

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

14 SEPTEMBER 2017

STATEMENT OF FINAL ACCOUNTS 2016/17 AND PENSION FUND ANNUAL REPORT

Report of the Treasurer

1.0 PURPOSE OF REPORT

- 1.1 To note the Statement of Final Accounts for the financial year 2016/17.
- 1.2 To approve the Pension Fund Annual Report 2016/17.

2.0 STATEMENT OF ACCOUNTS

- 2.1 The Pension Fund Statement of Final Accounts for 2016/17 is attached as **Appendix 1**. 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 was approved by the PFC on 6 July 2017. The final Statement of Accounts 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), a verbal update will be provided to Members at the PFC meeting.
- 2.3 At the last meeting Members agreed to delegate authority to the Chairman of the PFC to make any required changes to the draft Accounts following consultation with the Treasurer. The following key changes have been made to the Draft Accounts, along with some minor wording and formatting changes:

Change	Note	Original figure (£000)	Final Figure (£000)	Variance (£000)	Comments
Restatement of 2015/16 Management fees	11	(9,797)	(16,235)	6,438	This increase is due to management fees that are deducted from Assets Under Management now being included in the figure for transparency, the original figure just included the invoiced management fees.
Reclassification of 2016/17 assets from Level 1 to Level 2	16a	Level 1- 3,035,781 Level 2- 0	Level 1- 2,725,940 Level 2- 309,841	Level 1- (309,841) Level 2- 309,841	This re-classification (relating to SL GARS, L&G, ECM, Permira, Bluebay) is because these investments are

					not traded so quoted market prices are not available.
Amendment to 2016/17 Investment Income	12, fund account	19,375	18,330	1,045	Trial balance reconciled after corrections made
Amendment to change in market value of investments	14a, fund account	589,445	590,955	(1,510)	Change due to a review of the management expenses and income correction
Change to investment management cost	11, fund account	(14,853)	(14,231)	(622)	Change made at auditors request
Change to taxation figure	13, fund account	265	(256)	521	Correction to the calculation used for taxation
Change to other non-investment debtors	Net asset statement	313	797	(484)	Change in accounting treatment of debtors
Change to 2016/17 Management Expenses	11, fund account	(2,168)	(2,255)	87	Trial balance reconciled after corrections made
Change in cash deposits	Net asset statement	10,126	10,123	3	Small opening balances omitted in original figure
Change in non-investment creditors	Net asset statement	(1,743)	(1,744)	1	Rounding error

2.4 The changes in the table above have been approved the Chairman and Treasurer of the Fund.

2.5 Members are asked to note the Statement of Final Accounts for the financial year 2016/17.

3.0 ANNUAL REPORT

3.1 The Pension Fund Annual Report 2016/17 is attached as **Appendix 2**. Members are asked to approve the content of the Report. Members will note that the format of the report has been updated for 2016/17 but the content remains the same as in previous years and is compliant with the LGPS Regulations 2013. The governance documents are now included as links to the NYPF website rather than being attached as Appendices. To remind Members, all of these governance documents were approved at the July PFC Meeting.

3.2 The Annual Report is included in the audit of the Accounts. The Fund's auditor KPMG has advised informally that it will give an unqualified opinion of the Annual Report, subject to no material issues being identified before the audit process is completed. Members will be updated on audit process in the PFC Meeting.

3.3 The Annual Report will be placed on the NYPF website by the deadline for publication of the 2016/17 Statement of Final Accounts of 30 September 2017.

4.0 **RECOMMENDATIONS**

4.1 Members are asked to note the Statement of Final Accounts for 2016/17

4.2 Members are asked to approve the Pension Fund Annual Report for 2016/17.

GARY FIELDING

Treasurer

Corporate Director – Strategic Resources

County Hall

Northallerton

1 September 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	
<u>111,688</u>	Total Contributions Receivable (Note 7)		127,250
8,680	Transfers In (Note 8)		11,959
	<u>Less</u>		
	-		
	Benefits		
(73,274)	Pensions	(76,846)	
(23,176)	Commutation and Lump Sum Retirement Benefits	(23,693)	
<u>(2,282)</u>	Lump Sums Death Benefits	<u>(3,664)</u>	
(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	
<u>(3,603)</u>	Transfers Out	<u>(9,280)</u>	
(3,967)	Total Payments on Account of Leavers (Note 10)		(9,547)
(1,829)	Management Expenses (Note 11)		(2,255)
<u>15,840</u>	Net Additions From Dealings With Members		<u>23,205</u>
	RETURNS ON INVESTMENTS		
16,963	Investment Income (Note 12)		18,330
(290)	Taxation (Note 13)		(256)
(7,968)	Investment Management Cost (Note 11)		(14,231)
<u>(6,581)</u>	Change in market value of investments (Note 14a)		<u>590,955</u>
2,124	Net Returns On Investments		<u>594,798</u>
17,964	Net Increase in the Fund During the Year		618,003
2,399,869	Opening Net Assets of the Fund		2,417,833
<u>2,417,833</u>	Closing Net Assets of the Fund		<u>3,035,836</u>

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	10,123
13,584	Investment Debtors	6,234
2,420,068	TOTAL INVESTMENT ASSETS	3,022,074
	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	3,020,222
	CURRENT ASSETS	
7,612	Contributions due from employers	7,878
903	Other Non-Investment Debtors	797
3,780	Cash	8,683
12,295	TOTAL CURRENT ASSETS	17,358
	CURRENT LIABILITIES	
(3,759)	Non-investment creditors	(1,744)
(3,759)	TOTAL CURRENT LIABILITIES	(1,744)
2,417,833	TOTAL NET ASSETS (Note 17)	3,035,836

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>Enguire 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 No	31 March 2016 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 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 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 that have been paid during the financial year.

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 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.

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

There have been no Post Balance Sheet Events.

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	Restated £000	Original £000
Administrative Costs	1,852	1,412	1,412
Investment Management Costs	14,231	14,407	7,968
Oversight and Governance Costs	403	417	417
	<u>16,486</u>	<u>16,235</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 £2,900k).

