

## Agenda

**Meeting: Pension Fund Committee**

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

**Date: Thursday 24 May 2018 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 – Exclusion of the public and press from the meeting during consideration of each of the items of business listed in Column 1 of the following table on the grounds that they each involve the likely disclosure of exempt information as defined in the paragraph(s) specified in column 2 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to information)(Variation) Order 2006:-**

Item number on the agenda	Paragraph Number
9 – Appendices 1 and 2	1,2 and 3
10 – Appendices 1 and 2	1,2 and 3

2. **Minutes of the meeting held on 22 February 2018** (Pages 6 to 20)
3. **Declarations of Interest**
4. **Public Questions or Statements**

Members of the public may ask questions or make statements at this meeting if they have given notice (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 21 May 2018. 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. **Pensions Administration Report - Member and Employer Issues** – Report of the Treasurer **(Pages 21 to 41)**
6. **Budget/Statistics** - Report of the Treasurer **(Pages 42 to 49)**
7. **Performance of the Fund's Portfolio** – Report of the Treasurer **(Pages 50 to 99)**
8. **Cash-flow projection of the Fund** - Report of the Treasurer **(Pages 100 to 167)**
9. **Investment Strategy Review Update- Report of the Treasurer** **(Pages 168 to 186)**
10. **Pooling Arrangements** – Report of the Treasurer **(Pages 187 to 225)**
11. **Pension Board – Draft Minutes of the meeting held on 12 April 2018** - Copy of the draft Minutes enclosed - Verbal update by the Chair of the Pension Board. **(Pages 226 to 235)**
12. **Other business which the Chairman agrees should be considered as a matter of urgency because of special circumstances**

**NOTE:**

**There will be a Property Debt Manager workshop on Friday 25 May 2018 at 10am in the Oak Room, County Hall, Northallerton.**

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

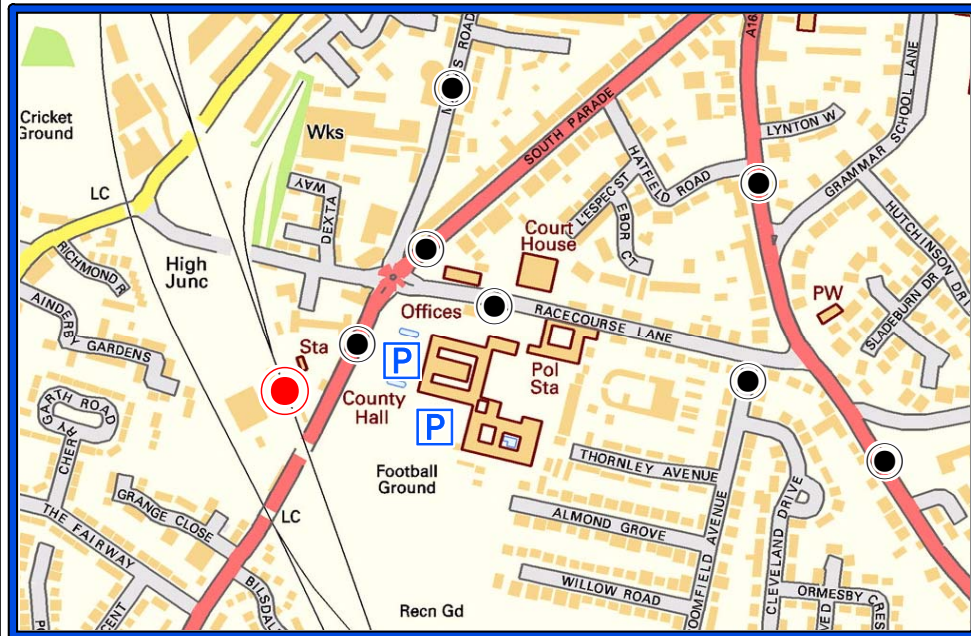
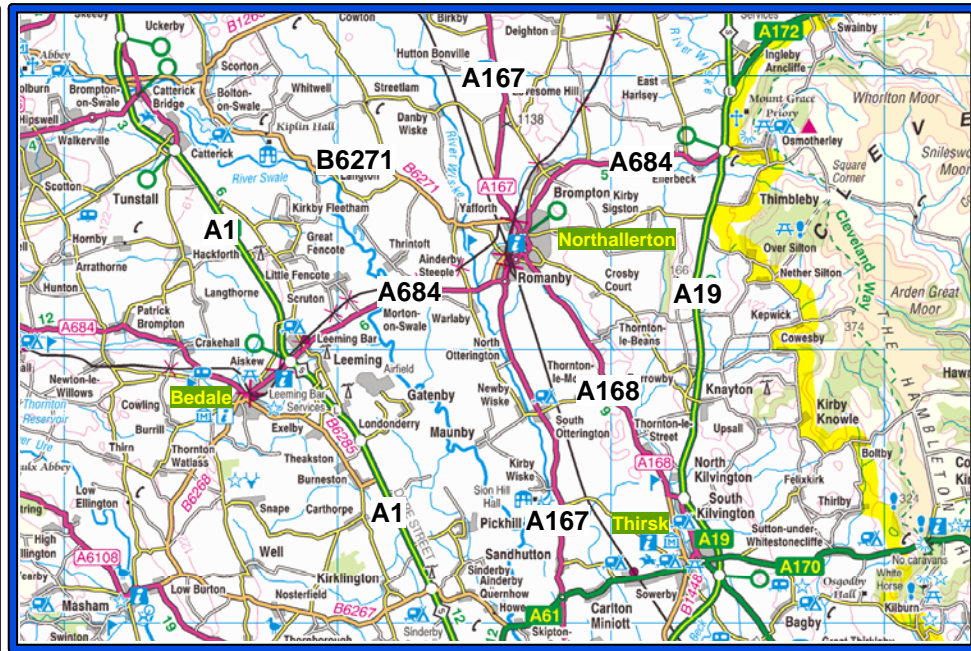
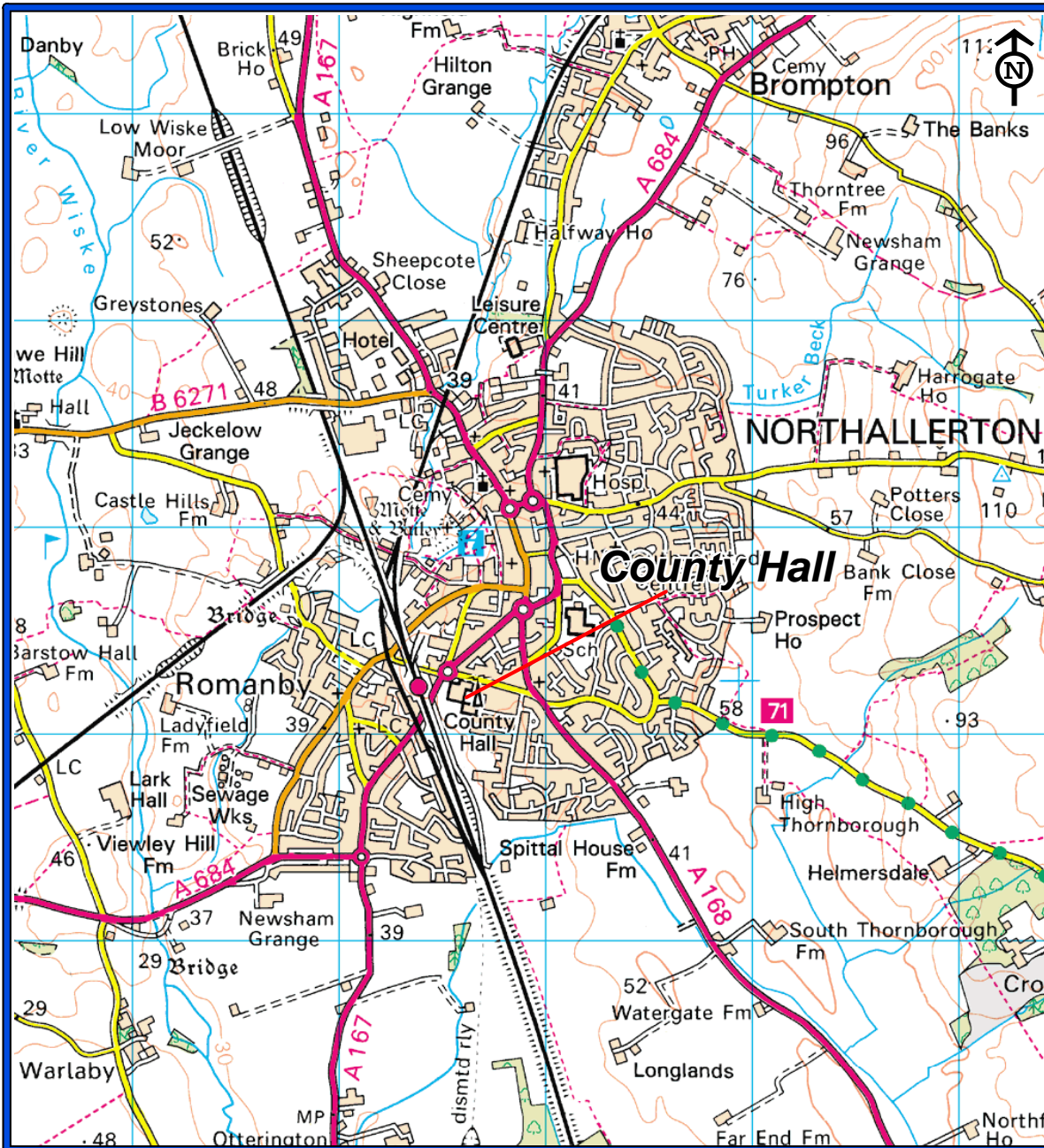
<b>County Councillors (8)</b>						
	<i>Councillors Names</i>				<i>Political Group</i>	
1	BLACKIE, John				NY Independents	
2	CHAMBERS, Michael MBE				Conservative	
3	LUNN, Cliff				Conservative	
4	MULLIGAN, Patrick				Conservative	
5	SOLLOWAY, Andy				Independent	
6	SWIERS, Helen (Vice-Chairman)		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

## 2. Substitute Members

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

## 3. Substitute Members

1	MERCER, Suzie	City of York
2	PEACOCK, Yvonne	North Yorkshire District Councils



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### County Hall

Northallerton  
North Yorkshire  
DL7 8AD

Tel : 0845 8 72 73 74



North Yorkshire County Council

## North Yorkshire County Council

### Pension Fund Committee

Minutes of the meeting held on 22 February 2018 at County Hall, Northallerton commencing at 10.00 am.

**Present:-**

County Councillors John Weighell OBE (Chairman), John Blackie, Michael Chambers, MBE, Cliff Lunn, Patrick Mulligan, Helen Swiers and Angus Thompson.

David Portlock – Chair of the Pension Board.

Councillor Jim Clark - North Yorkshire District Councils.

Apologies were received from County Councillor Andy Solloway and Unison retired members' representative Brian Hazeldene.

There was one member of the public present.

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

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**40. Exclusion of the Public and Press**

**Resolved -**

That the public and press be excluded from the meeting during consideration of Appendix 3 of Minute No. 45 on the grounds that this involved the likely disclosure of exempt information as defined in paragraphs 1, 2 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.

**41. Minutes**

**Resolved -**

That the Minutes of the meeting held on 23 November 2017, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

**42. Declarations of Interest**

County Councillor John Blackie declared a non-pecuniary interest in relation to the public question, below, and its reference to fossil fuels, in respect of him being the volunteer Managing Director of a social enterprise that operated the fuel station in Hawes.

### 43. Public Questions or Statements

Mr Kevin McSherry representing the Wenningdale Climate Action Network (WeCAN) attended the meeting to outline a number of questions that had been provided to Members of the Committee prior to the meeting.

As background he provided details of the group's work in relation to environmental concerns, particularly in relation to the use of fossil fuels. The questions submitted related to the Pension Fund's investments in fossil fuels, and he noted the need to address the use of those fuels in relation to the wellbeing of future generations.

The questions, and answers (A) provided in relation to those, are detailed as follows:-

1. Given that North Yorkshire Pension Fund is to join the Border to Coast Pension Partnership, will the Pension Fund Committee still have ultimate responsibility for the North Yorkshire Pension Fund Investment Strategy?
  - A. Yes.
2. Does the Pension Fund Committee accept that its fossil fuel investments are at risk from significant material environmental factors to do with climate change?
  - A. We expect our Fund Managers to carry out an assessment of risk versus benefit on a range of issues about the value of companies which they are considering investing in. One of these issues is the extent to which environmental matters will have an adverse impact upon company valuations but it is one of many considerations.
3. What plans does the PFC have to inform Pension Scheme Members of such risks?
  - A. The PFC publishes the Investment Strategy Statement (a copy of which was provided) which sets out its position on social, environmental and governance issues. We will continue to make those available to Scheme Members. We have no specific plans to single out the risks associated with fossil fuel issues in this Strategy Statement as this is one of multiple areas of risk that are relevant in investment decisions. It is also worth noting that the Fund engages actively with companies on the issue of fossil fuels, climate change and investment in carbon stocks, through its participation in the Local Authority Pension Fund Forum (LAPFF). LAPFF's engagement strategy is to undertake robust engagement for an orderly carbon transition by requiring companies to identify and tackle carbon risks. To improve effective engagement, LAPFF has also joined the Transition Pathway Initiative (TPI) which aims to provide a transparent framework to track engagement and analyse company responses to climate and carbon risk. The Fund also votes on resolutions at global AGMs, seeking transparency and disclosure of climate risks and setting emission reduction targets. In this manner views are directly communicated to individual boards. The Fund also has an increasing level of investment in renewable and low carbon energy production and will continue to make such investments where the risk/return profile fits the Investment Strategy.
4. How would the PFC gauge Scheme Members' opinions on the NYPF continuing to invest in fossil fuels?
  - A. The PFC is charged with ensuring that the Pension Fund is able to pay the pensions to Scheme Members both now and in the future. The PFC discharges

this responsibility in line with the Investment Strategy. We believe that the primary concern of Scheme Members will also be the security of their pensions and for employers that we help to minimise the cost of contributions by getting the best possible investments. It is important that any consultation with Scheme Members does not focus on a single issue such as fossil fuels as this will give an overly simplistic view of the challenges in ensuring a sound investment strategy. It would also be important that we get a balanced view of the membership rather than that of groups who champion particular issues. We would welcome the group's view on how they think this could be done in a balanced way.

5. Will the NYPF reflect new investment regulations to be produced by Central Government in its revised responsible Investment Strategy?
  - A. The PFC already sets out its position on responsible investment in the Investment Strategy Statement a copy of which was provided. Paragraph 7 of the Statement provides details in relation to that. We will continue to comply with any further regulations as they are made.
6. We urge the PFC to press for inclusion in the BCPP Investment Strategy of an additional clause about divestment as part of the "engagement and stewardship" section of the Strategy.
  - A. The BCPP is being created with financial professionals who will be responsible for the selection of Fund Managers. These Fund Managers will then be actively managed by BCPP and they are well placed to make decisions on investment and dis-investment as necessary. Issues of corporate governance and transparency are part of the monitoring regime for Fund Managers as the PFC accepts this is an important component of a company's sustainability and would therefore expect this to be in place. We will happily explore this issue further to see if there is merit in the proposal by discussing the matter with BCPP.
7. Why is the NYPF holding on to its fossil fuel investments?

The previous answers highlight the reasons for this. The current global energy position is that fossil fuels continue to be an important part of the supply chain. However the Fund also has an increasing level of investment in renewable and low carbon energy production and will continue to make such investments where the risk/return profile fits the Investment Strategy. We believe that the investment portfolio should be such that it best delivers the requirement to produce returns that can pay benefits to its members in the short, medium and longer terms. As a result the portfolio is likely to reflect a range of investments.

Following the initial questions and responses Members discussed the issues raised and the following details were highlighted:-

- ◆ Generally, Members agreed with the need to move away from the use of fossil fuels, but emphasised that this had to be undertaken slowly, over a period of time, which was likely to be reflected in the investments made by North Yorkshire Pension Fund. Members considered that fossil fuels were still an essential feature of life, throughout the world, currently, and to cease their use immediately would cause severe problems.
- ◆ It was clarified that the North Yorkshire Pension Fund held very little direct investments in fossil fuels, however, it was unknown as to the extent of the extended investment portfolio and how that touched on fossil fuel related investments. It was emphasised that should these investments deliver an



appropriate and effective return for the Pension Fund then Fund Managers would invest in those.

- ◆ Members again emphasised the reality of the situation, with fossil fuels being an essential part of everyday life currently, however, it was acknowledged that the position was changing with renewable energy becoming more prominent and it was expected that investments in renewable energies would be developed in time.
- ◆ The Chairman considered that a move from agriculture to the provision of renewable energy fuels was a great danger to the world, as this would lead to less food production. He suggested that this issue should be taken account of. He recognised that this was a complex issue, but answers to the questions raised had been provided.
- ◆ The questioner accepted that the issue was indeed complex, but emphasised the need to move towards better energy production and highlighted the influence that Pension Funds could have on that in terms of dis-investment.

#### **44. Stewardship Code**

Considered -

The report of the Treasurer requesting Members to approve the draft North Yorkshire Pension Fund Statement of Compliance with the UK Stewardship Code.

The Treasurer stated that the UK Stewardship Code was first published in 2010 and updated in 2012 (details supplied as an Appendix to the report). The next edition of the Code will be in 2018 with the main focus being UK equity investments.

Details of what was sought through compliance with the Code were set in the report. A Statement of Compliance was required to be submitted to the Financial Reporting Council (FRC) for assessment and details of that were provided in Appendix 2 to the report.

It was noted that Pension Board Members had considered the draft Statement of Compliance at their meeting in January 2018 and comments and feedback had been reflected in the draft Statement.

Members were requested to submit any comments they had in relation to the draft Statement of Compliance, to the Treasurer, by the end of the week, allowing the Statement to be sent to the FRC for assessment.

The following issues were clarified during a discussion of the report:-

- ◆ The seven principles related to compliance with the Code could be evidenced.
- ◆ Compliance with the Code was seen as good practice.

**Resolved -**

That any comments in relation to the draft NYPF Statement of Compliance with the UK Stewardship Code should be forwarded to the Treasurer, by the end of this week, with the Code then sent off to the FRC for assessment.

#### 45. Administration Report - Member and Employer Issues

Considered -

The report of the Treasurer providing Members with information relating to the administration of the Fund over the year to date and providing an update on key issues and initiatives which impact the Administration Team.

The Treasurer stated that the report had been revised in an attempt to provide Members with details in a greater depth, and more up-to-date, in relation to the work of the Administration Team and its impact. Members' feedback on the content and layout of the report would be welcomed.

The Head of Pensions Administration provided the following highlights in relation to the report:-

##### Admission Agreements and new Academies

Numbers continued to increase in terms of admission agreements with schools converting to academy status. In progress numbers remained fairly stable.

##### Membership Statistics

Details were outlined in the report, with a number of deferred members increasing. Work continued to provide a more accurate membership position, going forward, and details of work being undertaken were provided.

##### Performance Statistics

Details for the period 1 October to 31 December 2017 were provided. It was noted that the focus remained on reducing the outstanding work within the section and developing initiatives to facilitate this. The major issue remained outstanding queries with employers and every effort was being made to obtain the required information, however, if no satisfactory outcome could be obtained then the Regulator would be asked to intervene.

##### Commendations and Complaints

Details for both were provided within the report.

It was noted that the complaints matters were categorised and an explanation was provided as to the nature of the complaint, how it had arisen and what was being undertaken to address it. A review of complaints was undertaken and a "lessons learned" analysis sought to diminish future complaints.

The issues relating to one specific, long running, complaint were detailed and it was noted that a Member of the Pension Fund Committee had been involved in responding to the complainant. The Member had spoken to all those involved and had advised the complainant as to the measures that were being undertaken to address the complaint, accordingly. The Administration Manager stated that the complaint had now been addressed. The Chairman noted that all Members of the Pension Fund Committee had been contacted by the complainant, initially, with details of the nature of the complaint.

Members welcomed the addition of the commendations and complaints section to the report.

## Annual Benefits Statement - Update

The work for processing the 2017 Statements had been completed. Work had commenced on the 2018 year end details in preparation for the next Annual Benefits Statement cycle. It was noted that the process had commenced earlier and the Service were being more robust in collecting the required data from employers. Details of the new framework for the provision of information, and compliance by employers would be provided to future Pension Fund Committee meetings.

A Member congratulated the Administration Team on their completion of the Annual Benefits Statements for 2017. He noted that chasing employers for information was a strain on resources and he asked at what stage the situation become unmanageable and employers would be reported to the Regulator. In response the Administration Manager stated that it was difficult to say when the Regulator would become involved as there were different circumstances. She emphasised that where an employer was communicating and attempting to address the situation then the Administration Team would do its best to work with them to manage this, however, where communication had broken down contact with the Regulator was more likely.

## CIPFA Benchmarking Return 2016/17

These showed the unit cost for NYPF Pensions Administration was £17.14 compared with an average unit cost across the whole of the benchmarking club of £20.14. The NYPF unit cost had increased due to an increase in general costs across the board, however, NYPF continued to be well below the average for the comparators in the exercise.

## HM Treasury response to GMP Indexation

The consultation set out options for how the Government would continue to meet obligations to index and equalise pension entitlements for members in public sector schemes following reform to state pensions and the ending of contracting out. Details of the current "interim solution" were outlined and it was expected that this would be extended for a further two years and four months. Details of how this would affect LGPS were highlighted.

## GMP Reconciliation

The process was ongoing and was expected to be completed, on target, by 30 September 2018.

It was stated that a decision was required from the Committee in relation to a tolerance being set to efficiently reconcile the GMP values. It was noted that should the difference between the HMRC GMP value and the NYPF GMP value be less than this tolerance then the HMRC GMP value would be accepted with no further review being required. A widely accepted industry standard for the tolerance was £2 per week. Around 4,600 members currently had the HMRC GMP value that did not exactly match the NYPF GMP value, but fell within the £2 pw tolerance. The number was likely to change as further cases were reconciled against HMRC data during the course of the project.

It was clarified that the £2 tolerance level operated both ways.

## General Data Protection Regulations (GDPR) 2018

An action plan had been produced for the Fund and policies were being drafted to ensure that the Fund was compliant, in line with the introduction of the Regulations in

May 2018. Collaboration with Members of the North East Pension Officers Forum (NEPOF) was being undertaken to provide clarification in terms of compliance.

### Breaches Policy and Log

Details of a breaches policy and log, as previously discussed, and in line with the requirements of the Pension Regulator's Code of Practice, were provided as an Appendix to the report. It was noted that these documents had been reviewed and discussed by the Pension Board and that Members were requested to consider and approve them.

### Efficiency Initiatives

Letters' reviews continued and had been utilised to substantially reduce the amount of standard letters for the Administration Team to use. A review of the Annual Benefits Statement template had also been undertaken. The Administration Team continued to undertake reviews to identify inefficiencies and areas of improvement and streamlining.

### Consideration of Payment of Death Benefit

It was noted that this issue was confidential as the matter was personally sensitive to the people involved.

Members considered the issues relating to the case highlighted and suggested that there was need for a legal interpretation of this, however, it was suggested that it not appropriate for the Pension Fund Committee to make judgement on such matters and, therefore, consideration should be given to future cases being delegated to the Treasurer in consultation with Legal Services.

### Member Training and Meeting Timetable

Details were provided in Appendices to the report.

The following issues were highlighted in relation to the report:-

It was noted that a change was expected in respect of the City of York Council representative on the Pension Fund Committee, following their Annual Meeting, with Councillor Ian Gillies expected to be their representative.

A Member referred to the attendance of Unison representatives at the Pension Fund Committee. It was noted that Brian Hazeldene, the retired members Unison representative, had submitted his apologies in relation to his attendance at this meeting due to ill health.

Members were informed of the recent death, following a short illness, of Ben Drake, a regular attendee at Pension Fund Committee meetings as a Unison representative and also a Member of the Pension Board. Members paid tribute to Ben's work on behalf of the North Yorkshire Pension Fund and his useful contributions to the meetings he attended. They offered their condolences to his family and friends. The Chairman stated that he had sent a letter to Ben's family on behalf of the Pension Fund Committee offering condolences.

It was noted that the Richmondshire MP, Rishi Sunak, had recently been appointed as Under Minister with responsibility for the Local Government Pension Scheme and it was suggested that it would be useful to have a meeting between him and Members

of the Pension Fund Committee. It was stated that further consideration would be given to arranging this meeting and Members would be informed accordingly.

In respect of details contained in Appendix 4 to the report it was noted that County Councillor Angus Thompson had attended the Pension Workshop held on 20 December 2017.

#### **Resolved -**

- (i) The contents of the report be noted;
- (ii) That the adoption of the £2 per week tolerance in respect of the GMP reconciliation project be approved;
- (iii) That the breaches policy and log be approved; and
- (iv) That the issue relating to the payment of a death benefit, legal advice be obtained, the matter be resolved in accordance with that advice and consideration be given to future similar cases being delegated to the Treasurer, in consultation with Legal Services and the Chairman to resolve.

#### **46. Budget/Statistics**

The Treasurer circulated a replacement report to that provided with the agenda for the meeting. The report provided details on the following:-

- (a) The expenditure/income position to date for 2017/18.
- (b) The cash deployment of the Fund.
- (c) The cash-flow projection for the Fund.
- (d) The draft 2018/19 budget for the Fund.

The Treasurer apologised to Members in respect of the late replacement of the report noting that the original had omitted details in relation to the 2018/19 draft budget and to highlight that arrangements for reporting would be altered for future meetings in terms of providing a fully accrued budget, a three year cash-flow forecast and details of cash-flow.

In terms of the 2018/19 budget he explained that, as this had only been circulated to Members during this meeting, approval of the budget would not be undertaken until the next scheduled meeting of the Pension Fund Committee, however, the budget details provided would be adhered to in the interim.

#### 2017/18 Budget

Pensions' payroll expenditure was forecast to exceed budget by £2m. Contributions income was forecast to be under budget by £4.5m however this was based on assumptions that had been identified as incorrect, therefore, the 2018/19 budget had been refined to reflect the latest estimations. In the nine months to 31 December 2017 there had been much greater instances of transfers in and out, with the forecast for transfers in exceeding budget by £2.5m and transfers out by £4m. The underlying 2017/18 cash-flow forecast was estimated at an in-year surplus of £1.5m. The forecast for performance related fees had increased by £1.4m to £4.9m and investment management fees had increased by £1m to £4.7m, which was a consequence of the

excellent Fund performance. The forecast expenditure for pooling had increased by £75k to £425k to cover additional expenditure on the implementation of the Pool.

Members discussed the budgetary position and the following issues were highlighted:-

- ◆ Reference was made to the value that had been added to the Fund of around £600m over the last year, in terms of the additional performance related fees paid and it was considered that these provided good value for money.
- ◆ Issues around hidden investment fees were highlighted and it was noted that some Local Government Pension Schemes provided a much more detailed breakdown of the investment fees incurred, and suggested that not all Funds published the correct level of fees in respect of their investments. Members stated that they were satisfied with the details provided and noted that the Fund's contracts with the Investment Managers included some of the hidden fees referred to.
- ◆ Members raised concerns with regards to the increase in expenses paid towards the establishment of the pooling arrangements. It was noted that Members of both the Pension Fund Committee and the Pension Board had warned that the increases were likely to occur. In particular, Members were concerned that they were not being provided with details of how the funding was being spent. The Treasurer acknowledged this and stated that he would shortly be circulating a transparent report, generated by BCPP, providing the details requested. It was noted that the structure for the Pool was nearly in place. The Treasurer emphasised that the opening budget had been agreed to allow BCPP to be formed and was not as a result of decisions made by BCPP.
- ◆ Noting that the meeting with the Chief Executive of BCPP had provided reassurances to Members in terms of obtaining non-Executive Directors with experience of the Local Government Pension Scheme, a Member raised concerns that former Pension Fund Committee Member, Roger Harrison-Topham, had not been shortlisted for an interview for such a post, following his application, despite his wealth of knowledge and vast experience in this field.
- ◆ It was clarified that the additional funding outlined in the report, in relation to the establishment of BCPP, was that provided by the North Yorkshire Pension Fund and that equal amounts had been provided by each of the other Pension Funds involved.
- ◆ The Chairman of the Pension Board noted that, during his presentation to the Pension Board in January 2018, the Treasurer had stated that he would circulate the structures and details of the Pool to Members of the Board. The Treasurer stated that had followed up that request with the Chief Executive, and Section 151 Officers within the Pool, to determine whether details could be shared with the Pension Fund Committee and the Pension Board. He stated that the request had been received positively and, currently, details were being checked for confidentiality with a view to providing those to Members of both the Pension Fund Committee and the Pension Board. He stated that he would follow this matter up accordingly.

