

## Agenda

**Meeting: Pension Fund Committee**

**Venue: The Brierley Room, County Hall,  
Northallerton, DL7 8AD**  
(location plan attached)

**Date: Thursday 23 November 2017 at 10 am**

Recording is allowed at County Council, committee and sub-committee meetings which are open to the public. Please give due regard to the Council's protocol on audio/visual recording and photography at public meetings, a copy of which is available to download below. Anyone wishing to record is asked to contact, prior to the start of the meeting, the Officer whose details are at the foot of the first page of the Agenda. We ask that any recording is clearly visible to anyone at the meeting and that it is non-disruptive. <http://democracy.northyorks.gov.uk>

### Business

- 1. Exclusion of the Public and Press** – To consider the exclusion of the public and press from the meeting during consideration of item 9 on the agenda on the grounds that this involves the likely disclosure of exempt information as defined in paragraph 5 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information)(Variation) Order 2006
- 2. Minutes of the meeting held on 14 September 2017** (Pages 6 to 17)
- 3. Any Declarations of Interest**
- 4. Public Questions or Statements**

Members of the public may ask questions or make statements at this meeting if they have given notice (including the text of the question/statement) to Steve Loach of Democratic Services (*contact details at the foot of page 1 of the Agenda sheet*) by midday on Monday 20 November 2017. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

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

If you are exercising your right to speak at this meeting, but do not wish to be recorded, please inform the Chairman who will instruct those taking a recording to cease while you speak.

5. **Pension Fund Risk Management Policy – Report of the Treasurer** (Pages 18 to 22)
6. **Administration Report - Member and Employer Issues – Report of the Treasurer** (Pages 23 to 35)
7. **Budget/Statistics - Report of the Treasurer** (Pages 36 to 38)
8. **Performance of the Fund’s Portfolio – Report of the Treasurer** (Pages 39 to 84)
9. **Investment Strategy Review - Report of the Treasurer**  
(Report not yet available)
10. **Pooling Arrangements – Report of the Treasurer**  
(Report not yet available)
11. **Pension Board – Draft Minutes of the meeting held on 12 October 2017 - Copy of the draft Minutes enclosed - Verbal update by the Chair of the Pension Board.**  
(Pages 85 to 93)
12. **Other business which the Chairman agrees should be considered as a matter of urgency because of special circumstances**

**NOTE:**

**There will be a presentation from an Insurance-Linked Security Manager at 12pm following the PFC Meeting. Lunch will be provided following this presentation.**

**There will be no Manager Meeting on Friday 24 November 2017; this has been replaced with the additional Investment Strategy workshop on 17 November 2017 at 10am.**

Barry Khan  
Assistant Chief Executive (Legal and Democratic Services)  
County Hall  
Northallerton

**Notes:**

**Emergency Procedures for Meetings**

**Fire**

The fire evacuation alarm is a continuous Klaxon. On hearing this you should leave the building by the nearest safe fire exit. Once outside the building please proceed to the fire assembly point outside the main entrance

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

An intermittent alarm indicates an emergency in nearby building. It is not necessary to evacuate the building but you should be ready for instructions from the Fire Warden.

**Accident or Illness**

First Aid treatment can be obtained by telephoning Extension 7575.

# PENSION FUND COMMITTEE

## 1. Membership

<b>County Councillors (8)</b>						
	<i>Councillors Names</i>				<i>Political Group</i>	
<b>1</b>	BLACKIE, John				NY Independents	
<b>2</b>	CHAMBERS, Michael MBE				Conservative	
<b>3</b>	LUNN, Cliff				Conservative	
<b>4</b>	MULLIGAN, Patrick				Conservative	
<b>5</b>	SOLLOWAY, Andy				Independent	
<b>6</b>	SWIERS, Helen (Vice-Chairman)				Conservative	
<b>7</b>	THOMPSON, Angus				Conservative	
<b>8</b>	WEIGHELL, John OBE (Chairman)				Conservative	
<b>Members other than County Councillors (1 and 2) Voting (3) Non-voting</b>						
<b>1</b>	CARR, David			City of York		
<b>2</b>	CLARK, Jim			North Yorkshire District Councils		
<b>3</b>	PORTLOCK, David			Chair of the Pension Board		
<b>Total Membership – (10)</b>				<b>Quorum – (3) County Councillors</b>		
<b>Con</b>	<b>Lib Dem</b>	<b>NY Ind</b>	<b>Labour</b>	<b>Ind</b>	<b>Other Voting Members</b>	
6	0	1	0	1	3	

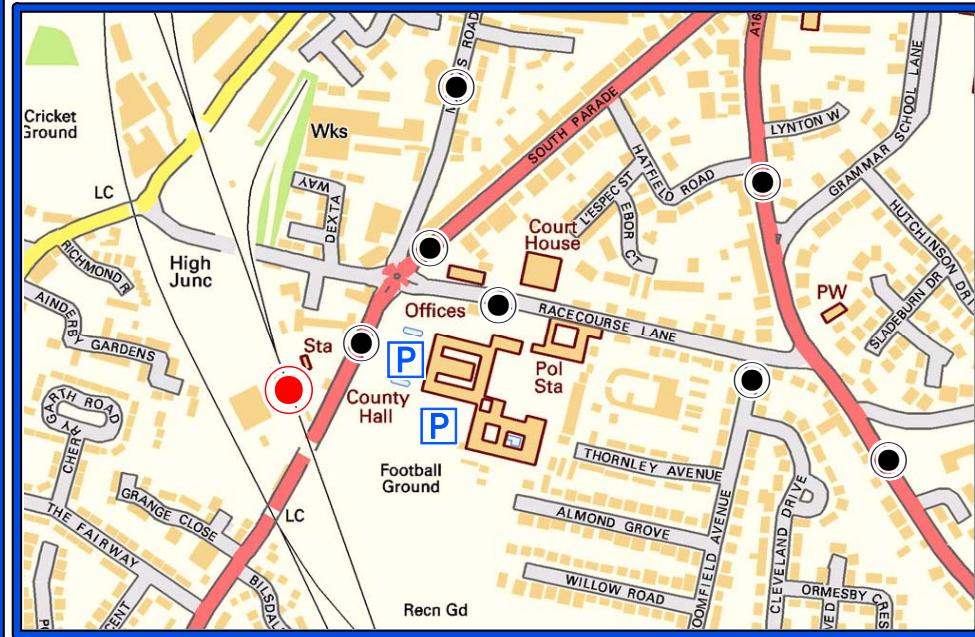
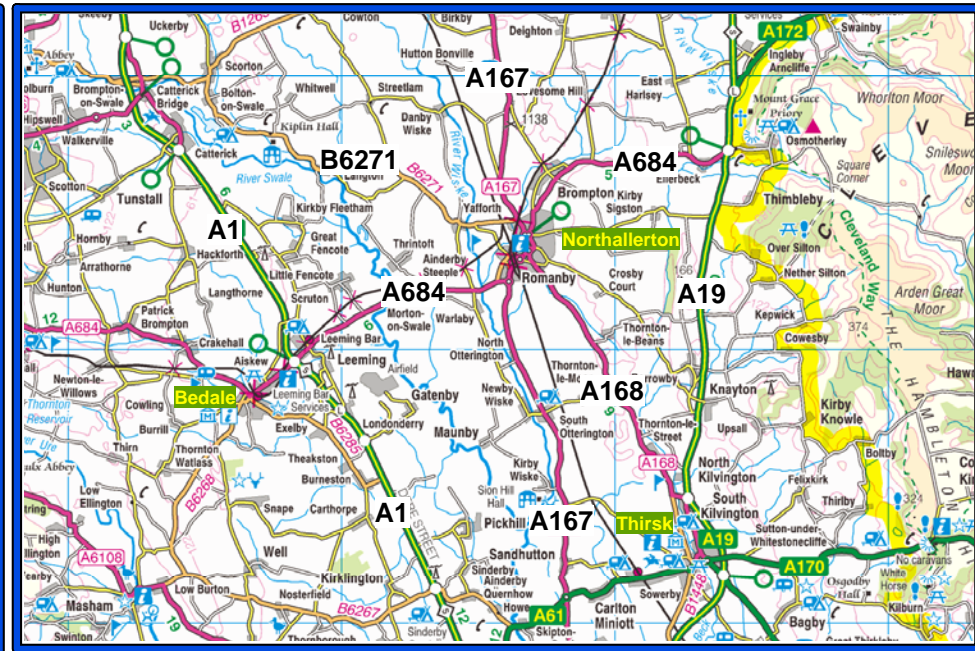
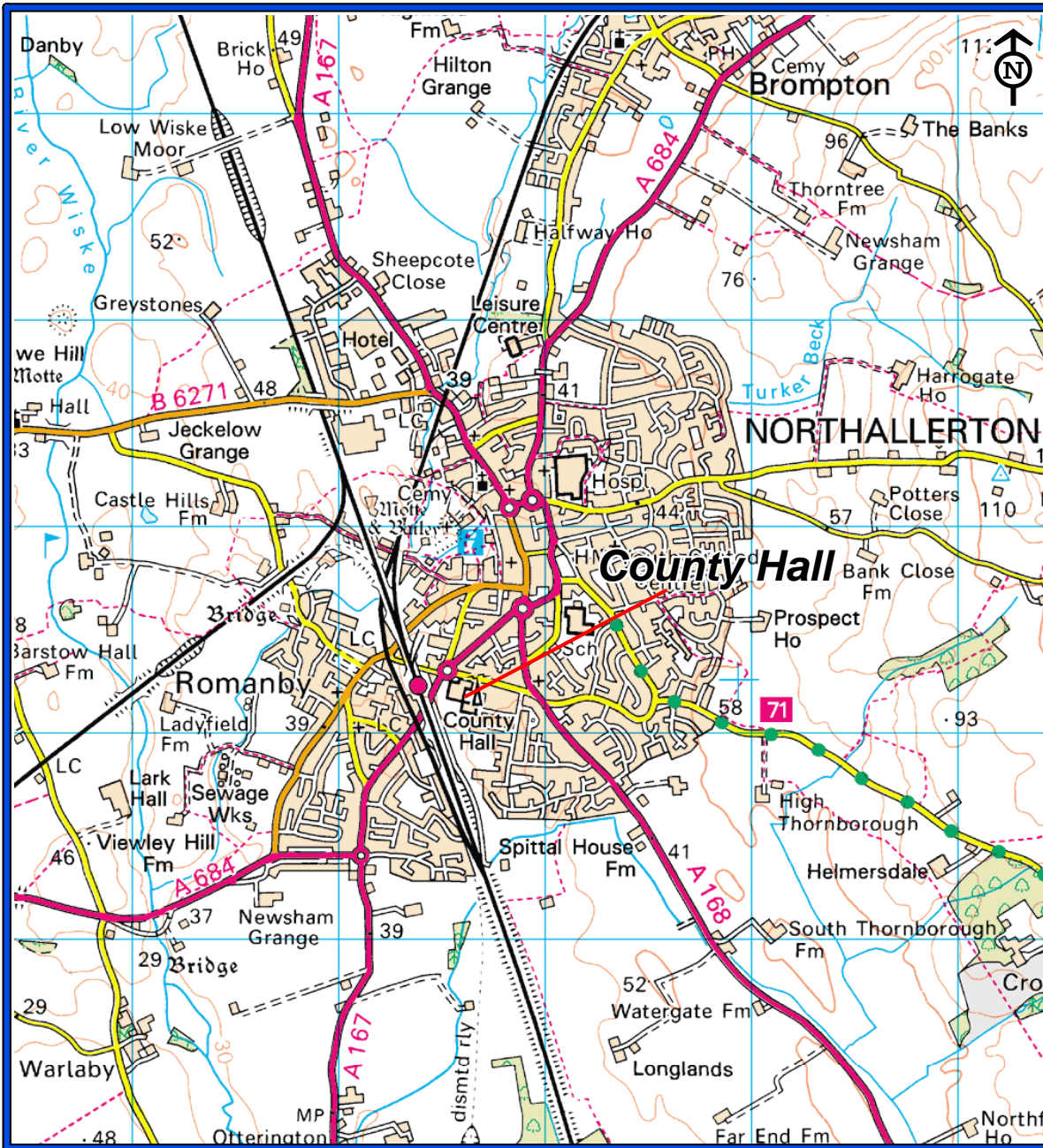
## 2. Substitute Members

<b>Conservative</b>			
	<i>Councillors Names</i>		
<b>1</b>	BLADES, David		<b>1</b>
<b>2</b>	PEARSON, Chris		<b>2</b>
<b>3</b>	LES, Carl		<b>3</b>
<b>4</b>	WINDASS, Robert		<b>4</b>
<b>5</b>	MANN, John		<b>5</b>
<b>NY Independents</b>			
	<i>Councillors Names</i>		
<b>1</b>			
<b>2</b>			
<b>3</b>			
<b>4</b>			
<b>5</b>			

## 3. Substitute Members

<b>1</b>	MERCER, Suzie	City of York
<b>2</b>	PEACOCK, Yvonne	North Yorkshire District Councils





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### County Hall

Northallerton  
North Yorkshire  
DL7 8AD



North  
Yorkshire County Council

Tel : 0845 8 72 73 74

## North Yorkshire County Council

### Pension Fund Committee

Minutes of the meeting held on 14 September 2017 at County Hall, Northallerton commencing at 10.00 am.

**Present:-**

County Councillors John Weighell OBE (Chairman), John Blackie, Michael Chambers, MBE, Cliff Lunn (as substitute for Richard Musgrave), Patrick Mulligan, Andy Solloway, Helen Swiers and Angus Thompson.

David Portlock – Chair of the Pension Board.

Apologies - Councillor Jim Clark - North Yorkshire District Councils

There were no members of the public present.

The Chairman introduced the new representatives of AON Hewitt, the Fund's Investment Consultants.

**Copies of all documents considered are in the Minute Book**

**17. Minutes**

**Resolved -**

That the Minutes of the meeting held on 6 July 2017, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

**18. Declarations of Interest**

There were no declarations of interest.

**19. Public Questions or Statements**

The Chairman noted that further questions had been received from a previous public questioner, in relation to fossil fuel investments, however, the request was for the Chairman and Treasurer to respond to the issues raised and, therefore, the questions would not be submitted to the Committee. The Chairman stated that he would provide a response to the questions accordingly.

**20. Pension Board Annual Report**

Considered -

The report of the Treasurer providing details of the Annual Report of the North Yorkshire Local Pension Board.

The Chairman of the Pension Board presented the document to the Committee, highlighting that this was the first Annual Report produced by the Board as the body

had only been in existence for part of the year for 2015/16, therefore, it was decided to amalgamate the initial work into one annual report up to March 2017.

In the terms of reference for the Board it was requested that an Annual Report was submitted to the Administering Authority, therefore, the report would be considered by the County Council's Executive, before being submitted to full County Council for consideration.

**Resolved -**

That the Pension Board annual report for 2016/17 be noted.

**21. North Yorkshire Pension Fund Final Accounts and Annual Report**

Considered -

The report of the Treasurer requesting Members to note the Statement of Final Accounts for the financial year 2016/17 and to approve the Pension Fund Annual Report for 2016/17.

The Treasurer highlighted the changes that had been made to the draft Statement of Accounts, with those having been delegated to him, and the Chairman, at the previous meeting of the Pension Fund Committee. He noted there had been no significant changes and the External Auditors had now signed off the accounts. Details of the changes were set out in the report and it was noted that the Constitution required the County Council's Audit Committee to approve the Final Accounts therefore, the details were submitted to the Pension Fund Committee for information only.

The Pension Fund's Annual Report 2016/17 was attached as an Appendix to the report and was submitted for approval by Members of the Committee. The Treasurer noted that the format of the report had been updated, however, the content remained the same as in previous years and was compliant with LGPS Regulations 2013.

The governance documents, referred to in the report, had been approved at the July meeting of the Pension Fund Committee.

A Member referred to the section relating to members leaving the Scheme and asked whether their pension payments were repaid or held for payment at a later date. In response it was stated that should Scheme members have been paying into the Fund for two years or less their payments would be refunded, otherwise these would be deferred for payments at pension age or transferred to another Pension Fund, on request. The Chairman noted that there were a large number of deferred pensions within the Scheme and highlighted that transfers in/out were a major issue for the Administration Team.

**Resolved -**

- (i) That the Statement of Final Accounts for 2016/17 be noted; and
- (ii) That the Pension Fund Annual Report for 2016/17 be approved.

**22. Implementation of the Markets in Financial Instruments Directive (MIFID II)**

Considered -

The Report of the Treasurer outlining the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") and in particular



the risk to the administering authority of becoming a retail client on 3<sup>rd</sup> January 2018.

The Treasurer explained the context to the requirement for North Yorkshire Pension Fund, and all other local authority Pension Funds, to be categorised as “retail clients” (unless opted up by firms to an elective professional client’ status), whereas previously they were classified as ‘per se professional’ clients.

The potential impact on the Fund was explained and would mean that all financial services firms would have to treat local authorities the same way as they did non-professional individuals and small businesses. There would be an impact on the Fund in terms of additional work, and money, required to implement the Directive. There would also be an impact in terms of the limiting of the range of assets available to implement an effective, diversified investment strategy as many institutions were not authorised to deal with retail clients. Certain asset classes would also become unavailable to LGPS fund portfolios. Details were set out in an appendix to the report.

The Treasurer outlined the process required to elect to be treated as professional clients (opt-up): the quantitative and qualitative test, and noted that the SAB, LGA, DCLG and IA had successfully lobbied the FCA to ensure the test better met the unique situation of local authorities. Details of the new tests were set out in an appendix to the report. The election to professional status had to be completed with all financial institutions prior to the change of status on 3<sup>rd</sup> January 2018. A standard opt-up process had been developed to enable a consistent approach to assessment. Appendices to the report detailed the process and provided appropriate templates.

The Treasurer detailed how applications could be made in respect of either all of the services offered by the institution or a particular service only. It was recommended that officers determine the most appropriate basis of the application, either via full or single service. Authorities were not required to renew elections on a regular basis but would be required to review the information provided in the opt-up process and notify all institutions of any changes in circumstances which could affect their status.

In terms of LGPS pools these were professional investors in their own right so would not need to opt up with the external institutions they use. Local authorities would however need to opt up with their LGPS pool in order to access the full range of services and sub-funds on offer. In some circumstances the pool could use ‘safe harbour’ provisions resulting from local authorities continuing to be named as professional investors in both the Financial Promotion Order (the “FPO”) or in the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order (the “PCISO”). These provisions would enable the promotion and potential sale of units in fund structures to local authorities as retail investors.

Elections to professional status would be needed for every financial institution that the authority used outside of the pool, both existing and new, together with a continuing review of all elections. If all new purchases were made via fund structures within the pool then no new elections will be required, only an ongoing review of the elections made with the pool and any legacy external institutions, the number of which would reduce as assets were liquidated and cash transferred.

The Treasurer stated that to continue to effectively implement the authority’s investment strategy after 3<sup>rd</sup> January 2018, applications for election for the Fund to be treated as a professional client should be submitted to all financial institutions, with whom the authority had an existing or potential relationship, in relation to the investment of the pension fund and the process should commence as soon as possible. Authority should be delegated to the Treasurer to make applications on



the authority's behalf and to determine the nature of the application on either full or single service basis. Updates on progress would be submitted to future meetings.

Discussion of the report by Members resulted in the following issues and points being raised:-

- ◆ Concerns were raised that the Directive overcomplicated the current situation, and did not improve the current situation. The Treasurer sympathised with the view expressed but emphasised that the Fund had to comply with Directive to ensure the investment strategy could continue to be implemented.
- ◆ It was noted that the Directive had to be in place by 3rd January 2018, and that the process had commenced on 3rd July 2017. The timescales for implementation were difficult, but were expected to be met.
- ◆ It was noted that the Directive would have still been implemented whether pooling had taken place or not, and plans were in place for this prior to the pooling requirements being developed.
- ◆ It was recognised that the issue was complex and the Treasurer re-emphasised the implications of not 'opting-up' ie no access to alternative investments or discussion of fees on existing investments.

**RESOLVED:-**

- (i) that the potential impact on the investment strategy of becoming a retail client, with effect from 3rd January 2018, be noted;
- (ii) that the immediate commencement of applications for professional client status, with all relevant institutions, in order to ensure that the Pension Fund can continue to implement an effective investment strategy, be agreed;
- (iii) that the Committee acknowledges, and agrees to forgo, the protections available to retail clients as detailed in Appendix 1 to the report, in electing for professional client status; and
- (iv) that agreement be given to the delegation of the responsibility to the Treasurer of the Fund to complete the applications and determine the basis of the application as either full or single service.

**23. Member and Employer Issues - Administration Report**

Considered -

The report of the Treasurer providing Members with information related to the administration of the Fund over the year, to date, and providing an update on key issues and initiatives which impact on the Administration Team. The report provided details of the following:-

- ◆ Admission agreements and new academies.
- ◆ Membership statistics.
- ◆ Performance statistics.
- ◆ Annual Benefits Statements.
- ◆ Efficiency review.
- ◆ GMP reconciliation.
- ◆ General Data Protection Regulations (GDPR) 2018.
- ◆ Member training.
- ◆ Meetings timetable.

It was noted that the report had been slightly altered in relation to previous reports with more visibility given to the impact on the Administration Team.

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

- ◆ A Member welcomed the new style of report and suggested that it was very informative.
- ◆ Another Member also welcomed the report but considered that it would be appropriate to provide feedback on the new style of reporting once this had been submitted to a number of meetings, allowing an overall impression of how this differed from previously to be developed.
- ◆ Noting the trend downwards in active members, it was asked whether there would be sufficient cash, going forward, to meet outgoings. In response it was noted that auto-enrolment for LGPS funds provided some safeguarding in terms of the cash-flow situation and it was considered that, currently, there would be sufficient cash available to the Fund, in terms of payments out, for the foreseeable future. It was noted that of the 12 Funds entering the BCPP pooling arrangements, only two of those were cash-flow positive, including North Yorkshire Pension Fund. It was a situation that would continue to be closely monitored, therefore.
- ◆ A Member noted that not all the Annual Benefits' Statements had been issued by the statutory deadline and, noting that the Pensions Regulator had stated that they were to be more robust around such issues, wondered whether consideration had been given to self-reporting this to the Regulator. In response it was noted that there was still outstanding work in relation to this issue and until that had been completed it could not be determined whether the figures published were correct in terms of the issuing of Annual Benefits' Statements. It was suggested, therefore, that it would be premature to self-report to the Regulator until the position had been fully clarified. It was noted, also, that the Administration Team had appropriate plans in place to address the situation. The Member considered that the issue still had to be considered, in case the Regulator did intervene. In relation to this it was stated that a breaches log was being developed, for such matters to be recorded, so full explanations could be provided to the Regulator when necessary. The Member suggested that this was an appropriate course of action in relation to this matter.
- ◆ A Member highlighted the details of conferences and seminars provided in the report and suggested that new Members to the Committee would benefit from attending some of these, as he had done during his years of service to the Pension Fund Committee and noted how they provided an excellent networking opportunity with representatives from other Pension Funds. It was stated that Members should contact Amanda Alderson or Gary Bowden if they wished to attend any conference/seminar detailed.
- ◆ Reference was made to the non-attendance of Members at the recent training session and it was suggested that, in future, events should be better publicised and reminders provided to Members of when these were taking place.
- ◆ Reference was made to the General Data Protection Regulations (GDPR) 2018 and it was asked whether there were sufficient resources in the Administration Team for the volume of work required in complying with these Regulations. In response it was stated that the overarching structure would be provided

through North Yorkshire County Council and would assist the Pensions Administration Team in complying with these Regulations.