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 £000	2015/16 £000
Management Fees	8,597	6,637
Performance Related Fees	1,990	3,947
Custody Fees	81	97
Transaction Costs	2,638	2,900
Other	<u>925</u>	<u>825</u>
	<u>14,231</u>	<u>14,407</u>

12. Investment Income

	2016/17 £000	2015/16 £000
Income from bonds	2,829	2,301
Income from equities	13,507	12,683
Pooled Property Investments	1,313	1,265
Pooled Investments - Other Managed Funds	0	63
Interest on Cash Deposits	3	81
Other	<u>678</u>	<u>570</u>
	<u>18,330</u>	<u>16,963</u>

13. Taxes on Income

	2016/17 £000	2015/16 £000
Withholding Tax on Dividends	<u>256</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	82,714	(1,232,108)	1,230,661	341,598
Equities	587,799	110,792	(287,072)	276,024	488,055
Pooled Investments	1,742,033	384,244	(51,545)	17,387	1,391,947
Pooled Property	252,966	13,387	(146,665)	209,781	176,463
Private Equity	55	0	(27)	0	82
Derivative Contracts	(182)	(182)	0	0	0
Total Invested	3,005,536	590,955	(1,717,417)	1,733,853	2,398,145
Cash Deposits	10,123				8,339
Net Investment Debtors	4,563	1,750			2,813
Net Investment Assets	3,020,222	592,705			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 £000	2015/16 £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	10,123	8,339
Net Investment Debtors	4,563	2,813
Net Investment Assets	3,020,222	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	52	0.0	82	0.0
Internally Managed (cash and net debtors)	15,614	0.5	8,537	0.4
	3,035,836	100.00	2,417,833	100.00

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
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 North Yorkshire 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
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 Edition)	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

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
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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	2,729,536	309,841	55	3,039,432
Non-financial assets at fair value through profit and loss				0
Financial liabilities at fair value through profit and loss	(3,596)			(3,596)
Net investment assets	2,725,940	309,841	55	3,035,836
	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	2,105,546	326,735	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	2,091,016	326,735	82	2,417,833

Following a review of investment characteristics, some investments held by the Fund have been categorised as Level 2 investments in 2016/17. If these investments were also held in 2015/16 they have also been restated in the table above.

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	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
341,598					Fixed Interest Securities
488,055			422,864		Equities
1,145,224			587,799		Pooled Investments
176,463			1,492,196		Pooled Property
246,722			252,966		Diversified Growth Funds
82			249,837		Private Equity
			55		Derivative contracts
	12,120				Cash
13,584	0			18,806	Investment Debtors
	8,515		6,234		Non Investment Debtors
<u>2,411,728</u>	<u>20,635</u>	<u>0</u>	<u>3,011,951</u>	<u>27,481</u>	<u>0</u>
					Liabilities
0			182		Derivative Contracts
10,771			1,670		Investment Creditors
					Non Investment Creditors
		3,759			
<u>10,771</u>	<u>0</u>	<u>3,759</u>	<u>1,852</u>	<u>0</u>	<u>1,744</u>
<u>2,400,957</u>	<u>20,635</u>	<u>(3,759)</u>	<u>3,010,999</u>	<u>27,481</u>	<u>(1,744)</u>

b) Net Gains and Losses on Financial Instruments

	2016/17	2015/16
	£000	£000
Fair Value Through Profit & Loss	590,955	(6,581)
Loans and Receivables	37	(20,489)
	<u>590,992</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 reviewed regularly to reflect changes in activity and in market conditions. The risk register covers a broad range of risks in addition to the solvency of the Fund, including, but not limited to, investment strategy, pooling arrangement and key personnel risks.

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	10,123	101	10,224	10,022
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	6,931	0	6,931	6,931
Total Assets	3,022,589		3,530,487	2,514,691

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	2,411,240		2,801,544	2,020,936

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	10,123	8,339
Fixed Interest Securities	422,864	341,598
	<u>432,987</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 £4,330k 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	31 March 2016
		£000	£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	496	543
	<u>8,675</u>	<u>8,515</u>
Total Debtors	<u>14,909</u>	<u>22,099</u>

22. Current Liabilities

	2016/17	2015/16
	£000	£000
Creditors		
Investment Creditors	1,670	10,771
Sundry Other Creditors	1,744	3,759
	<u>3,414</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>