#### Budget 2018/19

The Treasurer stated that the proposed budget for 2018/19 was provided as an Appendix to the report.

The Treasurer highlighted that the budget for pension payments had increased by £6m. The budget for Finance and Central Services had been increased by £0.1m. The budget for investment based fees that were paid by invoice had been increased by £0.6m. Performance related fees had been increased to £5m. The employer contribution income budget reflected the anticipated pay increase and inflationary increase in past service payments. The budget for transfers in had been increased by £2.5m and transfers out by £4m. Pooling and GMP expenditure against the current budgets was expected to be ongoing into 2018/19.

It was noted, in response to issues raised that the budget was based upon what was happening currently, and did not take account of different fees going forward into the pooling arrangements, therefore, subsequently, alterations may have to be made to the budget.

The issue of hidden fees was again discussed and it was noted that some Local Government Pension Funds had much bigger budgets, in terms of fees, in view of this. The Funds Investment Consultants, AON Hewitt, outlined details on how the hidden funds referred to were generated, and what they consisted of. A Member emphasised that the Pension Fund Committee had made careful decisions in terms of investments which had resulted in the Fund being 109% solvent and that the hidden fees had been built into the strategy for investment. It was emphasised that the matter was not simplistic and could create issues going forward into the pooling arrangements, therefore, careful monitoring of this matter would be required.

**Resolved -**

- (i) That the report be noted; and
- (ii) That Members note the draft 2018/19 budget at this stage, and this would be adhered to prior to formal approval at the next scheduled meeting of the Pension Fund Committee.

**47. Performance of the Fund's Portfolio**

**Considered -**

The report of the Treasurer providing details of the investment performance of the overall Fund, and of the individual Fund Managers, for the period to 31 December 2017.

The report indicated that the absolute overall return for the quarter (+4.3%) was above the customised benchmark for the Fund (+3.9%) by +0.4%.

The 12 month absolute rolling return was +17%, +6.4% above the customised benchmark of +10.6%. 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.
- ◆ Property.
- ◆ Diversified growth funds.
- ◆ Private debt.

Details relating to risk indicators, solvency, re-balancing, MIFID II and proxy voting were also provided.

The Treasurer noted that the report had been produced using a new format and feedback from Members in relation to that would be welcomed.

The Fund's Investment Consultants, AON Hewitt, provided an analysis of the performance of the Fund during the quarter and the following issues were highlighted:-

- ◆ The Fund's investments had again performed very well during the quarter with solvency improving from 108% to 109%.
- ◆ The positive performance of the majority of Fund Managers was highlighted.
- ◆ Details relating to yields and bond mandates were provided.
- ◆ Details of the slight downturn in the markets since the end of the previous quarter were highlighted and a brief update on the current position was provided. It was emphasised that the full position for the quarter was not yet in place.

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

- ◆ An increase in volatility in the markets of late and the reasons behind that.
- ◆ Issues around the proposed dis-investment, agreed at the previous meeting, and why that had not taken place as yet. It was stated that this would be undertaken shortly.
- ◆ Concerns over some of the Diversified Growth Fund (DGF) performance.
- ◆ A discussion around the performance of Newton.
- ◆ The continuance of the development of the Investment Strategy so as to lessen the impact of volatility in the markets and maintain the current solvency position as far as possible.
- ◆ Possible alternative investment opportunities to DGFs, including hedge funds.
- ◆ The availability of appropriate investment opportunities, in line with the Investment Strategy, within the pooling arrangements, including whether existing Fund Managers would be available within those arrangements.
- ◆ The risk of having large amounts of investment controlled by one Fund Manager against the high returns produced which had brought the Fund to its current solvency position. Acknowledgement of the need to maintain the current solvency position by reducing the risk.

#### **Resolved -**

That the report, and issues raised, be noted.

#### **48. Procurement Update**

Considered -



The report of the Treasurer updating Members on progress towards the procurement of an Insurance Linked Securities (ILS) Manager, including action on the following:-

- ◆ Determining the composition of a Member panel as part of the selection and evaluation process for the procurement of an ILS Manager.
- ◆ Delegating authority to the Treasurer, in consultation with the Chairman of the Pension Fund Committee, to select and appoint the successful ILS Manager.
- ◆ Determining and then delegating arrangements for the necessary funds to be dis-invested in order to fund an ILS Manager.
- ◆ Updating Members on the Property Debt Manager procurement.
- ◆ Delegating authorities to officers to undertake a custodian procurement.

The Treasurer stated that the Member selection and evaluation panel for the procurement of an ILS Manager would take place on Wednesday 28 February 2018 at the Yorwaste Office, Northallerton.

Members of the Committee would be invited to question the five selected Managers, with authority delegated to the Treasurer and Chairman of the Committee to appoint the successful Manager, following the interview process, to prevent the matter having to be returned to a meeting of the full Committee for a decision to be made, negating the need for special arrangements for that.

Details of the selection and evaluation panel were provided, including timings for the event.

Members indicated who would be able to attend.

The Treasurer stated that the Property Debt Manager procurement was ongoing and a full OJEU compliant procurement procedure would be undertaken at the conclusion of the Insurance Linked Securities Manager procurement.

In relation to the custodian procurement Members were asked to delegate responsibility to officers to carry out the procurement process.

**Resolved -**

- (i) That the Members who indicated their availability constitute the panel as part of the selection and evaluation process for the selection of the ILS Manager(s);
- (ii) That authority be delegated to the Treasurer in conjunction with the Chairman of the Pension Fund Committee to select and appoint the successful ILS Manager;
- (iii) That arrangements for the necessary funds to be dis-invested in order to fund an ILS Manager be delegated to officers; and
- (iv) That the update on the Property Debt Manager procurement be noted; and
- (v) That the authority to carry out a procurement for the custodian be delegated to officers.

#### 49. Currency Hedging

Considered -

The report of the Treasurer outlining the following:-

- (i) An update for Members on progress towards the implementation of currency hedging.
- (ii) Determining the approach to hedging.
- (iii) Considering arrangements for monitoring and adjusting the hedge in future.
- (iv) Considering the governance arrangements for the proposed monitoring facility.

At recent Investment Strategy reviews, undertaken by the Pension Fund Committee, agreement had been given to the principle of currency hedging with authorisation given to officers to make the necessary arrangements to set up a currency hedging facility that would be activated based on a set of triggers. The Investment Consultants had worked with Members to consider various options for implementing currency hedging and it had been recommended that the best option would be to implement a currency hedging facility with Fidelity as they were the current Manager that holds around 20% of the Fund's overseas equity investments in a segregated mandate. This would provide the Fund with the option to hedge up to 20% of its overseas exposure at any one time. The consultants advised that hedging 20% could result in a reduction in currency risk of about half. Officers were currently in the process of updating documentation with Fidelity to allow this to take place.

A verbal update was provided at the meeting which indicated that, following changes in the currency situation, it was no longer considered appropriate to include US dollars in the process, due to the improvement in rates against sterling. It was considered appropriate, therefore, to proceed with the hedging arrangements, as previously discussed, against the Euro and Yen.

It was also noted that following the implementation of currency hedging it was proposed to monitor hedging levels and, as Fidelity did not have the facility to monitor specific market level based triggers proposals were provided to enable the Committee to take decisions on increasing or reducing the currency hedged when necessary.

The views of the consultant on currency hedging would be provided to the Fund on an ad-hoc basis and the Fund would need to be reactive to the recommendations, therefore, two proposals were provided as options as to how to undertake governance for this as follows:-

Option 1 - the views could be communicated to all PFC Members by email on an ad-hoc basis; this would require all Members approval for officers to implement any recommended changes.

Option 2 - a sub-committee of the PFC would be set up, with delegated decision-making powers on currency hedging, and emails would be sent to those Members to get approval on any changes to currency hedging levels.

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

- ◆ Members discussed the options in terms of the governance for monitoring currency hedging proposals and suggested that Option 2 would be the most efficient and effective way of undertaking this.

- ◆ The strategy for currency hedging was questioned, however, it was emphasised that the matter had been fully discussed at previous Investment Strategy workshop meetings and had been decided that this would be an effective way of addressing volatility in the investment structure, thereby protecting the current solvency position of the Fund. In relation to this matter it was noted that the sums involved were relatively low in terms of the overall Fund, therefore, there was little risk in the action being undertaken. It was emphasised that the protection offered would enable a small proportion of the Fund to be protected against subsequent currency volatility.
- ◆ It was noted that the Investment Consultants would provide an annual report on cost versus performance in terms of the currency hedging position and regular updates would be provided in their quarterly monitoring reports.

**Resolved -**

- (i) That the approach to hedging be agreed as outlined;
- (ii) That the proposal for AON Hewitt to provide a monitoring facility to allow the currency hedge to be adjusted going forward, at a cost of £4k per quarter, be approved;
- (iii) That Option 2, as outlined above, be agreed to provide the governance for the monitoring facility, with the quorum for decisions being any three voting Members of the full Committee.

**50. 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.

Members considered that the majority of issues relating to pooling were discussed earlier in the meeting.

Reassurances were again sought that details of budgets and staffing structures would be provided to Members of both the Pension Fund Committee and Pension Board, as previously requested. The Treasurer again stated that he was discussing this matter with the appropriate representatives of BCPP and, once appropriate checks had been made on confidentiality, details would be emailed out to all Members of both the Pension Fund Committee and the Pension Board.

A Member asked that the concerns that he raised earlier in the meeting in respect of the non-interviewing of former Pension Fund Committee Member Roger Harrison-Topham in relation to the non-Executive Director position on BCPP, be conveyed to the Chief Executive of the BCPP accordingly.

**Resolved -**

That the content of the reports be noted and the issues, as outlined above, be acted upon accordingly.

**51. Pension Board - Draft Minutes of the Meeting held on 18 January 2018**

Considered -

The draft Minutes of the Pension Board held on 18 January 2018.

The Chairman of the Pension Board noted that amendments had been made to the Minutes, following their initial publication, and a revised version had now been published alongside the Pension Fund Committee papers on the website.

The Chairman of the Pension Board highlighted the following significant issues that had been discussed at that meeting:-

- ◆ The current vacancy on the Pension Board for a Scheme Member representative - interviews had been held immediately prior to the meeting of the Pension Fund Committee and, subject to clarification between those involved in the interview process, it was expected that the vacancy would be filled, with details brought to a subsequent meeting of the Pension Fund Committee.
- ◆ It was noted that an employer representative, Phil MacDonald, would be stepping down from the Pension Board, following him leaving his current employment at Hull University, and, therefore, being unable to represent North Yorkshire Pension Fund on the Board. A recruitment exercise would be undertaken in relation to the vacancy.
- ◆ The Treasurer of North Yorkshire Pension Fund had attended the Pension Board meeting and details of the discussions held were outlined in the Minutes. It was expected that this would be an annual event for the Pension Board, unless details were required from the Treasurer in the interim.
- ◆ The Terms of Reference of the Board had been reviewed, with no changes identified at present, however, this could change as the framework for the pooling arrangements became clearer and, therefore, subsequent reports may be required.
- ◆ Details of the breaches log and policy, as outlined earlier at this meeting, were discussed.
- ◆ Internal Audit reports for the Pension Fund were considered and details of the levels of assurance provided.
- ◆ Review of the Risk Register was undertaken.
- ◆ Comments were provided in relation to the draft Stewardship Code which, again, was considered earlier at this meeting.

**Resolved –**

that the minutes be noted.

The meeting concluded at 12.55 pm

SL/JR

## North Yorkshire County Council

## Pension Fund Committee

24 May 2018

## 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**. We have received a total of 3 new admissions and academies and completed 16 since the last update. The numbers in progress have reduced slightly.

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

Membership Category	At 31/03/2017	+/- Change (%)	At 31/03/2018
Active	33,763	-1.96	33,100
Deferred	33,184	+7.87	35,796
Pensioner (incl spouse & dependant members)	20,744	+3.49	21,468
<b>Total</b>	<b>87,691</b>		<b>90,364</b>

- 3.1.1. The number of deferred members is increasing as we clear the outstanding work and establish what benefits members are entitled to. As we progress through clearing the outstanding work a more accurate membership position is being established.

**3.2. Throughput Statistics**

3.2.1. Period from 1 January 2018 to 31 March 2018

Casetype	Cases Outstanding at Start	New Cases	Cases Closed	Cases Outstanding at End
Transfer In quotes	10	52	58	4
Transfer Out quotes	11	186	180	17
Employer estimates	3	102	93	12
Employee estimates	4	281	255	30
Retirement quotes	16	511	486	41
Preserved benefits	274	984	859	399
Death in payment or in service	27	85	90	22
Refunds	59	631	618	72
Actual retirement procedure	30	365	332	63
Interfund transfers	42	128	140	30
Aggregate member records	178	353	390	141
Process GMP	252	4	100	156
Others	74	157	158	73
<b>Total Cases</b>	<b>980</b>	<b>3839</b>	<b>3759</b>	<b>1060</b>

3.2.2. Alongside the above cases the Pensions team also handled 2,845 phone calls (average 45 per day) and 2,154 emails received via the Pensions Inbox (average 35 per day) in the quarter to 31 March 2018.

3.2.3. We continue to target the areas of highest demand by having focussed work days where the whole team works on a specific case type from an allocated list. The queries identified from this processing are batched and referred back to employers in bulk to make the process as efficient as possible.

### 3.3. Performance Statistics

3.3.1. The performance figures for the period 1 January 2018 to 31 March 2018 are as follows:

Performance Indicator	Target in period	Achieved
Measured work achieved within target	98%	95%
Customers surveyed ranking service good or excellent	94%	94%
Increase numbers of registered self-service users by 700 per quarter	700	893

3.3.2. The administration team continue to focus on reducing the outstanding work and focusing on ensuring the day to day business as usual work is being processed within agreed timescales. The items of work we are unable to process due to outstanding queries with employers has reduced from 3,000 to approximately 2,300 and we continue to chase for that information on a regular basis. The auditing of this work has resulted in a reduction in the volume of outstanding queries and newer work being received is of better quality.

3.3.3. We continue to work with employers in improving the quality of the information we receive and we will be looking at moving towards more automated and regular data exchanges.

### 3.4. Commendations and Complaints

3.4.1. This quarter the following commendations and complaints were received:

#### Commendations

Date	Number Received	Summary
Jan 2018	2	Thanks for quick responses to questions.
Feb 2018	1	Thanks for help with the case.
Mar 2018	2	Thanks for help and patience.

#### Complaints

Date	Summary
Jan 2018	None received
Feb 2018	None received
Mar 2018	<p>2 Administration</p> <ul style="list-style-type: none"> <li>Delays in processing flexi retirement due to staff sickness in the team.</li> <li>The next of kin claimed the nomination form was omitted from the letter and the member died before they requested a replacement. This meant death grant had to be paid to the estate and may now be subject to tax.</li> </ul> <p>1 Regulatory</p> <ul style="list-style-type: none"> <li>Spouse's pension not applicable due to date of wife leaving the scheme. Widower complained all documentation received referred to a spouse's pension.</li> </ul>

#### 3.4.2. The complaint categories are:

- Administration - these can relate to errors in calculations, delays in processing and making payment of benefits.
- Regulatory - these relate to a complaint where regulations prevent the member being able to do what they want to.
- Ill Health Early Retirement appeal - these are where members have been declined for early retirement on the grounds of ill health and are appealing the decision through the Internal Disputes Resolution Procedure.

#### 3.4.3. **Lessons Learned**

3.4.3.1. Having reviewed the complaints received in the period it is clear we need to focus on the following areas:

- We have introduced an amended procedure for diverting phones and emails when a member of staff is ill.
- The pensioner newsletter was amended to ensure reference to the spouse's pension was not misleading. This will be carried forward into other documentation.

#### 3.5. **Annual Benefit Statements 2018**

3.5.1. We have commenced processing the 2018 year end data and have received 80 returns by the deadline of 30 April from 147 expected returns. We now have data for 6,805 active members out of 33,100. Of the 67 outstanding files, 17 have asked for an extension (9 of which are produced by NYCC) and both our two biggest employers, NYCC and CYC, are included in these.

3.5.2. Ongoing quality analysis will be undertaken and reported to both the Pension Board and Pension Fund Committee throughout the year. This will help to inform the decision regarding re-introducing penalties for those employers who provide poor quality data or late submissions.

3.5.3. The Annual Benefit Statement template and accompanying notes have been revamped for this year with a view to making the information easier to understand and the key information more obvious.

#### 3.6. **Pensioner Newsletter**

3.6.1. The 2018 Pensioner newsletter, copy attached at Appendix 2 was issued to all pensioners on 29 March.

### 4. **Issues and Initiatives**

#### 4.1. **GMP Reconciliation**

4.1.1. As members will be aware the GMP reconciliation project is currently ongoing. This project follows the closure of the HMRC service in December 2018 and requires every pension scheme to reconcile their GMP figures with those held by HMRC to ensure the correct benefits are being paid.

4.1.2. Processing has continued in this period with significant progress being made in resolving discrepancies. We have started to receive responses from HMRC however the time delay appears to be 3 to 4 months. This is being monitored closely by ITM and they will notify us if these delays impact the project completion date.

4.1.3. The project is progressing well and at this stage is on target to complete by the planned completion date, 30 September 2018

#### 4.1.4. Current position:

Status	Reconciled	Unreconciled
Active	20,741	7,044
Deferred	27,990	8,466
Pensioner	14,329	5,943
Other admin		3,676
HMRC		4,250
<b>Totals</b>	<b>63,060</b>	<b>29,379</b>

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

4.2.1. We have worked with members of the Information Governance team to produce the NYPF Privacy Notice. This notice sits within the North Yorkshire County Council's overarching framework and should be read in conjunction with the County Council's Corporate Privacy Notice and Employment Privacy Notice. We are awaiting confirmation of the County Council's dedicated webpage before we are able to publish the notice. It will be brought to the July meeting alongside the other Scheme Governance documents for review and approval.

#### 4.3. **Breaches Policy & Log**

4.3.1. Included at **Appendix 3** is the North Yorkshire Pension Fund's Breaches Log for review. There are no new entries to discuss.

#### 4.4. **Efficiency Initiatives**

4.4.1. We continue to progress the letter review and have been working on identifying which letters are currently still in use. We have reduced the list to review down to 215 and work will now commence on the development of these.

4.4.2. We continue to work on a number of initiatives in order to assist the administration team to undertake their function as effectively and as efficiently as possible.

4.4.3. Progress is slow due to other work within the team taking priority.

#### 5. **LGPS Amendment Regulations 2018**

5.1. The LGPS Amendment Regulations were laid on 19 April 2018 and the government has responded to the May 2016 consultation on the regulations. The amendments take effect on 14 May 2018.

5.2. The technical and compliance team are currently working through the amendment regulations and identifying the impact so that we can ensure we continue to administer the Scheme in accordance with the regulations.

5.3. An update will be brought to the July meeting.

#### 6. **Exercise of discretion for payment of death benefits**

6.1. Under the LGPS Regulations 2013, Regulation 40, the appropriate administering authority may, at its absolute discretion, pay the death grant to or for the benefit of a member's nominee, personal representatives or any person appearing to the authority to have been a relative or dependent of the member. Details of this discretion are included in the 'Administering Authority Discretions for North Yorkshire County Council' document.



- 6.2. Following referral of the recent death case to the NYPF legal adviser they have suggested changing the wording so that it is less restrictive and less emphasis is placed on the nomination form. At the moment, the wording is that *“The administering authority has determined that death benefits will normally be paid to the person(s) nominated by the deceased”*. There is then mention of what happens where there is no nomination, but no mention of the other factors that will be taken into account where there is a nomination in place.
- 6.3. As Regulation 40 states, the nomination is not determinative and should not be treated as such in deciding to whom death grants should be paid. There is clear case law that a local authority can be subject to legal challenge if they put in place self-made rules which act to preclude the proper exercise of a discretion.
- 6.4. Included at **Appendix 4** is an extract from the current Administering Authority Discretions for North Yorkshire County Council document showing the current wording in place. Also included is the proposed wording as suggested by the legal adviser which makes it clearer that personal circumstances at the time of death will also be taken into account in the decision making process.
- 6.5. At the last meeting there was a discussion regarding the delegation of the decision making process to the Treasurer with legal advice and this needs due consideration and a formal decision. It should be noted that one of the key reasons for potential delegation was that it may be a case of purely following a clear legal route. Following the legal advice we are now clear that this is not the case so it remains appropriate that such matters are brought to the Pension Fund Committee and no change is required to this aspect of the policy.

## **7. Member Training**

- 7.1 The Member Training Record showing the training undertaken over the year to 31 March 2018 is attached as **Appendix 5**.
- 7.2. Upcoming courses, seminars and conferences available to Members are set out in the schedule attached as **Appendix 6**. 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.
- 7.3. As best practice, it is recommended by the TPR that Members of the PFC carry out regular skills and knowledge reviews. This will allow the Fund to determine the collective skills and knowledge of the PFC and identify any knowledge gaps and therefore future training requirements. It is intended that a skills audit will be brought to a future meeting of the PFC for Members to complete.

## **8. Meeting Timetable**

- 8.1 The latest timetable for forthcoming meetings of the Committee and Investment Manager meetings is attached as **Appendix 7**.

## **9. Recommendations**

- 9.1. Members to note the contents of the report.
- 9.2. Members to note the contents of the Breaches Log.
- 9.3. Members to approve the change of wording for the exercise of discretion for payment of death benefits (Section 6 and Appendix 4)

Gary Fielding  
Treasurer of North Yorkshire Pension Fund  
NYCC  
County Hall  
Northallerton

15 May 2018

## Academy Conversions - 28 'in progress'

Name of School	Local Education Authority	Multi Academy Trust (MAT) Name	Conversion Date	Current Position
Airy Hill CP School	NYCC	Yorkshire Endeavour Learning Academy Trust	1.2.2.18	Complete
Castleton CP School	NYCC	Yorkshire Endeavour Learning Academy Trust	1.2.2.18	Complete
Glaisdale CP School	NYCC	Yorkshire Endeavour Learning Academy Trust	1.2.2.18	Complete
Lealholm CP School	NYCC	Yorkshire Endeavour Learning Academy Trust	1.2.2.18	Complete
West Cliff CP School	NYCC	Yorkshire Endeavour Learning Academy Trust	1.2.2.18	Complete
Carlton Miniott CP School	NYCC	Elevate Multi Academy Trust	1.2.2018	Complete
Sowerby CP School	NYCC	Elevate Multi Academy Trust	1.2.2018	Complete
Acomb Primary School	COYC	Pathfinder Multi Academy Trust	1.1.2018	Complete
Knayton Cof E Primary School	NYCC	Elevate Multi Academy Trust	1.2.2018	Complete
Dunnington CoE Primary School	COYC	South York Multi Academy Trust	1.3.2018	Complete
Newby & Scalby Primary School	NYCC	Scalby Learning Trust	1.4.2018	Complete
Lakeside Primary School	COYC	Ebor Academy Trust	1.4.2018	Complete
Easingwold School	NYCC	Outwood Grange Academies Trust	1.4.2018	Original conversion date was 1.10.17 but school converted 1.4.18. Delays in receiving required information from the Trust. Actuarial calculations requested
York High School	COYC	South Bank MAT	1.5.2018	Actuarial calculations provided. Waiting for confirmation when the school converts
Hob Moor Oaks School	COYC	Ebor Academy Trust	1.5.2018	Staff list and checklist requested
Hob Moor CP School	COYC	Ebor Academy Trust	1.5.2018	Staff list and checklist requested
Baldersby St James CoE Voluntary Controlled Primary School	NYCC deemed to be employer	Hope Learning Trust	1.6.2018	Staff list received, waiting for checklist

## Appendix 1

All Saints CE Primary School	NYCC	Yorkshire Causeway Schools Trust	1.6.2018 or 1.7.2018	Original conversion date was 1.7.2016 but MAT advised it has been delayed. Checklist & staff list sent to MAT
<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>
Wheldrake with Thorgnaby CE School	COYC	South York Multi Academy Trust	1.6.2018	Staff list and checklist requested
Elvington CoE Primary School	COYC	South York Multi Academy Trust	1.6.2018	Staff list and checklist requested
Archbishop of York's CoE Junior School	COYC	South York Multi Academy Trust	1.9.2018	Will be progressed nearer the time
Danesgate Community 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
Tadcaster Grammar School	NYCC	Star Multi Academy Trust	1.5.2018	Actuarial calculations requested
Monk Fryston CofE VC School	NYCC	Star Multi Academy Trust	1.5.2018	Actuarial calculations requested
Saxton CofE Primary School	NYCC	Star Multi Academy Trust	1.5.2018	Actuarial calculations requested
Riverside CP School	NYCC	Star Multi Academy Trust	1.5.2018	Actuarial calculations requested
Sherburn High School	NYCC	Star Multi Academy Trust	1.6.2018	Will be progressed nearer the time
Sherburn Hungate CP School	NYCC	Star Multi Academy Trust	1.6.2018	Will be progressed nearer the time
South Milford CP School	NYCC	Star Multi Academy Trust	1.6.2018	Will be progressed nearer the time
Appleton Roebuck Primary School	NYCC	Star Multi Academy Trust	1.7.2018	Will be progressed nearer the time
Kellington Primary School	NYCC	Star Multi Academy Trust	1.7.2018	Will be progressed nearer the time
Kirk Fenton Parochial CofE VC Primary School	NYCC	Star Multi Academy Trust	1.7.2018	Will be progressed nearer the time

Braeburn Primary & Nursery School	NYCC	Ebor Academy Trust	1.9.2018	Will be progressed nearer the time
Ainderby Steeple CoE Primary School	NYCC	Dales Academies Trust	1.9.2018	Will be progressed nearer the time
<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>
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.
Thirsk School & Sixth Form College	NYCC	Arete Learning Trust	Not known	Original conversion date was 1.2.2018. MAT has advised no definite agreement in place at present

## Admission Bodies - 19 'in progress'

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
North Yorkshire Fire & Rescue	Intrinsic FM	17.7.2017	Complete One member of cleaning staff involved. Contractor wouldn't provided required information. Assume contractor does not wish to proceed so email sent to this effect.
City of York Council (Joseph Rowntree School)	abm catering solutions	1.9.2016	Complete
City of York Council (Lakeside Primary School)	Hutchison Catering Limited	27.7.2017	Complete
Poppleton Ousebank Primary School - academy in the Hope Learning Trust	CH&Co Group	28.7.2017	Complete
Joseph Rowntree Charitable Trust			JRCT exited the Fund 31.12.17.
Pathfinder Multi Academy Trust (Clifton with Rawcliffe School)	ISS	27.7.2017	Admission agreement signed by Trust and contractor – waiting for original copies so that NYCC can sign & seal
City of York Council (Poppleton Road CP School)	ISS	27.7.2017	Admission agreement signed by Trust and contractor – waiting for original copies so that NYCC can sign & seal
Pathfinder Multi Academy Trust (Hempland Primary School)	ISS	27.7.2017	Admission agreement signed by Trust and contractor – waiting for original copies so that NYCC can sign & seal
Pathfinder Multi Academy Trust (Tang Hall School)	ISS	27.7.2017	Admission agreement signed by Trust and contractor – waiting for original copies so that NYCC can sign & seal
City of York Council (Copmanthorpe County Infant/Junior School Dunnington C E Primary School Elvington C E Primary School Fishergate Primary School Lord Deramore's Primary School Our Lady Queen of Martyrs Primary School St George's Primary School St Wilfrid's R C Primary School)	Caterlink	27.7.2017	Admission agreements provided – awaiting signatures
Ebor Academy Trust (Camblesforth Community Primary School and Filey Infants school)	Hutchison Catering Ltd	1.4.2018	Not advised about transfer to contractor until after the transfer date! Now in progress

Name of Employer	Name of Contractor	Staff Transfer Date	Current Position
Ebor Academy Trust (Filey Infants school)	Hutchison Catering Ltd	1.4.2018	Not advised about transfer to contractor until after the transfer date! Now in progress
City of York Council (Short breaks for adults with learning disabilities)	Contract not yet awarded	1.8.2018	Second generation outsourcing. Have provided actuarial calculation of employer rates for the City of York to include in their tender document. Transfer delayed from 1.4.18 to 1.8.18
Forest of Galtres Anglican Methodist Primary School - academy in the Hope Learning Trust	CH&Co Group	1.4.2018	Actuarial calculation requested from Aon
Yorkshire Coast Homes		TBC	Possible merger with Coast & Country Housing Ltd. Working with the Fund's lawyers to determine options available.
City of York Council	York MIND	1.6.2018	Two members of the Young Persons Counselling Services will transfer to York MIND on 1.6.2018. COYC has been provided with the actuarially calculated employer rates. Admission agreement in progress.