- ◆ Members noted that there had been a substantial increase in the number of admitted bodies within the Fund and it was asked whether this was putting additional pressure on the Administration Team. It was acknowledged that a large amount of work had been created by the number of additional admitted bodies, particularly from the academisation of schools, but some of the burden of the work involved had been undertaken by the County Council's Legal Team, which was assisting the Pensions Administration Team in coping with the additional work. Members raised concerns regarding large numbers of additional admitted bodies coming into the Fund, the potential risk of those failing and the effect that could have on funding levels. It was acknowledged that this area was a potential risk to the Fund, however, it was expected that the Department for Education would be the guarantor for academies, should a failure occur, in terms of arrangements around pension funding. The Treasurer stated that he would clarify this situation with the Department for Education.

#### **Resolved -**

That the report, together with the issues raised by Members, be noted.

#### **24. GMP Reconciliation**

##### **Considered -**

The report of the Treasurer seeking approval to fund a comprehensive project to reconcile Guaranteed Minimum Pension (GMP) values held on the Pension Scheme administration system, Altair, with the values held for NYPF Scheme members on Her Majesty's Revenue and Customs (HMRC) records.

The Treasurer explained how the Local Government Pension Scheme was a defined benefits scheme which was contracted out of the State Earnings Related Pension Scheme (SERPS). From 6 April 2016, the Government had decided that contracting out would be abolished coinciding with the introduction of the new single tier state pension and, as a result, HMRC had provided a one-off service to enable schemes to reconcile the GMP figures they held with those held by the HMRC. The service would cease in December 2018 after five years of operation.

It was essential to reconcile the GMP element recorded on Altair with those held on HMRC systems, to ensure that qualifying pensions coming into payment together with qualifying pensions already in payment were paid at the correct amount, in line with the statutory regulations governing the administration of the LGPS. This would ensure the liabilities of the scheme were represented accurately at each future valuation.

The Treasurer stated that, for a varied number of reasons, there were a large number of discrepancies present in the data held on Altair and HMRC, therefore, before the cessation of the service offered the discrepancies would need to be rectified. He noted that the proposed reconciliation project was likely to identify significantly larger number of overpayments, compared to the number of underpayments, therefore it was important to undertake the project, so that these could be adjusted going forward.

An additional issue related to the Scheme and HMRC not agreeing on which members actually had a GMP and the reconciliation would ensure that the Scheme was paying the correct level of benefit at the correct time and that the liabilities of the Scheme were correctly reported at each valuation.

The Treasurer provided details of the extent of the work involved and noted that this was to be undertaken by an external organisation that specialised in the cleansing, extraction, comparison, and classification of data. He provided details of the financial justification for outsourcing the project and the costs involved. It was noted that the anticipated cost of the project was in the region of £230k with the work lasting for around 12 months. It was expected that the potential savings would be in the region of £1.9m on an ongoing basis, increasing each year in line with annual pension increases.

The following issues and points were raised during Members discussion of the report:-

- ◆ It was asked how underpayment/overpayment had occurred when LGPS had been working to a structured formula. An explanation was provided as to how this was occurring and why. An explanation was also provided as to how the discrepancies would continue to grow larger should the reconciliation not take place.
- ◆ A Member asked whether North Yorkshire Pension Fund would seek to recover overpayments, or pay out in relation to underpayments. It was explained that the rectification stage would take account of individual anomalies and the Pension Fund Committee would determine how to respond to those. It would not be necessary to impose a reclamation exercise where overpayments had occurred.
- ◆ It was clarified that the appropriate procurement procedure had been undertaken for the appointment of the external contractor who would be carrying out this process.
- ◆ Clarification was provided as to the extent of the project and the number of pensioners and independent members affected. It was noted that an initial analysis of data had been undertaken to determine the likely extent of the project. That analysis had identified the need to use an external contractor to deal with the project. It was expected that this would enable the reconciliation to be undertaken as efficiently and as effectively as possible.
- ◆ It was asked whether the timescales highlighted could be met and, once completed, that there would be no more issues in relation to this. In response it was stated that it was expected that the employment of the data team would enable the timescales to be fulfilled and would eradicate the discrepancies, going forward. It was noted that there would be no further opportunities to reconcile the discrepancies after December 2018. It was also clarified that the firm employed to undertake the project were liable for any issues that arose subsequent to that date.

#### **Resolved -**

That the expenditure required to complete the project outlined be approved.

#### **25. Budget and Statistics**

Considered -

The report of the Treasurer outlining the following:-

- (a) The expenditure/income position to date for 2017/18.
- (b) The cash deployment of the Fund.

The Treasurer stated that the cash surplus for the quarter to 30 June 2017 of £37.8m was higher than the forecast by £1.9m. Pensions' payroll expenditure of £19.9m and retirement grant payments of £7.3m were higher than forecast by £0.1m. Contributions income of £64.0m represented a £1.1m positive variance to the budget. Transfer income for the period was £0.7m more than forecast at £2.5m. The GMP reconciliation (as detailed in the previous item) had now been included in the budget.

Details of the cash deployment in 2017/18 were outlined in the report.

**Resolved -**

That the report be noted.

**26. Performance of the Fund's Portfolio for the Quarter ending 30 June 2017**

Considered -

The report of the Treasurer providing details of the investment performance of the overall Fund, and of the individual Fund Managers, for the period to 30 June 2017.

The report indicated that the absolute overall return for the quarter (+2.3%) was above the customised benchmark for the Fund (+0.7%) by +1.6%.

The 12 month absolute rolling return was +21.9%, 5.9% above the customised benchmark of +16.0%.

Absolute and relative returns over the rolling years to each of the last four quarter ends were provided by way of comparison.

The report provided details of individual Fund Managers' performance in respect of the following asset classes:-

- ◆ Overseas equities
- ◆ Global equities.
- ◆ UK equities.
- ◆ Fixed income.
- ◆ Property.
- ◆ Diversified growth funds.

Details relating to risk indicators, solvency, rebalancing and proxy voting were also provided.

The Treasurer invited representatives of AON Hewitt, the Fund's investment consultants, to provide an analysis of the performance of the Fund during the quarter to 30 June 2017 and they highlighted the following:-

- ◆ The Fund's investments had again performed very well during the quarter to the end of June 2017.
- ◆ There had been a strong performance in respect of equities, particularly from Baillie Gifford.
- ◆ The potential for interest rate rises, now being mooted worldwide, was having a positive effect on bond yields.

- ◆ The Fund was at 105% funding level at the end of June 2017, with a £160m surplus.
- ◆ Details of the performances of individual Fund Managers were highlighted and again the strong performance in the equity markets was noted.
- ◆ Investments into the private debt alternatives were continuing, with £20m invested by the end of August, moving toward a target of £130m.
- ◆ Changes to the portfolio management at Standard Life were outlined, together with some concerns regarding their performance.
- ◆ The forthcoming investment workshop would consider issues around the following:
  - currency hedging
  - how to reduce volatility in terms of equity investments
  - how to decrease volatility overall on the investment strategy whilst maintaining the good performance of the Fund's investments.

Members discussed the reports and the following issues and points were raised:-

- ◆ When considering disinvestment in equities the need to maintain the stronger performers, for example Baillie Gifford, with consideration given to reducing equities from other Fund Managers. The Investment Consultants acknowledged the issues raised but emphasised the need for the diversified portfolio, noting the strengths and weaknesses in each of the equity managers and their performance, both short term and long term, which were all of benefit to the Fund. It was emphasised that a measured approach to equity investments, to protect the Fund against volatility would be discussed in full at the investment strategy workshop.
- ◆ A Member welcomed the new representatives from the Investment Consultant, expressing his disappointment in losing the previous representatives, but stating that he looked forward to working with the new team.
- ◆ Issues around the performance of Fidelity and Standard Life were discussed with a brief outline of recent performance provided, however, it was noted that a much more in-depth discussion of Fund Managers' performance would take place at the following day's investment strategy workshop. The Treasurer noted that the discussions at the forthcoming workshop would be utilised to formulate recommendations, to be submitted to the Pension Fund Committee, in terms of moving forward with the investment strategy. A Member noted the current surplus and the recent excellent performance of the Fund's investments and emphasised the need to safeguard the current position wherever possible.
- ◆ It was noted that issues relating to the cash-flow position of the Fund and maintaining a positive cash-flow would also be considered at the investment strategy workshop, with a view to maintaining this going forward.

#### **Resolved -**

That the investment performance of the Fund for the period ending 30 June 2017 be noted.



## 27. LGPS Pooling Arrangements

Considered -

The report of the Treasurer updating Members on progress towards the Government's announced proposal to pool the assets of LGPS Funds and allowing the Committee to provide a formal view on Scheme Member representation on the Joint Committee.

The Chairman, also Chairman of the Joint Committee, provided details of the appointment of the non-Executive Chairman of the Board for the Pool and of the forthcoming appointment of the Chief Executive of the Board. He noted that the other appointments, both non-Executive and Executive, were yet to take place, but the recruitment process had commenced.

A Member raised concerns regarding the development of pooling, generally, despite accepting the fact that it had to be undertaken. He considered that an important issue ahead of the pool was asset allocations, with particular regard to the recent excellent performance of the North Yorkshire Pension Fund investments. He considered the lack of opportunity to have direct contact with Fund Managers, going forward, to discuss and debate how investments best suited the Fund would be detrimental. He also considered that the transition phase into the pool was potentially problematic and noted that there still appeared to be a focus on investment in infrastructure projects despite the North Yorkshire Pension Fund having expressed an opinion that it would only invest in the asset class should there be an appropriate project to invest in that which would provide the Fund with suitable returns.

He also raised concerns that the Board for the Pool would not have Local Government Pension Scheme experience unless the recruitment exercise actively sought to address that.

In response to the issues raised the Chairman acknowledged the concerns regarding the lack of Local Government Pension Scheme influence on the Board of the Pool and stated that he had made representations in relation to that. He was hopeful, therefore, that this matter would be addressed and that appropriate appointments would be made, going forward.

In respect of to the issues raised in relation to Fund Managers the Chairman noted that the Pension Fund Committee would continue to have an influence with regards to the investments made on behalf of North Yorkshire Pension Fund, however, the issue of direct contact with Fund Managers could not be controlled as North Yorkshire Pension Fund had to operate within the parameters of the pooling arrangements.

In terms of the transition process the Chairman outlined an initial timetable commencing in July 2018. He noted that full details would be presented to the Pension Fund Committee in relation to this and, at this stage, the timetable was not agreed and would be subject to alteration. He noted that further consideration was to be given to the transition process at the next meeting of the Joint Committee for the pool and those discussions would then be subject to consideration at a forthcoming meeting of the Pension Fund Committee. It was emphasised that transition into the pool from NYPF would be undertaken to best suit the needs of the North Yorkshire Pension Fund.

In respect of infrastructure the Treasurer emphasised that the Pension Fund Committee would determine asset allocation and investments on behalf of the North Yorkshire Pension Fund and, therefore, there would be no necessity to invest in infrastructure should that not be considered appropriate by the Committee. He also emphasised that there may be appropriate infrastructure projects that provided a suitable return and consideration would be given to these, if it was felt appropriate.

A Member asked whether some of the existing investments would be able to be transferred directly across to the pool, without having to disinvest and re-invest, thereby avoiding transition costs. In response it was noted that there would be more than 40 sub-funds available through the pool and it was hoped that some of these would allow the continuance of existing investments by the North Yorkshire Pension Fund, which could assist in reducing transition costs.

The Chairman outlined the difficulties being faced by the financial sector whereas previously they had 89 Funds to offer their services to and this was being reduced to eight pools of Funds, greatly reducing their opportunities to represent those Funds.

A Member emphasised the need to have appropriate systems and infrastructure in place, and fully tested, to ensure that BCPP was operating appropriately before the transition timetable commenced.

The Treasurer noted that the Section 151 Officers of the Funds had agreed to contact both the Chair and Vice-Chair of the Joint Committee and the non-Executive Chairman of the Board to outline their concerns regarding, potentially, the lack of local government experience and knowledge of the BCPP Board.

A Member emphasised the need for BCPP to perform strongly on investments to ensure that the recent performance of North Yorkshire Pension Fund was maintained.

The Chairman noted that the Pension Fund Committee had been requested to provide a formal view on Scheme member representation on the Pool's Joint Committee.

Discussion of this issue by Members raised the following issues and points:-

- ◆ It would be difficult to identify a single representative that could address Scheme member issues for all of the 12 Funds.
- ◆ It would be difficult to provide an appropriate report back mechanism due to the wide scale nature of the Pool, geographically, politically and demographically.
- ◆ Members considered that it was difficult to see how an appointment of a Scheme member representative on the Joint Committee would work effectively.
- ◆ It was suggested that, as the meetings would be public, Scheme member representatives would be able to attend, could ask questions at meetings and could report back accordingly, without being formally appointed to the Joint Committee.

**Resolved -**

- (i) That the update on progress towards the proposal to pool the assets of LGPS Funds, and the issues raised by Members in relation to that, be noted; and
- (ii) That no Scheme member representative should be appointed, formally, to the Joint Committee.

**28. Pension Board - Draft Minutes of the Meeting held on 20 July 2017**

Considered -

The draft Minutes of the Pension Board held on 20 July 2017.

**Resolved -**

That the draft Minutes be noted.

Members were invited to an investment strategy workshop taking place at 10 am on Friday 15 September 2017.

The meeting concluded at 12.30 pm

SL/JR

DRAFT

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

23 NOVEMBER 2017

## NYPF RISK MANAGEMENT POLICY

## Report of the Treasurer

**1.0 PURPOSE OF REPORT**

1.1 To approve the NYPF draft Risk Management Policy.

**2.0 RECENT EVENTS**

2.1 At the PFC meeting in July 2017, the governance policies of the Fund were approved. At this meeting it was noted that NYPF has a risk management process but not a formal policy. It was therefore suggested that a Risk Management Policy be produced for the Fund, recognising that it will to a large extent be based on the NYCC Risk Management Policy given its role as Administering Authority.

**3.0 NEXT STEPS**

3.1 The draft NYPF Risk Management Policy has been attached as **Appendix 1**. Both the NYCC Risk Management Policy and those of other Funds were reviewed when producing the document.

3.2 Members are asked to approve this document. Once approved it will be published on the NYPF website along with all other Fund governance policies. It will also be brought back to the PFC at least every 3 years for approval as advised by the Risk Management Team or earlier should specific attention be required.

**4.0 RECOMMENDATION**

4.1 Members approve the NYPF Risk Management Policy.

GARY FIELDING  
Treasurer  
Central Services  
County Hall  
Northallerton

10 November 2017

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## **1.0 INTRODUCTION**

- 1.1 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 are overseen by the Pension Fund Committee (PFC), which is a committee of the Council.
- 1.2 The primary objective 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. Investments of the Fund are selected with the aim of fully funding these benefit requirements over an extended number of years.
- 1.3 The day to day running of the Fund is delegated to the Treasurer, Corporate Director – Strategic Resources of the Council. The Treasurer is responsible for implementing the decisions of the PFC and is supported by specific teams within the Council. All aspects of the day to day management of investment funds are undertaken by external fund managers.
- 1.4 Risk, uncertainty and change create challenges to the Fund meeting its objectives. Risks, whether recognised or unforeseen, create a threat to achieving performance targets and change. Uncertainty and change, when considered thoroughly however, can also provide the opportunity to introduce new, innovative and effective ways to manage the Fund.
- 1.5 This Risk Management Policy has been developed by officers of the Fund and sets out the Fund's strategic approach to effective risk management. The Policy is to be approved at least every 3 years by the PFC, as responsibility for the Fund's risk management rests with them.

## **2.0 RISK MANAGEMENT DEFINITION**

- 2.1 A 'risk' is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event.
- 2.2 'Risk Management' is the approach to managing all of the Pension Fund's key service risks and opportunities with the aim of maximising service delivery effectiveness and efficiency. Risk management is critical to the overall management of the Pension Fund, including the management of staff, physical assets and financial resources.
- 2.3 Risk management is not about being 'risk averse', it is about being 'risk aware'. The Fund recognises that it is not necessary to eliminate risk entirely, risks are necessary to achieve the objectives of the Fund, for example, investment return targets. It is important to weigh up the risk against the opportunities that can be gained.

## **3.0 RISK OBJECTIVES OF THE FUND**

- 3.1 The Fund's risk management objectives are:
  - to continue to embed risk management into the culture of the Fund and all of its day-to-day activities
  - to manage risk in accordance with best practice and support well considered risk taking
  - to aim to reduce the overall cost of risk to the Fund
  - to continue to raise awareness of the need for risk management with all those involved in the management of the Fund
  - to maintain a robust framework and processes for identifying risks and their likely impact to inform the decision making of the Fund



#### 4.0 BENEFITS OF RISK MANAGEMENT

4.1 It is expected that if the Fund objectives above are being met that the following benefits will be realised:

- an established and reliable basis for decision making that can be justified
- improved governance of the Fund
- enhanced financial control of the Fund
- strengthened ability to meet the key objectives and targets of the Fund
- improved service for the members of the Fund
- supports innovation and allows the flexibility to be responsive to change
- avoids surprises and minimises loss and waste
- improved reputation of the Fund

#### 5.0 APPROACH TO RISK MANAGEMENT

5.1 Risk management is integral to all aspects of the management of the Fund. The Fund is committed to embedding risk management in all decision making. As such risk management is reflected in all of the Fund’s policies, including the following key policies:

- Investment Strategy Statement
- Funding Strategy Statement
- NYPF Annual Report and Accounts

5.2 The Fund operates within the risk framework of the Administering Authority. A Pension Fund Risk Register has been established that feeds into the NYCC Risk Register. This Risk Register identifies and analyses the risks faced by Fund. It covers a broad range of risks including both strategic, investment related risks and operational risks.

5.3 The NYCC standard risk evaluation approach has been adopted by the Fund to allow risk prioritisation and effective allocation of resources. Once risks have been identified and included on the risk register they are assigned a risk ranking, which will be red, amber or green. The ranking matrix is shown in the table below:

Probability	Risk Ranking				Category	
High	6	4	2	1	1	Very High
Med	6	5	4	2	2	High
Low	6	5	5	3	3	High Medium
Nil	6	6	6	6	4	Low Medium
	Nil	Low	Med	High	5	Low
	Highest Impact				6	Closed/Complete

5.4 Each risk is ranked based on the following:

- existing risk controls in place
- probability of the risk occurring (based on existing controls)
- impact of the risk occurring (based on existing controls)
- further risk controls which may reduce current probability or impact

5.5 The probability and impact/severity of each risk is measured using High, Medium and Low categories. The impact of risks occurring is split into the following 4 distinct areas:

1. failure to meet key objectives
2. financial impact
3. service delivery
4. loss of image or reputation

#### 5.6 **Review**

5.6.1 The risk register is reviewed twice yearly in a risk workshop, attended by Pension Fund officers and officers from the NYCC Risk Management Section, to reflect changes in activity and in market conditions.

5.6.2 The Risk Register is also taken to the Pension Board every 6 months for review and is approved annually by the PFC. As with all of the Fund's governance documents; the risk register is also reviewed annually by the Fund's Independent Professional Observer.

#### 5.7 **Risk Appetite**

5.7.1 The Fund accepts that it will face risks in order to achieve its objectives. However, it will not tolerate those risks which are assessed as having a high likelihood of causing a substantial impact on its financial position or services and/or lead to widespread member or employer complaints (category 1 risks in the table above). Any such risk identified will need to have a risk reduction plan developed and monitored by the PFC and implemented by the risk manager in order to ensure that the risk returns to a tolerable level within an acceptable timescale.

#### 5.8 **Responsibilities**

5.8.1 The responsibility and accountability for managing the risks within the Pension Fund lies with the PFC.

5.8.2 Officers involved in the daily management of the Fund are also integral to managing risk for the Fund, and will be required to have appropriate understanding of risk management relating to their roles.

5.8.3 Advisers and suppliers to the Fund are also expected to be aware of this Policy.

10 November 2017

## North Yorkshire County Council

## Pension Fund Committee

23 November 2017

## Administration Report

## Report of the Treasurer

**1. Purpose of the Report**

- 1.1 To provide Members with information relating to the administration of the Fund over the year to date and to provide an update on key issues and initiatives which impact the administration team.

**2. Admission Agreements & New Academies**

- 2.1 The latest position relating to Admission Agreements and schools converting to academy status in the year are shown in **Appendix 1**.

**3. Administration****3.1. Membership Statistics**

<b>Membership Category</b>	<b>At 31/03/2017</b>	<b>+/- Change (%)</b>	<b>At 30/09/2017</b>
Active	33,763	-4.24	32,332
Deferred	33,184	+3.94	34,492
Pensioner (incl spouse & dependant members)	20,744	+1.53	21,062
<b>Total</b>	<b>87,691</b>		<b>87,886</b>

The ongoing data cleansing exercise has resulted in a reduction in the active membership numbers and an increase in the deferred membership numbers. The data cleansing exercise will continue to impact on membership numbers going forward.

### 3.2. Throughput Statistics

Period from 1 July 2017 to 30 September 2017

Case type	Cases Outstanding at Start	New Cases	Cases Closed	Cases Outstanding at End
Transfer In quotes	9	32	28	13
Transfer Out quotes	29	90	85	34
Employer estimates	10	67	66	11
Employee estimates	17	129	113	33
Retirement quotes	29	392	391	30
Preserved benefits	156	1408	1152	412
Death in payment or in service	26	27	33	20
Refunds	34	867	834	67
Actual retirement procedure	62	328	296	94
Inter-fund transfers	35	88	78	45
Aggregate member records	88	199	125	162
Process GMP	251	5	2	254
Others	63	59	61	61
<b>Total Cases</b>	<b>809</b>	<b>3691</b>	<b>3264</b>	<b>1236</b>

'Business as usual' cases combined with the large volume of outstanding work continues to challenge the team. New processes to reduce the outstanding cases are working well.