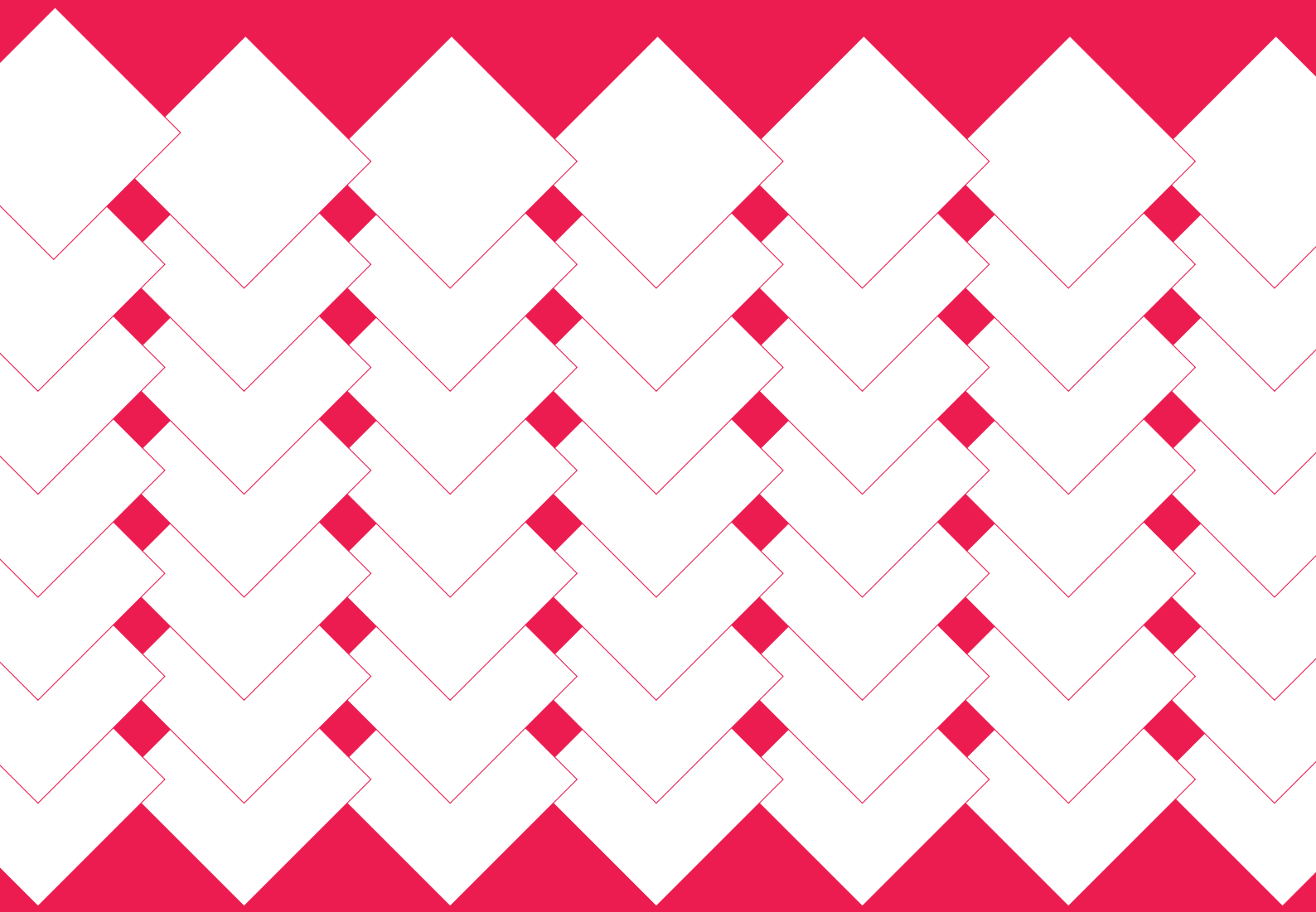
Aon Hewitt Limited

24 May 2017



North Yorkshire Pension Fund

Annual Report and Accounts 2016/17



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Part 1 – Management and Financial Performance

1.1 Introduction

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

The purpose of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the North Yorkshire area. The regulations also specify the member contribution rates as a percentage of pensionable pay, with employer

contribution rates being set every three years by the Fund’s Actuary. These contributions are supplemented by earnings on the Fund’s investments in order to pay retirement benefits.

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

1.2 Pension Fund Committee

PFC membership as at 31 March 2017 was as follows:

Members	Position	Voting Rights
John Weighell (Chairman)	Councillor, NYCC	Yes
Roger Harrison-Topham (Vice-Chairman)	Councillor, NYCC	Yes
Bernard Bateman MBE	Councillor, NYCC	Yes
John Blackie	Councillor, NYCC	Yes
Margaret-Ann deCoursey-Bayley	Councillor, NYCC	Yes
Patrick Mulligan	Councillor, NYCC	Yes
Helen Swiers	Councillor, NYCC	Yes
Jim Clark	Councillor, District Councils’ representative of Local Government North Yorkshire and York	Yes
David Carr	Councillor, City of York Council	Yes
David Portlock	Chairman of the Pension Board	No
3 Unison representatives	Union Officials	No

The powers delegated to the PFC are detailed in paragraph 2.1 of the Governance Compliance Statement (see Part 6).

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

1.3 Fund Administrators, Advisers and Investment Managers

Treasurer	Gary Fielding
Investment Consultant	Aon Hewitt
Independent Professional Observer	Peter Scales (AllenbridgeEpic)
Actuary	Aon Hewitt
Legal Services	Ward Hadaway Head of Legal Services, NYCC
Auditor	KPMG
Banker	Barclays Bank
Custodian	Bank of New York Mellon
Custodian Monitoring	Thomas Murray
Shareholder Voting	PIRC
Performance Measurement	BNY Mellon Asset Servicing
Fund Managers	Baillie Gifford Life Bluebay Dodge & Cox ECM Asset Management FIL Pensions Management Hermes Investment Management Legal & General Investment Management M&G Investment Management Newton Investment Management Permira Standard Life Pension Funds Threadneedle Pensions Veritas Prudential
AVC Provider	

1.4 Risk Management

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

(a) Pension Fund solvency remains a high risk due to the unpredictable and volatile nature of global financial markets on which both investment returns and certain market based actuarial assumptions used to value liabilities are based. The potential consequence of the risk occurring is a significant increase in contribution rates for the Fund's employers and/or an extension to the deficit recovery period.

(b) Another key risk relates to the LGPS Pooling Arrangements (see paragraph 1.5). This is a major change to the way in which the Pension Fund will be managed so should be considered a significant risk.

In addition, the approach to managing third party risk such as late payment of contributions is contained in the Pension Administration Strategy (see Part 6). Contributions received from employers are monitored, the date of receipt is recorded and appropriate action is taken for late payments. For persistent material breaches of this protocol, the employer may be reported to the Pensions Regulator.

Further detail about how the Fund manages other risks can be found in Note 18 Nature and Extent of Risks Arising from Financial Instruments in the Statement of Accounts in Appendix A.

1.5 LGPS Pooling Arrangements

On 15 July 2016 the Fund and the twelve other LGPS funds in the Border to Coast Pensions Partnership (BCPP) sent a proposal to Government's Department for Communications and Local Government (DCLG) describing in detail how investment pooling arrangements could work. This proposal can be found here <https://www.nypf.org.uk/Documents/Pooling%20proposal.pdf>

This followed a summary proposal published by the BCPP on 19 February 2016. Both documents were responses to the Government's requirement for pooling described in guidance published on 25 November 2015, which followed a consultation in 2014.

All LGPS funds are required to enter pooling arrangements. The PFC decided that NYPF should join the BCPP as it represents a group of "like-minded" Funds where significant cost efficiencies are achievable.



Part 2 – Scheme Administration

2.1 Administering Authority Arrangements

The Scheme's administration is the responsibility of Gary Fielding, the Treasurer.

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

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

2.2 Disputes Process

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

However as part of the Pension Team's customer care policy all questions raised are dealt with via an internal process with the aim of resolving issues to the satisfaction of the Scheme member as quickly as possible. In 2016/17 only one case was received via the IDRP process and the outcome was in favour of the Fund, confirming that regulatory requirements have been followed and the appropriate action had been taken.

2.3 Pensions Administration

North Yorkshire Pension Fund covers the largest geographical area in England and Wales. The Fund's varied methods of communication tackle the challenges when communicating with both Fund members and employers. Continued support has been provided for employers to ensure they are confident in carrying out their function under the Scheme. Face to face bespoke training has been provided to encourage employers to use the dedicated employers' area on the NYPF website.

A streamlined year end guide and checklist have been provided with emphasis on data validation at source to minimise error rates.

Following the Education Act 2011 there has been a significant growth in scheme employers largely in respect of Secondary schools converting to Academies and the trend is still continuing with Primary school Academies. A dedicated NYPF contact has provided schools with appropriate actuarial information regarding employer contribution rates and deficits.

Scheme members have access to a dedicated telephone helpline and email address. The online self-service module of the Altair administration system continues to provide members with access to their Annual Benefit Statements. Members are also asked to use the online benefit projector to carry out their own estimated pension benefit calculations. Although members are encouraged to use electronic means of communication, NYPF still provides paper versions of documents on request. This is felt to be particularly important for members who may not have access to, or do not wish to use, electronic methods of communication.