#### Exiting Employers – 2

Joseph Rowntree Charitable Trust			JRCT exited the Fund 31.12.17.
Superclean Services Limited		1.4.20016	TUPE transfer to Intrinsic FM 17.7.2017 but contractor would not enter into admission agreement. Only 1 member in scope who has now been offered benefits. Waiting for reply before the exit calculation can be requested



## Pensions Increase this year is 3% from 9 April 2018

### How is the increase calculated?

The Pensions Increase (Review) Order, which is issued each year by central government, tells all public sector pension schemes (of which the Local Government Pension Scheme is one) of the increase that should be applied to pension benefits. The annual increase reflects the rise in the cost of living and is in line with the Consumer Price Index (CPI) measure of price inflation recorded in the previous September.

### Who is eligible for the increase?

- Anyone in receipt of a pension who is over 55 or left employment to retire on the grounds of ill health.
- Anyone who has received the payment of their preserved benefits on ill health grounds and who was incapable of carrying out any type of work.
- Anyone in receipt of a spouse's, partner's or child's pension.

### When will we notify you about the increase?

Your payslip for April will include the increase in your pension (where applicable) from 9 April 2018. For those eligible to an increase of more than £1 a month a further payslip will be sent in May to show the increased pension for a full month.

### Am I entitled to the full increase?

If your pension began on or before 25 April 2017 you are entitled to receive the full increase. If your pension began after this date a smaller, prorated increase applies as shown in the table below:

Pension Begins	Increase
10 April 2017 to 24 April 2017	3.00%
25 April 2017 to 24 May 2017	2.75%
25 May 2017 to 24 June 2017	2.50%
25 June 2017 to 24 July 2017	2.25%
25 July 2017 to 24 August 2017	2.00%
25 August 2017 to 24 September 2017	1.75%
25 September 2017 to 24 October 2017	1.50%
25 October 2017 to 24 November 2017	1.25%
25 November 2017 to 24 December 2017	1.00%
25 December 2017 to 24 January 2018	0.75%
25 January 2018 to 24 February 2018	0.50%
25 February 2018 to 24 March 2018	0.25%

### How to avoid overpayments

It's not easy talking about what will happen after you've gone, especially with your loved ones, but it's something we all should do. Please take the time to have that difficult conversation, and make sure that someone will take care of your affairs when that day comes.

It's important that whoever is looking after your affairs knows how to contact us to tell us you have died. The North Yorkshire Pension Fund (NYPF) telephone number to share is **01609 536335**.

As soon as we are informed we can stop your pension payments to avoid any overpayment, and also put into place any new pensions, such as pensions for a husband, wife or partner who is entitled to one.



### Sharing Information

As we don't always get told when one of our pensioners has died we use a third party company to provide a monthly report to check for potential deaths against the General Register Office's records.

We also take part in the Tell us Once initiative. This means when someone registers a death, they can ask to have the details passed on to the Department for Work and Pensions (DWP) and other council departments including the NYPF.

In addition to the above the Cabinet Office require the NYPF to take part in the National Fraud Initiative (NFI). The NFI is an exercise that cross checks records from other pension schemes and the DWP. This exercise increases the chances of all the parties finding out when someone has died.

**It is extremely important if you claim any sort of benefit that you tell the benefit provider you are in receipt of a pension from the NYPF in case its value has to be taken into account. If you don't do this, the NFI exercise may pick it up as a fraudulent claim.**

### Dependants Benefits

An ongoing pension is provided for your spouse, registered civil partner and children as long as certain criteria are met. Also if you left after 31 March 2008, in addition to the above, a pension is also payable to a cohabiting partner subject to certain qualifying conditions.

Although not mandatory it is advisable to complete a cohabiting partner's form which you can download from the NYPF website at [www.nypf.org.uk](http://www.nypf.org.uk) under 'Forms/Guides' > 'Useful Forms'.

Further information can be found on the NYPF website at [www.nypf.org.uk](http://www.nypf.org.uk) under 'Forms and Guides' > 'Scheme Guides' > 'Long Guide to the LGPS'.

### Scheme Funding

NYPF held total investment assets of £3.38 billion as at 31 December 2017. This represents an investment return of 17% over the previous 12 month period. These assets, in combination with total current and future liabilities, resulted in the Scheme being 109% funded as at 31 December 2017.

You can keep up to date by viewing the quarterly investment reports on the NYPF website at [www.nypf.org.uk](http://www.nypf.org.uk), 'Pension Fund/Investments' > 'Quarterly Investment Reports'.

### Pensioners' Representative

Your views and issues continue to be represented by Gordon Gresty, a fellow NYPF pensioner, who worked for North Yorkshire County Council (NYCC) for 24 years. As the Pensioners' Representative, Gordon has a place on the Pension Board which gives him the opportunity to contribute to the way that the NYPF is run and to ensure that your views are considered.

If you have any comments, queries or complaints about pension matters that you would like Gordon to respond to, please email him at [pensions@northyorks.gov.uk](mailto:pensions@northyorks.gov.uk) and put his name in the subject box. You can also visit Gordon's website page at [www.nypf.org.uk](http://www.nypf.org.uk) under Member Info > Retired Members > Pensioners' Representative which is updated with issues which may be of interest and relevance to you.

Further information about the Pension Board can be found on the NYPF website at [www.nypf.org.uk](http://www.nypf.org.uk) under Pension Fund / Investments > Pension Board.

### P60s

Your P60 for the year up to 5 April 2018 is only issued once a year. The law requires us to issue your P60 certificate by 31 May each year but we aim to send it well before then. You may need your P60 at a future date, for example if you want to claim benefits, so please make sure you keep it safe.

Did you know that you can access your pensioner payroll record online via the MyView facility? Once registered you can access your personal details and view your payslips and P60s. You can also change your bank account details.

If you haven't already registered for MyView then simply email [EmploymentSupportService@northyorks.gov.uk](mailto:EmploymentSupportService@northyorks.gov.uk) quoting your name, date of birth and/or payroll reference number and contact telephone number. Your email should say that you wish to set up access for MyView for pensioners.

A personal email address is required to ensure your account is kept secure. You will receive an email response from the Employment Support Service (ESS) confirming your access to MyView along with a 'How to guide', usually within one to two working days. If you do not have access to email please telephone ESS on 01609 532190.

### Changing Bank Details?

If you change your bank accounts, your own bank will not tell us so please make sure that you do.

The easiest way to change your bank details is via MyView; this allows you to change your details up to the 10th of the month in order to be processed for that month's payroll. Please see the section called 'View your pensioner payroll record online' for further details on this. Where this falls on a non-working day the deadline will be the last working day before the 10th.

Alternatively, you can write to ESS at the address shown in 'Contact us'. Please include your name, date of birth, National Insurance number, new sort code and account number, pensioner payroll number and the date your account will be changing.

Requests in writing must be received by the 5th of the month in order to be processed for that month's payroll. Where this falls on a non-working day the deadline will be the last working day before the 5th.



### Viewing Pensions Focus online

If you received a paper copy of this newsletter but would like to receive future copies electronically please confirm this in an email to [pensions@northyorks.gov.uk](mailto:pensions@northyorks.gov.uk). Please quote your name, National Insurance number and the email address that you would like us to use. All of your newsletters can also be accessed on the NYPF website at [www.nypf.org.uk](http://www.nypf.org.uk) > Newsletters

If you would like this information in another language or format such as Braille, large print or audio, please contact the NYPF on 01609 536335.

## Contact us...

Here are the ways you can find out more or get in touch with the NYPF:

Website: [www.nypf.org.uk](http://www.nypf.org.uk)

Telephone: 01609 536335

Email: [pensions@northyorks.gov.uk](mailto:pensions@northyorks.gov.uk) remembering to quote your National Insurance number

Post: North Yorkshire Pension Fund, County Hall, Northallerton, North Yorkshire DL7 8AL

Pension payments are made by Employment Support Services (ESS). Here are the ways you can find out more or get in touch with ESS:

Telephone: 01609 532190

Email: [EmploymentSupportService@northyorks.gov.uk](mailto:EmploymentSupportService@northyorks.gov.uk) remembering to quote your National Insurance number

Post: Employment Support Service, North Yorkshire County Council, County Hall, Northallerton, North Yorkshire DL7 8AD

Date	Category	Description of Breach	Cause of Breach	Effect of Breach & Wider Implications	Response to Breach	Referred to PFC	Referred to PB	Outcome of Referral to PFC & PB	Reported to Regulator	Progress Review 1	Progress Review 2	Progress Review 3
31/08/2017	Administration	Statutory deadline for issuing of Annual Benefit Statements not met for all eligible members	Large backlog meant we were unable to establish which category members should fall into at statement date. Year End queries still outstanding at issue date.	85.88% of Active members received a statement = 14.12% did not 94.51% of Deferred members received a statement = 5.49% did not	Large backlog means we do not yet know actual total eligible for a statement. Continue to reduce the backlog with targeted initiatives. Target is to have a controlled work throughput by end 2018. Continue to work through errors & queries & issue ABS' when able to. Introduce monthly returns for our 2 largest employers by end of 2018 so that errors can be identified in real time rather than at year end.	14/09/2017	19/01/2018	Noted the position, no requirement to report. Creation of Breaches Log to record position.	N	30/11/2017	28/02/2018	30/05/2018
08/11/2017	Administration	Statutory deadline for issuing Personal Savings Statements not met for all members	Human error	2 members received statements after the 6/10/2017 deadline. 192 manual calculations undertaken and 56 statements issued. 3.5% of members affected	Statements issued immediately. Process under review by team leader. Checklist created and process will be audited in 2018 to ensure checklist being used and process being robustly followed	22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N	30/04/2018	31/08/2018	30/09/2018
18/12/2017	Administration	Incorrectly paid trivial commutation to a member who has benefits with another fund and had not commuted those benefits	Human error	Member received benefits he wasn't entitled to. No other member affected. Payment is an unauthorised payment & must be reported to HMRC, resulting in tax liability at 55% for the member & additional tax for the scheme.	As soon as realised payment was unauthorised, informed member and reported to HMRC. Awaiting confirmation of scheme tax liability.	22/02/2018	19/01/2018	PB - Noted the position, no requirement to report. PFC - Noted the position, no requirement to report.	N - Reported to HMRC			

Extract from Administering Authority Discretions for North Yorkshire County Council

**Current wording**

Decide to whom death grant is paid	TP17(5) to (8) & R40(2), R43(2) & R46(2)	Admin. Authority	The administering authority has determined that death benefits will normally be paid to the person(s) nominated by the deceased. Where there is no nomination, payment will be made to the legal spouse without the need for Letters of Administration/ Grant of Probate. Otherwise, payment will be made to the estate where the death grant does not exceed £5000 payment will be made without the need for Letters of Administration/ Grant of Probate. If necessary, cases will be brought to the Pension Fund Committee for a decision.
Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	R82(2)	Admin. Authority	The administering authority has determined that death benefits will normally be paid to the person(s) nominated by the deceased. Where there is no nomination, payment will be made to the legal spouse without the need for Letters of Administration/ Grant of Probate. Otherwise, payment will be made to the estate. If necessary, cases will be brought to the Pension Fund Committee for a decision.
Can pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration	A52(2)	Admin. Authority	The administering authority has determined that death benefits will normally be paid to the person(s) nominated by the deceased. Where there is no nomination, payment will be made to the legal spouse without the need for Letters of Administration/ Grant of Probate. Otherwise, payment will be made to the estate where the death grant does not exceed £5000 payment will be made without the need for Letters of Administration/ Grant of Probate. If necessary, cases will be brought to the Pension Fund Committee for a decision.

**Proposed wording**

Decide to whom death grant is paid	TP17(5) to (8) & R40(2), R43(2) & R46(2)	Admin. Authority	<p>The administering authority has determined where a nomination has been made it will be taken into account along with any other relevant factors. In practice, the decision will normally be to pay the death grant to the nominee(s), but this may not be the case where there have been significant changes in circumstances since the nomination was made or where there are other material factors which indicate that this would not be appropriate.</p> <p>Where there is no nomination and payment is to be made to the member's spouse or civil partner then Letters of Administration or a Grant of Probate will not be required. Similarly, payment to the estate can be made without Letters of Administration or a Grant of Probate where the death grant is less than £5,000.</p> <p>Where necessary, cases will be referred to the Pension Fund Committee for a decision.</p>
Whether to pay the death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	R82(2)	Admin. Authority	<p>The administering authority has determined where a nomination has been made it will be taken into account along with any other relevant factors. In practice, the decision will normally be to pay the death grant to the nominee(s), but this may not be the case where there have been significant changes in circumstances since the nomination was made or where there are other material factors which indicate that this would not be appropriate.</p> <p>Where there is no nomination and payment is to be made to the member's spouse or civil partner then Letters of Administration or a Grant of Probate will not be required. Similarly, payment to the estate can be made without Letters of Administration or a Grant of Probate where the death grant is less than £5,000.</p> <p>Where necessary, cases will be referred to the Pension Fund Committee for a decision.</p>
Can pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration	A52(2)	Admin. Authority	<p>The administering authority has determined where a nomination has been made it will be taken into account along with any other relevant factors. In practice, the decision will normally be to pay the death grant to the nominee(s), but this may not be the case where there have been significant changes in circumstances since the nomination was made or where there are other material factors which indicate that this would not be appropriate.</p> <p>Where there is no nomination and payment is to be made to the member's spouse or civil partner then Letters of Administration or a Grant</p>

			<p>of Probate will not be required. Similarly, payment to the estate can be made without Letters of Administration or a Grant of Probate where the death grant is less than £5,000.</p> <p>Where necessary, cases will be referred to the Pension Fund Committee for a decision.</p>
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## Appendix 5

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)
24 February 2017	NYCC 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	✓	✓		✓	✓	✓	✓			✓			
17 November 2017	Investment Strategy Workshop		✓	✓	✓	✓	✓	✓						
6-8 December 2017	LAPFF Annual Conference, Bournemouth	✓												
20 December 2017	Pension 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>
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.
CIPFA	LGPS Local PB's – 3 Years on	27 June 2018	London	An opportunity for members of Local Boards or supporting officers to share experiences, to receive updates, to enhance their knowledge, and to discuss the key issues facing them and the LGPS
LGC	Investment Summit	6-7 September 2018	Celtic Manor Newport	Primarily addressing investment issues. Providing essential update on the progress that pension funds are making in transitioning to combined investment pools.
PLSA	Annual Conference and Exhibition	17-19 October 2017	Monarchs Quay Liverpool	Understanding member perspectives'. We are encouraging the industry to focus on the end customer - our scheme members. Trust and engagement are key themes being considered by a high-level roster of speakers



## PENSION FUND COMMITTEE TIMETABLE FOR MEETINGS IN 2018 AND Early 2019

Meeting Date	Time & Venue	Event	Fund Managers
24 May 2018	10am, Brierley Room	Pension Fund Committee	
25 May 2018	10am, Oak Room	Pension Fund Committee	Property Debt Workshop
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
22 November 2018	10am, TBC	Pension Fund Committee	
23 November 2018	10am, TBC	Pension Fund Committee	2 Managers TBC
21 February 2019	10am, TBC	Pension Fund Committee	
22 February 2019	10am, TBC	Pension Fund Committee	2 Managers TBC

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

24 MAY 2018

## BUDGET / STATISTICS

## Report of the Treasurer

**1.0 PURPOSE OF THE REPORT**

1.1 To report on the following:

- |   |                 |
|---|-----------------|
| (a) the outturn position for 2017/18            | (see section 2) |
| (b) the draft 2018/19 budget for the Fund       | (see section 3) |
| (c) NYPF Business Plan                          | (see section 4) |
| (d) the 3 year cashflow projection for the Fund | (see section 5) |
| (e) timetable for NYPF Accounts approval        | (see section 6) |

**2.0 2017/18 OUTTURN**

- 2.1 The budget and outturn position for 2017/18 is presented in **Appendix 1**. The format of the budget has been changed for 2018/19, but the 2017/18 budget and outturn is still presented in the previous format for consistency. This change in budget format is discussed in further detail in Section 3 below.
- 2.2 The total budgeted surplus of £38m for 2017/18 was on a cash basis and included £26m of past service deficit that was paid in advance by employers, relating to 2018/19 and 2019/20. The outturn for 2017/18 on this basis was £0.2m below budget with a surplus position of £37.8m. The key variances to budget are detailed below:
- Whilst pensions payments were over budget by £2.6m, the lumps sums were under budget by £3.5m resulting in a net underspend of £0.9m against the budget.
  - Both investment base fees invoiced and performance fees were over budget by £0.9m and £3.8m respectively. This is due to the performance seen in global equities over the period and the resulting increase in the value of the Fund.
  - Transfers in were over budget by £6.3m and transfers out were were also over budget by £4m resulting in a net increase in income of £2.3m against the budget. These budgets are very volatile and therefore difficult to predict.

### 3.0 DRAFT BUDGET 2018/19

- 3.1 Members were provided with a preliminary draft budget for 2018/19 in the February PFC meeting, this budget is shown in column (a) of **Appendix 2**. It was agreed at the meeting that the budget would be brought back to the May meeting for Members to approve.
- 3.2 The latest draft budget can be found in column (b) of **Appendix 2**. In the February meeting the presentation of previous years' budgets was discussed. As a result it was agreed that in the past the budget table has tried to show the cash position of the Fund in addition to setting out the budget. To make it clearer and more transparent going forward the draft budget and the cashflow position of the Fund will be presented separately.
- 3.3 The total draft Fund budget for 2018/19 is £22.6m. This budget now only includes the costs that the Fund has control over. In order to break down the budget into high level categories the CIPFA 2016/17 guidance on accounting for management expenses has been followed. Some additional narrative is also provided in the comments column of the table to provide a further breakdown and explanation of the budget lines where necessary. The budget has been developed on an accruals basis, so reflects all expenditure relating to the financial year, rather than what is actually expected to incur on a cash basis, this cash forecast is included in the 3 year cashflow projection in section 5.
- 3.4 The table also includes a forecast outturn (column c) against the budget which will be updated on a quarterly basis. As provided in the past, any large variances to the budget will also be explained in the narrative of this report.
- 3.5 The key changes to the lines included within the Budget are as follows:
- The inflows and outflows of the Fund (i.e. Contribution income, Benefits Payable and transfers in and out) are now included in the cashflow position for the Fund (section 5 below) for Members to note rather than within the Budget. This is because these are not considered to be costs of running the Fund that can be controlled; they are predetermined inflows and outflows of the Fund that are determined by regulation.
  - The investment fees budget now also reflect those costs that are deducted directly from the assets held with fund managers as well as those that are invoiced and therefore impact on the cashflow of the Fund. These have been included to provide Members with a complete picture of the total estimated expenditure on fees in the year.
- 3.6 The Key changes to the budget figures from the 2017/18 budget are as follows:
- The budget for the Pensions Administration Team has increased by £88k. This is due to a pay award increase and a request of an additional 1.65 FTE in the team to cover a retiree who will be replaced by a full time person and to increase the staffing on the systems section to enable more efficient processing within the team. This was raised at the February PFC meeting and Members were supportive but were not asked to authorise at that stage.

- The investment base fees have been increased to reflect the increase in the value of the Fund, which the fees are based on. Performance fees have also increased to reflect the outperformance in global equities.
- Pooling implementation costs and GMP project are one off budgets for 2018/19. These budgets represent the remaining expenditure up until the projects are complete that has been carried forward from 2017/18.
- The budget for ongoing pooling costs has been included in the 2018/19 budget. These costs are for the 9 months of the year following go live in June 2018 and are based on the Annual Operating Charge that has been outlined for each Fund within the recent BCPP budget that was approved by each Fund. This budget report has been included in the Pooling report as a confidential appendix.
- Other Administration and other oversight and governance budgets have been reduced as items have been taken out and included as a separate budget to provide Members with further detail.

3.7 Members are asked to approve the draft budget for 2018/19 (column b). Once approved, this budget will remain unchanged except for any necessary budget adjustments that are approved by PFC in future meetings.

#### **4.0 NYPF BUSINESS PLAN**

4.1 In the July PFC meeting Members will be presented with a Draft NYPF Business Plan for approval, along with the other Fund governance documents. This Business Plan is to be produced in line with the TPR guidance on producing a business plan and will include all key tasks and activities that the Fund aims to achieve in the next financial year in order to meet its key objectives.

4.2 In future years this business plan will be brought to PFC along with the draft budget as the Business Plan should inform the items that will be included in the budget.

#### **5.0 3 YEAR CASHFLOW PROJECTION**

5.1 The cash position of the Fund is presented in **Appendix 3**. The table shows the projected cashflows of the Fund over the next 3 years. This cashflow includes the contribution income and benefits payable, the main inflow and outflow of the Fund, which will determine when the Fund will turn cashflow negative. In addition to this it also includes all other items that go through the bank account, for example, any costs of administering the scheme; this provides a more accurate prediction of the cash position of the Fund.

5.2 There is a separate paper (item 6) on the cashflow of the Fund from the Actuary; this is purely based on the contributions in against the benefits payable and goes beyond the next 3 years to determine when the Fund is predicted to go cashflow negative.

- 5.3 The estimated cashflow for the Fund in 2018/19 is a £4.6m deficit. This deficit is due to the £13m prepayment of deficit relating to 2018/19 in 2017/18. There is also an estimated deficit in 2019/20, again due to the prepayment of deficit in 2017/18. This deficit is slightly higher in 2018/19 due to the anticipated increase in pension benefit payments.
- 5.4 In 2020/21 the Fund is estimated to be back in a surplus cash position as it is assumed that deficits will be paid in the year by all employers. The 2020/21 cashflow estimates are assuming that employer contribution rates will remain the same following the 2019 Triennial Valuation so will be subject to change.

## **6.0 NYPF ACCOUNTS AND ANNUAL REPORT APPROVAL TIMETABLE**

- 6.1 To remind Members, the County Council now has an earlier deadline for the production of Statement of Final Accounts (SOFA) which, as administering authority, will include the NYPF accounts. The deadline to publish the draft SOFA is 31 May 2018 and the deadline for the Audit Committee to approve the final SOFA is 31 July 2018. As a result of these new deadlines, it is necessary to change the approach for PFC consideration of the NYPF accounts.
- 6.2 Due to the timing of the PFC and Audit Committee meetings, it is proposed that the PFC approve the NYPF draft SOFA on 5 July 2018. These accounts will then be submitted as part of the NYCC Final Accounts to Audit Committee on 26 July 2018. Under the new regime it is necessary for the Audit Committee to sign off the final accounts before the end of July. Should any changes be of significance then information will be shared with all Members of the PFC for noting.
- 6.3 The Pension Fund accounts form part of the NYCC Statement of Final Accounts which are subject to review and approval by the Audit Committee. It is therefore not legally necessary for the Pension Fund Committee to approve the Pension Fund Statement of Accounts; however the terms of reference for the PFC in the Constitution state that it shall “approve a Statement of Final Accounts”. Also as the accounts reflect the activities of the Pension Fund it is appropriate that they are brought to the PFC to provide the PFC with the opportunity to feed any comments to the Audit Committee.
- 6.4 Once audited, these Accounts will be incorporated into the NYPF 2017/18 Annual Report which will be placed on the NYPF web site [www.nypf.org.uk](http://www.nypf.org.uk). The Annual Report will be presented to the PFC for approval at the meeting on 13 September 2018.

## **7.0 RECOMMENDATIONS**

- 7.1 Members to approve the draft 2018/19 budget (Appendix 2)
- 7.2 Members to note the contents of the report.

GARY FIELDING  
Treasurer to North Yorkshire Pension Fund  
NYCC  
County Hall  
Northallerton

9 May 2018

## North Yorkshire Pension Fund Budget, Income and Expenditure as at 31 March 2018

	Budget 2017/18	Outturn 2017/18	Variance ie (ii-i)
	£000 (i)	£000 (ii)	£000 (iii)
<b>EXPENDITURE</b>			
<b>Benefits</b>			
Pensions	78,000	80,592	2,592
Lump Sums (including refunds)	28,500	25,042	-3,458
<b>sub total (a)</b>	<b>106,500</b>	<b>105,634</b>	<b>-866</b>
<b>Admin Expenses</b>			
Finance and Central Services inc ESS	1,220	1,322	102
Pooling Expenses	350	156	-194
GMP Reconciliation programme	230	133	-97
Other Admin Expenses	410	261	-149
<b>sub total (b)</b>	<b>2,210</b>	<b>1,871</b>	<b>-339</b>
<b>Investment Expenses</b>			
Investment Management Fees (Base)	3,700	4,565	865
Performance Related	3,500	7,268	3,768
Custodian Fees	150	137	-13
Other Investment Expenses	260	105	-155
<b>sub total (c)</b>	<b>7,610</b>	<b>12,074</b>	<b>4,464</b>
<b>Total Expenditure (d)</b>	<b>116,320</b>	<b>119,580</b>	<b>3,260</b>
<b>INCOME</b>			
<b>Contributions</b>			
Employer and Employee Contributions	148,000	148,438	438
Early Retirement Costs Recharged	2,500	2,738	238
<b>sub total (e)</b>	<b>150,500</b>	<b>151,176</b>	<b>676</b>
<b>Transfers</b>			
Transfers IN (per individuals)	7,500	13,782	6,282
Transfers OUT (per individuals)	-5,000	-8,957	-3,957
<b>sub total (f)</b>	<b>2,500</b>	<b>4,825</b>	<b>2,325</b>
<b>Other Income</b>			
Class Action Proceeds	0	0	0
Other Investment Income (Hermes)	1,300	1,328	28
<b>sub total (g)</b>	<b>1,300</b>	<b>1,328</b>	<b>28</b>
<b>Total Income (h)</b>	<b>154,300</b>	<b>157,329</b>	<b>3,029</b>
<b>Net Surplus (i)</b>	<b>37,980</b>	<b>37,749</b>	<b>-231</b>

## North Yorkshire Pension Fund - 2018/2019 Budget - Cost of Running the Pension Fund

	a	b	c	d	
	Original Budget 2018/2019 £k	Revised Budget 2018/2019 £k	Forecast 2018/2019 £k	Variance £k	Comments
<b>EXPENDITURE</b>					
<b>Admin Expenses</b>					
Finance and Central Services inc ESS	470	500	500	0	£256k Pensions Finance Team, £137.5k ESS
Pensions Administration Team	850	850	850	0	
GMP Reconciliation programme	0	100	100	0	Total estimated project cost £230k, £100k remaining in 2018/19
Other Admin Expenses	410	210	210	0	Main cost is £140K Heywood Ltd (Altair)
	<b>1,730</b>	<b>1,660</b>	<b>1,660</b>	<b>0</b>	
<b>Oversight and Governance</b>					
Actuarial Fees	0	30	30	0	18/19 Gross budget £110k, £80k recharged to employers
Custodian Fees	150	130	130	0	
Consultants Fees	0	140	140	0	
Pooling Implementation Costs	0	269	269	0	Budget £350k, estimated overspend £75k = £425k, 2017/18 outturn £156k
Pooling Operational Charge	0	503	503	0	£915k in 19/20, £725k in 20/21
Other O & G Expenses	260	110	110	0	£25k voting, £26k External Audit, £25k investment adviser fees
	<b>410</b>	<b>1,182</b>	<b>1,182</b>	<b>0</b>	
<b>Investment Fees</b>					
Investment Management Base Fee invoiced	4,300	4,800	4,800	0	
Performance Fees invoiced	5,000	5,000	5,000	0	
Investment base fees deducted from Fund	0	10,000	10,000	0	
	<b>9,300</b>	<b>19,800</b>	<b>19,800</b>	<b>0</b>	
<b>Other expenditure/ (income) included in previous budgets</b>	<b>(12,250)</b>				
<b>TOTAL</b>	<b>(810)</b>	<b>22,642</b>	<b>22,642</b>	<b>0</b>	



## North Yorkshire Pension Fund three year cash flow forecast

	Cash-flow 2018/2019 £k	Cash-flow 2019/2020 £k	Cash-flow 2020/2021 £k	Comments
<b>EXPENDITURE</b>				
<b>Benefits</b>				
Pensions	84,670	88,500	92,500	
Lump Sums	25,780	25,780	25,780	
	<b>110,450</b>	<b>114,280</b>	<b>118,280</b>	
<b>Payments to and on account of leavers</b>				
Transfers out	9,000	9,000	9,000	
Refunds to leavers	500	500	500	
	<b>9,500</b>	<b>9,500</b>	<b>9,500</b>	
<b>TOTAL EXPENDITURE</b>	<b>119,950</b>	<b>123,780</b>	<b>127,780</b>	
<b>INCOME</b>				
Employer and Employee Contributions	114,693	116,988	132,330	
Transfers IN (from other schemes)	12,000	12,000	12,000	
Investment Income	1,320	1,320	1,320	Hermes income and Barclays interest income
<b>TOTAL INCOME</b>	<b>128,013</b>	<b>130,308</b>	<b>145,650</b>	
<b>SURPLUS (DEFICIT)</b>	<b>8,063</b>	<b>6,528</b>	<b>17,870</b>	
<b>Add cost of administering the pension fund</b>	<b>22,642</b>	<b>22,702</b>	<b>22,529</b>	
<b>Less Management Fees charged direct to the fund</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>(10,000)</b>	
<b>NET SURPLUS (DEFICIT)</b>	<b>(4,579)</b>	<b>(6,174)</b>	<b>5,341</b>	The 20/21 cashflow includes 1 year past service deficit

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

24 MAY 2018

PERFORMANCE OF THE FUND'S PORTFOLIO FOR THE QUARTER  
ENDING 31 MARCH 2018

## 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 31 March 2018.

**2.0 PERFORMANCE REPORT**

- 2.1 The Fund Analysis & Performance Report (**Appendix 1**) produced by BNY Mellon Asset Servicing (MAS) provides a performance analysis of the North Yorkshire Pension Fund for the quarter ending 31 March 2018.
- 2.2 The report highlights the performance of the total Fund by asset class against the customised Fund benchmark. It also includes an analysis of the performance of each manager against their specific benchmark and a comparison of performance levels over time.