### 3.3. Performance Statistics

The performance figures for the period 1 July 2017 to 30 September 2017 are as follows:

Performance Indicator	Target in period	Achieved
Measured work achieved within target	98%	96.2%
Customers surveyed ranking service good or excellent	94%	95.7%
Increase numbers of registered self-service users by 700 per quarter	700	1396

High work volumes and high demand within the team continue to impact our ability to meet the agreed performance indicator for work achieved within target. Work continues to be targeted at reducing the large volume of outstanding work and the various initiatives put in place are bearing fruit as we see the numbers reducing week on week. This will continue to be the primary focus for the administration team in the coming months.

### **3.4. Annual Benefit Statements - Update**

The latest position regarding the issuing of annual benefit statements as at 30 September 2017 is:

Actives – 90.43% have now had a statement produced  
Deferreds – 95.20% have now had a statement produced

As agreed at the last Committee meeting a Breaches Log has been created to record areas where we believe we have failed to meet the requirements of the regulations. In addition to identifying, rectifying and where necessary reporting a breach, it provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred. We have added the 2017 annual benefit statements to this log.

Section 70 of the Pensions Act 2004 imposes a requirement to report a breach of law. It is recognised that the Breaches Log needs a comprehensive 'Breaches Policy' to sit alongside it and this is being developed in accordance with the guidance given in The Pension Regulator's Code of Practice 14.

## **4. Issues and Initiatives**

### **4.1. GMP Reconciliation**

An initial project start-up meeting has been held with ITM Limited the third party appointed to undertake the work on our behalf. Our internal administrator, Barbara Nelson, is in post and is liaising with ITM as required.

A revised data cut from the administration system and the latest figures from HMRC have been provided to ITM to undertake the Phase 1 analysis again in order to produce a baseline for the project.

Fortnightly updates and a monthly statistical update will be provided throughout the project and these will be made available to the committee in future papers.

### **4.2 General Data Protection Regulations (GDPR) 2018**

An initial meeting was held with the NYCC representative taking this forward on behalf of the council. A meeting is scheduled internally to discuss what actions we need to take over and above those of the council. From this we will create a project plan, tasks list and a risk and issues log and assign resource to each work stream to ensure progress is made.

### **4.3 Efficiency Initiatives**

The letters review has commenced and the first template has been created and circulated. The next step is to set this up in our test environment and prove the concept. We have, unfortunately, started with the retirement options letter which is most complex letter as some work had already been done on the format and content of the letter.

Once we have proved the basic version works correctly we can then start to add in the conditional paragraphs to handle more complex members with various elements of benefits including AVCs.

#### 4.4 Complaints

Complaints are often made to NYPF and can come from a range of sources. The world of pensions is complex and very important to individuals so there is always a high likelihood of complaints. Each complaint does, however, provide an opportunity to learn and see if improvements can be made, whether that is one of process and / or communication. It is therefore intended that future reports will feature an update on the number and nature of complaints and what actions are arising as a result. This will allow Members to have visibility and challenge officers appropriately and helps to enhance transparency.

#### 5. Member Training

- 5.1. The Member Training Record showing the training undertaken over the year to 30 September 2017 is attached as **Appendix 2**.
- 5.2. Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 3**. Please contact Gary Bowden (01609 532520 or email [gary.bowden@northyorks.gov.uk](mailto:gary.bowden@northyorks.gov.uk)) for further information or to reserve a place on an event.

#### 6. Meeting Timetable

- 6.1. The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix 4**.

GARY FIELDING  
Treasurer  
Central Services  
County Hall  
Northallerton

10 November 2017



**APPENDIX 1- Academy Conversions**

<b>Name of School</b>	<b>Local Education Authority</b>	<b>Multi Academy Trust (MAT)Name</b>	<b>Conversion Date</b>	<b>Current Position</b>
Cannon Lee Secondary School	City of York Council	Hope Learning Trust	1.4.2017	Conversion complete. New name is Vale of York Academy
Filey CE Infant and Nursery School	NYCC	Ebor Academy Trust	1.4.2017	Conversion complete. New name is Filey CofE Nursery and Infants Academy
Park Grove Primary School	City of York Council	Ebor Academy Trust	1.4.2017	Conversion complete
Leyburn Primary School	NYCC	Yorkshire Collaboration Academy Trust	1.5.2017	Conversion complete
Tang Hall Primary School	City of York Council	Pathfinder Multi Academy Trust	1.5.2017	Conversion complete
Meadowside Community Primary School	NYCC	Elevate Multi Academy Trust	1.7.2017	Conversion complete
Aspin Park Primary School	NYCC	Elevate Multi Academy Trust	1.7.2017	Conversion complete
Topcliffe CofE VC Primary School	NYCC	Elevate Multi Academy Trust	1.8.2017	Conversion complete
Coppice Valley Community Primary School	NYCC	Red Kite Learning Trust	1.8.2017	Conversion complete
Barlby High School	NYCC	Hope Learning Trust	1.9.2017	Conversion complete
East Cowton CoE Primary School	NYCC	Dales Academies Trust	1.11.2017	Conversion complete
Eppleby Forcett CoE Primary School	NYCC	Dales Academies Trust	1.11.2017	No LGPS members
Kirkby Fleetham CoE Primary School	NYCC	Dales Academies Trust	1.11.2017	Conversion complete
Middleton Tyas CoE Primary School	NYCC	Dales Academies Trust	1.11.2017	Conversion complete
Richmond CoE Primary School	NYCC	Dales Academies Trust	1.11.2017	Conversion complete
Tockwith CE VC Primary School	NYCC	Ebor Academy Trust	1.11.2017	Conversion Complete
Clifton with Rawcliffe Primary School	City of York Council	Pathfinder Multi Academy Trust	1.6.2017	MAT did not send information to NYPF until 1.8.2017. Issues identified with staff list provided only resolved 27.10.17!
Woodthorpe Primary School	COYC	South Bank Multi Academy Trust	1.10.2017	Actuarial calculations provided. Waiting for confirmation that school converted 1.10.17
New Earswick Primary School	COYC	Pathfinder Multi Academy Trust	1.10.2017	MAT did not advise NYPF until 25.10.2017. Relevant information requested from the MAT in order to progress

South Otterington CoE Primary School	NYCC	Dales Academies Trust	1.12.2017	Actuarial calculations provided. Conversion delayed from 1.10.17 to 1.1.18
Barton CoE Primary School	NYCC	Dales Academies Trust	1.12.2017	Actuarial calculations requested
Ravensworth CoE Primary School	NYCC	Dales Academies Trust	1.12.2017	Actuarial calculations requested
Ainderby Steeple CoE Primary School	NYCC	Dales Academies Trust	1.1.2018	Waiting for further information
Croft Primary School	NYCC	Dales Academies Trust	1.1.2018	Actuarial calculations requested
Bolton on Swale CoE Primary School	NYCC	Dales Academies Trust	1.3.2018	Waiting for further information
Airy Hill CP School	NYCC	Endeavour Learning Academy Trust	1.12.2017	Actuarial information supplied. Original conversion date was 1.11.17 but delayed until at least 1.12.17
Castleton CP School	NYCC	Endeavour Learning Academy Trust	1.12.2017	Actuarial information supplied. Original conversion date was 1.11.17 but delayed until at least 1.12.17
Glaisdale CP School	NYCC	Endeavour Learning Academy Trust	1.12.2017	Actuarial information supplied. Original conversion date was 1.11.17 but delayed until at least 1.12.17
Lealholm CP School	NYCC	Endeavour Learning Academy Trust	1.12.2017	Actuarial information supplied. Original conversion date was 1.11.17 but delayed until at least 1.12.17
West Cliff CP School	NYCC	Endeavour Learning Academy Trust	1.12.2017	Actuarial information supplied. Original conversion date was 1.11.17 but delayed until at least 1.12.17
North Rigton CP School	NYCC	Yorkshire Causeway Schools Trust	1.11.2017	Actuarial information supplied. Awaiting confirmation when school converts
Easingwold School	NYCC	Outwood Grange Academies Trust	1.12.2017	Actuarial information supplied. Original conversion date was 1.10.17 but delayed until at least 1.12.17
Selby Community Primary School	NYCC	Selby Education Trust	1.12.2017	Actuarial information supplied. Waiting for confirmation when the school has converted so pension records can be updated (it has been delayed from 1.9.17)
Richmond School	NYCC	Arete Learning Trust	1.12.2017	Actuarial information supplied. Originally expected to convert 1.10.2017 but school has advised conversion delayed until 1.12.17
Greystone Community Primary School	NYCC	Outwood Grange Academies Trust	1.12.2017	Requested staff list
All Saints CE Primary School	NYCC	Yorkshire Causeway Schools Trust	1.12.2017	Original conversion date was 1.7.2016 but MAT advised it has been delayed. Target conversion date now 1.12.17. Requested further information from the MAT
Knayton Cof E Primary School	NYCC	Elevate Multi Academy Trust	1.12.2017	Original conversion date was 1.5.2017 but MAT advised it has been delayed. Target conversion date now 1.12.17. Requested further information from the MAT
Carlton Miniott CP School	NYCC	Elevate Multi Academy Trust	1.1.2018	In progress
Sowerby CP School	NYCC	Elevate Multi Academy Trust	1.1.2018	In progress
Hob Moor Oaks School	COYC	Ebor Academy Trust	1.1.2018	Initial contact made –further information requested
Hob Moor CP School	COYC	Ebor Academy Trust	1.1.2018	Initial contact made –further information requested

Newby & Scalby Primary School	NYCC	Scalby Learning Trust	1.1.2018	Initial contact made –further information requested
Thirsk School & Sixth Form College	NYCC	Arete Learning Trust	1.2.2018	Requested staff list to be sent in December 2017
Baldersby St James Church of England Voluntary Controlled Primary School	NYCC deemed to be employer	Hope Learning Trust	1.3.2018	Initial email sent to request staff list in January
Fulford School	COYC	South York Multi Academy Trust	1.1.2018	Initial contact made –further information needed
Dunnington CoE Primary School	COYC	South York Multi Academy Trust	1.2.2018	Will be progressed nearer the time
Danesgate Community School	COYC	South York Multi Academy Trust	1.3.2018	Will be progressed nearer the time
Wheldrake with Thorgnaby CE School	COYC	South York Multi Academy Trust	1.5.2018	Will be progressed nearer the time
Elvington CoE Primary School	COYC	South York Multi Academy Trust	1.6.2018	Will be progressed nearer the time
Archbishop of York's CoE Junior School	COYC	South York Multi Academy Trust	1.9.2018	Will be progressed nearer the time
Naburn CoE Primary School	COYC	South York Multi Academy Trust	1.10.2018	Will be progressed nearer the time
Lord Deramore's Primary School	COYC	South York Multi Academy Trust	1.11.2018	Will be progressed nearer the time
Escrick CoE VC Primary School	NYCC	South York Multi Academy Trust	Not known	Will be progressed when conversion date known
St Oswald's CE Primary School	COYC	South York Multi Academy Trust	Not known	Will be progressed when conversion date known
Langton Primary School	NYCC	Evolution Schools Learning Trust	Not known	Original conversion date was 1.10.2016 but MAT advised it has been delayed. New date not yet known.

39 'in progress'

## Admission Bodies

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
City of York Council	York Arts Education (Community Interest Company)	1.4.2017	Complete
City of York Council	City of York Trading Limited	1.6.2017	Complete
City of York Council (All Saints Roman Catholic School)	Compass Contract Services (U.K) Limited	22.7.2015	Complete
Thomas Hinderwell Primary Academy	Compass Contract Services (U.K) Limited	1.4.2015	Initial issues getting the academy to agree to their responsibilities. Current issues with academy disputing content of the admission agreement. They have been told it is not negotiable. Legal advisor at Ward Hadaway is progressing
City of York Council	abm catering solutions	1.9.2016	Solicitors still negotiating the terms of the main commercial contract! Draft admission agreement has been provided
City of York Council	Human Support Group	20.8.2017	Contractor disputing the content of the admission agreement. York and the contractor now trying to negotiate exit debt terms in the in the commercial contract
City of York Council	Bulloughs Cleaning Services Ltd	15.12.16	Admission agreement with Bulloughs for signing (York have signed)
Askham Bryan College	Churchill Contract Services	1.2.2017	Admission agreement with Churchill for signing (Askham Bryan have signed)
City of York Council	Greenwich Leisure Limited (GLL)	1.10.2017	Final admission agreement provided – scheduled for signature 27.11.2017
City of York Council (Lakeside Primary School)	Hutchison Catering Limited	27.7.2017	Draft admission agreement has been requested
Ebor Academy Trust (Park Grove Primary School)	Hutchison Catering Limited	27.7.2017	Waiting for the Trust to confirm the staff lists, also need main contract date
Ebor Academy Trust (Ebor Academy Filey)	Hutchison Catering Limited	27.7.2017	Waiting for the Trust to confirm the staff lists, also need main contract date
Pathfinder Multi Academy Trust (Clifton with Rawcliffe School)	ISS	27.7.2017	Waiting for the Trust to confirm the staff lists, also need main contract date. Also need queries from the academy conversion resolving before I can provide an employer contribution rate to the contractor/MAT
City of York Council (Poppleton Road CP School)	ISS	27.7.2017	Waiting for York to confirm the staff list
Pathfinder Multi Academy Trust (Hempland Primary School)	ISS	27.7.2017	Waiting for the Trust to confirm the staff lists, also need main contract date
Pathfinder Multi Academy Trust (Tang Hall School)	ISS	27.7.2017	Waiting for the Trust to confirm the staff lists, also need main contract date
City of York Council	Caterlink	Not known	Email from contractor 28.6.17 advising they have won

			contracts for York Council Schools. No details of which schools or when the contractors are effective from. Chased twice
Poppleton Ousebank Primary School - academy in the Hope Learning Trust	CH&Co Group	28.7.2017	Waiting for the academy to provide information to progress admission agreement – requested 6 times. Final warning email sent 26.10.17
City of York Council (Dringhouses Primary School)	abm catering	27.7.2017	Draft admission agreement requested
City of York Council (Headlands Primary School)	abm catering	27.7.2017	Draft admission agreement requested
City of York Council (St Paul's Primary School)	abm catering	27.7.2017	Draft admission agreement requested
City of York Council (Carr Infant School)	abm catering	27.7.2017	Draft admission agreement requested
City of York Council	Gough & Kelly	1.11.2017	Waiting for York to sign the Admission agreement
North Yorkshire Fire & Rescue	Intrinsic FM	17.7.2017	One member of cleaning staff involved. At initial stages, contract information requested for admission agreement to be drafted
City of York Council (Short breaks for adults with learning disabilities)	Contract not yet awarded	1.4.2018	Second generation outsourcing. Have provided actuarial calculation of employer rates for the City of York to include in their tender document
City of York	Explore York	1.5.2014	Explore York are exploring closing the scheme to new entrants. The City of York Council have requested an actuarial funding analysis before agreeing. NYPF will also need to agree

23 'in progress'

## Appendix 2

Date	Title or Nature of Course	Bateman B	Blackie J	De Courcey-Bailey M	Harrison-Topham R	Mulligan P	Swiers H	Weighell J	Clark J	Steward C	Portlock D	Hazeldine B	Unison (Vacancy)	Unison (Vacancy)
5-6 Oct 2016	Baillie Gifford LGPS Pension Seminar		✓	✓		✓	✓	✓	✓					
19-21 Oct 2016	PLSA Annual Conference	✓	✓			✓								
2 Nov 2016	PLSA Local Authority Conference	✓												
25 Nov 2016	Investment Strategy Review	✓		✓	✓	✓	✓	✓	✓		✓			
24 February 2017	NTCC Investment Manager Meeting	✓		✓	✓	✓	✓	✓	✓		✓			

Date	Title or Nature of Course	Blackie J	Mulligan P	Swiers H	Weighell J	Clark J	Portlock D	M Chambers	A Solloway	A Thompson	C Lunn	D Carr	Unison (Vacancy)	Unison (Vacancy)
25 May 2017	Induction Training	✓		✓	✓	✓	✓	✓	✓		✓			
26 May 2017	Induction Training			✓	✓	✓	✓	✓			✓			
6/7 July 2017	Member Training	✓		✓	✓	✓	✓	✓	✓		✓			
11/12 September 2017	BCPP New member seminar	✓		✓	✓	✓	✓			✓	✓			
15 September 2017	Investment Strategy Workshop	✓	✓		✓	✓	✓	✓			✓			

## UPCOMING TRAINING AVAILABLE TO MEMBERS

<b>Provider</b>	<b>Course / Conference Title</b>	<b>Date(s)</b>	<b>Location</b>	<b>Themes / Subjects Covered</b>
LAPFF	22 <sup>nd</sup> LAPFF Annual Conference	6-8 December 2017	Highcliff Marriott Hotel Bournemouth	Responsible investment – impact on Boards, impact on asset managers
LGC	Investment Seminar	1-2 March 2018	Carden Park Cheshire	Do all asset classes fit into the pooling model? As the pools are set up and the existing relationships within the LGPS change, it is even more important to be aware of all the contributing factors that impact on the investment of the fund
CIPFA	Members local pension board spring seminar	2 March 2018 1.30pm – 4.30pm	Albion Street Leeds	Latest information updates, training on specific topics and opportunities for discussion and networking with members of other Funds' Boards.
PLSA	Investment Conference	7-9 March 2018	EICC Edinburgh	Will address the key investment choices, challenges and changes faced by defined benefit and defined contribution pension funds and institutional investors. The conference includes keynote speeches; breakout sessions on DB, DC, Investment governance and culture and New horizons; an Academy Trustee Learning Zone; fringe meetings; an exclusive
PLSA	Local Authority Conference 2018	21-23 May 2018	Cotswold Water Park Four Pillars Hotel	A specialist pension event for Local Authorities, designed to look at the ever-changing Local Authority Pension Scheme.





## PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2017 AND 2018

Meeting Date	Time & Venue	Event	Fund Managers
17 November 2017	10am, County Room 1	Investment Strategy Workshop	
23 November 2017	10am, Brierley Room	Pension Fund Committee	
22 February 2018	10am, TBC	Pension Fund Committee	
23 February 2018	10am, TBC	Investment Manager Meeting	2 Managers TBC
24 May 2018	10am, TBC	Pension Fund Committee	
25 May 2018	10am, TBC	Pension Fund Committee	2 Managers TBC
5 July 2018	10am, TBC	Pension Fund Committee	
13 September 2018	10am, TBC	Pension Fund Committee	
14 September 2018	10am, TBC	Pension Fund Committee	2 Managers TBC

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

23 NOVEMBER 2017

## BUDGET / STATISTICS

## Report of the Treasurer

**1.0 PURPOSE OF THE REPORT**

1.1 To report on the following:

- (a) the expenditure/income position to date for 2017/18 (see section 2)
- (b) the cash deployment of the Fund (see section 3)

**2.0 2017/18 FORECAST**

- 2.1 Pensions Payroll Expenditure of £39.6m and Retirement Grant payments of £14.4m were lower than forecast by £0.2m.
- 2.2 Contributions Income is currently forecast to exceed budget by 1.2m.
- 2.3 In the six months to 30 September 2017 there have been much greater instances of both transfers in and out compared to previous years. The forecast for transfers in has increased by £1.5m to £9m and transfers out by £2m to £7m. Short term variances are expected for transfers.
- 2.4 The forecast for Performance Related fees has increased by £1.5m to £5m and Investment Management Fees has increased by £1m to £4.7m. This is a consequence of the excellent fund performance and therefore an increase in assets under management over the past twelve months.
- 2.5 The underlying yearly 17/18 cash-flow forecast for the pension fund is estimated at an in-year cash surplus of £1.2m. This is derived from the net surplus of £27.1m (Appendix 1) less the prepayments of 3 year past service deficits by seven employers of £25.9m.

**3.0 CASH DEPLOYMENT IN 2017-18**

- 3.1 The cash generated in the year by the annual surplus, together with the opening balance has been utilised in 2017/18 as follows:

	£m	
Cash Balance Brought Forward from 2016/17	8.7	
Surplus to 30 September 2017 (as per Appendix 1)	30.1	
<b>Cash Available as at 30 Sept 2017 before Rebalancing</b>	<b>38.8</b>	<b>(a)</b>
<b>Rebalancing – Cash Transfers</b>		
April 2017 Transfer to BlueBay	-0.9	
April 2017 Transfer to Newton	-10.0	
May 2017 Transfer to Standard Life	-10.0	
June 2017 Transfer from Permira	0.2	
July 2017 Transfer to Permira	-3.5	
August 2017 Transfer to M & G	-166.2	
August 2017 Transfer from Fidelity	30.7	
August 2017 Transfer from ECM	94.7	
August 2017 Transfer to Newton	-17.8	
August 2017 Transfer to Standard Life	-24.4	
August 2017 Transfer from Baillie Gifford	71.4	
August 2017 Transfer from Bluebay	3.5	
September 2017 Transfer from Permira	1.0	
<b>Total Rebalancing</b>	<b>- 31.3</b>	<b>(b)</b>
<b>Cash Available as at 30 September 2017</b>	<b>7.5</b>	<b>(a) + (b)</b>
<b>Add accruals as at 30 September 2017</b>	<b>6.0</b>	<b>(c)</b>
<b>Available for Rebalancing of the Fund</b>	<b>13.5</b>	<b>(d) = (a+b+c)</b>

#### 4.0 RECOMMENDATIONS

4.1 Members to note the contents of the report.

GARY FIELDING  
Treasurer  
Central Services  
County Hall  
Northallerton

10 November 2017

North Yorkshire Pension Fund Income and Expenditure as at 30 September 2017

Appendix 1

	Budget 2017/18 £000 (i)	Profiled Budget to 30 Sept £000 (ii)	Actual Income/ Expenditure to 30 Sept £000 (iii)	Variance ie (iii-ii) £000 (iv)	Forecast 2017/18 £000 (v)
<b>EXPENDITURE</b>					
<b>Benefits</b>					
Pensions	80,000	40,000	39,632	-368	80,000
Lump Sums (including refunds)	28,500	14,250	14,417	167	28,500
<b>sub total (a)</b>	<b>108,500</b>	<b>54,250</b>	<b>54,049</b>	<b>-201</b>	<b>108,500</b>
<b>Admin Expenses</b>					
Finance and Central Services inc ESS	1,200	600	0	-600	1,200
Pooling Expenses	350	175	45	-130	350
GMP Reconciliation programme	230	0	0	0	230
Other Admin Expenses	410	205	163	-42	410
<b>sub total (b)</b>	<b>2,190</b>	<b>980</b>	<b>208</b>	<b>-772</b>	<b>2,190</b>
<b>Investment Expenses</b>					
Investment Management Fees (Base)	3,700	1,850	2,235	385	4,700
Performance Related	3,500	0	0	0	5,000
Custodian Fees	150	75	67	-8	150
Other Investment Expenses	260	130	125	-5	260
<b>sub total (c)</b>	<b>7,610</b>	<b>2,055</b>	<b>2,426</b>	<b>371</b>	<b>10,110</b>
<b>Total Expenditure (d)</b>	<b>118,300</b>	<b>57,285</b>	<b>56,684</b>	<b>-601</b>	<b>120,800</b>
<b>INCOME</b>					
<b>Contributions</b>					
Employer and Employee Contributions	141,000	82,200	82,703	503	142,200
Early Retirement Costs Recharged	2,500	1,250	1,636	386	2,500
<b>sub total (e)</b>	<b>143,500</b>	<b>83,450</b>	<b>84,339</b>	<b>889</b>	<b>144,700</b>
<b>Transfers</b>					
Transfers IN (per individuals)	7,500	3,750	5,521	1,771	9,000
Transfers OUT (per individuals)	-5,000	-2,500	-4,159	-1,659	-7,000
<b>sub total (f)</b>	<b>2,500</b>	<b>1,250</b>	<b>1,361</b>	<b>111</b>	<b>2,000</b>
<b>Other Income</b>					
Class Action Proceeds	0	0	518	518	0
Other Investment Income (Hermes)	1,200	600	611	11	1,200
<b>sub total (g)</b>	<b>1,200</b>	<b>600</b>	<b>1,129</b>	<b>529</b>	<b>1,200</b>
<b>Total Income (h)</b>	<b>147,200</b>	<b>85,300</b>	<b>86,830</b>	<b>1,530</b>	<b>147,900</b>
<b>Net Surplus (i)</b>	<b>28,900</b>	<b>28,015</b>	<b>30,146</b>	<b>2,131</b>	<b>27,100</b>

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

23 NOVEMBER 2017

PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER  
ENDING 30 SEPTEMBER 2017

## Report of the Treasurer

**1.0 PURPOSE OF REPORT**

- 1.1 To report the investment performance of the overall Fund, and of the individual Fund Managers, for the period to 30 September 2017.