2.4 Member Self-Service (MSS)

This is a web-based self-service facility which allows members to update their details and perform calculations. This facility has also been used to allow electronic communication with members for the retirement and estimates process. As at 31 March 2017 there were 15,402 registered users. A small number of staff from employers within the Fund have direct upload access to the pensions database (with access to their employees only). This allows them to carry out basic pensions administration processes (creating new starter records, updating hours and personal information) and upload associated documents. Work is monitored via a 'task' which is created on the member record by the employer detailing what they have done. All changes can be tracked through an audit report which is run by the NYPF Systems team.

2.5 Electronic Annual Benefit Statements

Active and deferred Scheme members may view their Annual Benefit Statement online. The majority, representing 97% of all statements, are delivered in this way with only 1,325 being posted to members in 2016/17.

2.6 NYPF Website

All essential information and guides are held on the website at www.nypf.org.uk along with links to further national guidance. Employees and employers are able to use the website to refer questions to a generic pensions email address which is specifically resourced each day to provide a prompt response to queries. An 'Employers Only' area provides a central location to access forms and guides with the facility to securely submit forms electronically.

2.7 Data Quality

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

Part 3 – Investment Policy and Performance

3.1. Investment Policy

(a) Regulations

NYCC is required, as the administering authority, to invest any NYPF monies which are not immediately required to pay pensions and other benefits. The LGPS Management and Investment of Funds Regulations 2009 set out certain restrictions as to individual investments, the purpose of which is to limit the exposure risk of an LGPS fund. Full details of the investment policy are shown in the Statement of Investment Principles (see part 6).

(b) Investment Management arrangements

As at 31 March 2017 the following investment management arrangements were in place:

- ➔ Baillie Gifford manage two active global (i.e. including UK) equity portfolios, namely Global Alpha and Long Term Global Growth (LTGG). Each of these portfolios is in the form of a pooled vehicle, rather than being invested in segregated holdings. Both are managed without reference to a benchmark, however the FTSE All World index is used for performance measurement purposes
- ➔ Fidelity manage an active overseas equities (ex UK) portfolio comprising segregated holdings in overseas companies against a composite MSCI World (ex UK) index
- ➔ Standard Life manage an active UK equity portfolio comprising segregated holdings in UK companies against the FTSE 350 equally weighted index (excluding investment trusts)
- ➔ ECM managed an active European corporate bond portfolio through a pooled fund on an absolute return basis, using 1-month LIBOR for performance measurement purposes

- ➔ M&G manage an active Gilts portfolio comprising segregated fixed income and index linked holdings, against the “least risk” benchmark
 - ➔ Hermes manage an active UK Property portfolio through a pooled fund with the objective of outperforming the IPD Other Balanced Property Funds index
 - ➔ Threadneedle and Legal & General both manage active UK Property portfolios through pooled funds with the objective of outperforming the All Balanced Property Funds index
 - ➔ Standard Life and Newton both managed Diversified Growth Fund portfolios during the year through the Global Absolute Return Strategy (GARS) and Real Return (RR) pooled funds respectively, with the objective of significantly outperforming the cash benchmark
 - ➔ Veritas and Dodge and Cox managed active global equity portfolios in the form of a pooled vehicle against the MSCI All Country World index
 - ➔ Bluebay and Permira manage private debt portfolios through pooled Funds, both are managed without reference to a benchmark but have an objective to significantly outperform cash
- The Fund also has a small investment in the Yorkshire & Humber Equity Fund. The residual cost of this investment at the year-end was £0.055m.

The agreed asset class structure for the investment portfolio as at 31 March 2017 was as follows:

	Minimum %	Maximum %
Equities	50	75
Alternatives	10	20
Fixed Income	15	30

(c) Custody of Investments

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

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

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

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

Performance for the year was +24.7% compared to the benchmark return of +21.8%. Performance for the Fund compared with the benchmark for 5 Years is shown below.

Periodic Performance	1 Year	5 Years (p.a.)
North Yorkshire Pension Fund	24.7%	13.6%
Benchmark	21.8%	11.4%
Performance against benchmark	+2.9%	+2.2%

3.2 Performance

(a) Fund and Manager Performance

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

The performance of the Fund as a whole and of the individual fund managers for the year to 31 March 2017.

March 2017 compared with their defined benchmarks is shown in the following table:

Fund Manager	Share of Fund @ March 2017	Fund Performance	Customised Benchmark	+/-
	%	%	%	%
Baillie Gifford Life Ltd - Global Alpha	19.9	35.5	33.1	2.4
Baillie Gifford Life Ltd - LTGG	13.8	38.1	33.1	5.0
Fidelity International	11.2	31.0	31.9	-0.9
Veritas	5.1	28.4	33.0	-4.6
Dodge and Cox	5.0	46.1	33.0	13.1
Standard Life Investments - Equities	10.3	23.1	16.8	6.3
ECM Asset Management	3.1	4.9	0.4	4.5
M&G Investment Management Ltd	14.1	24.9	24.0	0.9
Hermes Investment Management Ltd	1.1	6.4	4.6	1.8
Legal & General	2.1	4.0	3.7	0.3
Threadneedle	5.2	3.5	3.7	-0.2
Standard Life (GARS)	4.5	0.5	0.4	0.1
Newton Investments (RR)	3.7	2.2	0.4	1.8
Bluebay	0.2	0.3	3.1	-2.8
Permira	0.2	N/A	N/A	N/A
Internally Managed Cash	0.5	-	-	-
Total Fund	100.0	24.7	21.8	2.9

(b) Analysis of Accounts

The Statement of Accounts for the year 2016/17 is shown at Appendix A.

The value of the Fund's assets at 31 March 2016 was £2,418m, and this increased by £618m during the year to give a value of £3,036m at 31 March 2017.

Analysis of Fund Account over three years to 2016/7

	2016/17 £000	2015/16 £000	2014/15 £000
Net additions/(withdrawals) from dealings with members	23,205	15,840	(8,299)
Net investment return	3,843	8,705	16,610
Change in market value of investments	590,955	(6,581)	308,342
Net increase/(decrease) in the Fund	618,003	17,964	316,653

Analysis of Net Asset Statement over three years to 2016/17

	2016/17 £000	2015/16 £000	2014/15 £000
Fixed Interest Securities	422,864	341,598	161,287
Equities	587,799	488,055	701,918
Pooled Funds	1,742,033	1,391,947	1,335,586
Pooled Property	252,966	176,463	150,011
Private Equity	55	82	82
Cash Deposits	10,123	8,339	27,437
Other	4,382	2,813	4,204
Total Investment Assets	3,020,222	2,409,297	2,380,525
Current Assets and Current Liabilities	15,614	8,536	19,344
Net Assets of the Fund	3,035,836	2,417,833	2,399,869

(c) Accounting and Cash Flow

Prior to the start of the 2016/17 financial year, a Budget was prepared for NYPF which expressed the expected levels of expenditure (i.e. pensions, lump sums, administrative expenses) and income (i.e. employees and employers' contributions, net transfer values in, early retirement costs recharged). The Budget was monitored at each subsequent quarterly PFC meeting, and revised as necessary to take into account the latest projections.