**3.0 PERFORMANCE OF THE FUND**

- 3.1 The absolute overall return for the quarter (-1.5%) was above the customised benchmark for the Fund (-2.7%) by +1.2%.
- 3.2 The 12 month absolute rolling return was +8.4%, +5.0% above the customised benchmark of +3.4%.
- 3.3 Absolute and relative returns over the rolling years to each of the last four quarter ends were as follows.

Year End	Absolute %	Relative %
31 March 2018	+8.4	+5.0
31 December 2017	+17.0	+6.4
30 September 2017	+14.0	+4.3
30 June 2017	+21.9	+5.9

- 3.4 The performance of the various managers against their benchmarks for the quarter ended 31 March 2018 is detailed on **page 8** of the MAS report and in **Section 4** below. This performance is measured on a time-weighted basis and expressed as a +/- variation to their benchmark.

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

**Appendix 2** Fund Manager Performance over the three years to 31 March 2018 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

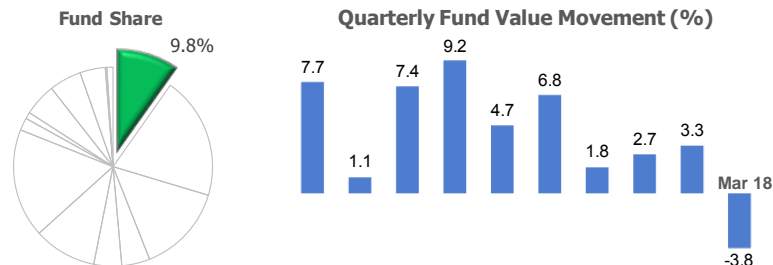
4.1 In monetary terms, the absolute return of -1.5% in the quarter decreased the invested value of the Fund by £43.9m. This quarter, 6 managers/funds outperformed their respective benchmarks and 8 underperformed against their respective benchmarks. At the end of the March 2018 quarter the value of the Fund was £294.6m above the value at the end of March 2017, an increase of 9.7%.

4.2 The table below shows the performance of the Fund’s investments against the relevant benchmarks as at 31 March 2018. Performance targets set by the Fund are measured on a rolling 3 year basis and shown in the ‘3 Years’ section below:

Manager	Quarter		One Year		3 Years		
	Fund (%)	B'mk (%)	Fund (%)	B'mk (%)	Fund (%)	B'mk (%)	Target (%)
<b>Overseas Equities</b>							
Fidelity	-4.1	-4.2	3.9	3.5	9.8	9.9	11.9
<b>Global Equities</b>							
Baillie Gifford GA	-0.9	-4.4	13.2	2.9	15.2	10.9	12.9
Baillie Gifford LTGG	2.5	-4.4	26.3	2.9	22.0	10.9	13.9
Dodge & Cox	-6.4	-4.4	-2.1	2.9	8.4	9.7	9.0
Veritas	-7.6	-4.4	-2.1	2.9	8.8	9.7	9.0
<b>UK Equities</b>							
Standard Life	-6.2	-5.9	8.4	6.1	8.4	7.8	10.8
<b>Fixed Income</b>							
M&G	1.0	0.4	1.7	1.4	9.7	8.9	9.4
<b>Property</b>							
Hermes	1.9	2.0	11.5	10.5	10.2	8.6	9.1
LGIM Property	1.4	1.9	8.2	10.0	7.5	8.1	9.1
Threadneedle	2.0	1.9	10.3	10.0	8.7	8.1	9.1
<b>Diversified Growth</b>							
Newton Diversified	-2.6	0.1	-2.2	0.3	0.3	0.4	4.5
Standard Life Diversified	-1.9	0.1	0.9	0.3	-1.1	0.4	5.5
<b>Private Debt</b>							
Bluebay	-0.2	1.3	7.3	8.3			
Permira Credit	2.3	1.5	13.3	6.0			

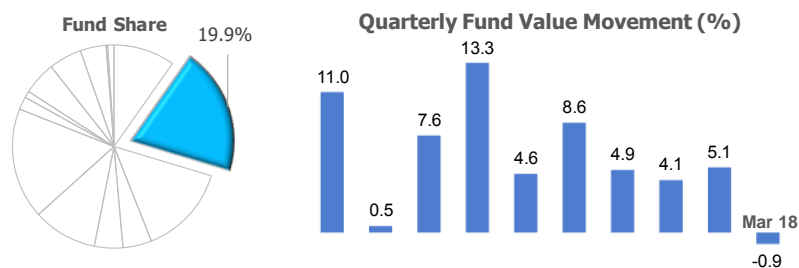
4.3 In the following section, the Fund's investments are analysed under the relevant asset heading with diagrams showing the size of the investment in relation to the total assets of the Fund; the investment's monthly increase or decrease in value over the calendar year and the performance of the investment per quarter for the last four quarters.

#### 4.4 Overseas Equities

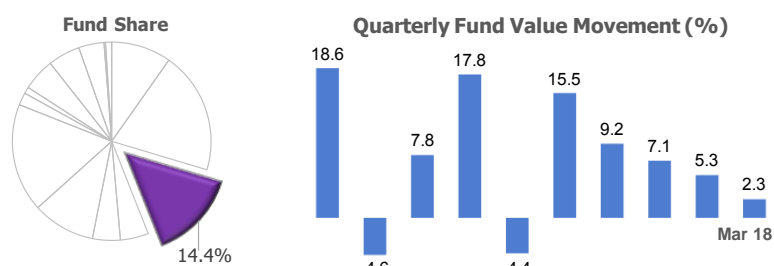


**Fidelity** produced a relative return in the quarter of +0.1% against the benchmark return of -4.2%. Relative performance over the year to March 2018 was +0.4% against the benchmark of +3.5%. Over the last 5 years the manager has exceeded the benchmark by +0.5% p.a. (gross of fees).

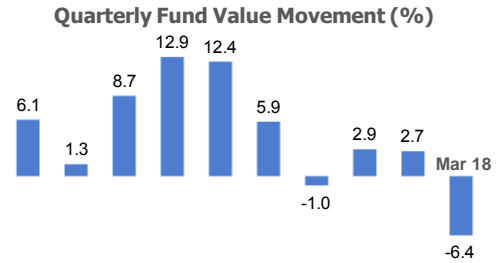
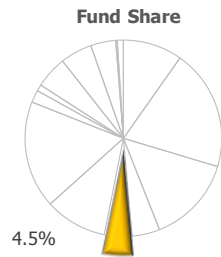
#### 4.5 Global Equities



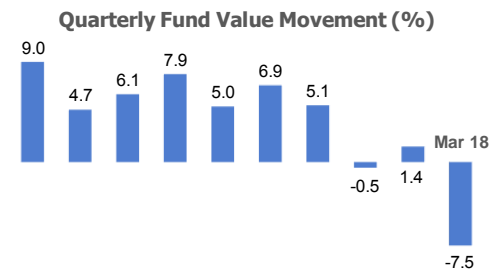
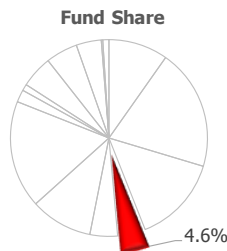
4.6 The Global Alpha fund managed by **Baillie Gifford** returned -0.9% for the quarter against a benchmark return of -4.4%. Relative performance over the longer term was +10.3% over 1 year and +4.0% annually over 5 years. Since inception in 2006, the Fund has outperformed the FTSE All World index by 2.8%.



4.7 The Baillie Gifford LTGG fund gave a return of +2.5% in the quarter against a benchmark of -4.4% resulting in a relative return of +6.9% which is up from the last quarter which gave a relative performance of +0.5%. Over the past year the performance has greatly exceeded the benchmark giving a relative return of +23.4% and overall the return for the past five years on an annual basis has been just over +11.2%.

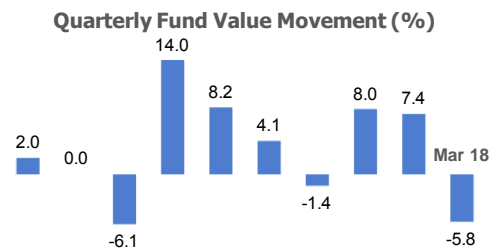
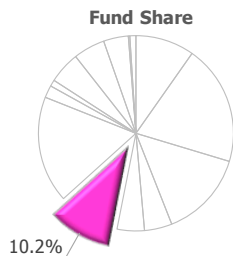


4.8 With a marginally better quarter for the Fund's investment in **Dodge & Cox**, short term performance has risen for the quarter with a relative return of -2.0% from a performance of -6.4% against the benchmark of -4.4%. Annually the relative performance is much lower at -5.0% and due to previous underperformance; the relative return from inception has decreased a further 0.7% to -1.3% this quarter.



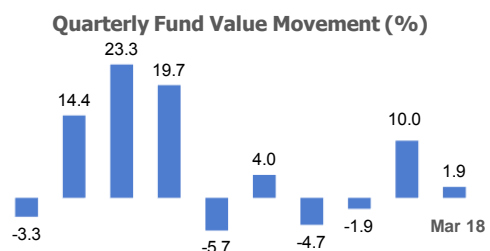
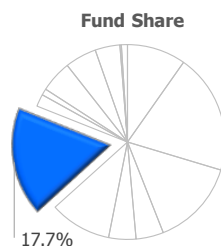
4.9 As with Dodge & Cox, **Veritas** has a low relative performance figure of -3.2% for the quarter with performance measured at -7.6% against a benchmark of -4.4%, slightly improved from the last quarter by 0.5%. In the longer term there was also a general under performance with a negative relative performance since inception of -0.9%.

#### 4.10 UK Equities



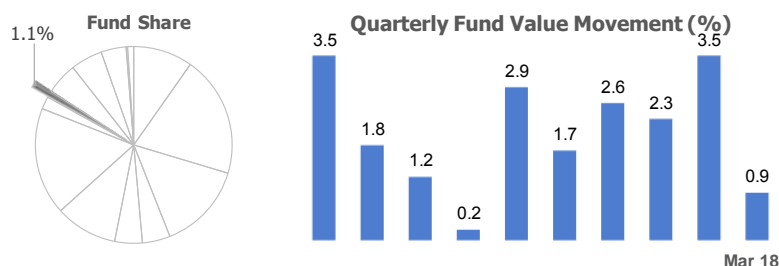
In the last quarter **Standard Life** underperformed with a return of -6.2% against the benchmark of -5.9% reversing the strong performance from the previous quarter of +3.3%. Over the longer term there was a relative performance of +2.3% over one year and +0.9% annually over five years.

#### 4.11 Fixed Income

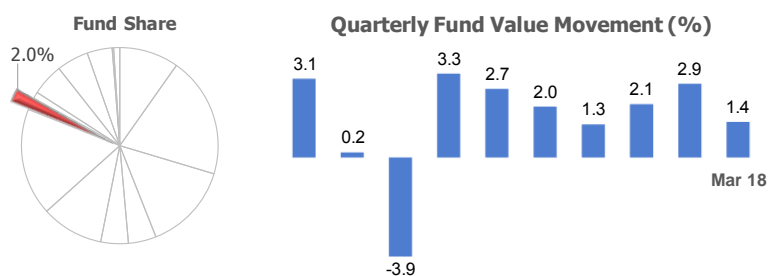


In contrast to the Fund's investments in equities, **M&G** outperformed the liability matching benchmark of +0.4% and returned +1.0% giving a relative return of +0.6%. Performance for the year was +0.3% above the benchmark return of +1.4%, and annualised performance since inception in 2011 was +0.8% above the benchmark of +9.6%.

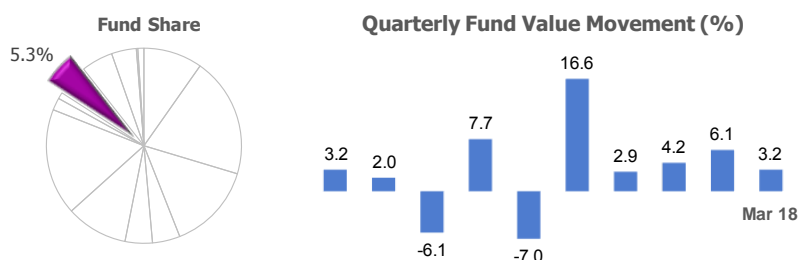
#### 4.12 Property



In contrast to previous quarters, **Hermes** performance dropped slightly by -0.1% relatively with a result of +1.9% against a benchmark of 2.0%. This compares with a relative annual performance of +1.0% and with a relative return of +2.7% against a benchmark of +6.7% since inception.

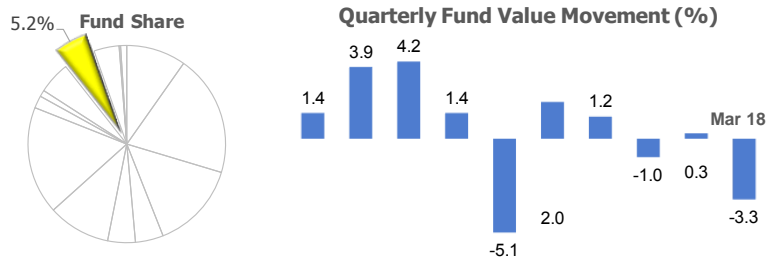


4.13 As with Hermes, **Legal & General's** performance faltered in the quarter ending 31 March 2018 to result in a return of +1.4% against the benchmark of +1.9%. The 3 year performance is also slightly down with a relative return of -0.6% but over 5 years the relative return improves to +2.4% compared with a benchmark of +7.0%.

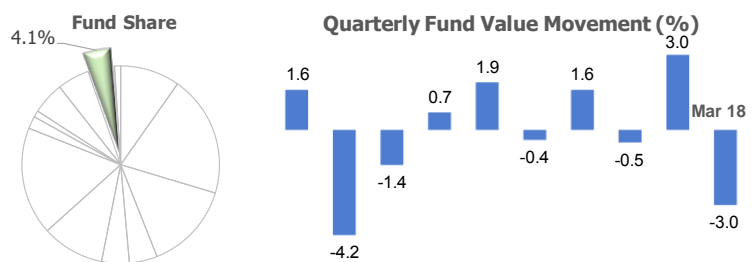


4.14 The only property fund to produce favourable results this quarter was **Threadneedle** which marginally outperformed against the benchmark to return +2.0% against the benchmark of +1.9%. The one year performance figures show a relative performance of +0.3% which improves significantly over five years to +5.2% and since inception the investment has given a return of +4.9%.

#### 4.15 Diversified Growth Funds



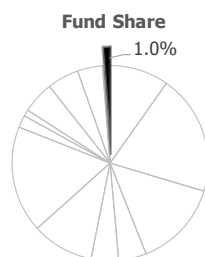
Both diversified growth funds performed poorly this quarter with **Standard Life's GARS** giving a return of -1.9% against a benchmark of +0.1%. This performance improves over the longer term though with a relative performance since inception of +1.6%, however this is still below the target of 5.5% p.a.



4.16 The **Newton Diversified Growth** fund produced a return lower than Standard Life with a relative performance of -2.7% for the quarter. The return for the year is little improved with a performance of -2.2% against a benchmark of +0.3% but in contrast, the performance since inception improves to a relative return of +1.3%, this is again below the target return of 4.5% p.a.

#### 4.17 Private Debt

**Bluebay** have produced a return of +0.2% for the quarter against a benchmark value of +1.3% and the annual performance is a relative return of -1.0%. It is difficult to provide meaningful performance reporting at this early stage as the mandate is still in the investment period.



4.18 **Permira** performed much better than the previous quarter and gave a relative return of +0.8%. Over the period in which the investment has been active, the one year statistics show a performance of +13.3% against a benchmark of +6.0%. As with Bluebay, it is difficult to provide meaningful performance reporting at this stage as the mandate is still in the investment period.

## 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 31 March 2018, 0.8% above the benchmark which is an increase of +0.1% from the previous quarter.
- 5.3 The **Sharpe Ratio** is a measure of how well the return compensates an investor relative to the risk taken. A higher Sharpe Ratio reflects a better return for a given level of risk or lower risk for a given level of return. The ratio for the Fund for the rolling three year period to March 2018 was +0.2% above benchmark at +1.4%.
- 5.4 The **Tracking Error** figure reflects how closely a fund manager's actual return follows their respective benchmark. As at March 2018 the figure was +2.8%.
- 5.5 The **Information Ratio** is a measure of excess returns in relation to the benchmark and the consistency of those returns. A high IR could be derived from a high portfolio return, a low benchmark return and a low tracking error. For the period up to March 2018 the ratio for the Fund remained at +0.8%.

## 6.0 SOLVENCY

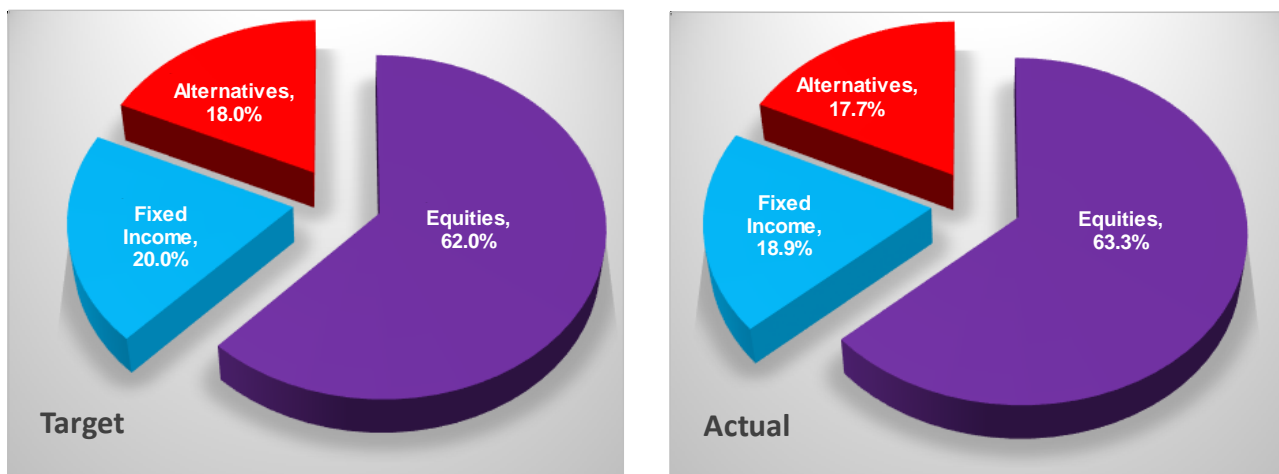
- 6.1 The **solvency position** is presented in **Appendices 3 and 4**. As at 31 March 2018 the estimated solvency was 107%. This is a 17% increase from the solvency figure as at 31 March 2016, calculated by the Actuary during the 2016 Valuation process.
- 6.2 The solvency position of 107% represents a reduction of 2% when compared with the funding level at 31 December 2017. This has been caused by the negative return on equities seen over the period.
- 6.3 This funding level update now reflects the CPI increase of 3% in pension payments. It does not yet reflect any changes to the investment strategy as part of the recent investment strategy review. Changes in the investment strategy will have an impact on the discount rate used to calculate the funding level as both the volatility and return are taken into account. These anticipated changes in the investment strategy will be reflected in the funding level in a future quarter.



## 7.0 REBALANCING

7.1 The diagrams below show both the target asset allocation of the Fund and also the current allocation. There has been a minor movement from the previous quarter with Equities decreasing by 0.7% to 63.3% and both Fixed Income and Alternatives increasing ever so slightly. No rebalancing was undertaken during the quarter thus the changes are purely performance related and consequently bring the asset allocations nearer to the desired target levels.

**Asset Allocation as at 31 March 2018**



## 8.0 PROXY VOTING

8.1 The report from PIRC is available on request summarising the proxy voting activity in the period January 2018 to March 2018. This report covers the votes cast on behalf of NYPF at all relevant company AGMs in the period and includes an analysis of voting recommendations at selected meetings and responses to company engagement.

**9.0 RECOMMENDATION**

9.1 Members are asked to note the investment performance of the Fund for the period ending 31 March 2018.

Gary Fielding  
Treasurer of North Yorkshire Pension Fund  
NYCC  
County Hall  
Northallerton

10 May 2018



**BNY MELLON**  
ASSET SERVICING

**North Yorkshire Pension Fund**

**3 Months Ending 31 March 2018**

*Fund Analysis & Performance Report*



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**Executive Summary**

**Market Review**

**Market Briefing - Quarter Ended 31 March 2018**

**Market Summary**

Returns were primarily negative across all the sectors during 1<sup>st</sup> quarter of 2018. Most equities and fixed income sectors achieved negative returns with the exception of UK Bonds and UK Index Linked Gilts.

**UK Equities**

The FTSE Small Cap was the best performing index with a return of -4.8% whereas the FTSE 100 showed the weakest performance with a return of -7.2%. Over the one year period ending 31<sup>st</sup> March 2018, the FTSE Small Cap was the best performing index with a return of 6.0% followed by the FTSE 250 index with a return of 5.3%. The FTSE 100 was the weakest performing index with a return of 0.2%.

Health Care was the best performing industry sector with a return of 0.6% for the quarter. The weakest performing sector was Technology with a return of -26.7%. Over the one year period returns ranged from 15.4% for Basic Materials to -18.6% for Utilities.

**Overseas Equities**

Most Overseas Equity markets achieved negative returns during the quarter.

Within Europe, Finland was the best performing country with a return of 3.8%. This was followed by Italy with a return of 1.6%. The weakest performing country was Greece with a return of -9.6%. Over the one year period, Austria was the strongest performing country with a return of 31.2% and Sweden the weakest with a return of -3.8%.

Outside Europe, Brazil was the best performing country with a return of 8.0% followed by Taiwan with a return of 1.3%. Canada was the weakest performing country with a return of -10.9%.

## Market Review

### UK Bonds

For UK-Bonds the 1<sup>st</sup> quarter returns were negative for most of the sectors. UK-Gilts outperformed Non-Gilts with a return of 0.3% compared to a return of -1.2%. Within Gilts, Long-dated Gilts was the strongest performing sector with a return of 1.5%, Medium-dated Gilts was the weakest performing sector with a return of -1.0%.

Over the one year period ending 31<sup>st</sup> March 2018, Non Gilts was the best performing sector with a return of 1.3% compared to the return of 0.5% for UK-Gilts. Within Gilts, Long-dated Gilts provided the strongest performance with a return of 2.2%, whilst the weakest came from Short-dated Gilts with -1.0%.

### Overseas Bonds

Within Europe, Spain was the best performing country with a return of 2.4%. Sweden was the weakest performing country with a return of -5.1%. Outside Europe, Japan was the best performing country with a return of 2.6%. Canada was the weakest performing country outside Europe with a return of -5.9%.

Over the twelve month period, most European Bonds saw positive returns. Spain provided the strongest performance with a return of 8.3%, followed by Italy with a return of 8.1%. Outside Europe, the best performance came from Japan with a twelve months return of -5.5%.

### UK Index-Linked Gilts

UK Index Linked-Gilts achieved a positive return of 0.1% for the 1<sup>st</sup> quarter of 2018. Within this sector, Long-dated Index-Linked Gilts provided the strongest performance with a return of 0.6%. The weakest performance was provided by Medium-dated Index-Linked Gilts with a return of -1.2%.

Over the one year period, on an overall basis UK Index-Linked Gilts achieved a return of 0.5%. Over the same period, Long-dated Index-Linked Gilts was the strongest performing sector with a return of 1.1%, whereas Short-dated Index Linked Gilts showed the weakest performance, returning -0.9%.

### UK Cash

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



## Executive Summary

### Fund Performance, Risk and Allocation Highlights

During the first quarter of 2018, the fund returned -1.47% versus its benchmark of -2.66%, thereby outperformed by 1.19%. In terms of longer period performance, the fund has outperformed over 3 years by 2.36% p.a.

At asset class level, the fund outperformed its blended benchmark in few of the asset classes. Global Equity Units is the best performing sectors which outperformed its benchmark by 3.20%.

Over the quarter, majority of the accounts outperformed their benchmarks. The best performance (excluding the Cash Account) was shown by Baillie Gifford LTGG Manager which outperformed its benchmark by 6.89%.

With regards to the fund allocation, the greatest deviations from the benchmark were in Alternatives and UK Equities, fund being underweight by 6.15% & 3.22% respectively. Allocations in Global Equity Units and Bonds were overweight by 4.50% & 4.74% respectively with respect to the benchmark.