**2.0 PERFORMANCE REPORT**

- 2.1 The Fund Analysis & Performance Report (**Appendix 1**) produced by BNY Mellon Asset Servicing (MAS) provides a performance analysis of the North Yorkshire Pension Fund for the quarter ending 30 September 2017.
- 2.2 The report highlights the performance of the total Fund by asset class against the customised Fund benchmark. It also includes an analysis of the performance of each manager against their specific benchmark and a comparison of performance levels over time.

**3.0 PERFORMANCE OF THE FUND**

- 3.1 The absolute overall return for the quarter (+3.1%) was above the customised benchmark for the Fund (+1.5%) by +1.6%.
- 3.2 The 12 month absolute rolling return was +14.0%, 4.3% above the customised benchmark of +9.7%.
- 3.3 Absolute and relative returns over the rolling years to each of the last four quarter ends were as follows.

Year End	Absolute %	Relative %
30 September 2017	+14.0	+4.3
30 June 2017	+21.9	+5.9
31 March 2017	+24.7	+2.9
31 December 2016	+18.5	-1.5

- 3.4 The performance of the various managers against their benchmarks for the quarter ended 30 September 2017 is detailed on **page 8** of the MAS report and in **Section 4** below. This performance is measured on a time-weighted basis and expressed as a +/- variation to their benchmark.

- 3.5 The Appendices used in this report have been designed to present a fuller picture of recent investment performance.

**Appendix 2** Fund Manager Performance over the three years to 30 September 2017 in absolute percentage terms from a starting point of “100”

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

**Appendix 4** Solvency position (in % and £ terms) since the 2004 Triennial Valuation; this Appendix also shows in absolute terms the +/- in the value of assets and liabilities of the Fund

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

#### 4.0 FUND MANAGER PERFORMANCE

- 4.1 In monetary terms, the absolute return of +3.1% in the Quarter increased the invested value of the Fund by £96.7m. This Quarter, 10 managers/funds outperformed their respective benchmarks and 4 underperformed against their respective benchmarks. At the end of the September 2017 quarter the value of the Fund was £440m above the value at the end of September 2016, an increase of 15.7%.

##### Overseas Equities

- 4.2 **Fidelity** produced a relative return in the quarter of +0.4% against the benchmark return of +2.4%. Relative performance over the year to September 2017 was +0.1% against the benchmark of +16.9%. Over the last 5 years the manager has exceeded the benchmark by +0.6% p.a. (gross of fees).

##### Global Equities

- 4.3 The Global Alpha fund managed by **Baillie Gifford** returned +3.9% for the quarter against a benchmark return of +1.9%. Relative performance over the longer term was +7.1% over 1 year and +3.7% p.a. over 5 years. Since inception in 2006, the Fund has outperformed the FTSE All World by 2.6% p.a.

The LTGG fund, also managed by **Baillie Gifford** produced a return for the quarter of +7.2% against a benchmark return of +1.9%. LTGG is a relatively concentrated fund and short term volatility is to be expected. Relative performance over the longer term was +12.8% over 1 year and +8.0% p.a. over 5 years.

The Global equity funds for **Veritas** and **Dodge & Cox** produced a relative return of -2.5% and +0.9% respectively against the MSCI All Country World benchmark of +2.0%. Both managers invest on a global unconstrained basis so this benchmark is for performance measurement purposes only. In absolute terms, since inception in April 2015, Veritas and Dodge and Cox have returned +13.6% p.a. and +12.0% p.a. respectively against the benchmark return of +11.6%.

## UK Equities

- 4.4 **Standard Life** produced an absolute return of +8.7% for the quarter. This represents an outperformance of +5.2% against the benchmark. Relative performance for the year was +5.0% against the benchmark of +16.8%. Relative annualised performance over the longer term was -0.9% p.a. over three years and +1.4% p.a. over five years.

## Fixed Income

- 4.5 The investment in Gilts with **M&G** outperformed against the liability matching benchmark of -1.0% for the quarter to September 2017 by +0.3%. Performance for the year was +0.8% above the benchmark return of -5.6%, and annualised performance since inception in 2010 was +0.9% pa above the benchmark of +10.3%.

## Property

- 4.6 The investments with **Hermes, L&G and Threadneedle** produced +0.1%, -0.3% and +0.1% respectively in relative terms, against the property index for each manager in the quarter to September 2017.
- 4.7 Over the year to September 2017 **Hermes** outperformed against the benchmark, returning +10.5% in absolute terms against a benchmark of +9.5%. **L&G** underperformed against the benchmark, returning +8.5% in absolute terms against a benchmark of +9.3%. **Threadneedle** has met the benchmark of 9.3%.

## Diversified Growth Funds

- 4.8 The Investment with the **Standard Life** Global Absolute Return Strategy (GARS) Fund produced a relative underperformance for the quarter of -0.3% against a cash benchmark of +0.1%. The **Newton Investments** Real Return Fund also produced a relative underperformance for the quarter of -1.0% against the same cash benchmark.
- 4.9 Over the period since inception in March 2013, in absolute terms, Standard Life returned +2.3% p.a. against cash of +0.4% and a performance target of +5.5%. Newton achieved +2.4% p.a. against cash of +0.4% and a performance target of +4.5%.

## Private Debt

- 4.10 The Fund has recently made two Private Debt manager appointments. **Bluebay** have produced an absolute return of -0.4% against the benchmark of 2.2% for the quarter. **Permira** have produced an absolute return of +10.0% against a benchmark of 1.5% for the quarter to 30 September 2017.

## 5.0 RISK INDICATORS

- 5.1 The Report (**pages 10 and 11**) includes three long-term risk indicators.
- 5.2 The Fund's annualised **Standard Deviation**, which is a reflection of volatility, was 7.3% for the rolling three year period to 30 September 2017, 0.8% above the benchmark.
- 5.3 The **Sharpe Ratio** is a measure of how well the return compensates an investor relative to the risk taken. A higher Sharpe Ratio reflects a better return for a given level of risk or lower risk for a given level of return. The ratio for the Fund for the rolling three year period to September 2017 was +0.1% above benchmark at 1.7%.
- 5.4 The **Tracking Error** figure reflects how closely a fund manager's actual return follows their respective benchmark. As at September 2017 the figure was 2.6%.
- 5.5 The **Information Ratio** is a measure of excess returns in relation to the benchmark and the consistency of those returns. A high IR could be derived from a high portfolio return, a low benchmark return and a low tracking error. For the period up to September 2017 the ratio for the Fund was +0.8%.

## 6.0 SOLVENCY

- 6.1 The **solvency position** is presented in **Appendices 3 and 4**. As at 30 September 2017 the estimated solvency was 108%. This is an 18% increase from the solvency figure as at 31 March 2016, calculated by the Actuary during the 2016 Valuation process.
- 6.2 This increase in solvency is primarily due to asset outperformance over the period. Whilst these are very promising results for the Fund, it is important to note that this is not an indicator that contribution rates are likely to drop in the future.
- 6.3 This funding level update does not reflect the CPI increase of 3%, once it is confirmed that this will be used for pension increases it will be reflected in the funding level. It is expected that this will reduce the funding level by 1%.

## 7.0 REBALANCING

- 7.1 During the quarter to 30 September 2017 there was a rebalancing exercise carried out to bring equities back down to its target allocation of 62% from 65%, with the remaining balances going to the DGF funds and M&G.
- 7.2 In the quarter the Fund also fully disinvested from ECM and placed the funds with M&G until the private debt managers have fully drawn down funds.



## **8.0 MIFID II**

- 8.1 At the PFC meeting in September Members approved the decision to opt up to professional status for all of our investments and delegated responsibility to the Treasurer to complete the application process for this.
- 8.2 All applications were sent out by the advised deadline of the 30 September 2017 and so far the Fund has gained professional status for five of our 14 investments. The Fund is awaiting responses for the remaining Managers prior to the 3 January 2018 deadline.

## **9.0 PROXY VOTING**

- 9.1 The report from PIRC is available on request summarising the proxy voting activity in the period July 2017 to September 2017. This report covers the votes cast on behalf of NYPF at all relevant company AGMs in the period and includes an analysis of voting recommendations at selected meetings and responses to company engagement.

## **10.0 RECOMMENDATION**

- 10.1 Members are asked to note the investment performance of the Fund for the period ending 30 September 2017.

GARY FIELDING  
Treasurer  
Central Services  
County Hall  
Northallerton

10 November 2017



**BNY MELLON**  
ASSET SERVICING

**North Yorkshire Pension Fund**

**3 Months Ending 30 September 2017**

*Fund Analysis & Performance Report*



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### Market Review

#### Market Briefing - Quarter Ended 30 September 2017

##### Market Summary

Most equities achieved positive returns during 3rd quarter of 2017 whereas Bond markets saw mixed returns over the quarter.

##### UK Equities

The FTSE 250 was the best performing index with a return of 3.5%, followed by the FTSE Small Cap with a return of 3.0%. The FTSE 100 showed the weakest performance with a return of 1.8%. Over the one year period ending 30th September 2017, the FTSE Small Cap was the best performing index with a return of 18.0%. The FTSE 100 was the weakest performing index with a return of 11.2%.

Basic Materials was the best performing industry sector with a return of 13.8% for the quarter. The weakest performing sector was Health Care with a return of -5.5%. Over the one year period returns ranged from 32.7% for Basic Materials to -10.2% for Utilities. Financials was the second best performing sector with a return of 22.3% over the year.

##### Overseas Equities

Most Overseas Equity markets achieved positive returns during the quarter.

Within Europe, Norway was the best performing country with a return of 15.6%. This was followed by Italy with a return of 10.1%. The weakest performing country was Greece with a return of -13.6%. Over the one year period, Austria was the strongest performing country with a return of 53.5% and Belgium the weakest with a return of 3.7%.

Outside Europe, Brazil was the best performing country with a return of 19.5% followed by Canada with a return of 4.5%. Mexico was the weakest performing country with a return of -2.3%.

### Market Review

#### UK Bonds

For UK-Bonds the 3rd quarter returns were negative for most of the sectors. Non Gilts outperformed UK-Gilts with a return of 0.2% compared to a return of -0.5%. Within Gilts, Short-dated Gilts was the strongest performing sector with a return of -0.3%. Long-dated Gilts was the weakest performing sector with a return of -0.5%.

Over the one year period ending 30th September 2017, Non Gilts was the best performing sector with a return of -0.4% compared to the return of -3.6% for UK-Gilts. Within Gilts, Short-dated Gilts provided the strongest performance with a return of -0.7%, whilst the weakest came from Long-dated Gilts with -6.3%.

#### Overseas Bonds

Within Europe, Denmark was the best performing country with a return of 1.3%. Sweden was the weakest performing country with a return of 0.1%. Outside Europe, Canada was the best performing country with a return of -1.4%. Japan was the weakest performing country outside Europe with a return of -3.2%.

Over the twelve month period, most European Bonds saw negative returns. Spain provided the strongest performance with a return of -0.5%, followed by Denmark with a return of -1.3%. Outside Europe, the best performance came from the Australia with a twelve months return of -2.9%.

#### UK Index-Linked Gilts

UK Index Linked-Gilts achieved a negative return of -0.7% for the 3rd quarter of 2017. Within this sector, Short-dated Index-Linked Gilts provided the strongest performance with a return of 0.1%. The weakest performance was provided by Long-dated Index-Linked Gilts with a return of -1.0%.

Over the one year period, on an overall basis UK Index-Linked Gilts achieved a return of -3.8%. Over the same period, Short-dated Index-Linked Gilts was the strongest performing sector with a return of 1.4%, whereas Short-dated Index Linked Gilts showed the weakest performance, returning -5.4%.

#### UK Cash

Cash achieved a return of 0.0% over the quarter and 0.1% over the last twelve months.

Executive Summary

Fund Performance, Risk and Allocation Highlights

During the third quarter of 2017, the fund returned 3.08% versus its benchmark of 1.51%, thereby outperformed by 1.57%. In terms of longer period performance, the fund has outperformed over 3 years by 2.33% p.a.

At asset class level, the fund outperformed its blended benchmark in all asset classes. UK Equities is the best performing sector which outperformed its benchmark by 5.76%.

Over the quarter, majority of the accounts out-performed their benchmarks. The best performance (excluding the Cash Account) was shown by Permira Credit which out-performed its benchmark by 8.56%.

For asset allocation, the fund is closely matched to the benchmark with the largest variances being in Global Equity Units and Alternatives where the fund is 4.29% overweight and 6.38% underweight respectively.

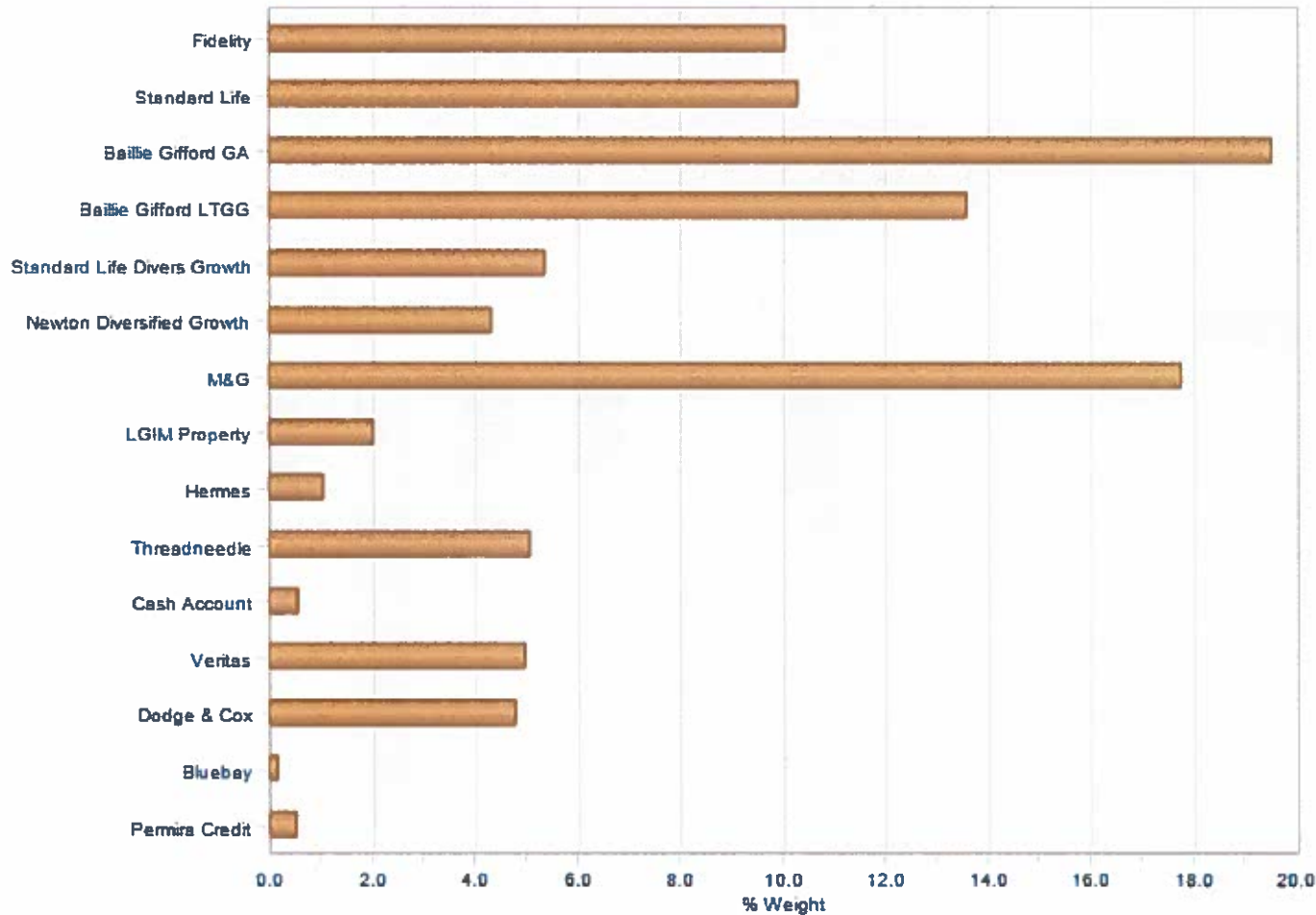
*Fund Allocation*





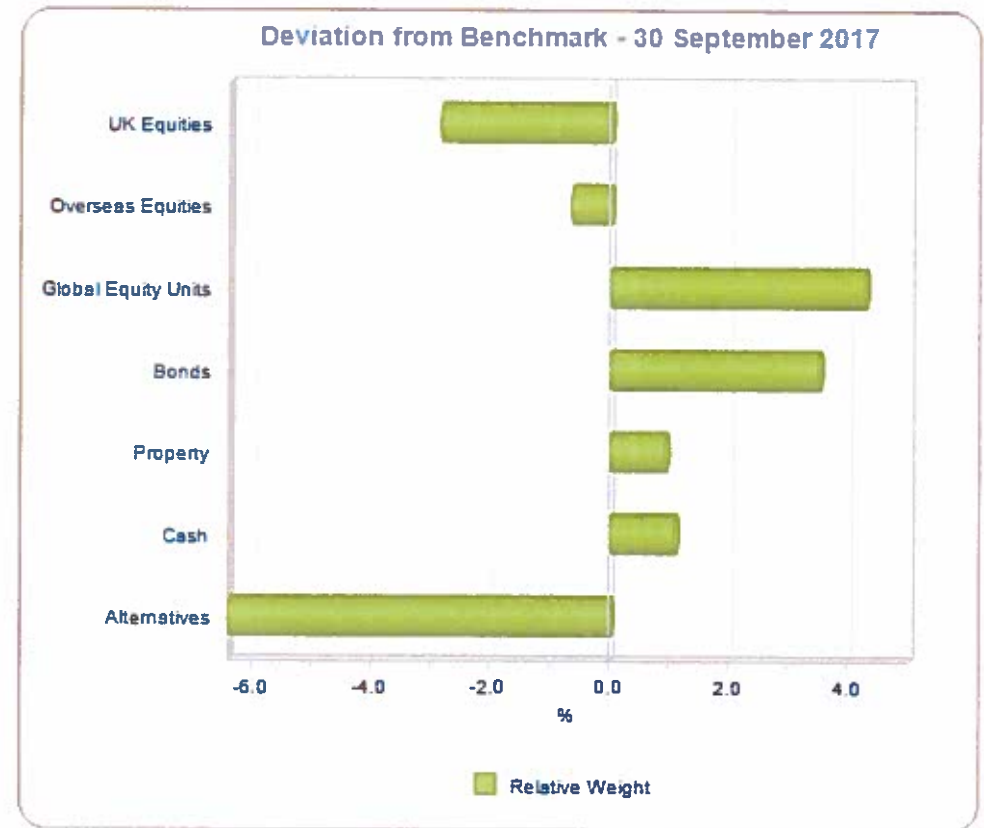
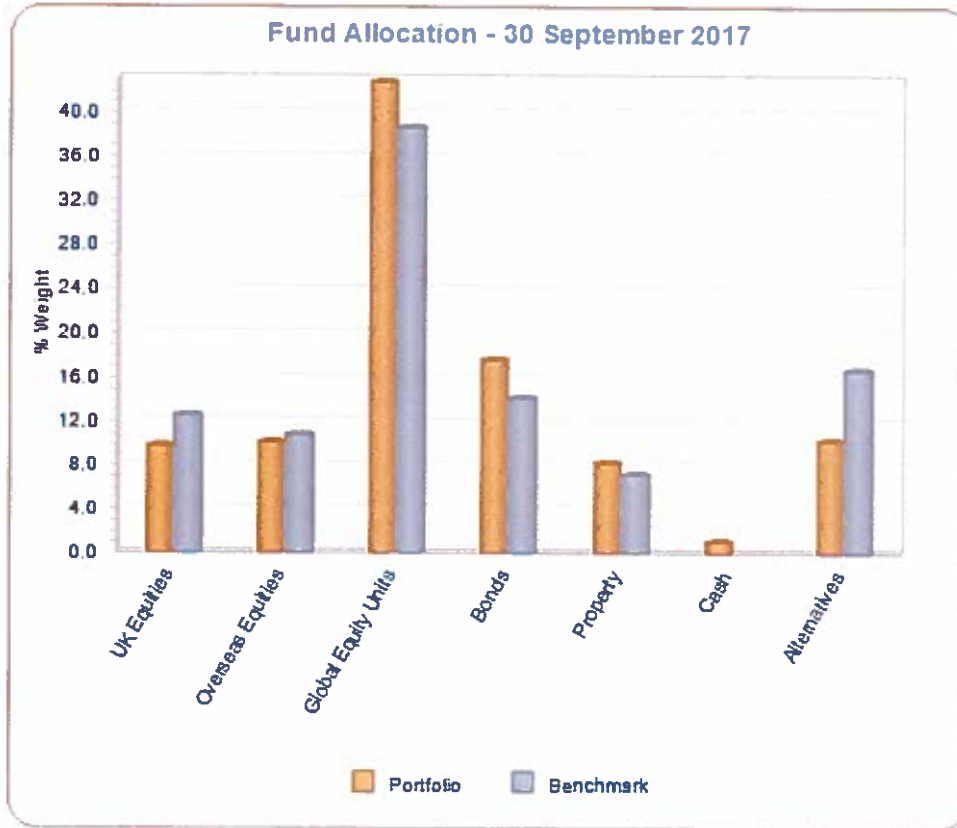
Fund Allocation - Managers

