Co. - LTGG	418,471	13.8	303,055	12.5
Fidelity International	340,419	11.2	259,850	10.7
Standard Life Investments - Equities	312,208	10.3	279,634	11.6
Standard Life Investments - DGF	138,060	4.5	137,312	5.7
ECM Asset Management	93,095	3.1	129,394	5.4
Hermes Property Unit Trust	32,866	1.1	32,113	1.3
Legal & General	62,453	2.1	60,029	2.5
Threadneedle	158,237	5.2	84,911	3.5
M&G Investments	427,134	14.1	342,475	14.2
Newton Investments	111,778	3.7	109,409	4.5
Dodge & Cox	153,007	5.0	104,730	4.3
Veritas	154,599	5.1	120,397	5.0
Bluebay	7,570	0.2	0	0.0
Permira	5,850	0.2	0	0.0
Currency Hedging	0	0.0	(1)	0.0

Yorks & Humber Equity Fund	55	0.0	82	0.0
Internally Managed (cash and net debtors)	15,130	0.5	8,537	0.4
	<u>3,035,356</u>	<u>100.00</u>	<u>2,417,833</u>	<u>100.00</u>

The investments with Baillie Gifford, Threadneedle and Veritas 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

Futures

Type	Expires	Economic Exposure	Market Value 31 March 2016	Economic Exposure	Market Value 31 March 2017
		£000	£000	£000	£000
Liabilities					
UK Fixed Interest	Less than one year	-	-	(182)	(182)

16. Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided ³²
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required

Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – hedge funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts Required by 6.5.5.1 d) and f), 7.4.2.13 of the Code.
Notes to the Ellebeau Pension Fund Account for the year ended 31 March 2017 Page 31 Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided ³²
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by John Finley FRICS of independent valuers Carrott-Jones LLP in accordance with the RICS Valuation Standards (9th	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

		Edition)	Estimated rental growth Discount rate	
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

Assessed valuation range (+/-)	Value at 31 March 2017	Value on increase	Value on decrease
	£000	£000	£000
Pooled investments – hedge funds			
Freehold and leasehold property			
Unquoted overseas equity			
Private equity	55		
Total	55		

16a: Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

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

Level 2

Assets and liabilities 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.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2017	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	3,038,896		55	3,038,951
Non-financial assets at fair value through profit and loss				0
Financial liabilities at fair value through profit and loss	3,595			3,595
Net investment assets	3,035,301	0	55	3,035,356

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2016	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	2,432,281		82	2,432,363
Non-financial assets at fair value through profit and loss				0
Financial liabilities at fair value through profit and loss	14,530			14,530
Net investment assets	2,417,751	0	82	2,417,833

17. 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 2016			31 March 2017		
Designated as fair value through profit & loss £000	Loans & Receivables £000	Financial liabilities amortised at cost £000	Designated as fair value through profit & loss £000	Loans & Receivables £000	Financial liabilities amortised at cost £000
Assets					
341,598			422,864		
488,055			587,799		
1,145,224			1,492,196		
176,463			252,966		
246,722			249,837		
82			55		
	12,120			18,809	
13,584	0		6,234		
	8,515			8,191	
<u>2,411,728</u>	<u>20,635</u>	<u>0</u>	<u>3,011,951</u>	<u>27,000</u>	<u>0</u>
Liabilities					
0			182		
10,771			1,670		
		3,759			1,743
<u>10,771</u>	<u>0</u>	<u>3,759</u>	<u>1,852</u>	<u>0</u>	<u>1,743</u>
<u>2,400,957</u>	<u>20,635</u>	<u>(3,759)</u>	<u>3,010,999</u>	<u>27,000</u>	<u>(1,743)</u>

b) Net Gains and Losses on Financial Instruments

	2016/17 £000	2015/16 £000
Fair Value Through Profit & Loss	589,445	-6,581
Loans and Receivables	37	-20,489
	<u>589,482</u>	<u>-27,070</u>

18. 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 2017/18 reporting period.

Asset Type	Potential Market Movements (+/-)
Cash and Cash Equivalents	% 1.0

UK Bonds	9.0
UK Equities	19.0
Overseas Equities	20.5
UK Pooled Equities	19.0
Overseas Pooled Equities	20.5
UK Pooled Bonds	9.0
Overseas Pooled Bonds	11.0
Pooled Property Investments	12.5
Diversified Growth Funds	10.5
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 2017	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Cash and Cash Equivalents	10,126	101	10,227	10,025
UK Bonds	422,864	38,058	460,922	384,806
UK Equities	308,717	58,656	367,373	250,061
Overseas Equities	279,082	57,212	336,294	221,870
UK Pooled Equity	70,283	13,354	83,637	56,929
Overseas Pooled Equity	1,328,818	272,408	1,601,226	1,056,410
UK Pooled Bonds	0	0	0	0
Overseas Pooled Bonds	93,095	10,240	103,335	82,855
Pooled Property Investments	252,966	31,621	284,587	221,345
Diversified Growth Funds	249,837	26,233	276,070	223,604
Private Equity	55	15	70	40
Derivatives	(182)	0	(182)	(182)
Non Investment Debtors/Creditors	6,448	0	6,448	6,448
Total Assets	3,022,109		3,530,007	2,514,211

Asset Type	Value as at 31 March 2016	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£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	<u>2,411,240</u>		<u>2,801,544</u>	<u>2,020,936</u>

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 2017 and 31 March 2016 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2016/17	2015/16
	£000	£000
Cash and Cash Equivalents	10,126	8,339
Fixed Interest Securities	<u>422,864</u>	<u>341,598</u>
	<u>432,990</u>	<u>349,937</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 £4,332k and for 2015/16 asset values, £3,499k.