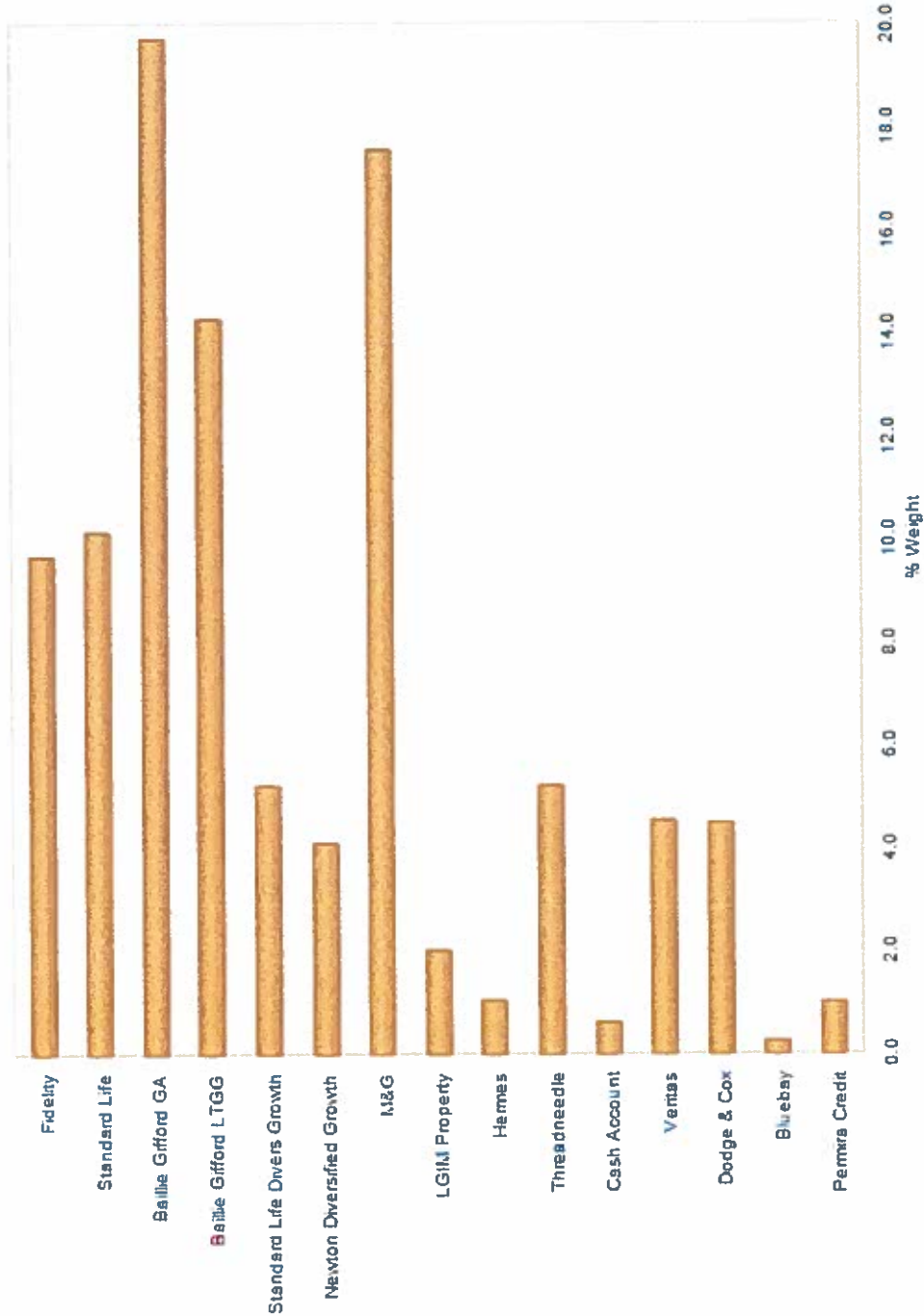
# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Fund Allocation - Managers



BNY MELLON  
ASSET SERVICING

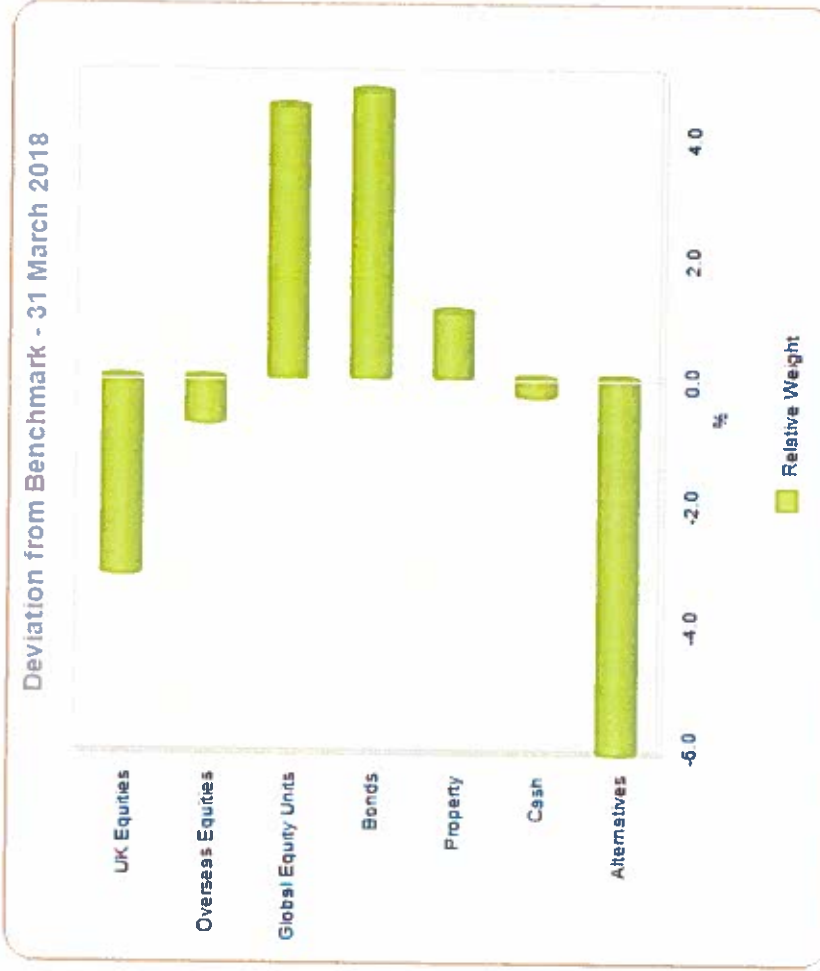
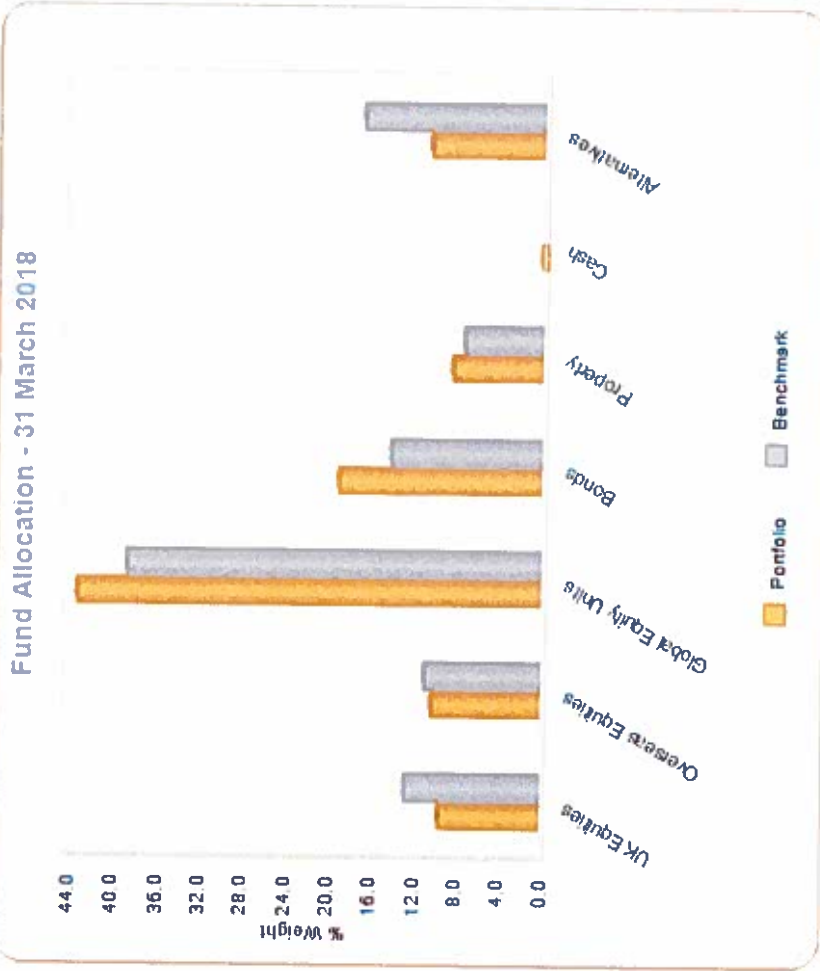
Manager Allocation - 3 Months Ending 31 March 2018



Manager	Weight (%)
Fidelity	9.70
Standard Life	10.16
Baillie Gifford GA	19.76
Baillie Gifford LTGG	14.29
Standard Life Divers Growth	5.21
Newton Diversified Growth	4.10
M&G	17.57
LGIM Property	2.03
Hermes	1.06
Threadneedle	5.24
Cash Account	0.60
Veritas	4.55
Dodge & Cox	4.50
Bluebay	0.24
Permira Credit	1.00

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Fund Allocation - Relative Analysis



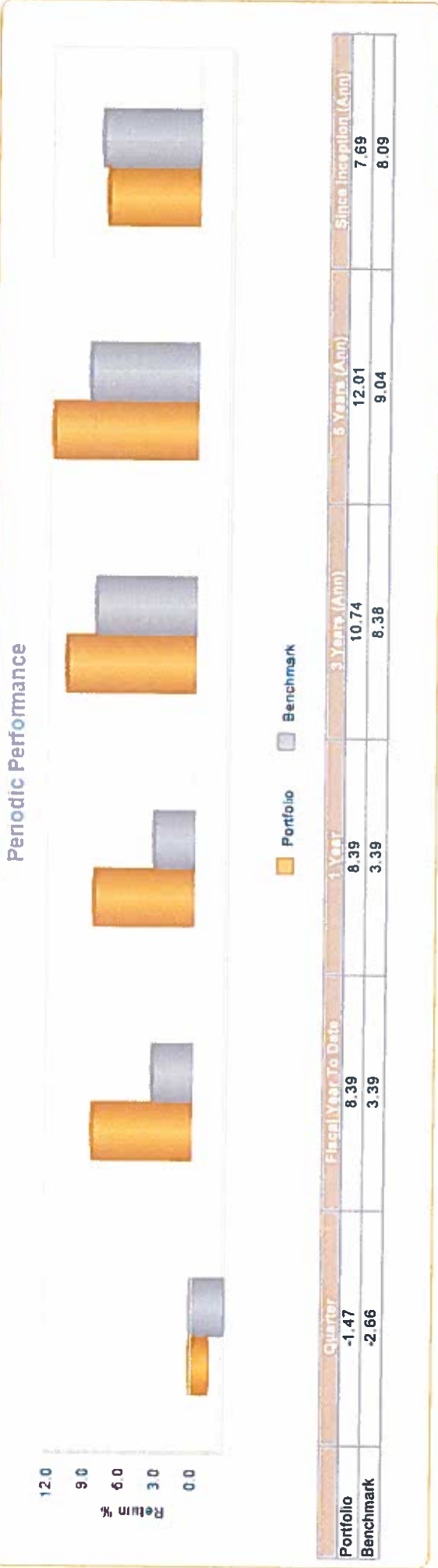
	UK Equities	Overseas Equities	Global/Equity Units	Bonds	Property	Cash	Alternatives
Portfolio	9.38	10.08	43.10	18.84	8.33	-0.27	10.55
Benchmark	12.60	10.80	38.60	14.10	7.20	-0.27	16.70
Relative Weight	-3.22	-0.72	4.50	4.74	1.13	-0.27	-6.15



*Fund Performance*

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Fund Performance - Summary



Inception Date: 31 Jan 2002

Ann = Annualised



Fund Performance - Segment Analysis

Segment Performance - 3 Months Ending 31 March 2018



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Alternatives
Portfolio	-5.54	-5.11	-1.20	0.92	1.82	-1.76
Benchmark	-5.88	-4.24	-4.40	0.44	1.93	0.12

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Fund Performance - Manager Overview



Manager Performance - 3 Months Ending 31 March 2018



■ Portfolio □ Benchmark

	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	Permira Credit
Portfolio	-4.12	-6.25	-0.93	2.48	-1.90	-2.61	0.97	1.35	1.94	1.98	0.09	-7.59	-6.45	-0.23	2.26
Benchmark	-4.24	-5.88	-4.41	-4.41	0.12	0.12	0.44	1.90	1.98	1.90	0.09	-4.38	-4.38	1.31	1.47

Manager Performance - 1 Year Ending 31 March 2018



■ Portfolio □ Benchmark

	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	Permira Credit
Portfolio	3.93	8.39	13.17	26.29	0.89	-2.17	1.70	8.20	11.47	10.31	0.67	-2.07	-2.07	7.31	13.32
Benchmark	3.51	6.13	2.87	2.87	0.35	0.35	1.42	10.02	10.46	10.02	0.21	2.90	2.90	8.34	6.00

Fund Performance - Contribution Analysis

Source of Contribution - Quarter to 31 March 2018



	UK Equities	Overseas Equities	Global Equity Units	Bonds	Property	Cash	Alternatives
Portfolio	-0.53	-0.53	-0.54	0.17	0.14	0.00	-0.18
Benchmark	-0.74	-0.46	-1.70	0.09	0.09	0.00	0.02

Top 5 Manager Contribution - Quarter to 31 March 2018



	Total Consolidation	Standard Life	Fidelity	Veritas	Baillie Gifford LTGG	Dodge & Cox	Remaining Managers
Portfolio	-1.46	-0.65	-0.41	-0.37	0.32	-0.30	-0.06

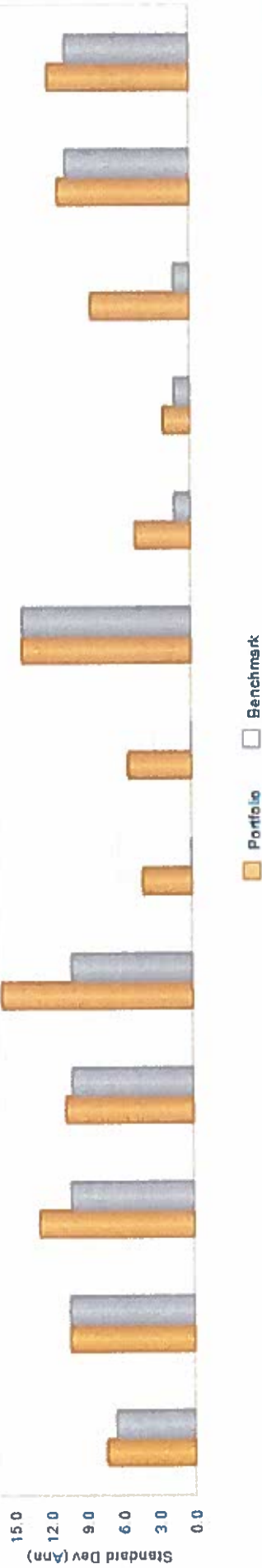






Risk Profile - Historic Risk

Standard Deviation - 3 Years (Ann) to 31 March 2018



Sharpe Ratio - 3 Years (Ann) to 31 March 2018



Ann = Annualised

Tracking Error - 3 Years (Ann) to 31 March 2018



Portfolio	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Baillie Gifford LTGG	Standard Life Divers Growth	Newton Diversified	M&G	LGIM Property	Hermes	Threadneedle	Veritas	Dodge & Cox
	2.77	1.12	6.02	5.22	10.79	3.98	5.19	1.41	4.40	1.86	8.10	4.75	4.81

Information Ratio - 3 Years (Ann) to 31 March 2018



Portfolio	Total Consolidation	Fidelity	Standard Life	Baillie Gifford GA	Baillie Gifford LTGG	Standard Life Divers Growth	Newton Diversified	M&G	LGIM Property	Hermes	Threadneedle	Veritas	Dodge & Cox
	0.80	-0.09	0.15	0.76	0.97	-0.35	0.00	0.52	-0.10	0.80	0.11	-0.16	-0.21

Ann = Annualised

# North Yorkshire County Council - 3 Months Ending 31 March 2018



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## Risk Profile - Consistency Analysis

Manager	Active Number of Months	Number of Positive Months	Consistency Rate (%)	Benchmark Consistency (%)	Outperformance (%)
<b>Total Consolidation</b>	<b>195</b>	<b>127</b>	<b>65</b>	<b>67</b>	<b>56</b>
Fidelity	113	72	64	52	53
Standard Life	138	79	57	43	57
Baillie Gifford GA	138	87	63	47	57
Amundi	125	73	58		
Baillie Gifford LTGG	139	86	62	47	55
Standard Life Divers Growth	61	37	61	100	59
Newton Diversified Growth	61	32	52	100	52
M&G	76	43	57	61	57
LGIM Property	64	58	91	86	53
Hermes	73	60	82	83	58
Threadneedle	70	63	90	86	66
Veritas	36	22	61	67	39
Dodge & Cox	36	23	64	67	44
Bluebay	16	5	31	88	38
Permira Credit	13	5	38	100	38



# North Yorkshire County Council - 3 Months Ending 31 March 2018



## Fund Profile - Movement of Funds

Manager Name	Market Value 31-Dec-2017 (000's)	Net Contributions (000's)	Income (000's)	Gain/Loss (000's)	Market Value 31-Mar-2018 (000's)	% Change
<b>Total Consolidation</b>	<b>3,375,248.40</b>	<b>5,677.91</b>	<b>3,338.43</b>	<b>-52,910.25</b>	<b>3,331,354.50</b>	<b>-1.30</b>
Total Consolidation	3,375,248.40	5,677.91	3,338.43	-52,910.25	3,331,354.50	-1.30
Fidelity	336,985.86	0.00	1,244.27	-15,114.45	323,115.68	-4.12
Standard Life	360,960.26	0.00	1,206.63	-23,750.61	338,416.28	-6.25
Baillie Gifford GA	664,462.31	0.00	0.00	-6,153.86	658,308.45	-0.93
Baillie Gifford LTGG	464,391.25	0.00	0.00	11,509.38	475,900.63	2.48
Standard Life Divers Growth	176,829.12	9.42	0.00	-3,361.55	173,477.00	-1.90
Newton Diversified Growth	140,124.41	0.00	0.00	-3,657.25	136,467.16	-2.61
M&G	579,911.03	-251.75	552.50	5,034.34	585,246.12	0.92
LGIM Property	66,670.23	0.00	0.00	901.57	67,571.80	1.35
Hermès	34,950.90	-322.76	322.76	352.75	35,303.65	1.01
Threadneedle	171,150.34	0.00	0.00	3,394.81	174,545.15	1.98
Cash Account	13,985.36	6,125.74	12.26	-0.53	20,122.84	43.89
Veritas	163,962.44	117.26	0.00	-12,460.12	151,619.58	-7.53
Dodge & Cox	160,167.60	0.00	0.00	-10,323.77	149,843.83	-6.45
Bluebay	8,034.18	0.00	0.00	-18.67	8,015.51	-0.23
Permira Credit	32,608.46	0.00	0.00	737.71	33,346.17	2.26



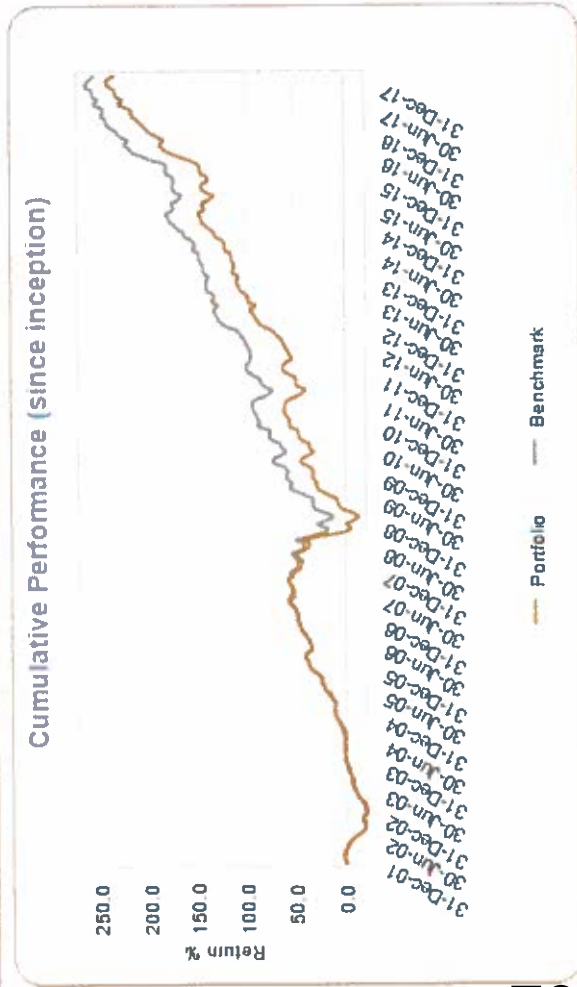
*Manager Analysis*

# North Yorkshire County Council - 3 Months Ending 31 March 2018



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## Manager Analysis - Total Consolidation



Inception Date: 31 Jan 2002

### Portfolio Size and Mandate

Portfolio Size (GBP): 3,331,354,503

### Portfolio Mandate

Total Plan

### Allocation - 31 March 2018

	UK Equities	Overseas Equities	Global Equity	Bonds	Property	Cash	Alternative
Portfolio	9.38	10.08	43.10	18.84	8.33	-0.27	10.55
Benchmark	12.60	10.80	38.60	14.10	7.20		16.70

### Summary - 3 Months Ending 31 March 2018

The fund's relative performance of the Quarter and 1 Year was 1.2% and 5.0% respectively.

### Periodic Performance

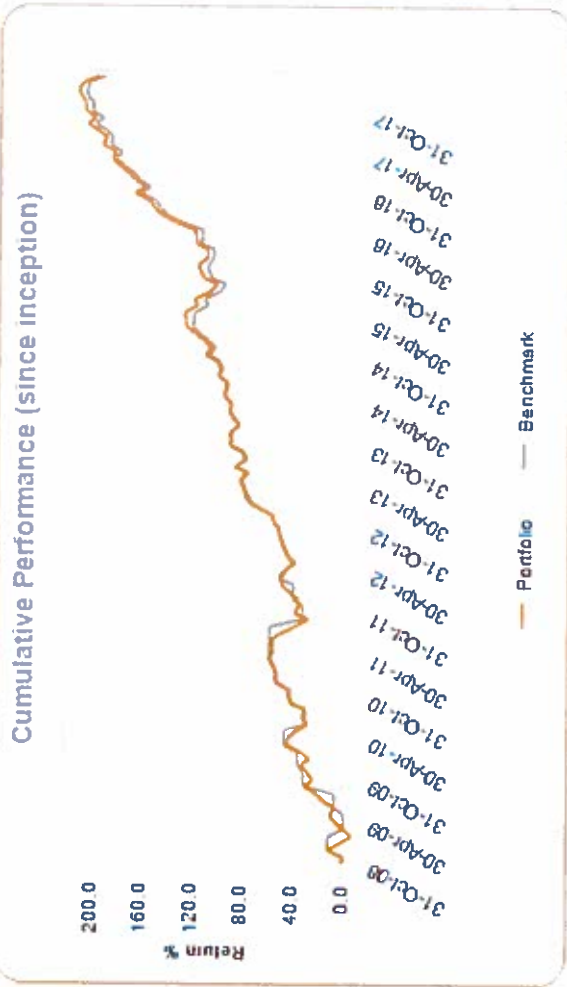
	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	-1.5	8.4	8.4	10.7	12.0	7.7
Benchmark	-2.7	3.4	3.4	8.4	9.0	8.1

### Risk Profile - 3 Years (Ann) to 31 March 2018

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	7.3	1.4	2.8	0.8
Benchmark	6.5	1.2		

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Manager Analysis - Fidelity



Inception Date: 30 Nov 2008

### Portfolio Size and Mandate

**Portfolio Size (GBP)**  
323,115,679

**Portfolio Mandate**  
Global Equities

### Allocation - 31 March 2018

	UK Equities	Overseas Equities	Cash
Portfolio	0.26	98.96	0.78
Benchmark		100.00	

### Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	-4.1	3.9	3.9	9.8	11.0	12.3
Benchmark	-4.2	3.5	3.5	9.9	10.5	12.1

### Risk Profile - 3 Years (Ann) to 31 March 2018

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	10.3	0.9	1.1	-0.1
Benchmark	10.3	0.9		

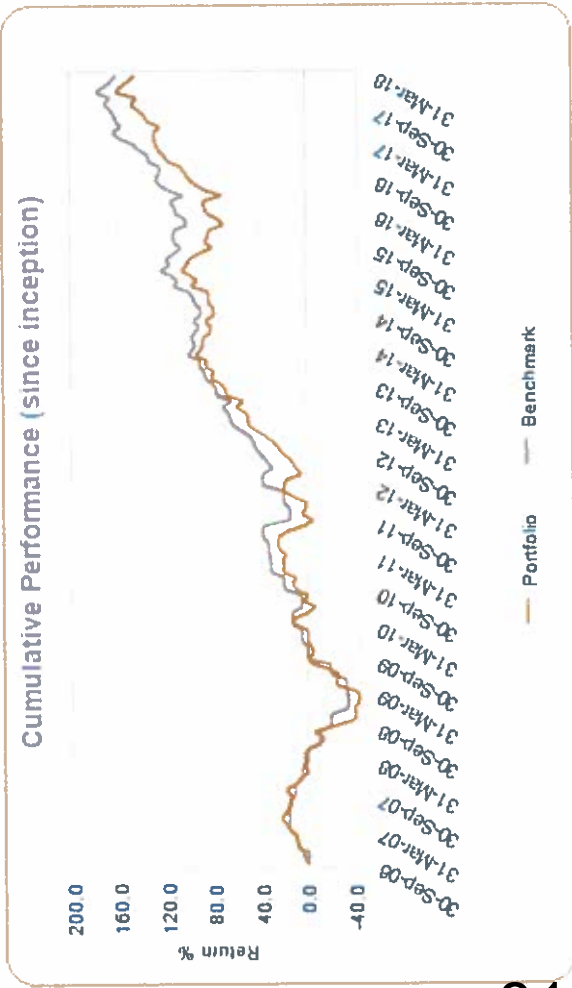
### Summary - 3 Months Ending 31 March 2018

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



# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Manager Analysis - Standard Life



Inception Date: 31 Oct 2006

**Portfolio Size and Mandate**  
**Portfolio Size (GBP)**  
 338,416,277  
**Portfolio Mandate**  
 UK Equities

**Allocation - 31 March 2018**

Category	Value
UK Equities	92.11
Overseas Equities	4.78
Cash	3.12
Benchmark	100.00

### Periodic Performance

Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	8.4	8.4	8.4	10.4	8.2
Benchmark	6.1	6.1	7.8	9.5	8.8

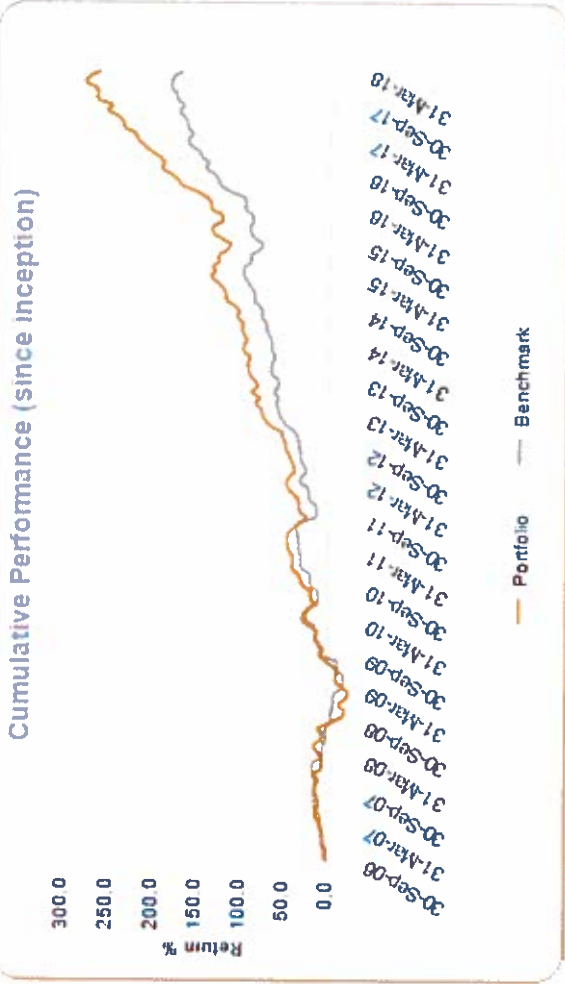
### Risk Profile - 3 Years (Ann) to 31 March 2018

Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	12.8	0.7	6.0
Benchmark	10.2	0.7	0.1

**Summary - 3 Months Ending 31 March 2018**  
 The manager's relative performance of the Quarter and 1 Year was -0.3% and 2.3% respectively.