Manager Allocation - 3 Months Ending 30 September 2017



Manager	Weight (%)
Fidelity	10.04
Standard Life	10.31
Baillie Gifford GA	19.52
Baillie Gifford LTGG	13.57
Standard Life Divers Growth	5.36
Newton Diversified Growth	4.31
M&G	17.76
LGIM Property	2.00
Hermes	1.05
Threadneedle	5.09
Cash Account	0.54
Veritas	4.99
Dodge & Cox	4.81
Bluebay	0.16
Permira Credit	0.49



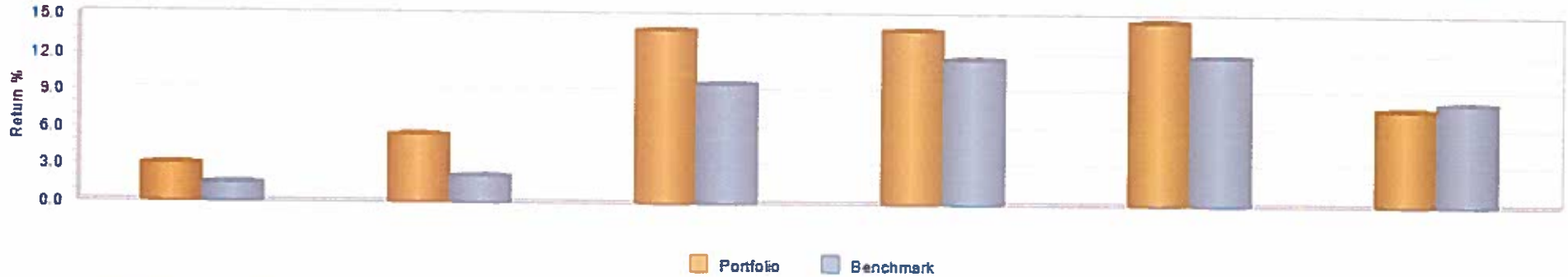


	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Cash	Alternatives
<b>Portfolio</b>	9.78	10.16	42.89	17.63	8.14	1.09	10.32
<b>Benchmark</b>	12.60	10.80	38.60	14.10	7.20		16.70
<b>Relative Weight</b>	-2.82	-0.64	4.29	3.53	0.94	1.09	-6.38

*Fund Performance*



Periodic Performance



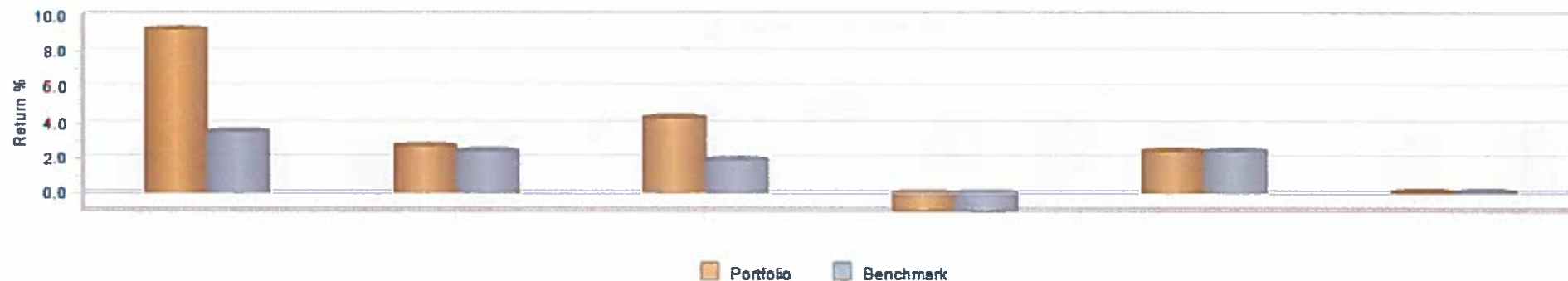
	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception (Ann)
Portfolio	3.08	5.47	14.04	14.03	14.80	7.76
Benchmark	1.51	2.20	9.71	11.70	11.85	8.28

Inception Date: 31 Jan 2002

Ann = Annualised

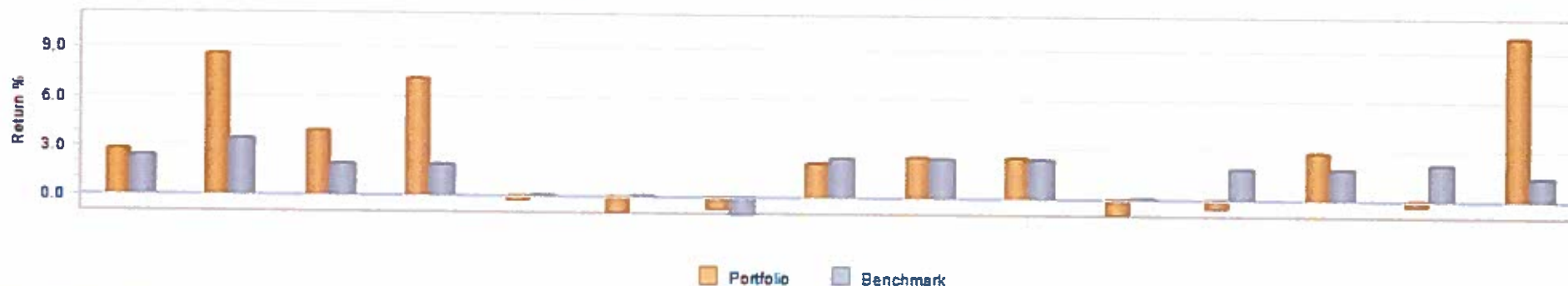
Fund Performance - Segment Analysis

Segment Performance - 3 Months Ending 30 September 2017



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Alternatives
Portfolio	9.25	2.66	4.32	-0.97	2.42	0.08
Benchmark	3.49	2.42	1.92	-1.02	2.38	0.06

Manager Performance - 3 Months Ending 30 September 2017



	Fidelity	Standard Life	Baillie Gifford GA	Baillie Gifford	Standard Life Divers	Newton Diversified	M&G	LGIM Property	Hermes	Threadneedle	Cash Account	Veritas	Dodge & Cox	Bluebay	Parmira Credit
Portfolio	2.76	8.66	3.92	7.18	-0.24	-0.91	-0.73	2.11	2.54	2.51	-0.91	-0.50	2.91	-0.37	10.03
Benchmark	2.42	3.49	1.90	1.90	0.06	0.06	-1.02	2.37	2.40	2.37	0.03	1.96	1.96	2.20	1.47

Manager Performance - 1 Year Ending 30 September 2017



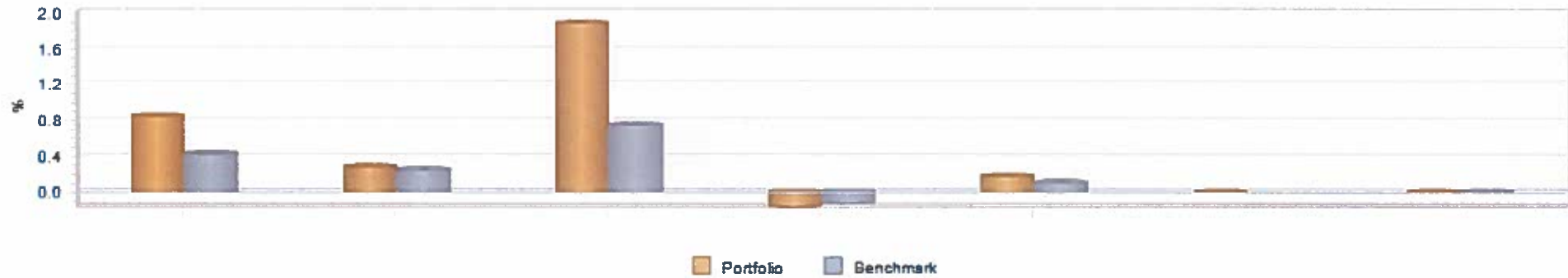
	Fidelity	Standard Life	Baillie Gifford GA	Baillie Gifford LTGG	Standard Life Divers Growth	Newton Diversified	M&G	LGIM Property	Hermes	Threadneedle	Cash Account	Veritas	Dodge & Cox
Portfolio	16.95	21.82	22.62	28.31	2.13	-3.08	-4.79	8.53	10.55	9.33	0.72	17.39	21.25
Benchmark	16.89	16.81	15.52	15.52	0.26	0.26	-5.56	9.26	9.47	9.26	0.12	15.49	15.49





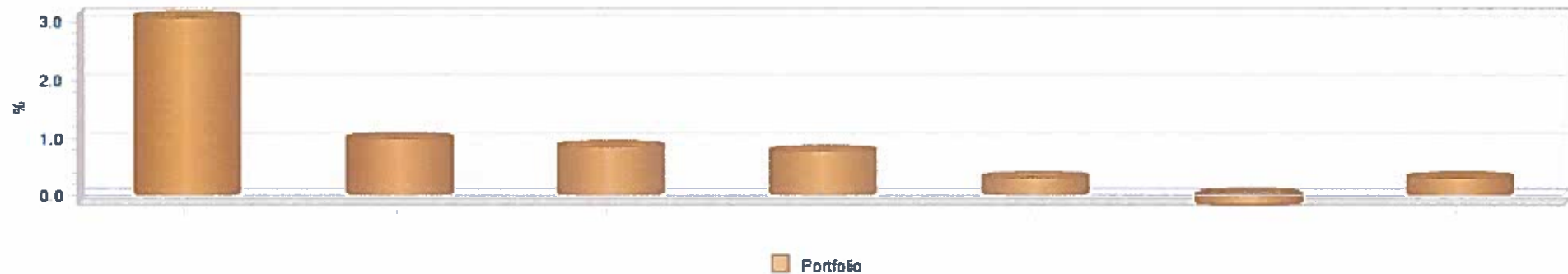
Fund Performance - Contribution Analysis

Source of Contribution - Quarter to 30 September 2017



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Cash	Alternatives
Portfolio	0.85	0.29	1.89	-0.15	0.19	0.00	0.01
Benchmark	0.44	0.26	0.75	-0.12	0.11		0.01

Top 5 Manager Contribution - Quarter to 30 September 2017



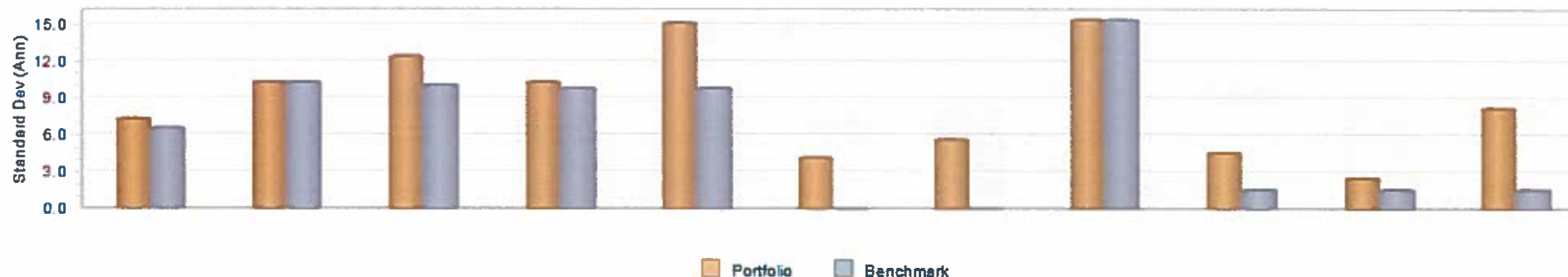
	Total Consolidation	Baillie Gifford LTGG	Standard Life	Baillie Gifford GA	Fidelity	M&G	Remaining Managers
Portfolio	3.06	0.99	0.84	0.78	0.30	-0.15	0.30

*Risk Profile*



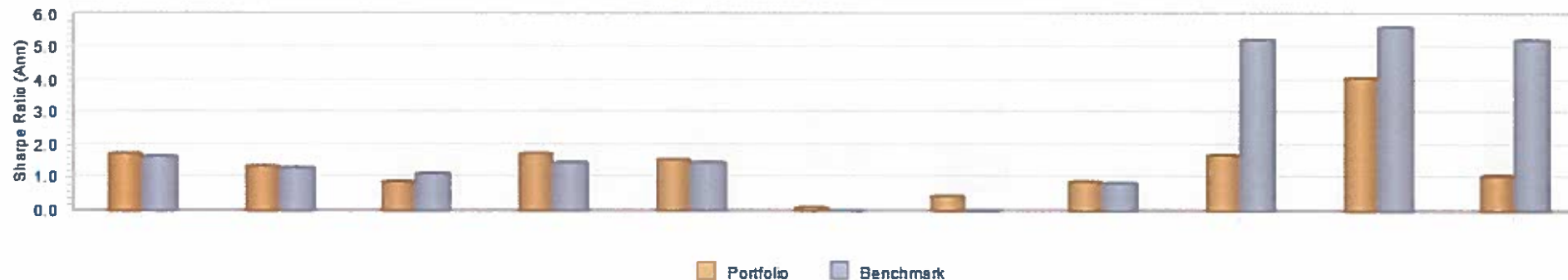
Risk Profile - Historic Risk

Standard Deviation - 3 Years (Ann) to 30 September 2017



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Baillie Gifford LTGG	Standard Life Divers Growth	Newton Diversified	M&G	LGIM Property	Hermes	Threadneedle
Portfolio	7.31	10.25	12.35	10.23	15.12	4.14	5.54	15.30	4.59	2.52	8.17
Benchmark	6.54	10.30	10.01	9.81	9.81	0.03	0.03	15.40	1.55	1.53	1.55

Sharpe Ratio - 3 Years (Ann) to 30 September 2017



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Baillie Gifford LTGG	Standard Life Divers Growth	Newton Diversified	M&G	LGIM Property	Hermes	Threadneedle
Portfolio	1.78	1.37	0.87	1.78	1.54	0.12	0.44	0.90	1.69	4.12	1.07
Benchmark	1.67	1.31	1.13	1.45	1.45	0.00	0.00	0.83	5.26	5.64	5.26

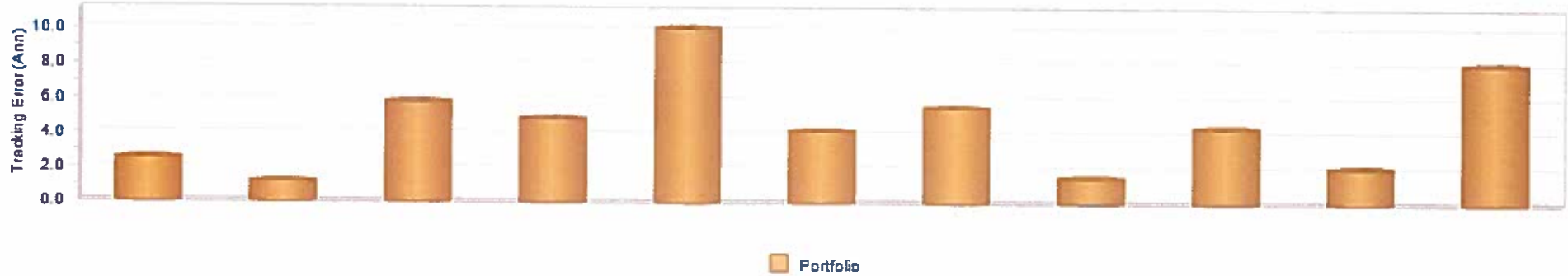
Ann = Annualised



Risk Profile - Historic Risk

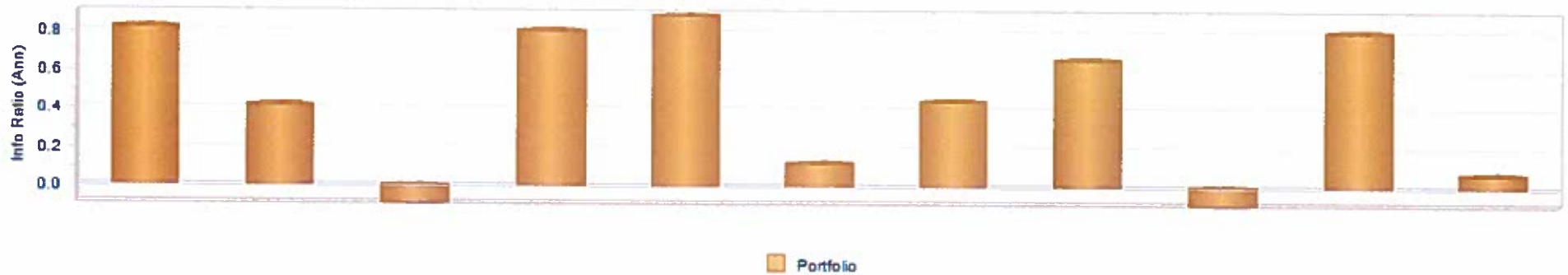


Tracking Error - 3 Years (Ann) to 30 September 2017



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Baillie Gifford LTGG	Standard Life Divers Growth	Newton Diversified	M&G	LGIM Property	Hermes	Threadneedle
Portfolio	2.59	1.16	5.81	4.87	10.13	4.15	5.54	1.47	4.40	2.11	8.10

Information Ratio - 3 Years (Ann) to 30 September 2017



	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Baillie Gifford LTGG	Standard Life Divers Growth	Newton Diversified	M&G	LGIM Property	Hermes	Threadneedle
Portfolio	0.83	0.42	-0.09	0.81	0.89	0.12	0.44	0.66	-0.09	0.81	0.07

Ann = Annualised

Risk Profile - Consistency Analysis

Manager	Active Number of Months	Number of Positive Months	Consistency Rate (%)	Benchmark Consistency (%)	Outperformance (%)
<b>Total Consolidation</b>	<b>189</b>	<b>124</b>	<b>66</b>	<b>68</b>	<b>56</b>
Fidelity	107	69	64	52	53
Standard Life	132	77	58	43	56
Baillie Gifford GA	132	84	64	46	57
Amundi	125	73	58		
Baillie Gifford LTGG	133	82	62	46	54
Standard Life Divers Growth	55	33	60	100	58
Newton Diversified Growth	55	30	55	100	55
M&G	70	38	54	59	57
LGIM Property	58	52	90	84	57
Hermes	67	54	81	82	57
Threadneedle	64	57	89	84	66
Veritas	30	20	67	67	47
Dodge & Cox	30	20	67	67	47
Bluebay	10	3	30	90	30
Permira Credit	7	4	57	100	57

*Fund Profile*



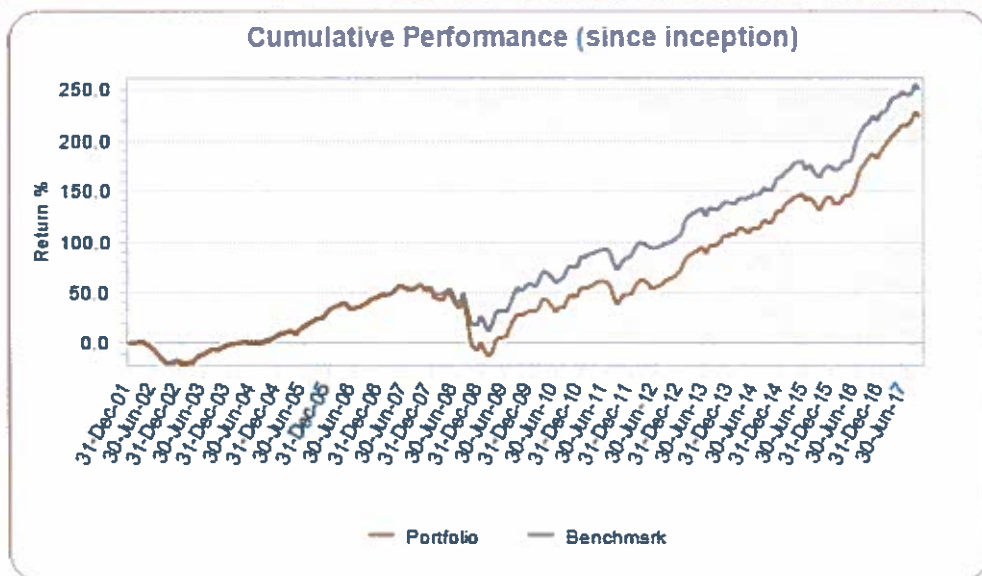
Fund Profile - Movement of Funds

Manager Name	Market Value 30-Jun-2017 (000's)	Net Contributions (000's)	Income (000's)	Gain/Loss (000's)	Market Value 30-Sep-2017 (000's)	% Change
<b>Total Consolidation</b>	<b>3,144,107.65</b>	<b>-139.51</b>	<b>4,872.03</b>	<b>91,983.43</b>	<b>3,240,823.60</b>	<b>3.08</b>
Total Consolidation	3,144,107.65	-139.51	4,872.03	91,983.43	3,240,823.60	3.08
Fidelity	346,704.91	-30,700.00	920.07	8,464.96	325,389.94	-6.15
Standard Life	307,592.27	0.00	2,119.29	24,527.50	334,239.06	8.66
Baillie Gifford GA	632,621.68	-24,400.00	0.00	24,476.04	632,697.72	0.01
Baillie Gifford LTGG	455,520.43	-47,000.00	0.00	31,161.79	439,682.22	-3.48
Standard Life Divers Growth	149,759.79	24,408.18	0.00	-545.09	173,622.89	15.93
Newton Diversified Growth	123,094.05	17,800.00	0.00	-1,147.98	139,746.07	13.53
M&G	414,254.48	166,048.56	539.86	-5,432.80	575,410.11	38.90
LGIM Property	63,345.42	0.00	0.00	1,336.48	64,681.90	2.11
Hermes	33,470.40	-311.05	311.05	534.48	34,004.88	1.60
Threadneedle	160,977.18	0.00	0.00	4,037.69	165,014.87	2.51
Cash Account	33,519.76	-15,800.93	-81.94	-0.31	17,636.57	-47.38
Veritas	162,509.48	0.00	0.00	-817.00	161,692.48	-0.50
Dodge & Cox	151,514.73	0.00	0.00	4,415.95	155,930.68	2.91
Bluebay	8,811.52	-3,569.98	88.69	-117.40	5,212.83	-40.84
Permira Credit	6,154.97	8,125.00	975.00	551.77	15,806.74	156.81

*Manager Analysis*



Manager Analysis - Total Consolidation



Inception Date: 31 Jan 2002

**Periodic Performance**

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	3.1	5.5	14.0	14.0	14.8	7.8
Benchmark	1.5	2.2	9.7	11.7	11.9	8.3

**Risk Profile - 3 Years (Ann) to 30 September 2017**

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	7.3	1.8	2.6	0.8
Benchmark	6.5	1.7		

**Portfolio Size and Mandate**

**Portfolio Size (GBP)**

3,240,823,598

**Portfolio Mandate**

Total Plan

**Allocation - 30 September 2017**

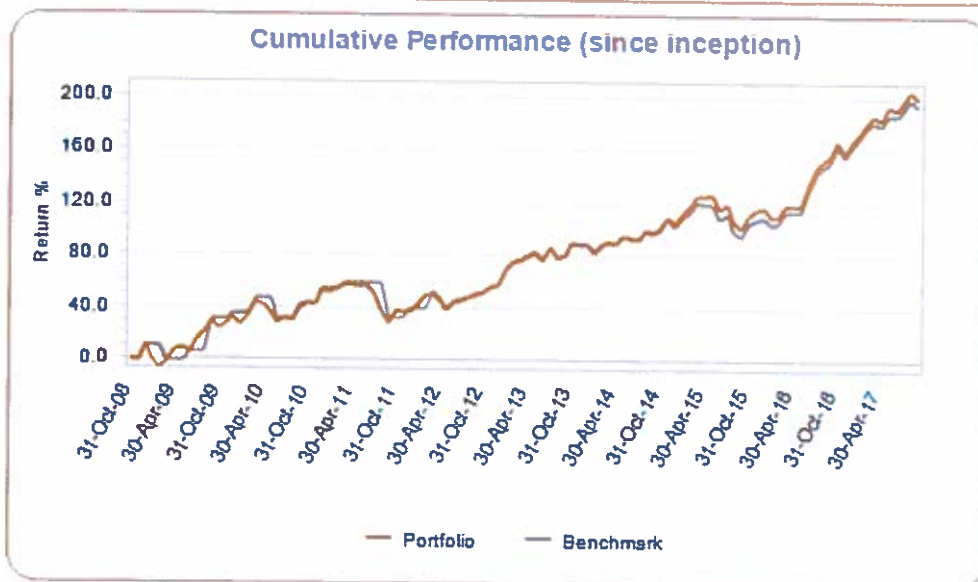
	UK Equities	Overseas Equities	Global Equity	Bonds	Property	Cash	Alternative
Portfolio	9.78	10.16	42.89	17.63	8.14	1.09	10.32
Benchmark	12.60	10.80	38.60	14.10	7.20		16.70

**Summary - 3 Months Ending 30 September 2017**

The fund's relative performance of the Quarter and 1 Year was 1.6% and 4.3% respectively.