The revised Budget for 2016/17 forecast a net cash surplus of £13.5m. The actual surplus for the year was £16.4m, resulting in an overall cash flow of £2.9m above expectations.

	Budget 2016/17£m	Actual Income / Expenditure £m	Variance £m
Expenditure			
Benefits	102.0	104.4	2.4
Administration	1.6	1.7	0.1
Investment Expenses	8.3	7.2	-1.1
Total Expenditure	111.9	113.3	1.4
Income			
Employer and Employee contributions	110.5	126.0	15.5
Transfers	3.0	2.4	-0.6
Other Income	1.3	1.3	0.0
Total Income	114.8	129.7	14.9
Net Surplus	2.9	16.4	13.5

The main reason for the variance is due to an additional deficit payment being paid in full by an employer during the year.

This analysis of expenditure was reported to the PFC as part of the quarterly Fund management arrangements and has been analysed differently in the Statement of Accounts to comply with accounting requirements and guidance.

Part 4 – Pension Administration Activity

The number of staff (in FTE terms) at the Council involved in Pension Administration was 23.70.

(a) Key Performance Indicators

The Local Government Pensions Committee has defined a range of performance indicators through which Pension Funds can be compared. NYPF's performance in these areas for the year to 31 March 2017 is shown here:

Performance Indicator	LGPC Target	Achieved (%)
Letter detailing transfer in quote	10 days	99.20
Letter detailing transfer out quote	10 days	94.75
Process and pay refund	5 days	98.70
Letter notifying estimate of retirement benefits	10 days	98.43
Letter notifying actual retirement benefits	5 days	100.00
Process and pay lump sum retirement grant	5 days	100.00
Initial letter acknowledging death of active/deferred/pensioner member	5 days	91.54
Letter notifying amount of dependant's benefits	5 days	91.54
Calculate and notify deferred benefits	10 days	95.07

(b) Benefit Calculation Activity

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

Task	Number
Retirements	1,575
Transfers In	125
Refunds	564
Frozen Refunds	1,025
Preserved Benefits	2,638
AVCs/ARCs	10
Divorce cases	179
Deaths in Service	29
Deaths of Pensioners	509

(c) Administration

The total numbers of joiners and leavers during 2016/17 were:

Joining	7,249
Retiring	1,328
Deaths	572
Other Leavers	3,460

The performance and activity reflect the efforts the Pension Administration team goes to in providing a first class service to the Fund membership. NYPF is one of the leaders across LGPS administering authorities in terms of communication initiatives and innovative use of technology. Examples of this over 2016/17 include:

- Continued to promote online member self-service and encourage members to check their online Annual Benefit Statement, paying particular attention to their Career Average Benefits
- Encouraged members to plan for their retirement by providing pre-retirement presentations in conjunction with Affinity Connect. Information regarding financial planning and lifestyle adjustments were provided
- Managing the member's expectations by developing a simple flowchart explaining the timeline of the retirement process. This shows the flow of data between the employer and the pension fund from the time the member notifies their employer of their intention to retire, to the payment of their pension benefits
- Developed relationships with new employers to support them with the requirements of the LGPS. There has been a significant growth in scheme employers largely in respect of secondary schools converting to academies and the trend is still continuing with primary school academies.
- Offering face to face training and support for new employers or new staff within existing employers
- Dedicated newsletter for retired members
- Processes have been updated to encourage deferred members to 'opt into' electronic communications. This will allow a quicker and more efficient retirement process when the member wants to claim their pension benefits. It also allows regular updates to be provided more frequently. It will increase the number of newsletters which can be sent via email rather than by post, saving on printing and postage.

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

Part 5 – Membership Contributions and Scheme Benefits

5.1 Membership

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

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

Employees therefore have various options to provide a pension in addition to the New State Pension:

- to be a member of the NYPF
- to purchase a personal pension plan or a stakeholder pension managed by a private sector company

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



Membership Type	31 March 2013	31 March 2014	31 March 2015	31 March 2016	31 March 2017
Current Contributors	29,036	31,501	35,056	31,748	33,559
Deferred Pensions	27,503	29,490	30,591	32,079	33,147
Pensioners Receiving Benefits	16,755	17,668	18,444	19,793	20,441

5.2 Contributions

The Fund is financed by contributions from both employees and employers, together with income earned from investments. The surplus of income received from these sources, net of benefits and other expenses payable, is invested as described in the Statement of Investment Principles (see Part 6).

The total contributions received for 2016/17 on an accruals basis were £127.3m, and North Yorkshire County Council being the main employer in the Fund contributed £52.2m.

5.3 Employer Analysis

At 31 March 2017 there were 140 contributing employer organisations within NYPF including the County Council itself. Full details of all employers can be found in the Statement of Accounts (Appendix A). The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Scheduled	95	9	104
Admitted Body	45	17	62
Total	140	26	166

5.4 Employee Contribution Rates

For employee contributions a banded structure has been in place from April 2008 linked to the rate of pensionable pay a member receives. The band ranges were updated in April 2015 as follows:

Band	Range	Contribution rate
1	Up to £13,600	5.5%
2	£13,601 to £21,200	5.8%
3	£21,201 to £34,400	6.5%
4	£34,401 to £43,500	6.8%
5	£43,501 to £60,700	8.5%
6	£60,701 to £86,000	9.9%
7	£86,001 - £101,200	10.5%
8	£101,201 - £151,800	11.4%
9	£151,801 or more	12.5%

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

Employers' contributions are determined in a cycle every three years by a Triennial Valuation. The Valuation assesses the contributions required to meet the cost of pension benefits payable as they are earned, as well as additional contributions employers may be required to pay to address any deficit relating to previous years. Further details, including a list of each employer's minimum contributions following the 2016 Valuation are shown at <https://www.nypf.org.uk/Documents/NorthYorkshirePensionFund-ActuarialValuationasat31March2016.pdf>

5.5 Scheme Benefits

The LGPS is a comprehensive scheme providing a wide range of benefits for members and their families. This summary does not give details of all the benefits provided by the Scheme or of all the specific conditions that must be met before these benefits can be obtained. More detailed information, including the Scheme booklet 'A Long Guide to the Local Government Pension Scheme for Employees in England and Wales', can be found on the North Yorkshire Pension Fund (NYPF) website at <https://www.nypf.org.uk/formsandguides/schemeguides.shtml>. A paper copy can be requested by ringing the NYPF at County Hall, Northallerton on 01609 536335.