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Manager Analysis - Baillie Gifford GA



Inception Date: 31 Oct 2006

Periodic Performance						
	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	-0.9	13.2	13.2	15.2	15.6	11.8
Benchmark	-4.4	2.9	2.9	10.9	11.6	9.0

Risk Profile - 3 Years (Ann) to 31 March 2018				
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	10.6	1.4	5.2	0.8
Benchmark	10.0	1.0		

### Portfolio Size and Mandate

#### Portfolio Size (GBP)

658,308,452

#### Portfolio Mandate

Global Equities

### Allocation - 31 March 2018

#### Global Equity Units

100.00  
100.00

Portfolio  
Benchmark

### Summary - 3 Months Ending 31 March 2018

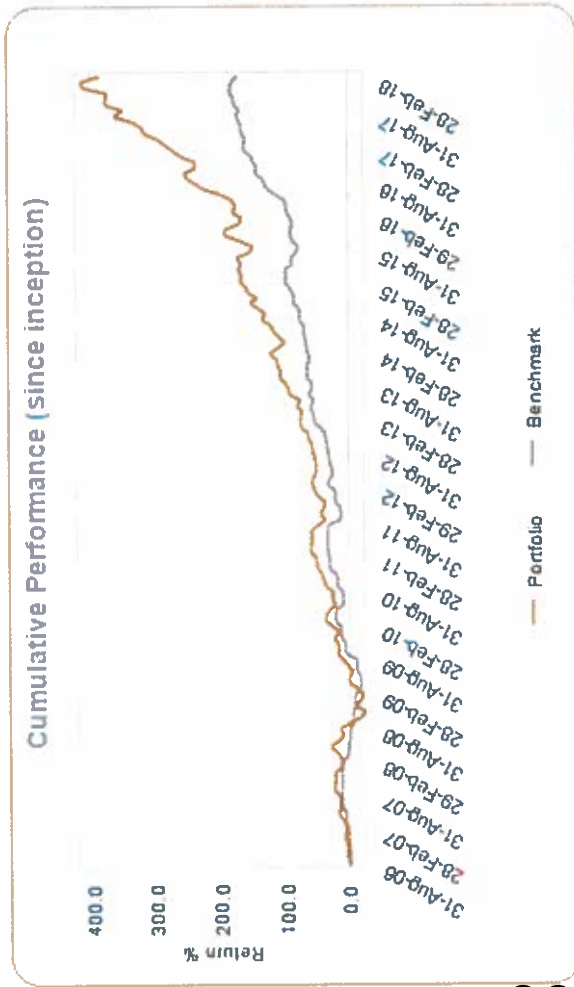
The manager's relative performance of the Quarter and 1 Year was 3.5% and 10.3% respectively.

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Manager Analysis - Baillie Gifford LTGG



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Inception Date 30 Sep 2006

83

**Portfolio Size and Mandate**

**Portfolio Mandate**  
Global Equities

**Portfolio Size (GBP)**  
475,900,630

**Allocation: 31 March 2018**

**Global Equity Units**

100.00  
100.00

**Portfolio Benchmark**

### Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	2.5	26.3	26.3	22.0	22.8	14.6
Benchmark	-4.4	2.9	2.9	10.9	11.6	

### Risk Profile - 3 Years (Ann) to 31 March 2018

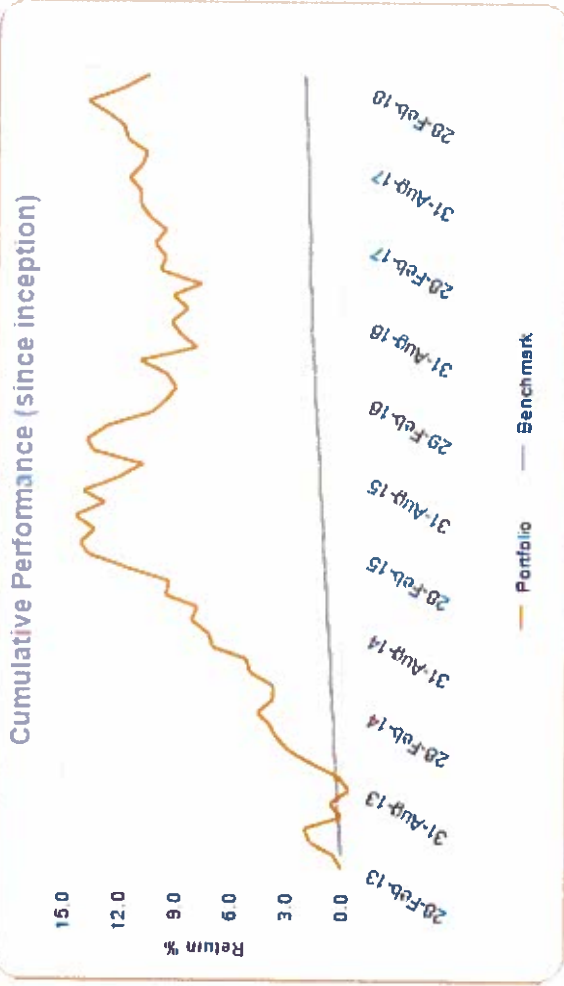
	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	15.7	1.3	10.8	1.0
Benchmark	10.0	1.0		

### Summary - 3 Months Ending 31 March 2018

The manager's relative performance of the Quarter and 1 Year was 6.9% and 23.4% respectively.

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Manager Analysis - Standard Life Divers Growth



Inception Date: 31 Mar 2013

### Portfolio Size and Mandate

#### Portfolio Size (GBP)

173,477,002

#### Portfolio Mandate

Diversified Growth

### Allocation - 31 March 2018

Allocation	Value
Cash	0.00
Portfolio Benchmark	100.00
Alternatives	100.00

### Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	-1.9	0.9	0.9	-1.1	2.0	2.0
Benchmark	0.1	0.3	0.3	0.4	0.4	0.4

### Risk Profile - 3 Years (Ann) to 31 March 2018

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	4.0	-0.3	4.0	-0.3
Benchmark	0.0	0.0		

### Summary - 3 Months Ending 31 March 2018

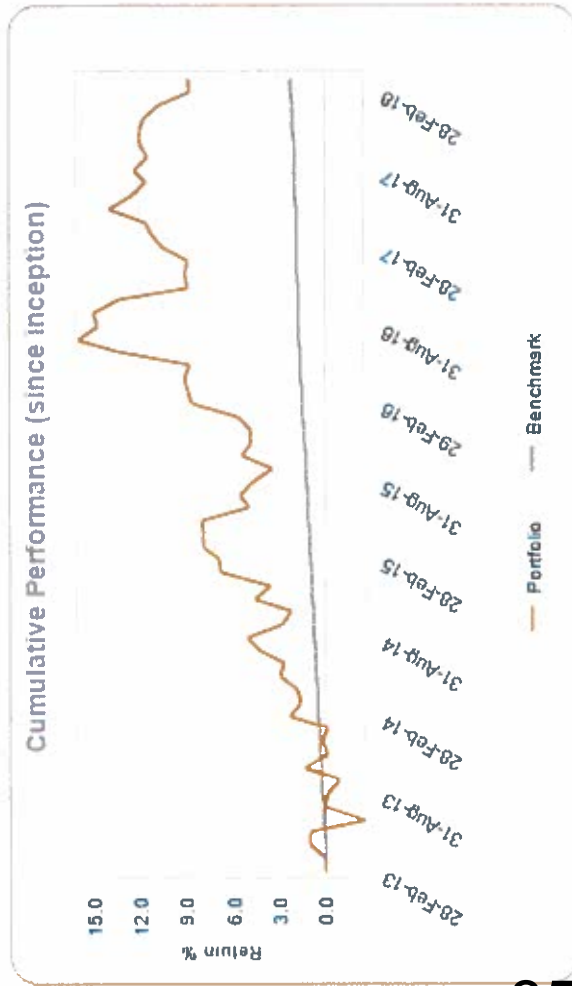
The manager's relative performance of the Quarter and 1 Year was and -2.0% and 0.6% respectively.

# North Yorkshire County Council - 3 Months Ending 31 March 2018



## Manager Analysis - Newton Diversified Growth

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Inception Date: 31 Mar 2013

### Portfolio Size and Mandate

**Portfolio Size (GBP)**  
136,467,164

**Portfolio Mandate**  
Diversified Growth

### Allocation - 31 March 2018

**Portfolio Benchmark**  
100.00

**Alternatives**  
100.00

### Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	-2.6	-2.2	-2.2	0.3	1.7	1.7
Benchmark	0.1	0.3	0.3	0.4	0.4	0.4

### Risk Profile - 3 Years (Ann) to 31 March 2018

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

### Summary - 3 Months Ending 31 March 2018

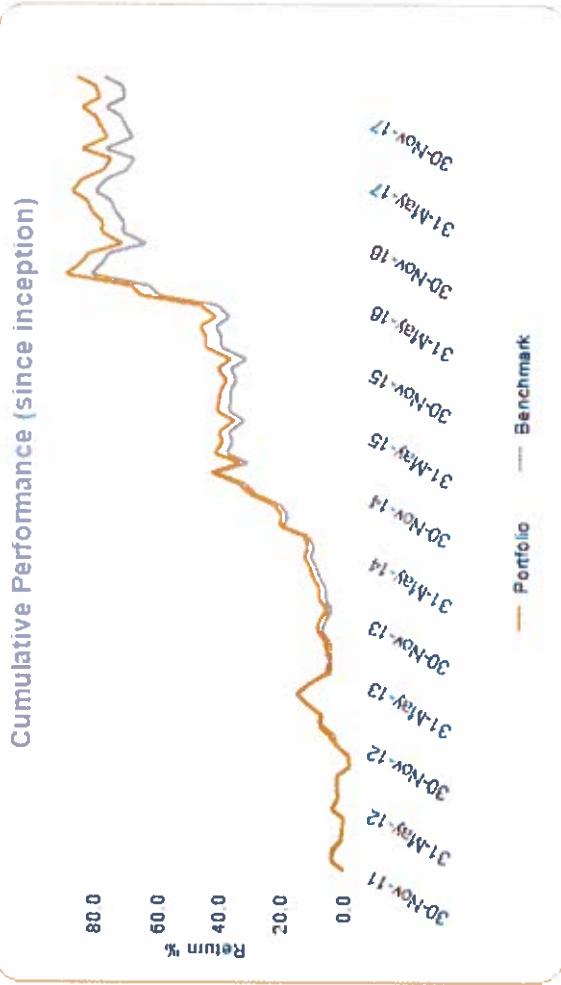
The manager's relative performance of the Quarter and 1 Year was -2.7% and -2.5% respectively.

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Manager Analysis - M&G



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Inception Date: 31 Dec 2011

### Portfolio Size and Mandate

#### Portfolio Size (GBP)

585,246,119

#### Portfolio Mandate

Global Bonds

### Allocation - 31 March 2018

	Bonds	Cash
Portfolio	107.23	-7.23
Benchmark	100.00	

### Periodic Performance

Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	1.7	1.7	9.7	10.8	10.4
Benchmark	1.4	1.4	8.9	9.8	9.6

### Risk Profile - 3 Years (Ann) to 31 March 2018

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	13.9	0.7	1.4	0.5
Benchmark	14.0	0.6		

### Summary - 3 Months Ending 31 March 2018

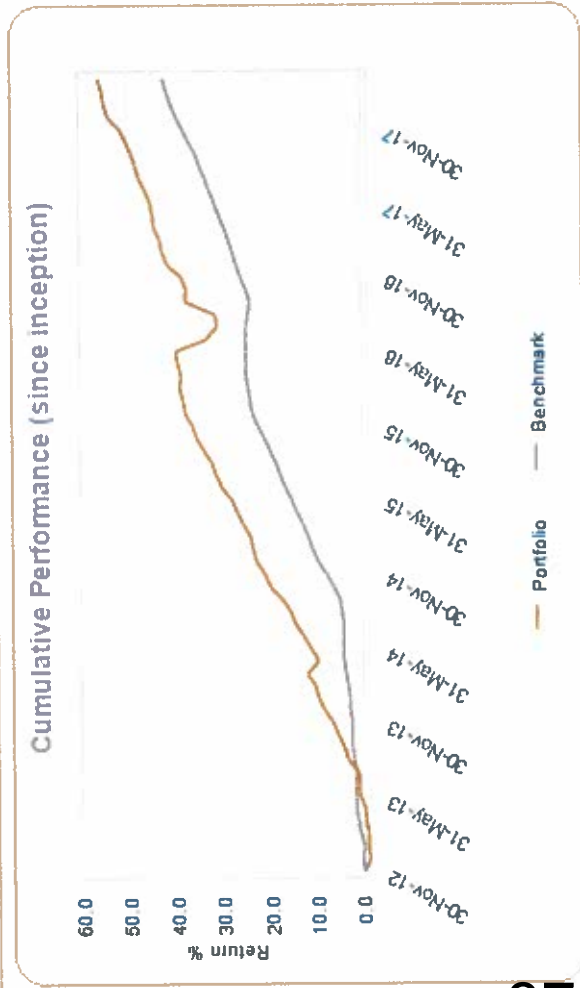
The manager's relative performance of the Quarter and 1 Year was 0.6% and 0.3% respectively.

# North Yorkshire County Council - 3 Months Ending 31 March 2018



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## Manager Analysis - LGIM Property



Inception Date: 31 Dec 2012

**Portfolio Size and Mandate**  
**Portfolio Size (GBP)** 67,571,804  
**Portfolio Mandate** Property

**Allocation - 31 March 2018**  
**Property**  
 100.00  
 100.00

**Portfolio Benchmark**

**Periodic Performance**

Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	8.2	8.2	7.5	9.4	8.7
Benchmark	10.0	10.0	8.1	7.0	6.8

**Risk Profile - 3 Years (Ann) to 31 March 2018**

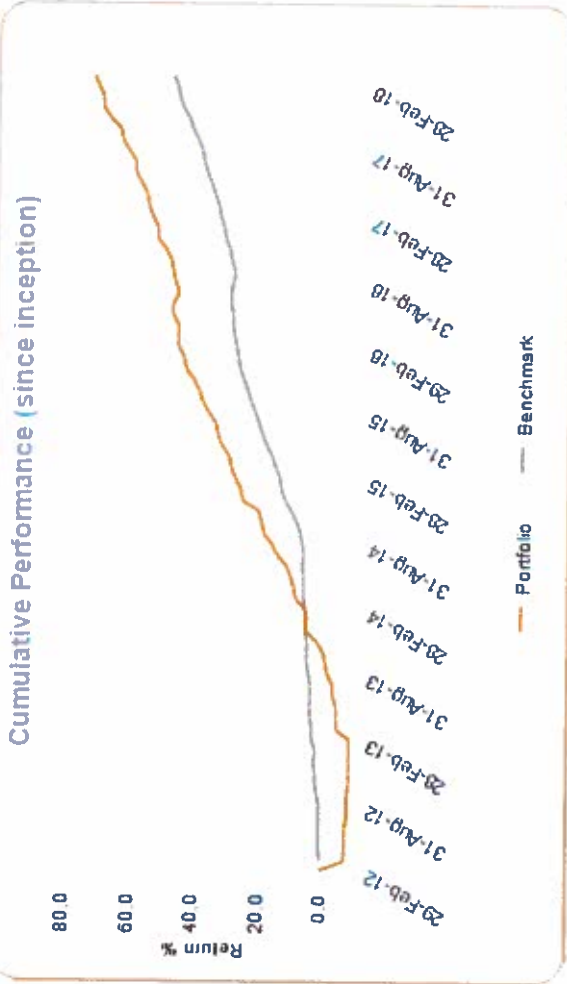
Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	4.5	1.5	4.4
Benchmark	1.3	5.5	-0.1

**Summary - 3 Months Ending 31 March 2018**

The manager's relative performance of the Quarter and 1 year was -0.5% and -1.8% respectively.

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Manager Analysis - Hermes



Inception Date: 31 Mar 2012

### Portfolio Size and Mandate

#### Portfolio Size (GBP)

35,303,654

#### Portfolio Mandate

Property

### Allocation - 31 March 2018

#### Property

100.00  
100.00

Portfolio  
Benchmark

### Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	1.9	11.5	11.5	10.2	12.6	9.4
Benchmark	2.0	10.5	10.5	8.6	7.4	6.7

### Summary - 3 Months Ending 31 March 2018

The manager's relative performance of the Quarter and 1 Year was -0.1% and 1.0% respectively.

### Risk Profile - 3 Years (Ann) to: 31 March 2018

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	2.1	4.4	1.9	0.8
Benchmark	1.4	5.8		

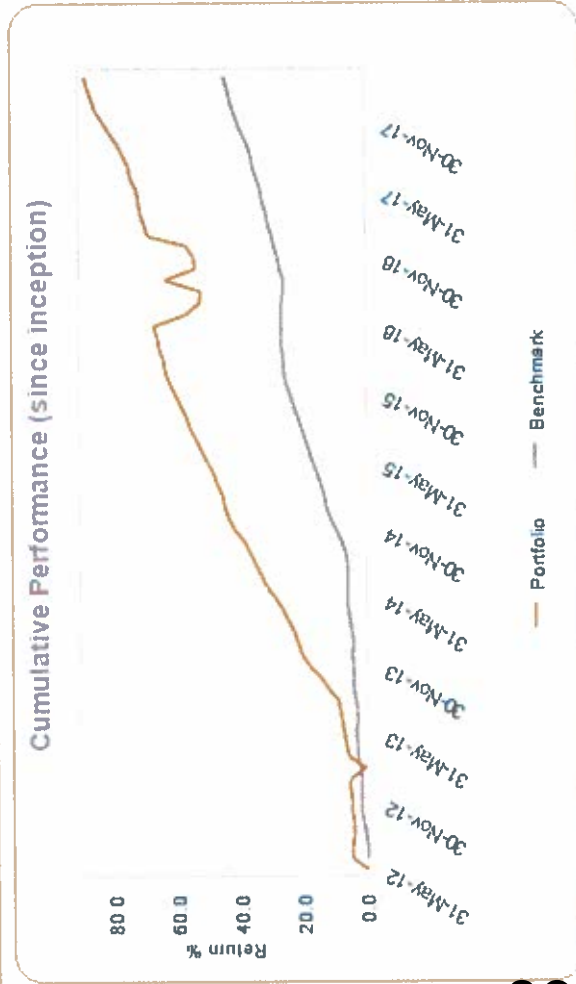


# North Yorkshire County Council - 3 Months Ending 31 March 2018



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## Manager Analysis - Threadneedle



Inception Date: 30 Jun 2012

89

### Portfolio Size and Mandate

#### Portfolio Size (GBP)

174,545,148

#### Portfolio Mandate

Property

### Allocation - 31 March 2018

#### Property

100.00  
100.00

Portfolio  
Benchmark

### Summary - 3 Months Ending 31 March 2018

The manager's relative performance of the Quarter and 1 Year was 0.1% and 0.3% respectively.

### Periodic Performance

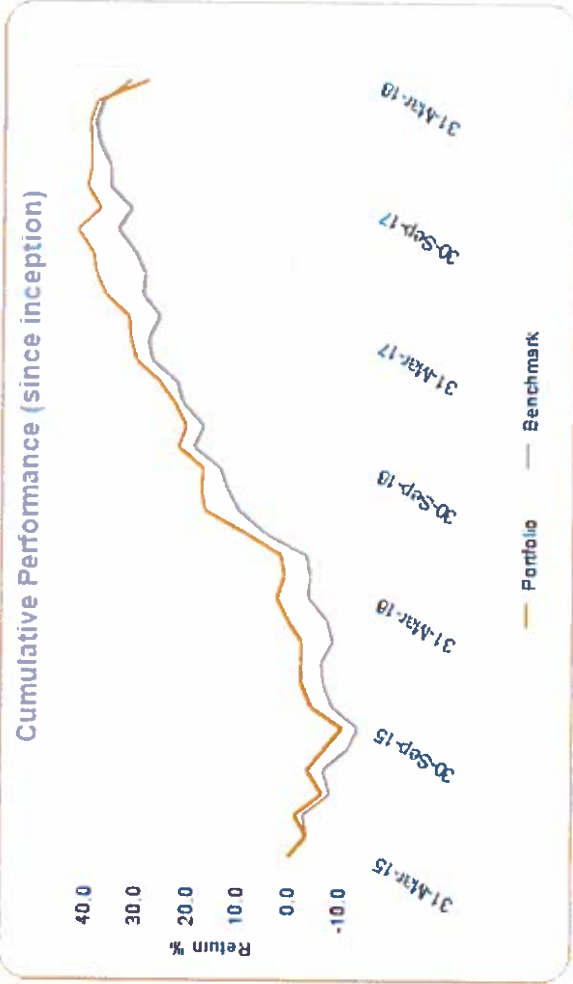
	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	5 Years (Ann)	Since Inception
Portfolio	2.0	10.3	10.3	8.7	12.2	11.5
Benchmark	1.9	10.0	10.0	8.1	7.0	6.6

### Risk Profile - 3 Years (Ann) to 31 March 2018

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	8.1	1.0	8.1	0.1
Benchmark	1.3	5.5		

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Manager Analysis - Veritas



Inception Date: 30 Apr 2015

### Portfolio Size and Mandate

#### Portfolio Size (GBP)

151,619,576

#### Portfolio Mandate

Global Equities

### Allocation - 31 March 2018

#### Global Equity Units

100.00  
100.00

Portfolio  
Benchmark

### Periodic Performance

Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	-7.6	-2.1	8.8	8.8
Benchmark	-4.4	2.9	9.7	9.7

### Risk Profile - 3 Years (Ann) to 31 March 2018

Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	10.9	0.8	4.7
Benchmark	10.3	0.9	-0.2

### Summary - 3 Months Ending 31 March 2018

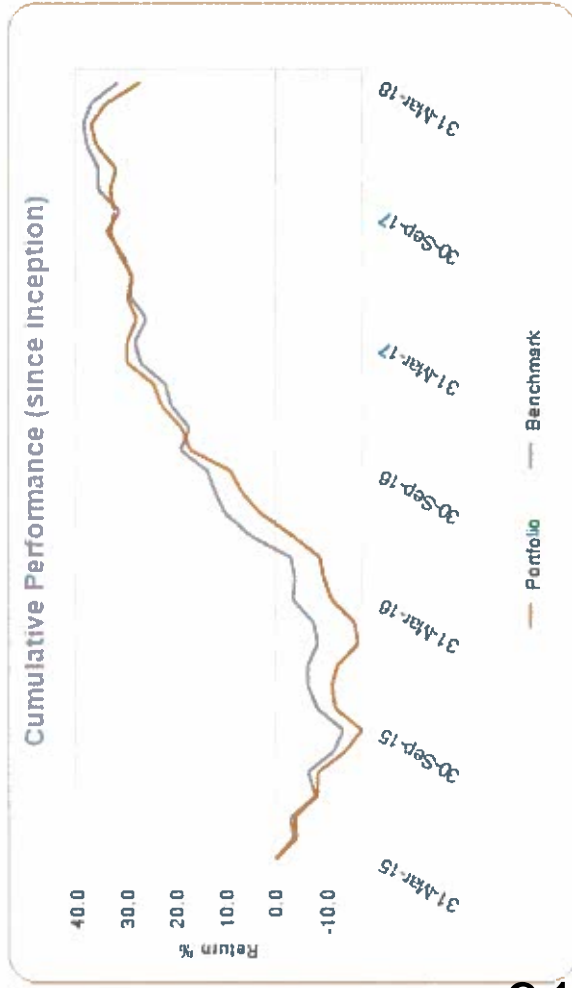
The manager's relative performance of the Quarter and 1 Year was -3.2% and -5.0% respectively.

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Manager Analysis - Dodge & Cox



BNY MELLON  
ASSET SERVICING



Inception Date: 30 Apr 2015

**Portfolio: Size and Mandate**  
**Portfolio Size (GBP)**  
 149,843,829  
**Portfolio Mandate**  
 Global Equities

**Allocation - 31 March 2018**  
**Global Equity Units**  
 100.00  
 100.00

**Portfolio Benchmark**

### Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	3 Years (Ann)	Since Inception (Ann)
Portfolio	-6.4	-2.1	-2.1	8.4	8.4
Benchmark	-4.4	2.9	2.9	9.7	9.7

### Risk Profile - 3 Years (Ann) to 31 March, 2018

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio	11.7	0.7	4.8	-0.2
Benchmark	10.3	0.9		

### Summary - 3 Months Ending 31 March 2018

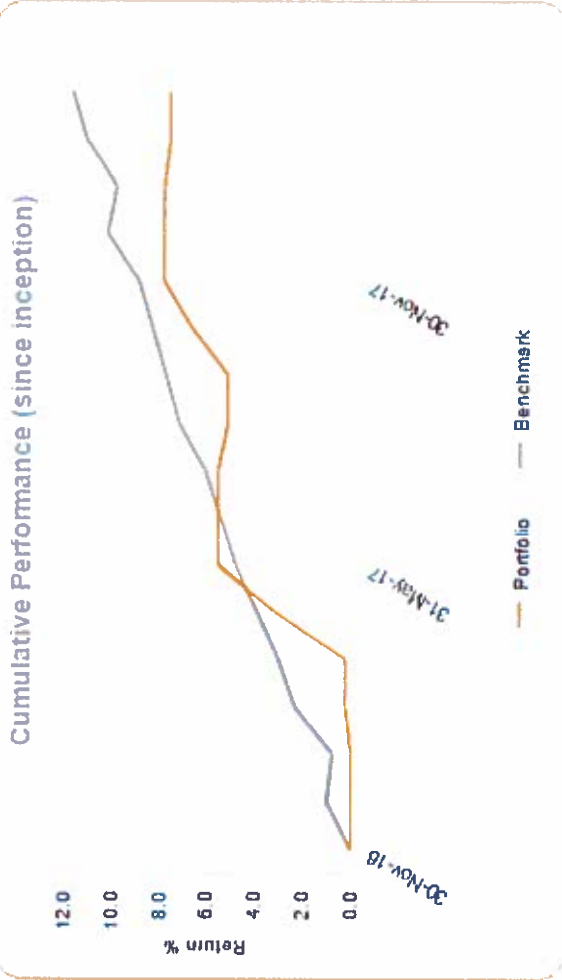
The manager's relative performance of the Quarter and 1 Year was -2.0% and -5.0% respectively.