Manager Analysis - Fidelity



Inception Date: 30 Nov 2008

Portfolio Size and Mandate

Portfolio Size (GBP)

325,389,939

Portfolio Mandate

Global Equities

Allocation - 30 September 2017

	UK Equities	Overseas Equities	Cash
Portfolio	0.00	98.14	1.86
Benchmark		100.00	

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	2.8	4.7	17.0	14.8	14.8	13.1
Benchmark	2.4	4.0	16.9	14.3	14.2	12.9

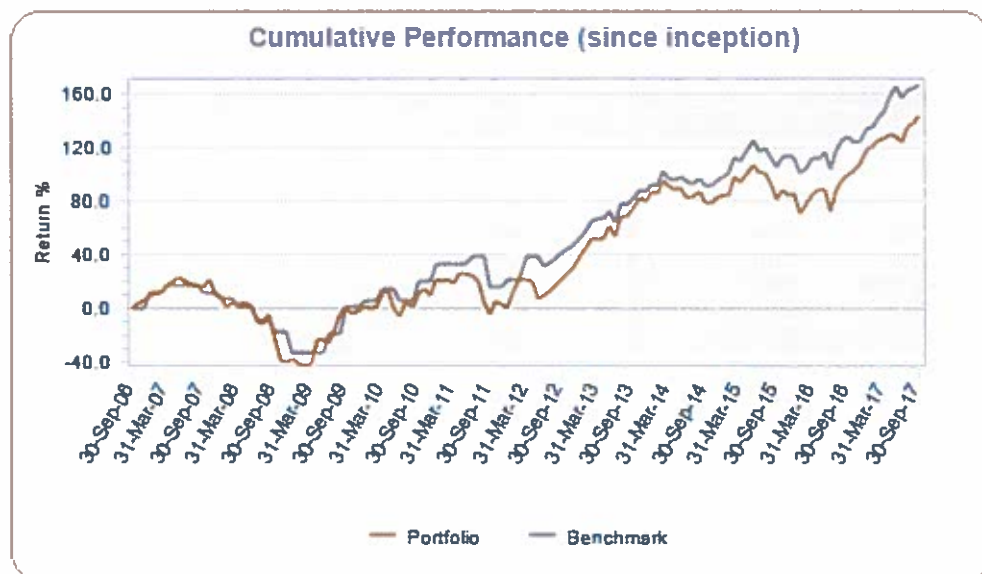
Summary - 3 Months Ending 30 September 2017

The manager's relative performance of the Quarter and 1 Year was 0.4% and 0.1% respectively.

Risk Profile - 3 Years (Ann) to 30 September 2017

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	10.3	1.4	1.2	0.4
Benchmark	10.3	1.3		

Manager Analysis - Standard Life



Inception Date: 31 Oct 2006

Periodic Performance						
	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	8.7	7.1	21.8	10.9	14.9	8.4
Benchmark	3.5	7.7	16.8	11.8	13.5	9.3

Risk Profile - 3 Years (Ann) to 30 September 2017				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	12.4	0.9	5.8	-0.1
Benchmark	10.0	1.1		

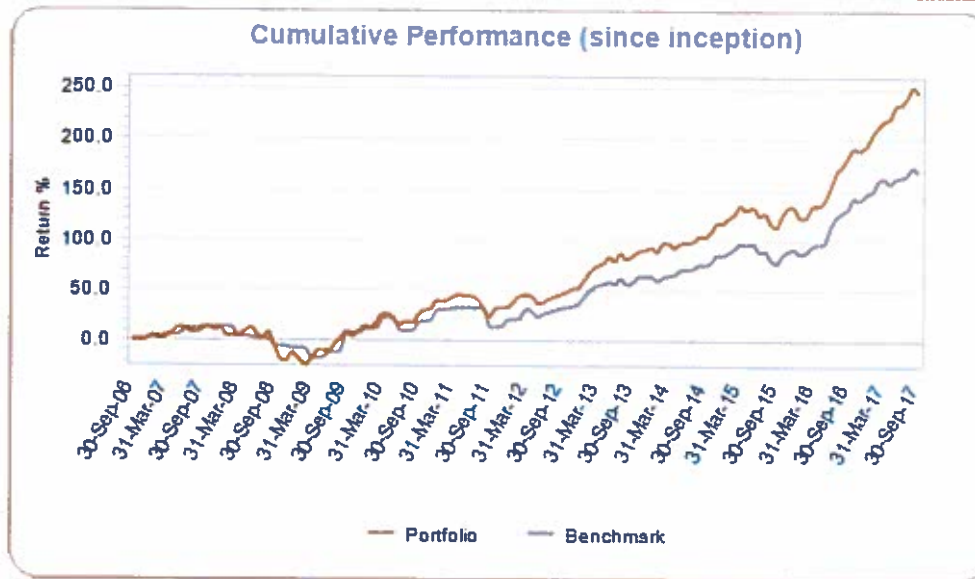
Portfolio Size and Mandate	
Portfolio Size (GBP)	Portfolio Mandate
334,239,058	UK Equities

Allocation - 30 September 2017			
	UK Equities	Overseas Equities	Cash
Portfolio	94.77	2.94	2.29
Benchmark	100.00		

Summary - 3 Months Ending 30 September 2017

The manager's relative performance of the Quarter and 1 Year was 5.20% and 5.0% respectively.





Inception Date: 31 Oct 2006

**Periodic Performance**

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	3.9	8.8	22.6	19.7	18.8	12.0
Benchmark	1.9	2.4	15.5	15.1	15.1	9.4

**Risk Profile - 3 Years (Ann) to 30 September 2017**

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	10.2	1.8	4.9	0.8
Benchmark	9.8	1.4		

**Portfolio Size and Mandate**

**Portfolio Size (GBP)**

632,697,723

**Portfolio Mandate**

Global Equities

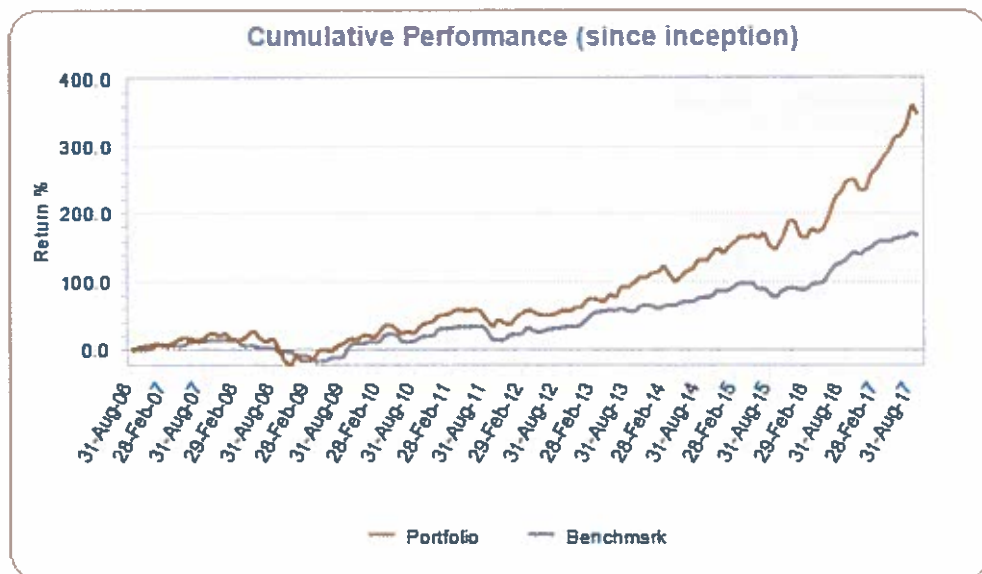
**Allocation - 30 September 2017**

	Global Equity Units	Cash
Portfolio	100.00	0.00
Benchmark	100.00	

**Summary - 3 Months Ending 30 September 2017**

The manager's relative performance of the Quarter and 1 Year was 2.0% and 7.1% respectively.

Manager Analysis - Baillie Gifford LTGG



Inception Date: 30 Sep 2006

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	7.2	16.7	28.3	25.0	23.1	14.5
Benchmark	1.9	2.4	15.5	15.1	15.1	

Risk Profile - 3 Years (Ann) to 30 September 2017

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	15.1	1.5	10.1	0.9
Benchmark	9.8	1.4		

Portfolio Size and Mandate

Portfolio Size (GBP)

439,682,219

Portfolio Mandate

Global Equities

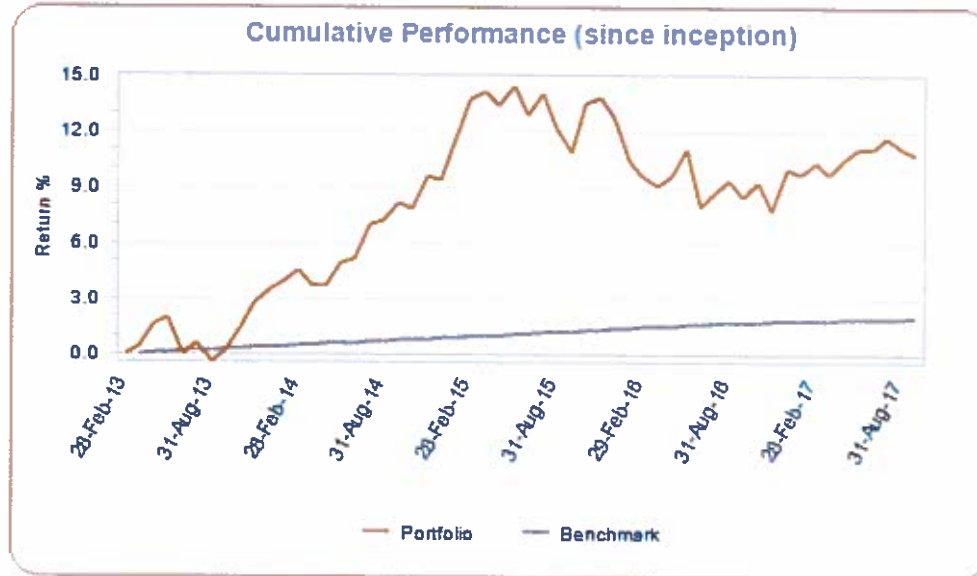
Allocation - 30 September 2017

	Global Equity Units	Cash
Portfolio	100.00	0.00
Benchmark	100.00	

Summary - 3 Months Ending 30 September 2017

The manager's relative performance of the Quarter and 1 Year was 5.3% and 12.8% respectively.

Manager Analysis - Standard Life Divers Growth



Inception Date: 31 Mar 2013

**Portfolio Size and Mandate**

**Portfolio Size (GBP)**

173,622,892

**Portfolio Mandate**

Diversified Growth

**Allocation - 30 September 2017**

	Cash	Alternatives
Portfolio	0.00	100.00
Benchmark		100.00

**Periodic Performance**

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	-0.2	1.0	2.1	0.8	2.3
Benchmark	0.1	0.1	0.3	0.4	0.4

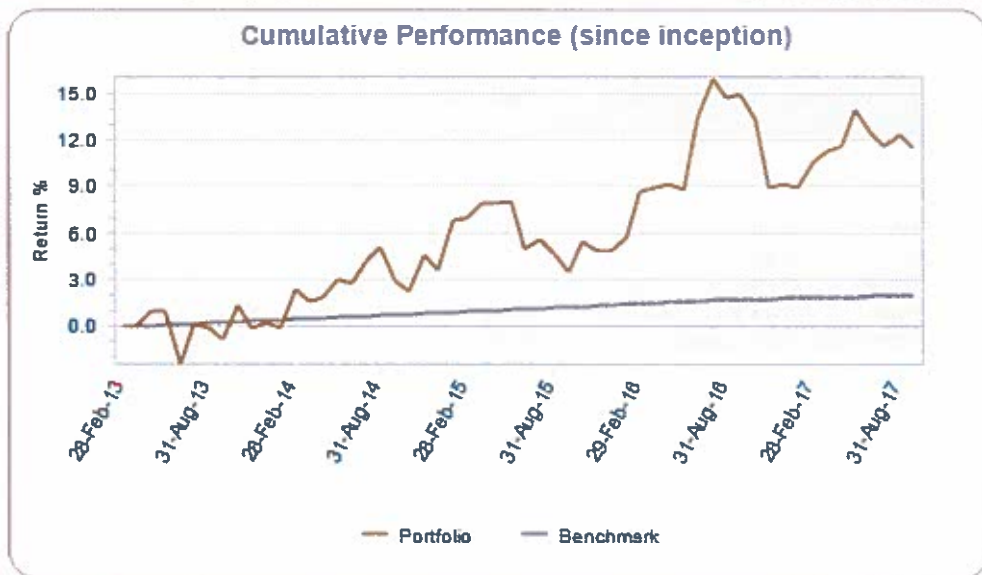
**Summary - 3 Months Ending 30 September 2017**

The manager's relative performance of the Quarter and 1 Year was and -0.3% and 1.8% respectively.

**Risk Profile - 3 Years (Ann) to 30 September 2017**

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	4.1	0.1	4.1	0.1
Benchmark	0.0	0.0		

Manager Analysis - Newton Diversified Growth



Inception Date: 31 Mar 2013

Portfolio Size and Mandate

Portfolio Size (GBP)

139,746,075

Portfolio Mandate

Diversified Growth

Allocation - 30 September 2017

Alternatives

Portfolio	100.00
Benchmark	100.00

Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	-0.9	0.2	-3.1	2.7	2.4
Benchmark	0.1	0.1	0.3	0.4	0.4

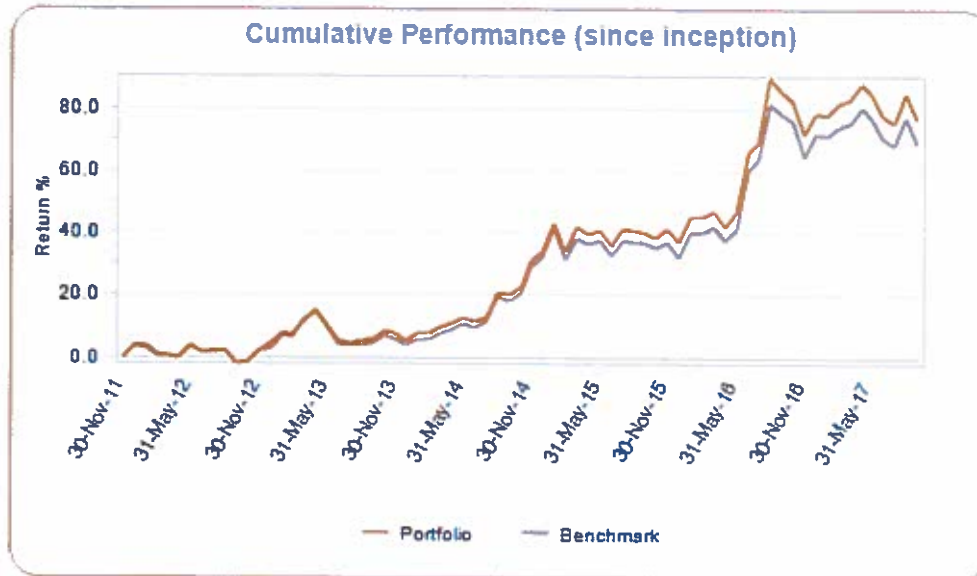
Summary - 3 Months Ending 30 September 2017

The manager's relative performance of the Quarter and 1 Year was -1.0% and -3.4% respectively.

Risk Profile - 3 Years (Ann) to 30 September 2017

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	5.5	0.4	5.5	0.4
Benchmark	0.0	0.0		

Manager Analysis - M&G



Inception Date: 31 Dec 2011

**Periodic Performance**

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	-0.7	-3.7	-4.8	13.8	12.5	10.3
Benchmark	-1.0	-3.8	-5.6	12.7	11.5	9.4

**Risk Profile - 3 Years (Ann) to 30 September 2017**

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	15.3	0.9	1.5	0.7
Benchmark	15.4	0.8		

**Portfolio Size and Mandate**

Portfolio Size (GBP)

575,410,109

Portfolio Mandate

Global Bonds

**Allocation - 30 September 2017**

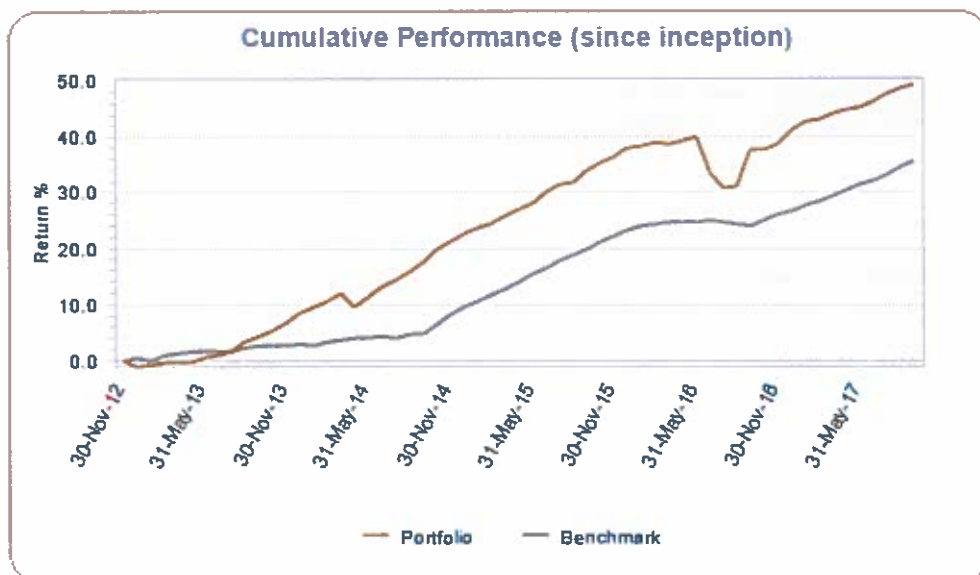
	Bonds	Cash
Portfolio	99.31	0.69
Benchmark	100.00	

**Summary - 3 Months Ending 30 September 2017**

The manager's relative performance of the Quarter and 1 Year was 0.3% and 0.8% respectively.



**Manager Analysis - LGIM Property**



Inception Date: 31 Dec 2012

Portfolio Size and Mandate	
<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
64,681,904	Property

Allocation - 30 September 2017	
	<b>Property</b>
Portfolio	100.00
Benchmark	100.00

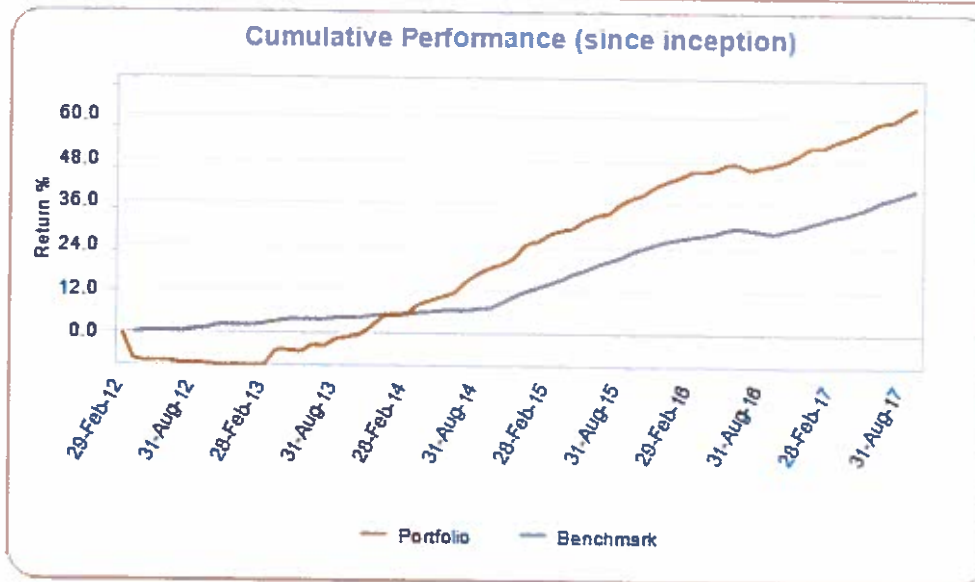
Periodic Performance					
	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	2.1	3.6	8.5	8.4	8.7
Benchmark	2.4	4.7	9.3	8.9	6.5

**Summary - 3 Months Ending 30 September 2017**

The manager's relative performance of the Quarter and 1 year was -0.3% and -0.8% respectively.