Normal Pension Age

The Normal Pension Age is a member's State Pension Age for both men and women (earlier voluntary retirement allowed from age 55 but benefits are reduced for early payment). However, some members have a protected Normal Pension Age of 65 years.

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

Pension (Normal)

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

For membership up to 31 March 2014 benefits are worked out on a 'final salary' basis. A normal pension is based on the full time equivalent pensionable pay received in the last year of service, or the better of the two previous years, if this gives a higher figure. Also, applicable from 1 April 2008, members who have a reduction in their pensionable pay in the last 10 years (up to date of retirement) can base benefits on the average of any 3 consecutive years in the last 13 years. Pensions are calculated as 1/80th for each year of membership of the scheme for service up to 31 March 2008 and as 1/60th for service after 1 April 2008.



An ill health pension is based on the full time equivalent pensionable pay received in the last year of service and a split of the 80ths and 60ths accrual for membership up to 31 March 2014. A pension of 1/49th of pensionable pay applies for membership from 1 April 2014 onwards. There are three tiers of ill health benefits depending on whether a member can carry out any employment up to age 65.

First Tier:

If there is no reasonable prospect of being capable of gainful employment before Normal Pension Age the employee's LGPS pension is enhanced by 100% of the remaining potential pension to Normal Pension Age. This is based on 1/49th of an 'Assumed Pensionable Pay' figure which is a calculation of the pensionable pay on a prescribed basis for the period between the date of retirement and Normal Pension Age.

Second Tier:

If it is likely that the employee will be capable of undertaking some gainful employment before Normal Pension Age the employee's LGPS service is enhanced by 25% of the remaining potential pension to Normal Pension Age.

Third Tier:

If it is likely that the employee will be capable of undertaking some gainful employment within 3 years of leaving the employee receives payment of the benefits built up to the date of leaving with no enhancement. The benefits are only payable for a maximum period of 3 years (reviewed at 18 months to assess any improvement in the member's health).

Lump Sum Retirement Grant

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

Death Grant

(i) Death in Service

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

If a member has a deferred benefit and / or a pension in payment from a previous period of membership of the scheme, the lump sum death grant will be any lump sum death grant payable in respect of those benefits or the death in service lump sum death grant of three times their assumed pensionable pay, whichever is the greater.

(ii) Death after Retirement

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

(iii) Death of a member with Preserved Benefits

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

Spouses, civil partners and cohabiting partner's pension

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

Benefits are payable to a cohabiting partner provided that the Scheme member paid into the LGPS on or after 1 April 2008.

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

Children's Pension

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

Pension Increases

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

AVCs

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



Part 6 – Governance Documentation

The main governance documentation is as follows:

- **Statement of Investment Principles**
<https://www.nypf.org.uk/Documents/Investment%20Strategy%20Statement%20-%20February%202017.pdf>
- **Governance Compliance Statement**
<https://www.nypf.org.uk/Documents/Governance%20Compliance%20Statement%202015.pdf>
- **Funding Strategy Statement**
<https://www.nypf.org.uk/Documents/Funding%20Strategy%20Statement-%20Feb%202017.pdf>
- **Communications Policy Statement**
<https://www.nypf.org.uk/Documents/Comms%20Policy%20Statement%20-%20June%202017.pdf>
- **Pension Administration Strategy**
<https://www.nypf.org.uk/nypf/policiesandstrategies.shtml>

A short summary of each Statement is included here. The full Statements are available at the links above.

(a) Statement of Investment Principles

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

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

(b) Governance Compliance Statement

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

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

(c) Funding Strategy Statement

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

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

In addition to this, the Funding Strategy Statement covers:

- responsibilities of the key parties
- solvency issues and target funding levels
- link to Investment Strategy set out in the Statement of Investment Principles
- identification of risks and counter measures
- method, assumptions and results of the 2016 Actuarial Valuation

(d) Communications Policy Statement

This statement sets out the communication strategy for communication with members, members' representatives, prospective members and employing authorities; and for the promotion of the Scheme to prospective members and their employing authorities.

(e) Pension Administration Strategy

This document sets out the administration protocols that have been agreed between the Fund and its Employers. It includes the responsibilities and duties of the Employer and NYPF, performance levels, and communications.

Part 7 – Training

7.1 Public Sector Pensions – Finance Knowledge and Skills

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

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

7.2. Training for Pension Fund Committee Members and Officers

(i) Internally Provided

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

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

(ii) Externally Provided

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

Events attended by PFC Members during 2016/17 were:

Event	Date
Investment Conference	9-11 March 2016
NAPF Investment Conference	16-18 May 2016
NYCC Investment Manager Meeting	20 May 2016
LGC Investment Summit	7-9 September 2016
NYCC Investment Manager Meeting	16 September 2016
Baillie Gifford LGPS Pension Seminar	5-6 October 2016
PLSA Annual Conference	19-21 October 2016
PLSA Local Authority Conference	2 November 2016
Investment Strategy Review	25 November 2016
LAPFF Conference	7-9 December 2016
NYCC Investment Manager Meeting	24 February 2017
LGC Investment Seminar	2-3 March 2017
PLSA Investment Conference	8-10 March 2017

Part 8 – Glossary and contact details

Active member:

Current employee who is contributing to a pension fund.

Actuary:

An independent professional who advises the Council on the financial position of the fund.

Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

Additional Voluntary contributions (Avc):

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

Administering Authority:

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

Admitted Body:

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

Alternatives:

An alternative investment is an asset that is not one of the conventional investment types, such as stocks, bonds and cash. Alternative investments include private equity, hedge funds, managed futures, real estate, commodities and derivatives contracts

Asset Allocation:

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

Benchmark:

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

Care (Career Average Revalued Earnings)

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

Deferred members:

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

Defined Benefit Scheme:

A type of pension scheme, where the pension that will ultimately be paid to the member is calculated with reference to a formula and is not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

Diversified Growth Funds (DGF):

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

Employer Contribution Rates:

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

Equities:

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

Fixed Interest Securities:

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

Index:

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

Pooled Funds:

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

Return:

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

Scheduled Body:

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

The Pensions Advisory Service (TPAS)

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

Unrealised Gains/Losses:

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

Contact Information

North Yorkshire Pension Fund
County Hall
Northallerton
North Yorkshire
DL7 8AL
Telephone: Pensions Help & Information Line on 01609 536335
Email: pensions@northyorks.gov.uk
website: www.nypf.org.uk

The Pensions Advisory Service (TPAS)
TPAS
11 Belgrave Road
London
SW1V 1RB
Telephone: The Pensions Helpline: 0845 601 2923
Email: enquiries@pensionsadvisoryservice.org.uk.
website: www.pensionsadvisoryservice.org.uk

APPENDIX A

Statement of responsibilities for the financial statements

Responsibility for the Financial Statements, which form part of this Annual Report, is set out below.

a) The Administering Authority

The Administering Authority is North Yorkshire County Council. The Administering Authority is required to:

- make arrangements for the proper administration of the financial affairs of the Fund and to secure that an officer has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

b) Treasurer

The Treasurer is responsible for the preparation of the Fund's Financial Statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom Based on International Reporting Standards (the Code). This document includes the financial statements for the Pension Fund only. The financial statements of North Yorkshire County Council are published separately.

In preparing these financial statements, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Treasurer has also:

- kept proper accounting records, which were up to date; and
- taken responsible steps for the prevention and detection of fraud and other irregularities.

Certificate

I hereby certify that the Annual Report and Accounts give a true and fair view of the financial position of the North Yorkshire Pension Fund as at 31 March 2016 and its income and expenditure for the financial year then ended.

Gary Fielding

Treasurer
North Yorkshire Pension Fund
14 September 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
<u>111,688</u>	Total Contributions Receivable (Note 7)	<u>127,250</u>
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)
<u>(98,732)</u>	Total Benefits Payable (Note 9)	<u>(104,203)</u>
(364)	Leavers	
	Refunds to Members Leaving Service	(267)
0	Payments for Members Joining State Scheme	0
(3,603)	Transfers Out	(9,280)
<u>(3,967)</u>	Total Payments on Account of Leavers (Note 10)	<u>(9,547)</u>
(1,829)	Management Expenses (Note 11)	(2,255)
<u>15,840</u>	Net Additions From Dealings With Members	<u>23,205</u>
	RETURNS ON INVESTMENTS	
16,963	Investment Income (Note 12)	18,330
(290)	Taxation (Note 13)	(256)
(7,968)	Investment Management Cost (Note 11)	(14,231)
(6,581)	Change in market value of investments (Note 14a)	590,955
<u>2,124</u>	Net Returns On Investments	<u>594,798</u>
17,964	Net Increase in the Fund During the Year	618,003
2,399,869	Opening Net Assets of the Fund	2,417,833
<u>2,417,833</u>	Closing Net Assets of the Fund	<u>3,035,836</u>

North Yorkshire Pension Fund - Net Assets Statement

31 March 2016		31 March 2017
£000		£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
<u>2,398,145</u>		<u>3,005,717</u>
8,339	Cash Deposits	10,123
13,584	Investment Debtors	6,234
<u>2,420,068</u>	TOTAL INVESTMENT ASSETS	<u>3,022,074</u>
	INVESTMENT LIABILITIES (Notes 14 & 15)	
0	Derivative Contracts - Forward Currency Contracts	(182)
(10,771)	Investment Creditors	(1,670)
<u>(10,771)</u>	TOTAL INVESTMENT LIABILITIES	<u>(1,852)</u>
<u>2,409,297</u>	NET INVESTMENT ASSETS	<u>3,020,222</u>
	CURRENT ASSETS	
7,612	Contributions due from employers	7,878
903	Other Non-Investment Debtors	797
3,780	Cash	8,683
<u>12,295</u>	TOTAL CURRENT ASSETS	<u>17,358</u>
	CURRENT LIABILITIES	
(3,759)	Non-investment creditors	(1,744)
<u>(3,759)</u>	TOTAL CURRENT LIABILITIES	<u>(1,744)</u>
<u>2,417,833</u>	TOTAL NET ASSETS (Note 17)	<u>3,035,836</u>

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 overleaf:

95 Scheduled Bodies incl 52 Academies	Academy Trusts
Ainsty 2008 Internal Drainage Board	Bishop Wheeler Academy Trust Bodies
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	Craven Education Trust
Craven District Council	- The Skipton Academy
Easingwold Town Council	Ebor Academy Trust
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	Enquire Learning Trust
Haxby Town Council	- Roseberry Academy
Hunmanby Parish Council	- East Whitby C.P.
Knaresborough Town Council	- Stokesley C.P.
Malton Town Council	Hope Learning Trust
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 Commissioner	- Forest of Galtres
Northallerton & Romanby JBB	Northern Star Academy Trust
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	Pathfinder Academy Trust
Ripon City Council	- Archbishop Holgate

95 Scheduled Bodies incl 52 Academies	Academy Trusts
Ryedale District Council	- Badger Hill
Scarborough Borough Council	- Hempland Primary
Scarborough Sixth Form College	- Heworth Primary
Selby College	Red Kite Learning Trust
Selby District Council	- Harrogate Grammar
Selby Town Council	- Oatlands Junior School
Skipton Town Council	- Western CP School
Sutton in Craven Parish Council	Rodillian Multi Academy Trust
Tadcaster Town Council	- Brayton High School
Thornton (Vale of Pickering) IDB	Scalby Learning Trust
Whitby Town Council	- Scalby School
York College	South Bank Multi Academy Trust
	- Knavesmire
Yorkshire Dales National Park	- Millthorpe
University Technical College Scarborough	- Scarcroft
Great Smeaton Academy Primary School	South Craven Academy Trust
Huntington Primary Academy	- South Craven School
Norton College	Vale of York Academy Trust
Outwood Academy	- Canon Lee
Rossett School	YA Collaboration Trust
Stokesley School Academy	- Askwith School
The Grove Academy	- Bilton Grange School
The Woodlands Academy	- Lothersdale Schools
Thomas Hinderwell Primary Academy	Yorkshire Causeway Trust
	- 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

45 Admitted Bodies	31 March 2017 No	31 March 2016 No
Number of Employers with Active Members	140	125
Employees in the Fund		
NYCC	19,528	20,497
Other employees	14,031	13,493
Total	33,559	33,990
Pensioners		
NYCC	11,017	10,623
Other employees	9,424	9,087
Total	20,441	19,710
Deferred pensioners		
NYCC	20,318	19,560
Other employees	12,829	12,409
Total	33,147	31,969

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 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 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 that have been paid during the financial year.

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.

j) 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.