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Manager Analysis - Bluebay



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ASSET SERVICING



Inception Date: 31 Dec 2016

### Portfolio Size and Mandate

#### Portfolio Size (GBP)

8,015,508

#### Portfolio Mandate

Alternatives

### Allocation - 31 March 2018

#### Cash

0.00

#### Alternatives

100.00  
100.00

Portfolio  
Benchmark

### Periodic Performance

	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	-0.2	7.3	7.3	5.6
Benchmark	1.3	8.3	8.3	8.6

### Risk Profile - 3 Years (Ann) to 31 March 2018

Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
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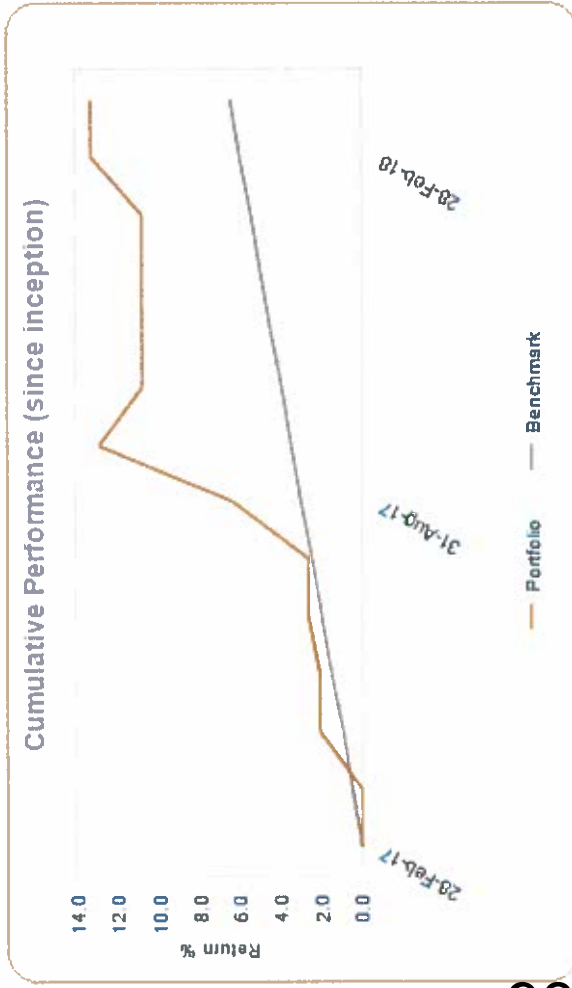
Portfolio  
Benchmark

### Summary - 3 Months Ending 31 March 2018

The manager's relative performance of the Quarter and 1 Year was -1.5% and -1.0% respectively.

# North Yorkshire County Council - 3 Months Ending 31 March 2018

## Manager Analysis - Permira Credit



Inception Date: 31 Mar 2017

**Portfolio Size and Mandate**  
**Portfolio Size (GBP)**  
 33,346,170  
**Portfolio Mandate**  
 Alternatives

**Allocation - 31 March 2018**  
**Portfolio Benchmark**  
 100.00  
 100.00  
**Alternatives**

**Periodic Performance**

	Quarter	Fiscal Year To Date	1 Year	Since Inception (Ann)
Portfolio	2.3	13.3	13.3	12.2
Benchmark	1.5	6.0	6.0	6.0

**Risk Profile - 3 Years (Ann) to 31 March 2018**

	Standard Deviation	Sharpe Ratio	Tracking Error	Information Ratio
Portfolio				
Benchmark				

**Summary - 3 Months Ending 31 March 2018**  
 The manager's relative performance of the Quarter and 1 Year was 0.8% and 7.3% respectively

*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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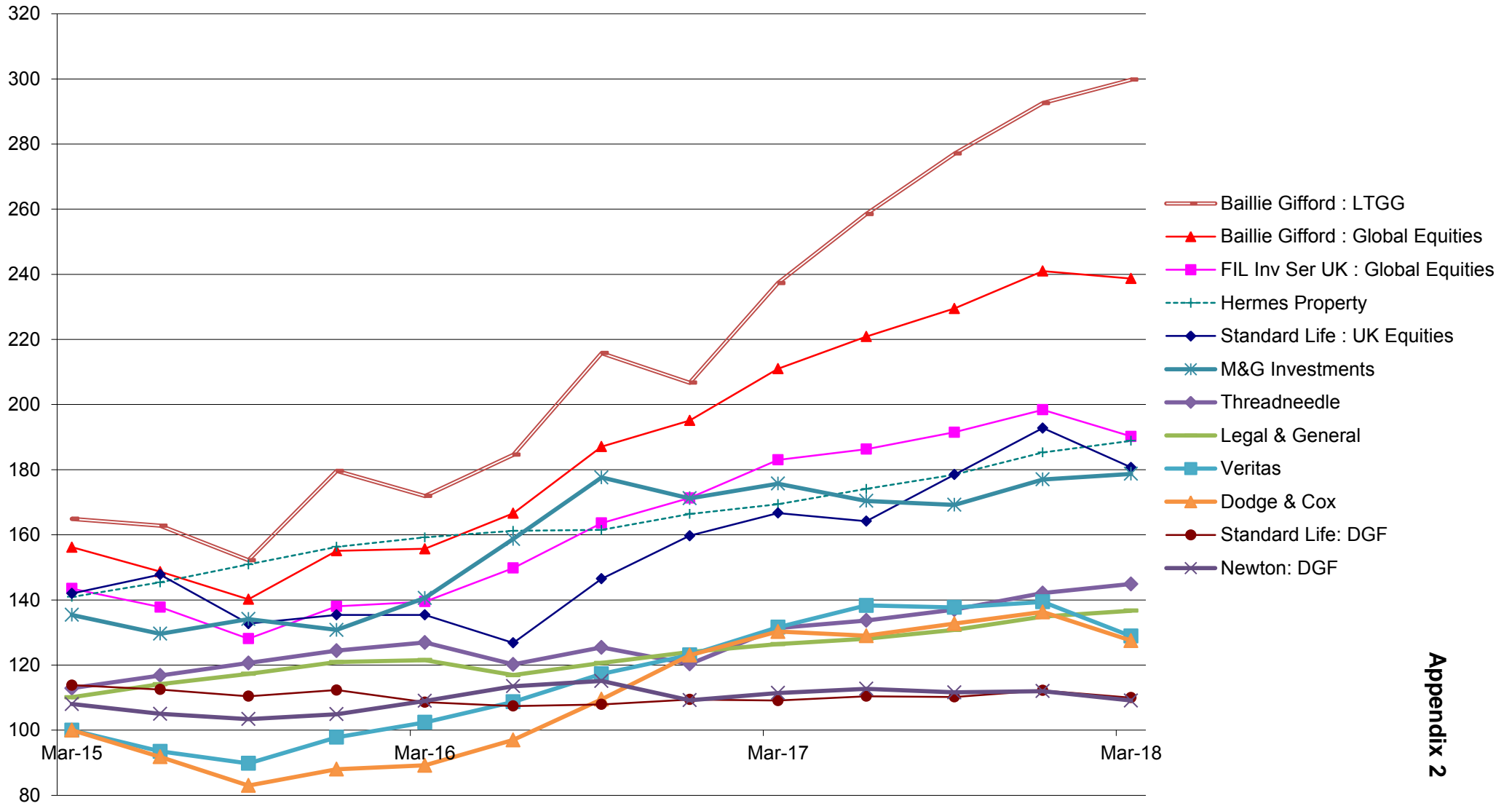
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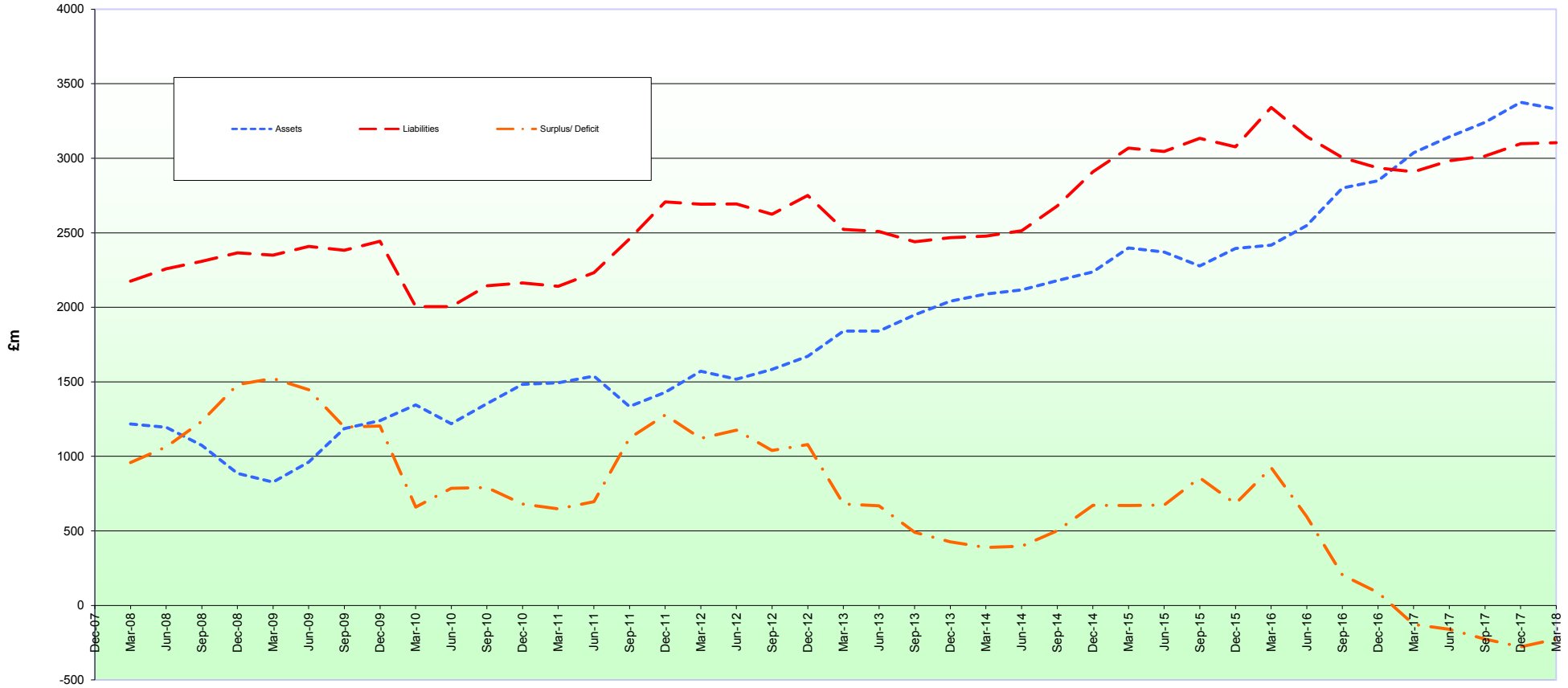


## Investment Manager Performance - Cumulative Absolute Performance 3 years to March 2018



Appendix 2

## North Yorkshire Pension Fund Assets, Liabilities and Deficit

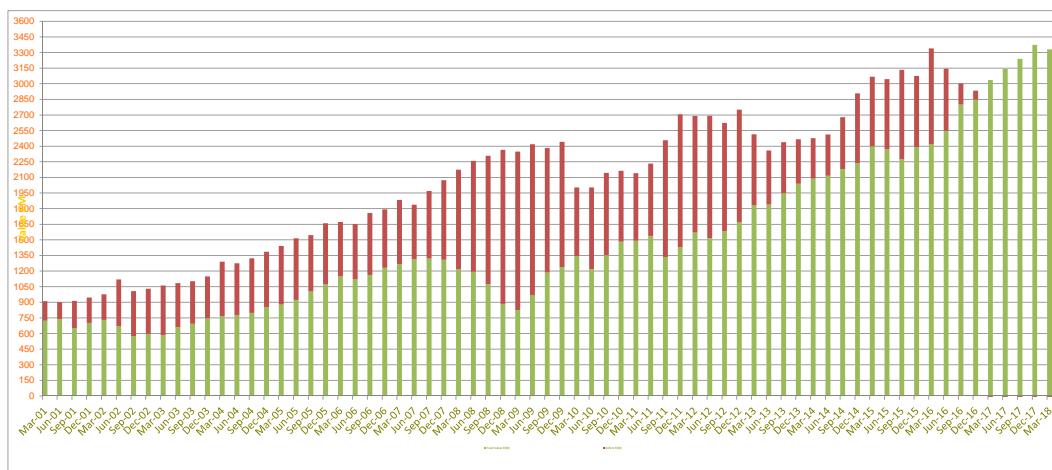


**Actuarial Model of Quarterly Solvency Position**

Date	Solvency	Deficit £(M)	Fund Value £(M)	FTSE 100
March 31, 2001	79%	187	724	5,634
June 30, 2001	82%	162	740	5,643
September 30, 2001	71%	265	650	4,903
December 31, 2001	74%	245	702	5,217
March 31, 2002	75%	245	732	5,272
June 30, 2002	60%	450	670	4,656
September 30, 2002	56%	435	574	3,722
December 31, 2002	58%	435	597	3,940
March 31, 2003	55%	478	584	3,613
June 30, 2003	61%	423	662	4,031
September 30, 2003	63%	408	695	4,091
December 31, 2003	65%	402	747	4,477
March 31, 2004	59%	524	767	4,386
June 30, 2004	61%	498	778	4,464
September 30, 2004	60%	524	799	4,571
December 31, 2004	62%	533	854	4,814
March 31, 2005	61%	563	879	4,894
June 30, 2005	61%	592	924	5,113
September 30, 2005	65%	542	1005	5,478
December 31, 2005	65%	585	1075	5,619
March 31, 2006	69%	523	1150	5,965
June 30, 2006	68%	531	1121	5,833
September 30, 2006	66%	595	1163	5,961
December 31, 2006	69%	561	1233	6,221
March 31, 2007	67%	619	1268	6,308
June 30, 2007	72%	522	1316	6,608
September 30, 2007	67%	648	1322	6,467
December 31, 2007	63%	763	1310	6,457
March 31, 2008	56%	958	1217	5,702
June 30, 2008	53%	1064	1195	5,625
September 30, 2008	47%	1235	1074	4,902
December 31, 2008	37%	1481	885	4,434
March 31, 2009	35%	1522	827	3,926
June 30, 2009	40%	1447	972	4,249
September 30, 2009	50%	1196	1187	5,134
December 31, 2009	51%	1204	1239	5,413
March 31, 2010	67%	659	1345	5,880
June 30, 2010	61%	785	1219	4,917
September 30, 2010	63%	791	1354	5,549
December 31, 2010	69%	681	1483	5,900
March 31, 2011	70%	648	1493	5,909
June 30, 2011	69%	695	1538	5,946
September 30, 2011	54%	1123	1335	5,129
December 31, 2011	53%	1277	1430	5,572
March 31, 2012	58%	1121	1571	5,768
June 30, 2012	56%	1176	1517	5,571
September 30, 2012	60%	1040	1584	5,742
December 31, 2012	61%	1079	1672	5,898
March 31, 2013	73%	679	1836	6,412
June 30, 2013	78%	519	1840	6,215
September 30, 2013	80%	490	1949	6,462
December 31, 2013	83%	427	2040	6,749
March 31, 2014	84%	389	2089	6,698
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
December 31, 2017	109%	-277.7	3375	7,688
March 31, 2018	107%	-226.2	3331	7,057

Triennial valuation results highlighted in grey

**Movement in Assets and Liabilities**



## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

24 MAY 2018

## CASHFLOW PROJECTION OF THE FUND

## Report of the Treasurer

**1.0 Purpose of the Report**

- 1.1 To provide Members with an update on the cashflow position of the Fund and the estimated date at which the Fund will go cashflow negative.

**2.0 Background**

- 2.1 As Pension Funds mature the monitoring of the inflows and outflows of the Fund is of increasing importance as benefits payable can begin to overtake the contributions in from employers, putting the Fund into a cashflow negative position. In recent PFC meetings Members have discussed the importance of this issue for NYPF in particular given that the cashflow is moving closer to a cashflow negative position.
- 2.2 In the last meeting of the PFC Members requested an indication of when the Fund is likely to go cashflow negative so that it can plan ahead to ensure that the Fund is able to cover its outflows through other sources, for example, income generating investments.
- 2.3 The Actuary, Aon Hewitt, was asked to provide this information in a report that is attached as **Appendix 1**.

**3.0 Purpose and Assumptions of the Report**

- 3.1 The report provides an indication of how the contributions to and benefit payments from the Fund will progress over the next 10 year period under the following two scenarios:
- **Scenario 1**- assumes that there will be no new entrants to the Fund to replace any leavers, i.e. the scheme is closed.
  - **Scenario 2**- assumes a steady membership, i.e. all leavers are replaced and active membership therefore remains stable over the longer term.
- 3.2 The key assumptions listed below used to produce the results of the report have all been based on the 2016 Triennial Valuation. Further details on these assumptions used in the 2016 Triennial Valuation are in the 31 March 2016 Actuarial Report that is attached as **Appendix 2**:
- Membership data

- Employer contribution rates and deficit contributions
- Life expectancy
- Age of drawing pensions
- Pay and pension increases

3.3 It is also important to note that the results do not take into account transfers in and out of the Fund or any redundancies. Under scenario 2 the Actuary have provided two versions, one that takes into account the annual costs of running the Fund and one that does not.

#### **4.0 Results of the Report**

4.1 Under Scenario 1, it is estimated that the Fund will remain cashflow positive until 2021/22 at which point it will switch to a cashflow negative position.

4.2 Whilst scenario 1 can demonstrate the effects of declining active membership numbers on the cashflow position of the Fund, the most realistic scenario is Scenario 2. The results under this scenario are that the Fund is estimated to become cashflow negative in 2025/26 when the costs of administering the Fund are taken into account and 2027/28 when they are not included. The costs of administering the Fund that have an impact on the cashflow are currently estimated at £12.6m p.a., as detailed in the 2018/19 budget and cashflow statement in the Budget and Statistics paper.

#### **5.0 Conclusion and Next Steps**

5.1 To ensure that the outflows of the Fund are covered by the inflows as the Fund moves closer to a cashflow negative position alternative income generating opportunities will need to be considered.

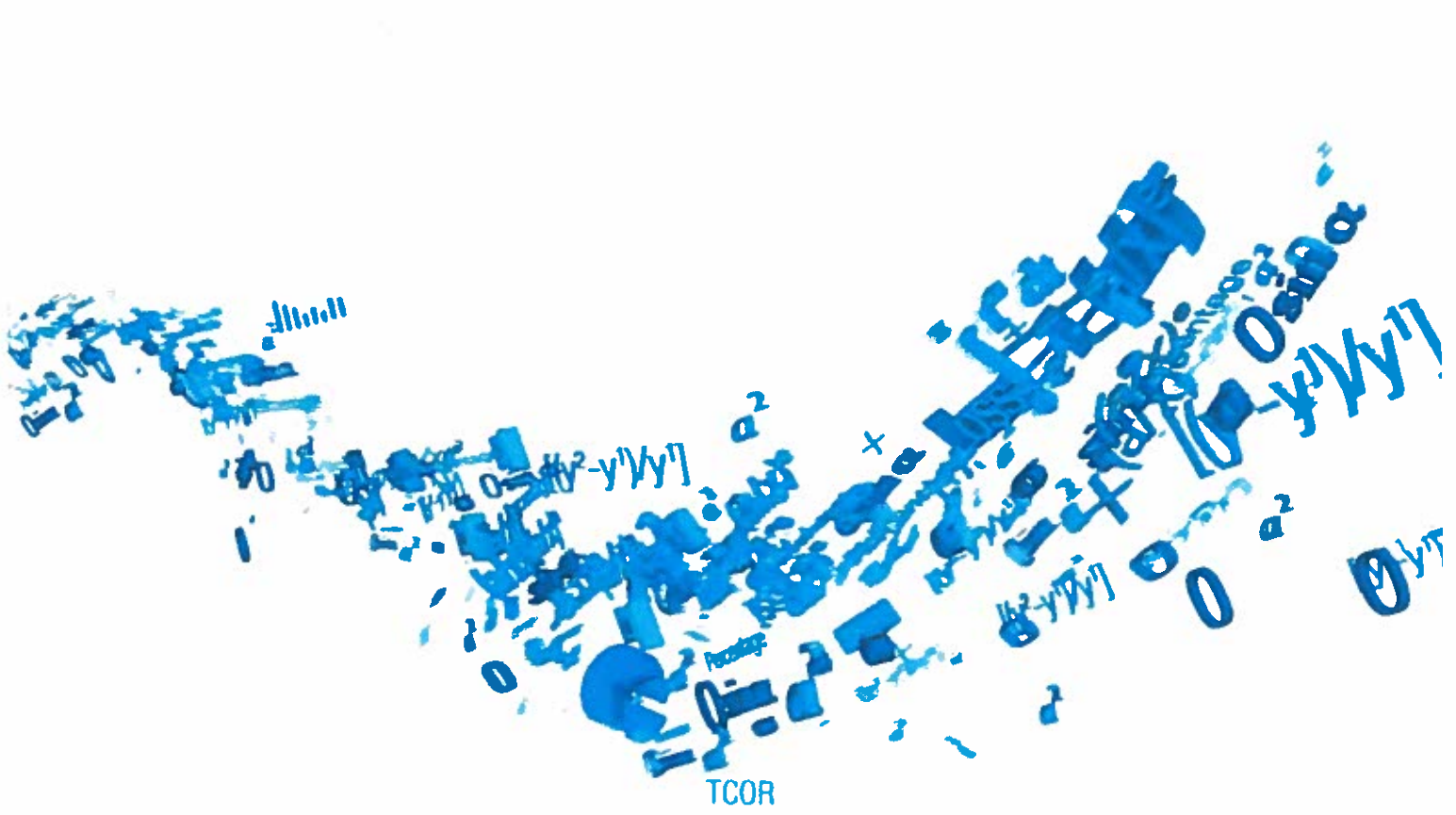
5.2 The issue of income generating investments will feature in future investment strategy deliberations. The monitoring of the cashflow position will continue and features as part of the new Budget report.

#### **6.0 RECOMMENDATIONS**

6.1 Members to note the contents of the cashflow report produced by the Actuary (Appendix 1).

GARY FIELDING  
 Treasurer to North Yorkshire Pension Fund  
 NYCC  
 County Hall  
 Northallerton

10 May 2018



# Cashflow Projections

North Yorkshire Pension Fund

Prepared for **North Yorkshire County Council, in its role as the  
Administering Authority of the North Yorkshire Pension Fund**

Prepared by **Aon**

Date **15 May 2018**

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## Executive Summary

*The key results of our cashflow projection calculations are set out below.*

### Scenario 1: Closed Scheme

This scenario projects cashflows in relation to scheme membership up to the 2016 valuation date. No allowance is made for any new entrants joining after the valuation date.

Under this scenario the net cashflow position is slightly positive over the next few years.

The net cashflow position reduces gradually each year and becomes negative over 2021/22 as active members are assumed to leave or retire resulting in contribution income falling and benefit outgo increasing.

This can be considered as an extreme scenario showing how the cashflow position could change over time if there were no new entrants.

### Scenario 2: Steady Membership

This scenario projects cashflows assuming that all leavers are replaced such that the active membership profile is stable over time.

Under this scenario the net cashflow position is positive at the start of the projection period and remains at broadly the same level for the first seven years before reducing gradually and becoming negative over 2027/28.

This scenario provides a more realistic indication of future cashflows as the Fund's largest employers continue to admit new members.

As requested, under this scenario we have also provided approximate figures to include an allowance for expenses incurred by the Fund in relation to the cost of running the Fund as provided to us by the Administering Authority.

If you require a more accurate allowance for these costs then please let us know.

### Notes

Please note the following:

- Under both scenarios no allowance has been made for investment income in the cashflows. In practice, the Fund may be able to make use of investment income to meet (at least some of) the cashflow gap rather than disinvest assets to meet benefit payments.
- The cashflow projections set out in the report are intended to give an indication of how contributions to, and benefit payments from, the Fund will progress over the next 10 years. These projections are based on a number of assumptions which are summarised in the Introduction section of this report. The actual cashflows will differ from those projected and we provide some commentary on the potential differences in the section entitled 'Comparison with actual cashflows'.

## Introduction

*The purpose of this report is to set out the projected contributions to, and benefit payments from, the Fund based on the 2016 actuarial valuation of the Fund. It also provides an indication of how these would change if all leavers are replaced by new entrants such that the overall membership of the Fund is stable over time.*

### Users of this document

This report has been commissioned by the Administering Authority to the North Yorkshire Pension Fund ("the Fund") and this advice is provided to our client, in its capacity as Administering Authority to the Fund. **This advice should not be passed to any other party without our advance written permission.** We accept no responsibility to any party other than our client in relation to the advice.

### Purpose of this document

The purpose of this document is to set out estimated projected contributions to, and benefit payments from, the Fund should the assumptions underlying the 2016 actuarial valuation of the Fund be borne out in practice based on the membership of the Fund at the valuation date.

We also show, on an approximate basis, how those cashflows would develop should all active members leaving the Fund (i.e. those that become deferred members and pensioners) be replaced such that the active membership profile is stable over time.

### Data

The projections are based on the data underlying the 2016 actuarial valuation of the Fund, i.e. as at 31 March 2016. Further details are set out in the report on that valuation, dated 31 March 2017.

### Assumptions

The projections are based on the 2016 valuation, the purpose of which is to assess the financial position of the Fund and set employer contributions. They are not cashflow forecasts and should not be treated as such.

The assumptions underlying our projections are based on the 2016 valuation of the Fund and are summarised in the report on that valuation, dated 31 March 2017. In particular, assumptions have been made in relation to:

- the life expectancy of members
- the age at which members will elect to draw their pension
- the rate at which pay and pensions will increase
- the rate at which members retiring will exchange pension for cash

No allowance has been made for the following:

- transfers into or out of the Fund, on an individual or bulk basis
- redundancy / efficiency early retirements
- membership changes since 31 March 2016 which are different to our valuation assumptions
- pay or pension increases different to our valuation assumptions
- changes to the average part-time % or average employee contribution rate
- age retirements other than at the age assumed in the 2016 valuation
- any expenses incurred by the Fund although an approximate allowance has been made for the cost of running the Fund on scenario 2 as shown in Appendix B)
- any benefits which are granted at the discretion of an employer

Please note that we have assumed that deficit contributions will be paid in line with those certified at the 2016 valuation, i.e. as set out in the Rates and Adjustments Certificate and then increasing in line with our pay increase assumption of 3.25% p.a. throughout the projection period.



## Scenario 1: Closed Scheme

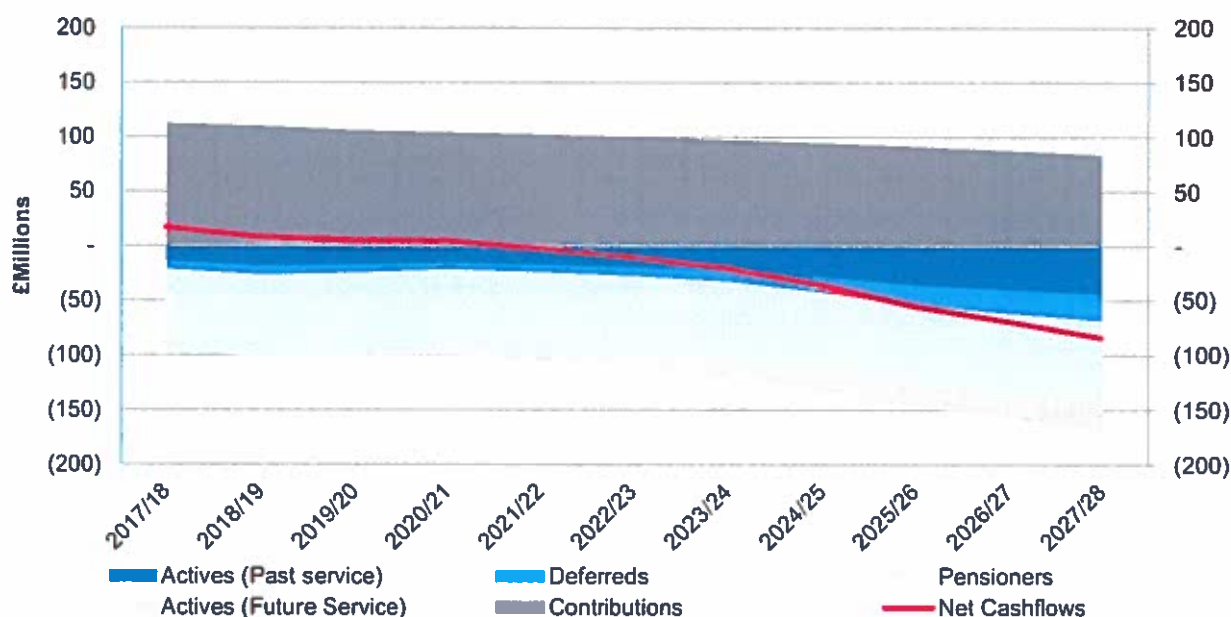
This scenario projects

- expected benefit payments (cash outflow) for members as at 31 March 2016 based on the assumptions underlying the actuarial valuation of the Fund as at 31 March 2016, including an allowance for future service accrual for the existing membership;
- expected contribution income based on contributions certified at the 2016 valuation and assuming overall pensionable payroll increases at 3.25% p.a. from 2016 onwards before allowing for decrements (e.g. retirements, mortality, withdrawal rates).