Risk Profile - 3 Years (Ann) to 30 September 2017				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	4.6	1.7	4.4	-0.1
Benchmark	1.6	5.3		

Manager Analysis - Hermes



**Portfolio Size and Mandate**

<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
34,004,878	Property

**Allocation - 30 September 2017**

	<b>Property</b>
Portfolio	100.00
Benchmark	100.00

Inception Date: 31 Mar 2012

**Periodic Performance**

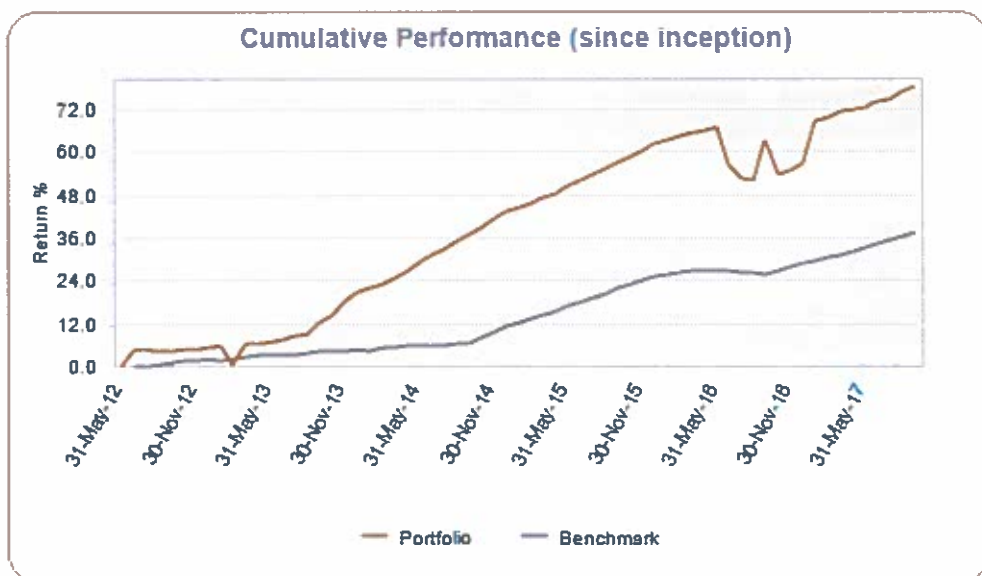
	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	2.5	5.4	10.5	11.3	12.2	9.1
Benchmark	2.4	4.9	9.5	9.4	6.7	6.3

**Summary - 3 Months Ending 30 September 2017**  
 The manager's relative performance of the Quarter and 1 Year was 0.1% and 1.0% respectively.

**Risk Profile - 3 Years (Ann) to 30 September 2017**

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	2.5	4.1	2.1	0.8
Benchmark	1.5	5.6		

**Manager Analysis - Threadneedle**



Inception Date: 30 Jun 2012

Portfolio Size and Mandate	
<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
165,014,866	Property

Allocation - 30 September 2017	
	<b>Property</b>
Portfolio	100.00
Benchmark	100.00

Periodic Performance						
	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	2.5	4.3	9.3	9.2	11.3	11.5
Benchmark	2.4	4.7	9.3	8.9	6.4	6.3

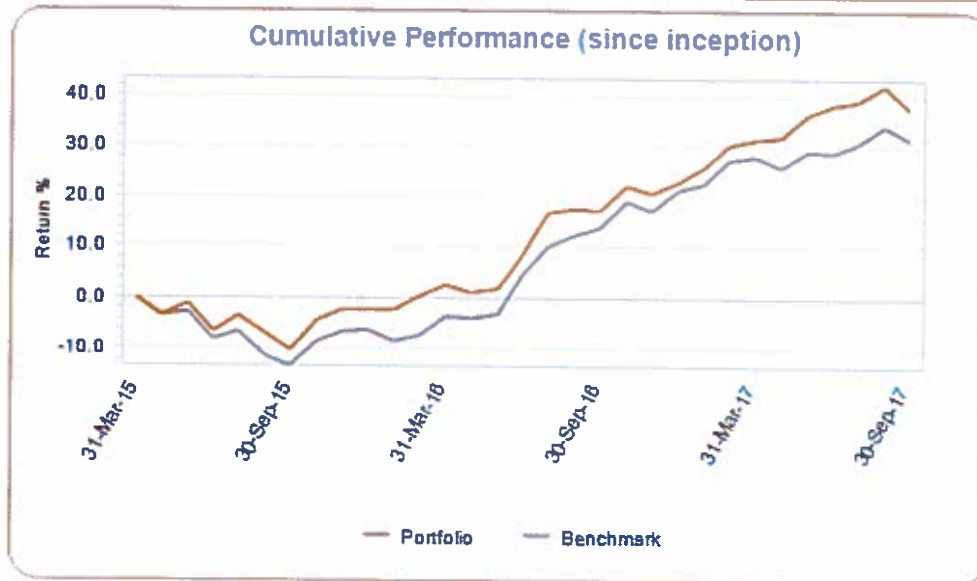
**Summary - 3 Months Ending 30 September 2017**

The manager's relative performance of the Quarter and 1 Year was 0.1% and 0.0% respectively.

Risk Profile - 3 Years (Ann) to 30 September 2017				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	8.2	1.1	8.1	0.1
Benchmark	1.6	5.3		



Manager Analysis - Veritas



Inception Date: 30 Apr 2015

**Portfolio Size and Mandate**

**Portfolio Size (GBP)**

161,692,478

**Portfolio Mandate**

Global Equities

**Allocation - 30 September 2017**

**Global Equity Units**

Portfolio  
Benchmark

100.00  
100.00

**Periodic Performance**

	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	-0.5	4.6	17.4	13.6
Benchmark	2.0	2.5	15.5	11.6

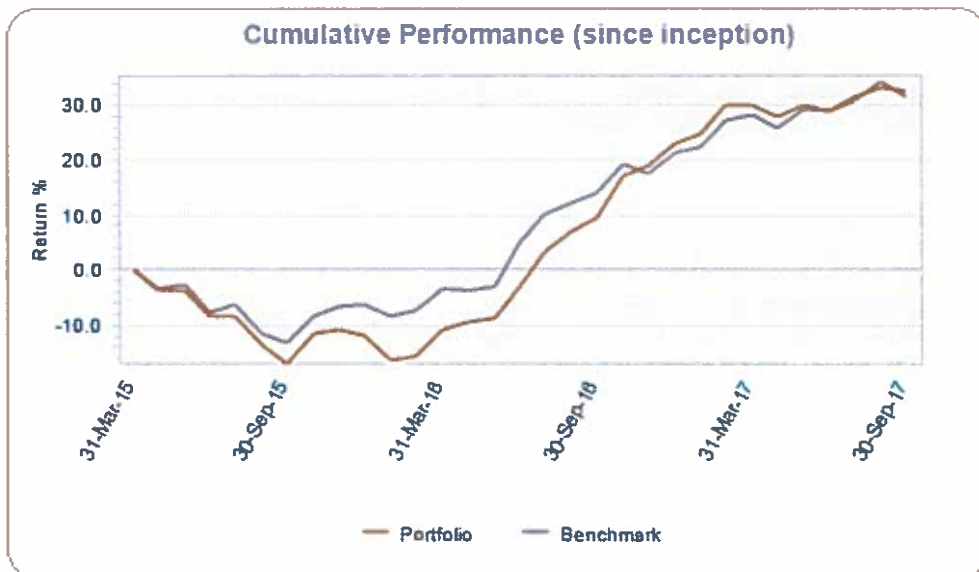
**Summary - 3 Months Ending 30 September 2017**

The manager's relative performance of the Quarter and 1 Year was -2.5% and 1.9% respectively.

**Risk Profile - 3 Years (Ann) to 30 September 2017**

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

**Manager Analysis - Dodge & Cox**



Inception Date: 30 Apr 2015

**Portfolio Size and Mandate**

Portfolio Size (GBP)	Portfolio Mandate
155,930,675	Global Equities

**Allocation - 30 September 2017**

	Global Equity Units
Portfolio	100.00
Benchmark	100.00

**Periodic Performance**

	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	2.9	1.9	21.3	12.0
Benchmark	2.0	2.5	15.5	11.6

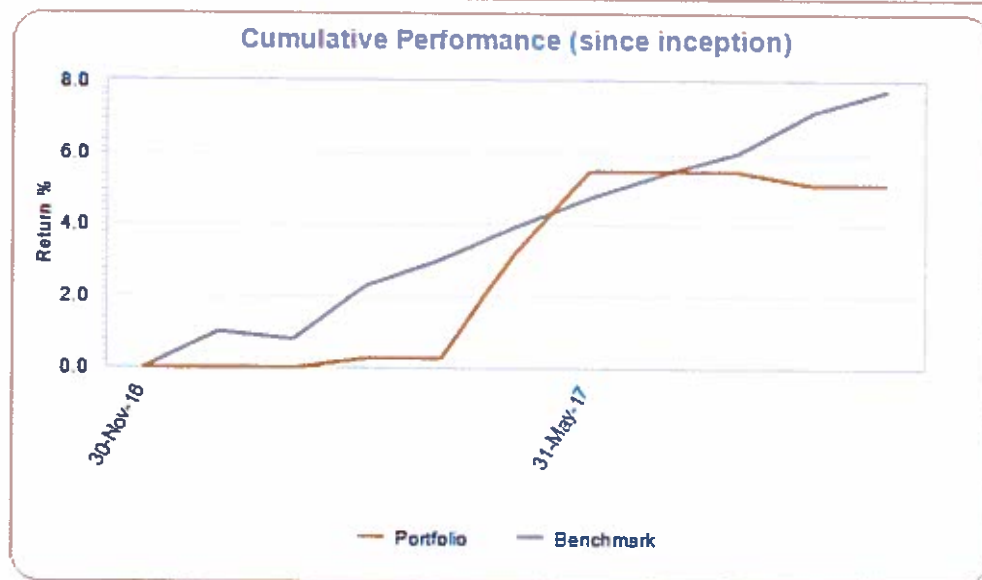
**Summary - 3 Months Ending 30 September 2017**

The manager's relative performance of the Quarter and 1 Year was 0.9% and 5.8% respectively.

**Risk Profile - 3 Years (Ann) to 30 September 2017**

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

Manager Analysis - Bluebay



Inception Date: 31 Dec 2016

Portfolio Size and Mandate	
<b>Portfolio Size (GBP)</b>	<b>Portfolio Mandate</b>
5,212,830	Alternatives

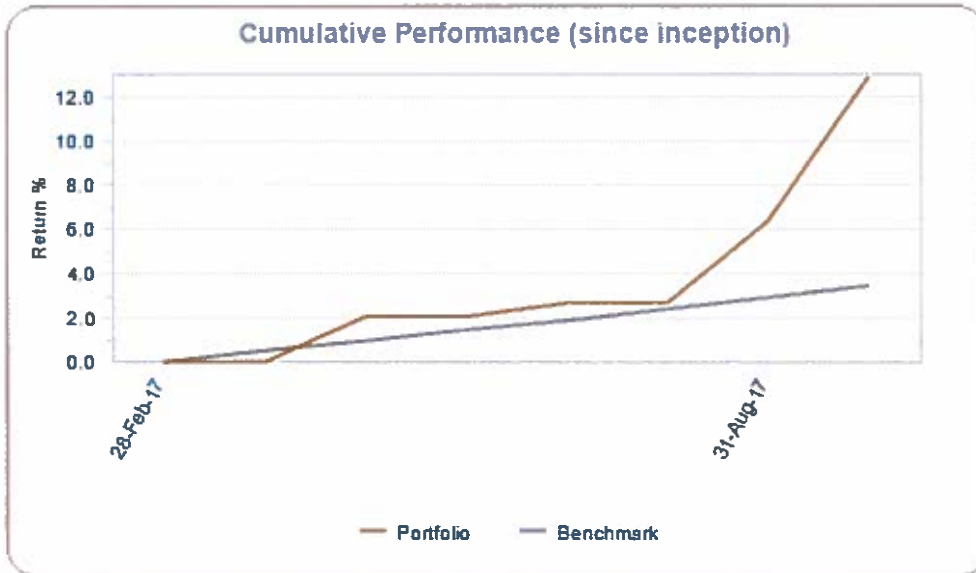
Allocation - 30 September 2017	
	<b>Alternatives</b>
Portfolio	100.00
Benchmark	100.00

Periodic Performance			
	Quarter	Fiscal Year To Date	Since Inception (Ann)
Portfolio	-0.4	4.9	5.1
Benchmark	2.2	4.6	7.8

**Summary - 3 Months Ending 30 September 2017**  
 The manager's relative performance of the Quarter was -2.6 respectively.

Risk Profile - 3 Years (Ann) to 30 September 2017				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

**Manager Analysis - Permira Credit**



Inception Date: 31 Mar 2017

**Portfolio Size and Mandate**

Portfolio Size (GBP)	Portfolio Mandate
15,806,740	Alternatives

**Allocation - 30 September 2017**

	Cash	Alternatives
Portfolio	0.00	100.00
Benchmark		100.00

**Periodic Performance**

	Quarter	Fiscal Year To Date	Since Inception (Ann)
Portfolio	10.0	13.0	13.0
Benchmark	1.5	3.0	3.5

**Summary - 3 Months Ending 30 September 2017**

The manager's relative performance of the Quarter was 8.5 respectively.

**Risk Profile - 3 Years (Ann) to 30 September 2017**

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

*Appendix*



## Appendix - Glossary

### Risk

**Standard Deviation** - Standard Deviation measures the variability (or volatility) of a fund's return over a specified time period.

**Tracking Error** - Tracking Error measures the variability of a fund's returns relative to its benchmark over a time period.

**Information Ratio** - Information Ratio is a measure of performance adjusted for the level of (active) risk.

**Sharpe Ratio** - Sharpe Ratio relates a portfolio's reward (determined as the portfolio's return minus risk free return) to the portfolio's variability (as measured by its standard deviation).

**Active Number of months** - Number of complete months of performance

**Number of Positive Months** - number of complete months the portfolio has produced a positive return

**Consistency Rate (%)** - Number of Positive Months/Active Number of Months

**Benchmark Consistency (%)** - Number of Positive Benchmark Months/Active Number of Months

**Outperformance (%)** - Percentage of months the portfolio has outperformed the benchmark

### Attribution

**Allocation Effect** - Measures the impact of decisions to allocate assets differently from the benchmark.

**Selection Effect** - Measures the impact of decisions of selecting securities different from those held in the benchmark.

**Currency Effect** - Measures the impact of deviating from the benchmark currency position.

**Management Effect** - Measures the combined impact of allocation, selection and currency effects. At the total level, this represents the fund's relative performance against the benchmark.

**Interaction Effect** - Measures the combined impact of an investment manager's selection and allocation decisions within a segment.

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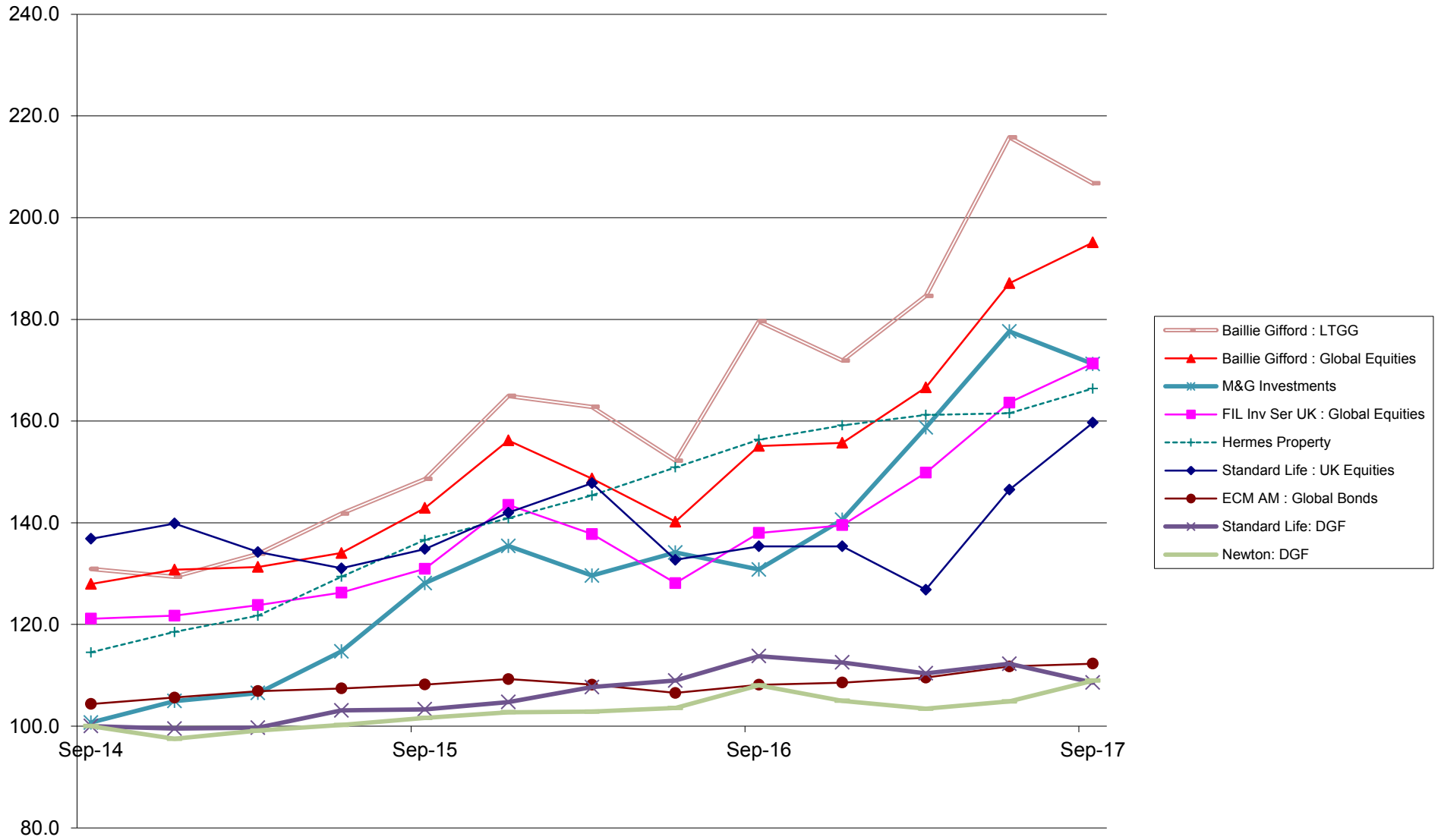
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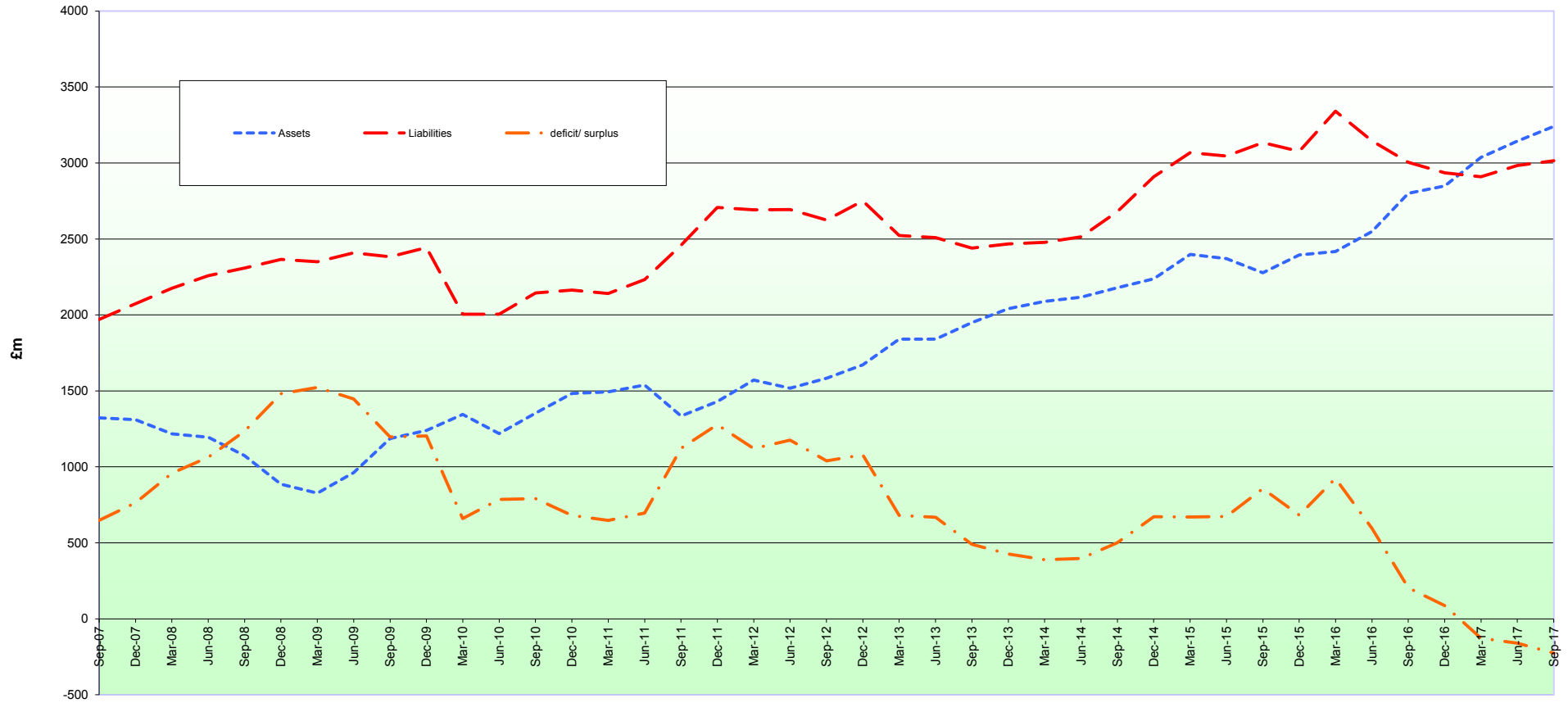
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## Investment Manager Performance - cumulative absolute performance 3 years to September 2017