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 +/-9.8%. 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 9.8% 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 2017	Value on 9.8% Increase	Value on 9.8% Decrease
	£000	£000	£000
Overseas Equities	1,607,900	1,765,474	1,450,326
Overseas Bonds	93,095	102,218	83,972
Total Assets	1,700,995	1,867,693	1,534,297

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

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 2017 was £8.6m (31 March 2016, £3.8m) and was held with the following institutions:

	Credit Rating	31 March 2017 £000	31 March 2016 £000
Call Accounts			
Barclays	A/F1	552	569
Santander UK	A/F1	227	15
Fixed Term Deposit Notice Accounts			
Bank of Scotland	A+/F1	2,396	1,208
Leeds BS	A-/F1	366	71
Nationwide	A/F1	1,127	569
Svenska Handelsbanken	AA/F1+	-	114
Santander UK	A/F1	900	554
Goldman Sachs	A/F1	1,127	426
Lancashire County Council	-	282	142
Leicester FRA	-	-	-
London Borough of Enfield	-	-	71
Salford City Council	-	141	-
Falkirk Council	-	-	71
Fife Council	-	141	-
Hambleton District Council	-	155	-
Isle of Wight Council	-	282	-
West Berkshire District Council	-	113	-
West Dunbartonshire Council	-	310	-
Warrington Borough Council	-	282	-
Woking Borough Council	-	141	-
Northumberland County Council	-	141	-
		8,683	3,810

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 2017 the value of illiquid assets was £55k, which represented less than 0.1% of total Fund assets (31 March 2016, £82k, which represented less than 0.1% of total Fund assets).

All liabilities at 31 March 2017 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.

19. 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 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

At the 2016 Valuation the aim was to achieve 100% solvency over a period of 24 years from April 2017 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 2016 Triennial Valuation the Fund was assessed as 90% funded (73% at the 2013 Valuation). This reflected a deficit of £283m (£668m at the 2013 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 2016/17 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 2016 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:

	liabilities	
Investment Return	4.40%	per annum
Inflation	2.00%	per annum
Salary Increases	3.25%	per annum
Pension Increases	2.00%	per annum

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

	Male	Female
Current pensioners	22.7	26.2
Future pensioners (assumed current age 45)	24.9 years	28.5 years

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 for post-April 2008 service.

50:50 Option

It is assumed that no active members (evenly distributed across the age, service and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

20. 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**.

21. Current Assets

	2016/17	2015/16
	£000	£000
Debtors		
Investment Debtors		
Investment Transactions	2,490	9,676
Accrued Dividends	2,058	2,122
Withholding Taxes Recoverable	1,686	1,786
	<u>6,234</u>	<u>13,584</u>
Other Debtors		
Contributions due from Scheduled (Government) Bodies	7,449	7,137
Contributions due from Admitted Bodies	429	475
Pensions Rechargeable	301	253
Interest on Deposits		107
Other	12	543
	<u>8,191</u>	<u>8,515</u>
Total Debtors	<u>14,425</u>	<u>22,099</u>

22. Current Liabilities

	2016/17	2015/16
	£000	£000
Creditors		
Investment Creditors	1,670	10,771
Sundry Other Creditors	1,743	3,759
	<u>3,413</u>	<u>14,530</u>

23. Additional Voluntary Contributions

	Market Value 31 March 2017	Market Value 31 March 2016
	£000	£000
Prudential	<u>19,958</u>	<u>19,644</u>

AVC contributions of £1,846k were paid directly to Prudential during the year (£2,036k in 2015/16).

24. Agency Services

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

25. 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 £1,231K (£1,136k in 2015/16) 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 £52.2m to the Fund in 2016/17 (£49.2m in 2015/16).

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 2017 the Fund had an average investment balance of -£2.4m (£16.8m during 2015/16) paid interest of £15.1k (£107.5k received in 2015/16) on these funds.

Governance

As at 31 March 2017 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.

26. Contingent Liabilities and Contractual Commitments

The Fund had no material contingent liabilities or contractual commitments at the year end (£nil in 2015/16).

27. Contingent Assets

Two 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.

28. Impairment Losses

The Fund had no material impairment losses at the year-end (£nil in 2015/16).

North Yorkshire Pension Fund

Statement of the Actuary for the year ended 31 March 2017

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the North Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The latest full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £2,417.8M) covering 90% of the liabilities in respect of service prior to the valuation date allowing, in the case of pre-1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:
 - 17.8% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate).

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 24 years, amounting to £13.6M in 2017/18, and increasing by 3.25% p.a. thereafter.
3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
 4. The funding plan adopted in assessing the contributions for each individual employer was in accordance with the Funding Strategy Statement. The approach, and the recovery period used for each employer, were agreed with the Administering Authority reflecting the Employers' circumstances.
 5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled body / subsumption funding target	4.4% p.a.
Orphan body funding target	4.1% p.a.
Discount rate for periods after leaving service	
Scheduled body / subsumption funding target	4.4% p.a.
Orphan body funding target	2.5% p.a.
Rate of pay increases (service up to 31 March 2014 only) (in addition to promotional increases)	3.25% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

In addition, the discount rate for orphaned employers (i.e. employers with no active members and where there is no scheme employer responsible for funding the non-active liabilities) was 2.1% in-service and left-service.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation are set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. This Statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out by Aon Hewitt Limited as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, North Yorkshire County Council, the Administering Authority of the Fund, in respect of this Statement.

9. The actuarial valuation report is available on the Fund's website at the following address:
<https://www.nypf.org.uk/nypf/valuationreports.shtml>

Aon Hewitt Limited

24 May 2017