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

There have been no Post Balance Sheet Events.

7. Contributions Receivable

By category	2016/17 £000	2015/16 £000
Employees' contribution	26,413	25,725
Employers' contribution		
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 Employer's contributions	127,250	111,688
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
	127,250	111,688

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
	104,203	98,732

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 £000	2015/16 Restated £000	2015/16 Original £000
Administrative Costs	1,852	1,412	1,412
Investment Management Costs	14,231	14,407	7,968
Oversight and Governance Costs	403	417	417
	16,486	16,235	9,797

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 £2,900k).

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 £000	2015/16 £000
Management Fees	8,597	6,637
Performance Related Fees	1,990	3,947
Custody Fees	81	97
Transaction Costs	2,638	2,900
Other	925	825
	14,231	14,407

12. Investment Income

	2016/17 £000	2015/16 £000
Income from bonds	2,829	£2,301
Income from equities	13,507	12,683
Pooled Property Investments	1,313	1,265
Pooled Investments - Other Managed Funds	0	63
Interest on Cash Deposits	3	81
Other	678	570
	18,330	16,963

13. Taxes on Income

	2016/17	2015/16
	£000	£000
Withholding Tax on Dividends	256	290

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	82,714	(1,232,108)	1,230,661	341,598
Equities	587,799	110,792	(287,072)	276,024	488,055
Pooled Investments	1,742,033	384,244	(51,545)	17,387	1,391,947
Pooled Property	252,966	13,387	(146,665)	209,781	176,463
Private Equity	55	0	(27)	0	82
Derivative Contracts	(182)	(182)	0	0	0
Total Invested	3,005,536	590,955	(1,717,417)	1,733,853	2,398,145
Cash Deposits	10,123				8,339
Net Investment Debtors	4,563	1,750			2,813
Net Investment Assets	3,020,222	592,705			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	10,123	8,339
Net Investment Debtors	4,563	2,813
Net Investment Assets	3,020,222	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	52	0.0	82	0.0
Internally Managed (cash and net debtors)	15,614	0.5	8,537	0.4
	3,035,836	100.00	2,417,833	100.00

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. are either below 5% or constitute a portfolio of segregated assets.

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	NAV-based pricing set on a forward pricing basis	Not required

Fair Value – Basis of Valuation...Continued

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided 32
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 31. Required by 6.5.5.1 d) and f), 7.4.2.13 of the Code.
Notes to the North Yorkshire 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

Fair Value – Basis of Valuation...Continued

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 Edition)	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
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

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.

Values at 31 March 2017	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	2,729,536	309,841	55	3,039,432
Non-financial assets at fair value through profit and loss				0
Financial liabilities at fair value through profit and loss	(3,596)			(3,596)
Net investment assets	2,725,940	309,841	55	3,035,836

Values at 31 March 2016	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	2,105,546	326,735	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	2,091,016	326,735	82	2,417,833

Following a review of investment characteristics, some investments held by the Fund have been categorised as Level 2 investments in 2016/17. These investments were also held in 2015/16 they have also been restated in the table above.

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			Fixed Interest Securities	422,864		
488,055			Equities	587,799		
1,145,224			Pooled Investments	1,492,196		
176,463			Pooled Property	252,966		
246,722			Diversified Growth Funds	249,837		
82			Private Equity	55		
			Derivative contracts			
	12,120		Cash		18,806	
13,584	0		Investment Debtors	6,234		
	8,515		Non Investment Debtors		8,675	
2,411,728	20,635	0		3,011,951	27,481	0
			Liabilities			
0			Derivative Contracts	182		
10,771			Investment Creditors	1,670		
		3,759	Non Investment Creditors			1,744
10,771	0	3,759		1,852	0	1,744
2,400,957	20,635	(3,759)		3,010,999	27,481	1,744

b) Net Gains and Losses on Financial Instruments

	2016/17	2015/16
	£000	£000
Fair Value Through Profit & Loss	590,955	(6,581)
Loans and Receivables	37	(20,489)
	590,992	(27,070)

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 reviewed regularly to reflect changes in activity and in market conditions.

The risk register covers a broad range of risks in addition to the solvency of the Fund, including but not limited to, investment strategy, pooling arrangements and key personnel risks.

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	10,123	101	10,224	10,022
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	6,931	0	6,931	6,931
Total Assets	3,022,589		3,530,487	2,514,691

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	2,411,240		2,801,544	2,020,936

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	10,123	8,339
Fixed Interest Securities	422,864	341,598
	432,987	349,937

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 £4,330k 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	31 March 2016
		£000	£000
Call Accounts			
Barclays	A/F 1	552	569
Santander UK	A/F 1	227	15
Fixed Term Deposit Notice Accounts			
Bank of Scotland	A+/F1	2,396	1,208
Leeds BS	A-/F1	366	71
Nationwide	A/F 1	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 £000	2015/16 £000
Debtors		
Investment Debtors		
Investment transactions	2,490	9,676
Accrued Dividends	2,058	2,122
Withholding Taxes Recoverable	1,686	1,786
	6,234	13,584
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	496	543
	8,675	8,515
Total Debtors	14,909	22,099

22. Current Liabilities

	2016/17	2015/16
	£000	£000
Investment Creditors	1,670	10,771
Sundry Other Creditors	1,744	3,759
	3,414	14,530

23. Additional Voluntary Contributions

	Market Value 31 March 2017	Market Value 31 March 2016
	£000	£000
Prudential	19,958	19,644

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).

APPENDIX B

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 Orphan body 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 Orphan body funding target	4.4% p.a. 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.

APPENDIX C

Independent auditor's report to the members of North Yorkshire County Council on the pension fund financial statements published with the North Yorkshire Pension Fund Annual Report

We have examined the pension fund financial statements for the year ended 31 March 2016 on pages 29 to 54.

Respective responsibilities of the Treasurer and the auditor

As explained more fully in the Statement of Responsibilities for the Financial Statements, the Treasurer is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of North Yorkshire County Council, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of North Yorkshire County Council for the year ended 31 March 2016 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.

Rashpal Khangura
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 Sovereign Square, Sovereign Street, Leeds
LS1 4DA . 29 September 2016

Contact us

North Yorkshire County Council, County Hall, Northallerton, North Yorkshire, DL7 8AD

Our Customer Service Centre is open Monday to Friday 8.00am - 5.30pm

(closed weekends and bank holidays). Tel: **01609 780 780**

email: **customer.services@northyorks.gov.uk** web: **www.northyorks.gov.uk**

If you would like this information in another language or format please ask us.

Tel: **01609 780 780** email: **customer.services@northyorks.gov.uk**