## North Yorkshire Pension Fund Assets, Liabilities and Deficit

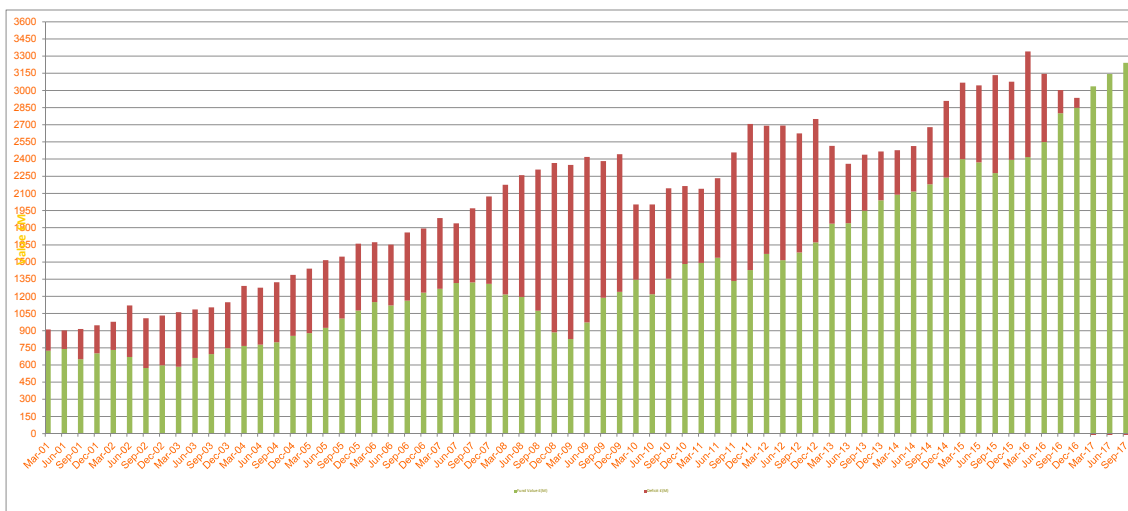


**Actuarial Model of Quarterly Solvency Position**

Date	Solvency	Deficit £(M)	Fund Value £(M)	FTSE 100
March 31, 2001	73%	187	724	5,634
June 30, 2001	82%	162	740	5,643
September 30, 2001	71%	265	650	4,903
December 31, 2001	74%	245	702	5,217
March 31, 2002	75%	245	732	5,272
June 30, 2002	67%	450	670	4,656
September 30, 2002	58%	435	574	3,722
December 31, 2002	55%	435	597	3,940
March 31, 2003	55%	478	584	3,613
June 30, 2003	61%	423	682	4,031
September 30, 2003	63%	408	695	4,091
December 31, 2003	65%	402	747	4,477
March 31, 2004	59%	524	767	4,386
June 30, 2004	61%	498	778	4,464
September 30, 2004	60%	524	799	4,571
December 31, 2004	62%	533	854	4,814
March 31, 2005	61%	563	879	4,894
June 30, 2005	61%	592	924	5,113
September 30, 2005	65%	542	1005	5,478
December 31, 2005	65%	585	1075	5,619
March 31, 2006	69%	523	1150	5,965
June 30, 2006	68%	531	1121	5,833
September 30, 2006	68%	595	1163	5,961
December 31, 2006	69%	561	1233	6,221
March 31, 2007	67%	619	1266	6,308
June 30, 2007	72%	522	1316	6,608
September 30, 2007	67%	648	1322	6,467
December 31, 2007	63%	763	1310	6,457
March 31, 2008	56%	958	1217	5,702
June 30, 2008	53%	1064	1195	5,625
September 30, 2008	47%	1235	1074	4,902
December 31, 2008	37%	1481	885	4,434
March 31, 2009	35%	1522	827	3,926
June 30, 2009	40%	1447	972	4,249
September 30, 2009	50%	1196	1187	5,134
December 31, 2009	51%	1204	1239	5,413
March 31, 2010	67%	659	1345	5,680
June 30, 2010	61%	785	1219	4,917
September 30, 2010	63%	791	1354	5,549
December 31, 2010	69%	681	1483	5,900
March 31, 2011	70%	648	1493	5,909
June 30, 2011	69%	695	1538	5,946
September 30, 2011	54%	1123	1335	5,129
December 31, 2011	53%	1277	1430	5,572
March 31, 2012	58%	1121	1571	5,766
June 30, 2012	56%	1176	1517	5,571
September 30, 2012	60%	1040	1584	5,742
December 31, 2012	61%	1079	1672	5,896
March 31, 2013	73%	679	1836	6,412
June 30, 2013	78%	518	1840	6,215
September 30, 2013	80%	490	1949	6,462
December 31, 2013	83%	427	2040	6,749
March 31, 2014	84%	389	2089	6,598
June 30, 2014	84%	397	2117	6,744
September 30, 2014	81%	500	2179	6,623
December 31, 2014	77%	671	2238	6,566
March 31, 2015	78%	669	2399	6,773
June 30, 2015	78%	674	2371	6,521
September 30, 2015	73%	857	2277	6,062
December 31, 2015	78%	682	2394	6,242
March 31, 2016	72%	923	2418	6,175
June 30, 2016	81%	596	2549	6,504
September 30, 2016	93%	203	2801	6,899
December 31, 2016	97%	86	2849	7,143
March 31, 2017	104%	-127.2	3036	7,323
June 30, 2017	105%	-160.2	3144	7,313
September 30, 2017	108%	-225.6	3241	7,373

Triennial valuation results highlighted in grey

**Movement in Assets and Liabilities**



## North Yorkshire County Council

### Pension Board

Minutes of the meeting of the Pension Board held on Thursday 12 October 2017 at County Hall, Northallerton commencing at 10.00 am.

#### Present:-

#### Members of the Board

David Portlock (Independent Chairman).

#### Employer Representatives:

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

#### Scheme Members:

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

#### In attendance:-

County Council Officers: Amanda Alderson, Phillippa Cockerill, Josie O'Dowd, Jo Wade; Rebecca Madden and Ian Morton (Veritau)

**Copies of all documents considered are in the Minute Book**

#### 105. Apologies

There were no apologies for absence.

#### 106. Vacancy for Scheme Member Representative

The Chairman, David Portlock, advised that Ben Drake had resigned from his position with the City of York Council and therefore from the Pension Board also. Appreciation and thanks were recorded for his contributions to both Pension Board and also the Pension Advisory Panel, previously. Stella Smethurst advised that Unison are seeking a replacement representative and are checking a potential nominee at the present time. Mandy Swithenbank advised that she had been in touch with her York Branch convenor on this matter. The advert for the vacancy had been published from August to 11 September, and unfortunately no applications were submitted. Therefore the vacancy for a Scheme Member Representative still exists – the Chairman David Portlock confirmed there is no presumption that this will be filled by a Unison Member. He advised that any appointment will follow the usual application and interview process. Stella Smethurst cautioned that achieving agreement from the employer of any potential candidate to release staff to attend meetings may be challenging.

## **107(a) Minutes**

### **Resolved -**

That the Minutes of the meeting held on 20 July 2017, having been printed and circulated, were taken as read and confirmed and signed by the Chairman as a correct record.

## **107(b) Progress on Issues raised by the Board**

It was noted, by the Chairman, that the majority of issues highlighted were agenda items for this meeting and would be discussed at the relevant point.

In addition Scrutiny training at Selby was highlighted.

### **Resolved -**

That the report be noted.

## **108. Declarations of Interest**

There were no declarations of interest submitted.

## **109. Public Questions or Statements**

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

## **110. Draft Minutes of the Pension Fund Committee meeting held on 14 September 2017**

- A query was raised regarding Minute 22 and Amanda Alderson confirmed that this is a difficult issue. She explained that NYCC is treated as a “professional client” regarding funds that are invested until 3 January 2018. After this local authorities can no longer be classed as professional clients and will be treated as a retail client. The implication of this will be that access to products for investment will be reduced. If an authority chooses to be treated as a “professional client” then access is available to a greater product range as before, rendering this a paper exercise. Regarding the cost implications of this, Amanda Alderson advised that this is mainly officer time and she stated that a response is awaited from all Fund Managers if they will automatically opt NYPF up to professional status from 3 January 2018- two have already done so. This is an interim arrangement pending accession to pooling. Amanda Alderson confirmed that there is a requirement to opt up for legacy arrangements and also to opt up with the pool. It was noted that opting up is necessary even to facilitate dialogue with Fund Managers on specific products and investments.
- It was noted that of the 12 Funds in the BCPP only two have a positive cashflow and the Member raising the issue hoped that this was not a time bomb which could impact adversely upon NYPF. It was explained that whilst the BCPP may turn negative overall, NYPF should remain positive for the foreseeable future. All parties are separately legally liable and it is only investments that are pooled. It was acknowledged that the whole of NYPF’s cashflow is supported by what is being paid in, a situation only few Funds find themselves in.

- A query was raised regarding Annual Benefit Statements and breaches which have occurred. It was noted that this issue is on the list for action, and incidents are being recorded. It was suggested that it would be helpful to ensure a consistency in the process regarding referrals. It was accepted that this may not be mandatory but it is good practice to do so. The benefit of the log is that this includes corrective action, linking to an improvement plan and audit trail. It was acknowledged that the guidance regarding treatment of breaches is vague and the causes can be very varied. The Chairman advised that the log had been discussed in detail at the Pension Fund Committee in September - with 4,000 incidents at that time, the position having improved since then. Phillippa Cockerill advised of the impending benefit statements review meeting to take place the following week and she assured Members that officers will continue to be vigilant in this regard. She advised that the breach log will be presented to a future Pension Fund Committee meeting and it will then come to Pension Board. She advised that the look and feel of this is being finalised presently. She advised that 90% of statements for active Members had now been issued.
- A query was raised regarding the new Chief Executive of BCPP, noting that they were not named in the Minutes. Amanda Alderson advised that the name could not be included at the time, as at the time of the meeting it was not public information.
- An issue was raised regarding Scheme Representatives and concern was expressed that none were sourced from Local Government, which the Member found surprising given local authorities are contributing such a lot financially. The Chairman, David Portlock, advised that he had raised this issue with the Chairman of the Pension Fund Committee County Councillor John Weighell. He stated that there was support for a Scheme member representative but there would be issues with the practicalities of finding and appointing a representative over the 12 Funds and one million or so members. It was also noted that the meetings that would be attended are held in the public domain where anyone can attend and speak. The Member raising the issue suggested that perhaps this could be overcome, even if it was spread across the 12 members and attendance was rotated. The Chairman confirmed that Pension Fund Committee Members supported this in principle but had reservations related to the mechanics of appointment. David Portlock confirmed that he is happy to revisit this with the Pension Fund Committee. Some disappointment was expressed at the finality of the resolution in (ii) on page 28.
- A concern was raised regarding Minute 24 concerning the GMP reconciliation. It was noted that scale is an issue which could lead to a financial threat to pensioners. The Chairman advised that both Pension Board and Pension Fund Committee concur on this issue and there is frustration that this has arisen. It was acknowledged that a contract has been placed with a third party to undertake this work and Pension Fund Committee are unable to determine the way forward until that information is received.

**Resolved -**

That the issues and points raised are noted and actions indicated are undertaken accordingly.

**111. Annual Report of North Yorkshire Pension Fund**

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) presenting for review the Annual Report and Accounts 2016/17 of the North Yorkshire Pension Fund (NYPF).

This was received without comment.

**Resolved -**

That the issues and points raised are noted.

## **112. Internal Audit Reports**

Considered -

The report of Internal Audit providing an update on Internal Audit activity.

Ian Morton of Veritau introduced the report which seeks to keep Members apprised of activity, highlighting the four reports scheduled for 2016/17 - attached in the Appendices. Since the drafting of the report to Pension Board it was noted that the Pensions Expenditure report has now moved from 'draft' status to 'complete'. It was also noted that the Plan for 2017/18 has been agreed and includes pension income and expenditure, and also Pension Fund governance arrangements.

- A Member highlighted the key findings regarding Pension Fund income shown at page 74. Concern was expressed about the failing relating to the absence of sampling evidence, potentially undermining the validity of the results. Ian Morton confirmed that this will be addressed for the future.
- It was noted that for next year's plan Veritau will agree the best time to look at reviewing governance arrangements - given the challenges which come with pooling. It was acknowledged that both the Pension Fund Committee and Pension Board are keen to see robust arrangements in place. There was discussion of what is appropriate and the how to judge that the right provisions have been made. Also, in trying to judge performance in this regard, is the focus about the transfer of monies or how well the management of the Fund is undertaken compared to NYPF previously?
- It was acknowledged that the advantage of asset pooling should be the cheaper combined cost of auditing the 12 former Funds as one pool. It was stressed that the emphasis is very much about the internal organisation. Ian Morton commented that assurance would be sought about the appropriateness of internal operation of the pool and how it interacts with both the Pension Fund Committee and Pension Board. He advised that next year these assurances will be reviewed along with the information which is flowing back from the pool to satisfy the North Yorkshire Pension Fund. It will necessarily include a review of those governance arrangements.
- It was accepted that these are anxious times due to the paradigm shift which is underway. It was noted that the new Chief Executive will appoint an auditor and all the pool members will have to rely on that, including regarding assessments of the performance of the Fund. It was recognised that clarity is needed regarding Veritau's role going forward and who will be doing what.

- It was noted that NYPF will continue to have their own advisers looking at data received. It was acknowledged that NYPFC will retain responsibility for asset allocation and therefore will need to retain external advisers in relation to investment strategy. A Member asked if a summary would still be provided in future regarding how those assets are performing, and it was hoped that this will still be the case.
- A Member raised concerns regarding the Altair system and the problems identified regarding password requirements. Ian Morton advised that this reflects a theoretical weakness rather than an actual failing. There was discussion regarding the degree of security afforded and whether or not this should be ear marked as a development area to improve arrangements.
- An issue was raised regarding one employer and it was confirmed that this work had been completed.
- Regarding problems with the compulsory unpaid leave calculations encountered last year, Ian Morton advised that the issue had been addressed.
- A query was raised regarding over and underpayments on Altair and the rating of 'substantial assurance' awarded, when that aspect had not been audited. It was noted that it had been agreed to delay the review of this aspect as Employment Support Services which provide the information to the NYPF had been unable to accommodate the review within the timescales.

**Resolved -**

That the report and attached Internal Audit reports are noted.

**113. External Audit Report**

**Considered -**

The report of the Assistant Chief Executive (Legal and Democratic Services) asking the Board to consider the External Auditor's (KPMG) report on its work in relation to the audit of the Pension Fund's 2016/17 Financial Statements.

The Chairman advised that this report was agreed by the Audit Committee on 7 September 2017 and therefore it is already signed off. He noted a typographical error in paragraph 3.1 of the report - "April 2016" should read "April 2017". There was discussion of the fees for the Pension Fund – see page 28 of KPMG's report. In addition to the fees noted in the report, an amount of £17,000 had been paid to KPMG for dealing with Withholding Tax claims. A query was raised regarding the istock photographs which had been used in the Pension Fund Annual report, which could place the Authority at risk of legal action. It was agreed that this issue would be resolved with the Print Unit. The revised format of the report was noted and the condensed timescales which will apply next year. It was also noted that the impact of revised format would be reviewed shortly.

**Resolved -**

That the contents of KPMG's report are noted.

## 114. Pension Board Projects

Considered -

The report of Legal and Democratic Services.

There was discussion of the need to identify Pension Board members to take the lead on each project and members volunteered for those areas of interest to them.

Phillippa Cockerill, Head of Pensions Administration, provided a presentation explaining the work she and her team were doing to seek to deliver the best possible outcome for scheme members and to achieve this they seek to standardise, simplify and share working practices and resources - with a focus on delivering best customer outcomes and reducing costs. She advised of the key timelines and actions, the project work and management of resources. She advised Members that she would provide regular progress reports and she hoped that the degree of scheme member satisfaction would consequently increase as a result of the actions taken. The imperative is the need to keep pace with increasing demand from Scheme members which has necessitated a review of ways of working to create additional capacity.

The proposals were welcomed and it was recognised that the Pension Board can provide a good sounding board for this work and progress reports will be shared with Pension Fund Committee also. Phillippa Cockerill advised that the availability of throughput statistics will help ensure the appropriate resources are allocated.

- A Member commented that the regular provision of useful information can help reduce significantly the number of queries received.
- The present complexity of statements and their layout was noted and the fact that many members do not understand the language used which gives rise to queries and confusion. It was accepted that there may be limited room for improvement in this regard but efforts will continue to be made.
- Regarding addressing the backlog of work, the sufficiency of resourcing was queried. Phillippa Cockerill advised that the situation was improving and she assured Members that it would be resolved before the end of 2017/18. She highlighted the additional strain which had been created as a result of academy conversions. It was acknowledged that the concern could be relayed to Gary Fielding, Corporate Director - Strategic Resources and Treasurer of the NY Pension Fund, however it was also recognised that in the climate of austerity it may not be possible to secure additional resources. It was accepted that this is an operational matter and not one for the Pension Board to become deeply involved with. Phillippa Cockerill reiterated that the project she had described should create more capacity to diminish the backlog. It was acknowledged that it may be possible to make a case for short term additional resources to help implement the required changes. Members were keen to be kept informed of progress against the timetable indicated.
- There was also discussion of the GMP reconciliation exercise and a query was raised regarding data security - it was explained that a secure site is



used for data upload which complies with the General Data Protection Regulations 2018. The third party being used is well versed in these requirements as it is their core business. Phillippa Cockerill confirmed that this requirement is covered in the contract which has been organised via the LGPS framework which provides extra reassurance.

In terms of the projects identified in the report: item 2.1 - the exercise of employer in administering authority discretion is to be deferred for the present time. Items 2.2, 2.3 and 2.4 will be progressed by the Members referred to below. For each of these a one page summary of the scope of the project, the likely impact upon Pension Fund officers, and timescales, is to be available for the next meeting.

#### **Resolved -**

(a) That the lead on each project is agreed as detailed below:

- Exercise of employer in administering authority discretion – deferred.
- Management, administration and governance process and procedure - Mandy Swithenbank to take the lead.
- Development of improved customer services - County Councillor Mike Jordan and Councillor Ian Cuthbertson to take the lead.
- Scheme member and employer communications - Councillor Ian Cuthbertson and County Councillor Mike Jordan to take the lead.

#### **115. Pooling**

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing an update on the progress made towards the LGPS Pooling arrangements.

Amanda Alderson, Senior Accountant Strategic Resources, introduced the report advising of the three workstreams being undertaken by officers and Members.

**Governance workstream:** it was noted that a Joint Committee comprising the Chair of each Pension Fund has been established of which County Councillor John Weighell has been appointed Chairman. The first meeting took place in June and the papers for this were published on the South Yorkshire Pension Fund website as they are providing the secretariat function. A dedicated BCPP website is being established and should be available later this month. The next meeting is scheduled to take place on 20 October 2017 to take place in County Hall. The papers for this meeting are due to be published shortly and Amanda Alderson would be able to provide that link for any public papers. Updates on progress will be submitted to the Joint Committee which is being used as a sounding board prior to the final sign off of arrangements. These meetings will be quarterly. Amanda Alderson advised that the draft staffing structure for the company has been produced and circulated to Section 151 Officers, and this will go to the next meeting for approval. She advised that the implementation budget is on track so far with a budgeted contribution of £350,000 from each partner.

**People workstream:** Amanda Alderson advised that County Councillor John Weighell is heavily involved in the recruitment. She advised that Chris Hitchin has been appointed Chairman, and he will work four days a week, and the CEO Rachel Elwell is due to start in December – she has previously worked for Royal London and PWC. The Chief Operating Officer has been appointed but their name remains

confidential as all 12 Fund Members have yet to ratify this. Also two Non-Executive Officers have been recruited but these details also remain confidential at this time.

- Queries were raised regarding the salary for the CEO and Members presumed that this is as advertised.

Adverts for the Chief Investment Officer and Risk Officer are presently out and selection is expected by the end of November.

Regarding TUPE implications it was noted that around 15 staff are due to come over from the three internally managed Funds.

- A Member expressed the hope that the draft structure, once published, may be used to help monitor any increase in staffing and therefore costs over time.
- Reference was made to the FCA regulations and Amanda Alderson advised of the submission to the FCA in November in readiness for completion in May. The requirement for staff to be FCA accredited was noted and Amanda Alderson advised that this will be reflected in the application.
- There was discussion of the terms and conditions for the TUPE staff and Deloitte are advising regarding their pension arrangements. Amanda Alderson confirmed that a full procurement process had been undertaken to appoint Deloitte.
- On the question of property Amanda Alderson advised that the options had been narrowed down to two options.

**Operating model workstream:** Amanda Alderson advised of the tendering process which was underway regarding the depository for the pool. She confirmed that the asset allocation template had been drafted and this would go to the Joint Committee for approval.

- A Member reiterated the desire to see a Scheme member appointed as a voting member of the pool.
- There was also discussion of the transition process including the question of giving notice to AON Hewitt. Amanda Alderson confirmed that there would be no need to give notice as this company will continue to provide Fund advice. The timelines for the procurement of sub-fund managers was also mentioned.
- There was discussion of the question of liquidating assets for transfer - this was not felt to be necessary at present, and also the possible impact of Brexit. It was recognised that there are still a number of unknown factors. It was acknowledged that every effort will be made to lock-in any gains whilst not acting in a way which is detrimental to or diminishes the assets.

#### **Resolved -**

That the report is noted.

#### **116. Training**

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing an update on Pension Board member training.

It was acknowledged it is not necessary for all eight Members to complete all of the TPR modules.

Two days of training recently undertaken at York were noted.

The Chairman David Portlock highlighted information circulated recently regarding a forthcoming half day of CIPFA training in Leeds (March 2018) or Liverpool (November 2017), and it was agreed that David Portlock and Mandy Swithenbank should attend. The information gleaned will be circulated and feedback given at a future meeting.

**Resolved -**

The update was noted.

**117. Work Programme**

Considered -

The report of the Assistant Chief Executive (Legal and Democratic Services) providing details of areas of planned work by the Pension Board.

**Resolved -**

That the Work Programme will be revised following receipt of the scoping reports (see Minute 114 above) to the next meeting.

**118. Any Other Business**

David Portlock, Chairman, advised that he will be away for three weeks, returning in early November.

The meeting concluded at 12.30 pm

JO'D