Notes:

- All figures are in nominal terms, i.e. are not converted to today's prices.
- The projected benefit payments reflect the valuation assumption that all members over the assumed retirement age on 31 March 2016 will retire in the year following the valuation date.

### Cashflow Projections - Closed Scheme



### Commentary

The projected net cashflow position over the next few years is slightly positive (i.e. contributions are greater than benefit payments). However, from around 2021 the net cashflow gradually falls as contributing members are assumed to leave or retire and therefore contribution income falls, while benefit outgo increases. In this scenario leavers are not replaced. This leads to a negative cashflow position.

It is worth noting that a negative net cashflow position does not mean the funding level of the Fund will worsen over time, as cashflows paid out will also reduce the liabilities of the Fund. However, a negative net cashflow position does make it more likely that assets will have to be disinvested to meet benefit payments.

## Scenario 2: 100% replacement of active members

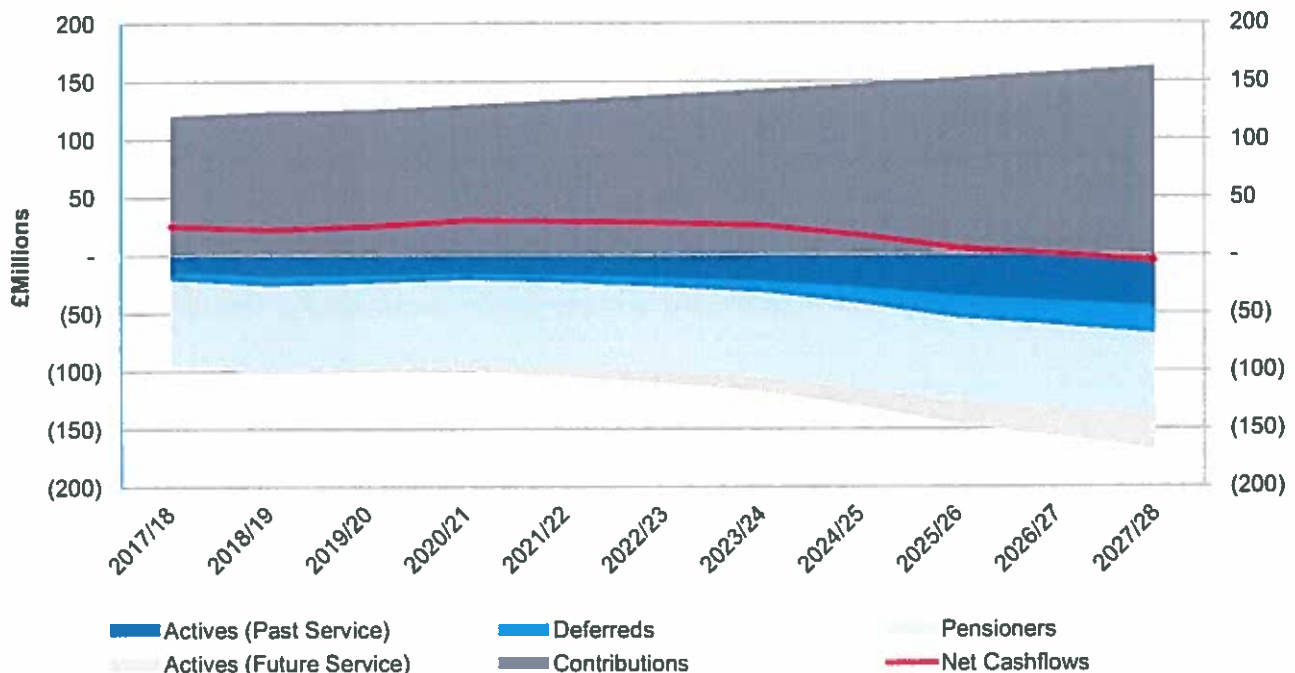
This scenario projects

- expected benefit payments (cash outflow) for members as at 31 March 2016 based on the assumptions underlying the actuarial valuation of the Fund as at 31 March 2016, including an allowance for future accrual for the existing membership and new entrants;
- expected contribution income based on contributions certified at the 2016 valuation and assuming overall pensionable payroll increases at 3.25% p.a. from 2016 onwards;
- expected contribution income and benefit outflow for new members joining from 1 April 2016 assuming a stable Fund membership over the projection period.

Notes:

- The allowance for new members is approximate and assumes leavers are immediately replaced by someone on the same pay and assumes new members are more than 10 years away from drawing benefits.
- All figures are in nominal terms, i.e. are not converted to today's prices
- The projected benefit payments reflect the valuation assumption that all members over the assumed retirement age

### Cashflow Projections - Steady Membership



### Commentary

After allowing for new entrants to replace leavers the projected net cashflow position remains positive (i.e. contributions are greater than benefit payments) for most of the projection period.

The net position is more stable than under scenario 1, and the Fund will be less likely to need to disinvest assets to meet benefit payments over the 10 year projection period, especially once investment income is taken into account (not included in above cashflows), assuming this is not automatically reinvested. This is a function of contributions being made for new entrants but those members typically not drawing benefits in the short to medium term.

If we make approximate allowance for the expenses incurred by the Fund the net cashflow becomes negative during 2025/26. This can be seen in the figures set out in Appendix B.

## Comparison with actual cashflows

It would be possible to compare the actual cashflows paid from and to the Fund with those projected under scenario 2. However, even if the assumptions regarding replacement rates were borne out in practice we would not expect the figures to be identical. We have set out below some commentary on the potential differences.

### From active/deferred

The valuation assumes that all active and deferred members above retirement age will retire in the year following the valuation date (i.e. 2016/17). These members may in fact retire later than this, leading to lower projected retirement lump sums and pension payments based on the valuation assumptions compared to the actual benefit payments over 2017/18 and the following few years. The actual retirement lump sums are likely to exceed the projections over the following 5 years as members over retirement age as at 31 March 2016 start to draw their benefits at a more gradual rate than assumed in the valuation for these members.

Pensions for those over the assumed retirement age on the valuation date are expected to become payable half-way through the year, and whilst this is a reasonable approximation, it is unlikely to be true in practice.

### Pensioners

The actual pensions paid will be subject to pension increases in line with CPI inflation. Whilst we have made an allowance for inflation in line with our best estimate of long term CPI, this is unlikely to match the actual rate of inflation in any given year. The total amount of pensions paid will also depend on the number of pensioners. This will be affected by the number of members retiring and mortality experience during the period. We have also made best estimate allowances for these, but they are, again, unlikely to exactly match actual experience in any year.

In addition, under scenario 2 we have assumed that leavers will be replaced with new members that are more than 10 years away from drawing benefits. In reality, it is likely that some new joiners will start drawing their benefits within the 10 year projection period which would result in benefit payments being higher than those projected (all other things being equal).

### Contributions

The projected figures are based on certified contributions and expected payroll including in respect of those active members who were over retirement age on the valuation date. The actual contributions will differ from our projections due to different numbers of leavers to that expected, differing levels of pay increases than expected, or different numbers of new entrants compared to expectations, with different profiles to that assumed.

In addition, actual contributions paid will depend on the actual progression of the payroll of the active members. For periods after the current Rates and Adjustments Certificate actual contributions will also depend on the results of future triennial valuations.

Other assumptions made in our calculations (see page 1), may also give rise to differences between the projected and actual cashflows.

You may wish to consider additional analysis if there have been significant redundancy exercises since 31 March 2016 - e.g. based on updated data. We can set out various options if required.

## **Expenses incurred by the Fund**

The Administering Authority have asked us to make approximate allowance for the annual cost of running the Fund. At this stage we have allowed for this outside of cashflow model by simply adding in an assumed cost of running the Fund to the benefits paid set out in Appendix B. Please note the following:

- As requested by the Administering Authority, we have assumed that the cost of running the Fund will be £12.6M each year. This is in line with the budgeted cost for 2018/19
- No allowance has been made for any inflationary increases
- An allowance for administration expenses is included in the future service contribution rate determined at the 2016 valuation. For the purposes of these illustrative figures we have not made any adjustment for this in the cost of running the Fund.

## Appendix A – Table of underlying results

### Scenario 1: Closed Scheme

Year	Benefits (£M)	Contributions (£M)	Net Cashflows (£M)
2017/18	(95.4)	112.4	17.0
2018/19	(102.0)	110.2	8.2
2019/20	(101.1)	106.1	5.0
2020/21	(99.9)	104.3	4.4
2021/22	(105.0)	102.4	(2.6)
2022/23	(110.7)	100.1	(10.6)
2024/25	(130.7)	94.9	(35.8)
2025/26	(146.8)	91.5	(55.3)
2026/27	(156.9)	87.9	(69.0)
2027/28	(168.0)	84.1	(83.9)

### Scenario 2: 100% replacement of active members

Year	Benefits (£M)	Contributions (£M)	Net Cashflows (£M)
2017/18	(95.4)	120.4	25.0
2018/19	(102.0)	123.9	21.9
2019/20	(101.1)	125.8	24.7
2020/21	(99.9)	129.9	30.0
2021/22	(105.0)	134.1	29.1
2022/23	(110.7)	138.5	27.8
2023/24	(117.8)	143.0	25.2
2024/25	(130.7)	147.6	16.9
2025/26	(146.8)	152.4	5.6
2026/27	(156.9)	157.4	0.5
2027/28	(168.0)	162.5	(5.5)

## Appendix B – Table of underlying results (including expected expenses incurred by the Fund)

### Scenario 2: 100% replacement of active members

Year	Benefits (£M)	Expenses incurred by the Fund (£M)	Contributions (£M)	Net Cashflows (£M)
2017/18	(95.4)	(12.6)	120.4	12.4
2018/19	(102.0)	(12.6)	123.9	9.3
2019/20	(101.1)	(12.6)	125.8	12.1
2020/21	(99.9)	(12.6)	129.9	17.4
2021/22	(105.0)	(12.6)	134.1	16.5
2022/23	(110.7)	(12.6)	138.5	15.2
2023/24	(117.8)	(12.6)	143.0	12.6
2024/25	(130.7)	(12.6)	147.6	4.3
2025/26	(146.8)	(12.6)	152.4	(7.0)
2026/27	(156.9)	(12.6)	157.4	(12.1)
2027/28	(168.0)	(12.6)	162.5	(18.1)

## Appendix C - Compliance and Disclaimer

### Compliance with standards published for the Actuarial Profession

This report, and the work relating to it, complies with 'Technical Actuarial Standard 100: Principles for Technical Actuarial Work' ('TAS 100').

The compliance is on the basis that the Administering Authority of the Fund is the addressee and the only user and that the report is only to be used as a guide for cashflow considerations. If you intend to make any other decisions after reviewing this report, please let me know and we will consider what further information we need to provide to help you make those decisions.

This report has been prepared under the terms of the agreement between North Yorkshire County Council as Administering Authority to the Fund and Aon Hewitt Limited on the understanding that it is solely for the benefit of the addressee.

This report should be read in conjunction with:

- The Triennial Valuation Report on the actuarial valuation as at 31 March 2016, dated 31 March 2017
- The reports titled "Actuarial valuation at 31 March 2016 – (3) Financial assumptions dated 15 June 2016 and "Actuarial valuation at 31 March 2016 – (4) Other assumptions" dated 15 June 2016

If you require further copies of any of these documents, please let me know.

In addition, further information on how the Fund operates can be found in the Funding Strategy Statement.

### Other important information

Aon Hewitt's current cashflow software forms part of our valuation system. The software provides approximate cashflows, based on grouping the members into model points by age.

The projection software used has been designed to provide cashflow information which is suitable for illustrating the underlying mechanics of actuarial valuations and for use in asset-liability modelling in relation to determining broad investment strategy.

The key steps in the process to produce estimated cashflows were:

- Grouping the member data into a series of model points by members' nearest age at date of calculation.
- Estimating cashflows for each model point. This includes some approximations. e.g. annual pensions were treated as a single payment halfway through each year following the calculation date.
- Scenario 2 assumes new members join the Fund such that the Fund membership is stable over the projection period.
- The estimated cashflows for the Fund were then taken as the sum of the estimated cashflows arising from the model points.
- A sense-check was carried out by discounting the cashflows produced and comparing these against full valuation results.

## Disclaimer

The advice set out in this report has been prepared under instruction of our client, the Administering Authority of the Fund, on the understanding that it is solely for the benefit of our client, the Administering Authority. It should be read in conjunction with our report on the triennial valuation of the Fund as at 31 March 2016, dated 31 March 2017.

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# Actuarial valuation as at 31 March 2016

## North Yorkshire Pension

Prepared for	North Yorkshire County Council, in its role as the Administering Authority of the North Yorkshire Pension Fund
Prepared by	Alison Murray FFA Scott Campbell FIA
Date	31 March 2017

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## Executive Summary

*The key results of the valuation as at 31 March 2016 are set out below.*

There was a shortfall of £282.9M relative to the past service liabilities of £2,700.7M which corresponded to a funding ratio of 90%.

The past service liabilities is the amount of assets agreed with the Administering Authority as being required to meet members' benefits, assuming the Fund continues as a going concern.



The aggregate Employer future service contribution rate (the primary contribution rate, a weighted average of all Employers' primary rates) is 17.8% of Pensionable Pay.

The aggregate Employer total contribution rate (primary plus secondary) required to restore the funding ratio to 100% using a recovery period of 24 years from 1 April 2017 is 20.9% of Pensionable Pay (if the membership remains broadly stable and pay increases are in line with our assumptions). The comparable figure at the previous valuation was 21.1% of Pensionable Pay using a recovery period of 27 years from 1 April 2014.

The contributions payable by each Employer or group of Employers may differ because they allow for each Employer's or group's particular membership profile and funding ratio, and assumptions and recovery periods appropriate to their circumstances.

# Actuarial valuation as at 31 March 2016

## North Yorkshire Pension Fund

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## Introduction

*This report has been prepared for the Administering Authority. It sets out the results and conclusions of the funding valuation of the North Yorkshire Pension Fund as at 31 March 2016.*

This is our actuarial valuation report. It draws together other pieces of work and advice from throughout the valuation process. Appendix 1 sets out the legal framework within which the valuation has been completed.

Throughout this report, assets and liabilities in respect of defined contribution additional voluntary contributions (or AVCs) have been excluded.

Some shorthand used in this report is explained opposite. Some technical pensions terms are explained in the Glossary.

### Shorthand

#### **Fund**

North Yorkshire Pension Fund

#### **Administering Authority**

North Yorkshire County Council, in its role as the Administering Authority of the Fund

#### **Employers**

North Yorkshire County Council, and other employers with employees participating in the Fund

#### **Regulations**

The Local Government Pension Scheme Regulations 2013 (and other Regulations as referenced in the Glossary)

#### **Pensionable Pay**

As defined in the Regulations in relation to post-2014 membership

#### **Pensionable Service**

Periods of membership, as defined in the Regulations

### Snapshot view

The report concentrates on the Fund's financial position at the valuation date. As time moves on, the Fund's finances will fluctuate. If you are reading this report some time after the valuation date, the Fund's financial position could have changed significantly.

## Update since the previous valuation

### The key results from the previous valuation as at 31 March 2013 were:

The Fund's assets were £1,841M and the past service liabilities were £2,509M, which corresponded to a shortfall of £668M and a funding ratio of 73%.

The aggregate Employer future service contribution rate was 13.8% of Pensionable Pay.

The Administering Authority agreed Employer contributions from 1 April 2014 over a range of recovery periods designed to restore the funding ratio to 100% over a period not exceeding 27 years. In some cases allowance was made for the improvement in the funding position after the valuation date.

Total employer contributions were certified as follows:

Year from 1 April	% of Pensionable Pay	Aggregate contribution amounts (£M)
2014	14.2	26.1
2015	14.2	27.2
2016	14.2	28.3

The amount payable over 2016/17 was scheduled to increase on 1 April 2017 and each 1 April thereafter by approximately 4.1% a year.

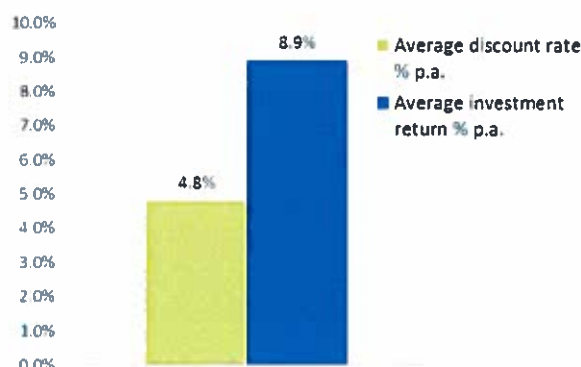
In addition the Employers paid contributions in respect of any additional strains arising on early retirement or due to increases in benefits. Members also paid contributions required by the Regulations.

### Financial development

To illustrate the Fund's financial development since the previous valuation, we compare below key financial assumptions made at the previous valuation with what actually happened.

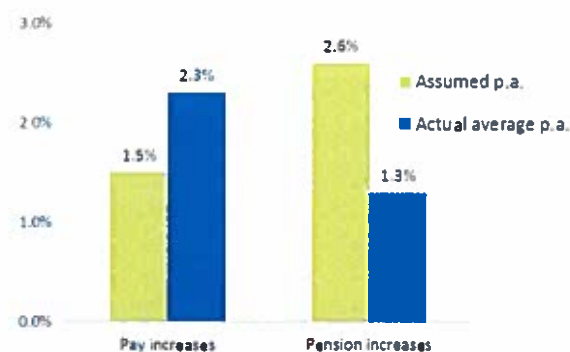
#### Investment return (or discount rate)

The net investment return has been higher than the average discount rate assumed.



#### Inflationary pay and pension increases

Increases to pay were higher than assumed, and increases to pensions in payment were on average lower than assumed.



Where material we show the financial impact of the above developments later in this report.

## Other key developments since the previous valuation

As well as the contributions paid to the Fund since the previous valuation and the returns achieved on the Fund's assets, there have been the following material developments since the previous valuation date:

- **2014 Scheme**

A new benefit structure was introduced for Pensionable Service from 1 April 2014. The key features are:

- Career average structure
- Accrual rate of 49ths
- Pensions revalued by CPI before retirement
- Normal Pension Age linked to State Pension Age
- Changes to member contribution rates
- Member contribution rates based on actual (previously full time equivalent) pay
- Introduction of a 50:50 option, with member contribution rate and pension accrual rate both half rate
- An underpin to pensions for members within 10 years of age 65 in April 2012.

Benefits for Pensionable Service before 1 April 2014 are protected, and calculated by reference to retirement ages in force before the 2014 Scheme was introduced. The link to final pay, (where pay is calculated using the 2008 Scheme definition), for pre 2014 benefits remains for active members.

Our understanding is that the introduction of the 2014 Scheme was reflected in the 2013 valuation carried out by Mercer, the previous Fund Actuary.

- **Auto-enrolment**

Between 2012 and 2018 all UK employers will have a duty to commence automatically enrolling employees who satisfy certain criteria into the National Employment Savings Trust (NEST) or, if it satisfies certain requirements, their own pension scheme. The "staging date", from which the auto-enrolment duty applies, varies between individual employers. Over the period since the previous valuation, a number of the

Fund's employers have been impacted and this has led to an increase in new members joining the Fund

- **Probation transfer**

Since the last valuation, all assets and liabilities held by the Fund in relation to York and North Yorkshire Probation Trust have been transferred to the Greater Manchester Pension Fund.

- **Indexation of GMPs**

On 6 April 2016 the Government introduced the new State Pension. A consequence of the legislation was that the mechanism which previously provided fully indexed pension payments to public servants ceased to apply in relation to the GMP element of pension.

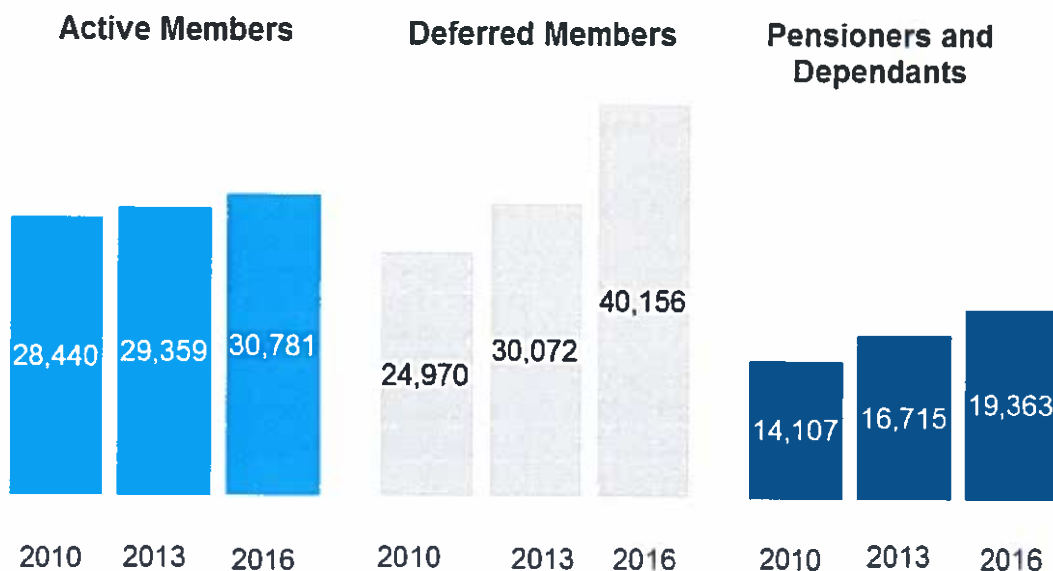
On 1 March 2016 HM Treasury announced an interim solution to the indexation of GMPs in public service pension schemes, including the Local Government Pension Scheme. The implications of this are that the Fund became responsible for paying full pension increases on the GMP for members who reach their State Pension Age between 6 April 2016 and 5 December 2018 inclusive. The results of this valuation allow for this change.

## Membership data

*This valuation is based on membership data as at 31 March 2016 supplied to us by the Administering Authority.*

A summary of the membership data is included in Appendix 2.

The chart below shows how the membership profile of the Fund has changed over the last three valuations. During this period, the proportion of non-active members has increased from 58% of the Fund's membership at 31 March 2010 to 66% at 31 March 2016.



### Notes:

- The deferred membership numbers above includes members who had yet to decide whether to take a refund of contributions
- Pensioners and dependants exclude children

We have carried out some general checks to satisfy ourselves that:

- The information used for this valuation is broadly consistent compared with the information used for the previous valuation and also with that shown in the Fund's Annual Report and Accounts.
- The numbers of members included in this valuation can be reconciled against those included in the previous valuation.

However, the results in this report rely entirely on the accuracy of the information supplied. The Administering Authority should notify us if the data we have used is incomplete or inaccurate.



## Benefits valued

*Members are entitled to benefits defined in the Regulations. Different benefits apply to Pensionable Service before 1 April 2008, between 1 April 2008 and 31 March 2014, and after 31 March 2014. A summary of the benefits valued is given in Appendix 3.*

### Discretionary benefits

Employers have discretion over payment of certain benefits and it is not practical to allow for the policies of each Employer. Most discretionary benefits are financed as they occur, so the financial impact on this valuation is minimal. No specific allowance has therefore been made for benefits which are granted at the discretion of the Employer.

### State Pension Age changes

Normal Pension Age for Pensionable Service on or after 1 April 2014 is State Pension Age (SPA), or, if higher, age 65. SPA is currently transitioning from age 65 (60 for women) to age 68 by 2046.

On 1 March 2016 the Department for Work and Pensions published the Terms of Reference for a review of SPA. It has subsequently published two reports that will help inform its review. However, as the outcome of the review is not yet known, no allowance has been made within the valuation for any changes in SPA beyond those which have already been announced.

### Local Government Pension Scheme Regulations and the cost management mechanism

Our valuation reflects our understanding of the Regulations in force at the valuation date. Any future changes may affect the conclusions in this report.

We have made no allowance in this valuation for any future potential changes to member contributions or benefits resulting from the cost management mechanism under the Regulations. The first valuation for the purposes of calculating the Scheme cost under the cost

management process will be carried out by the Government Actuary's Department as at 1 April 2016, but any changes to members' contributions or benefits that may arise will not be known for some time and we do not expect any changes to be implemented before 1 April 2019.

### GMP equalisation and indexation

On 28 November 2016 HM Treasury commenced a consultation process on the indexation and equalisation of GMP in public service pension schemes. The outcome of this consultation process is unknown and so this valuation does not allow for any funding of full indexation or equalisation of GMPs beyond those already announced. The results of this valuation do allow for the changes which have already been implemented to the indexation of GMPs for members who reach their State Pension Age between 6 April 2016 and 5 December 2018 inclusive.

### Inflation measure

The Consumer Prices Index (CPI) is currently used to index pensions in payment and deferment, and to revalue members' CARE accounts for service after 31 March 2014.

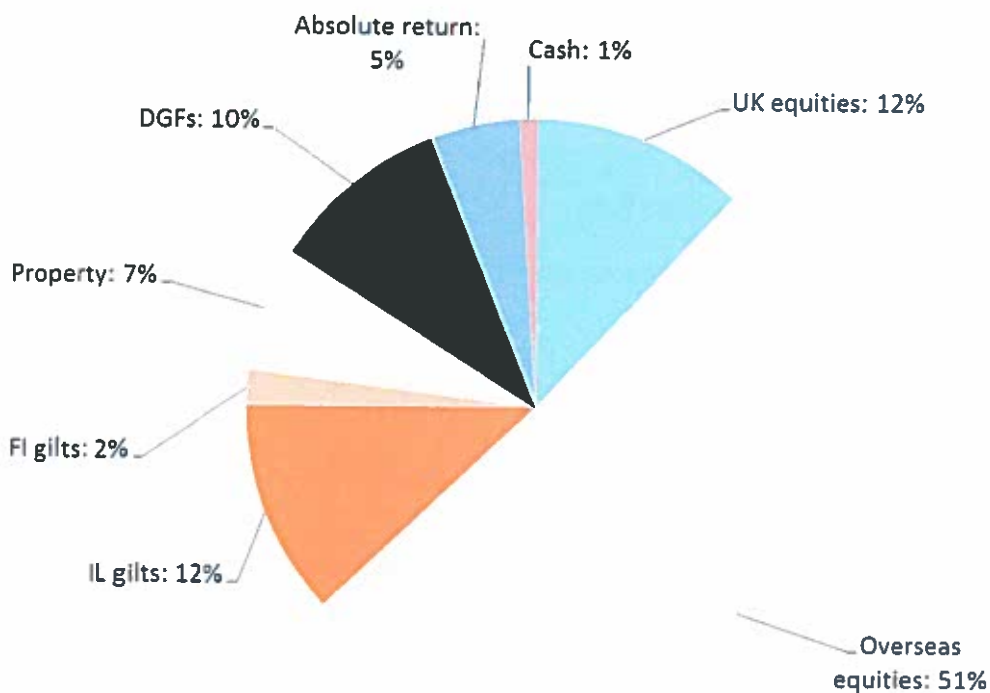
In November 2016 the Office for National Statistics announced that a different index "CPIH" which also makes allowance for owner-occupier housing costs, is to be its preferred inflation measure in future.

The Government has not yet announced whether CPIH will replace CPI as the measure for indexing public service pensions. This valuation therefore continues to make allowance for indexation and revaluation to be based on CPI.

## Asset data

*The audited accounts for the Fund for the year ended 31 March 2016 show the value of the assets to be £2,417.8M at the valuation date.*

The assets of £2,417.8M were invested as follows:



This summary excludes assets for defined contribution AVC accounts.

The Investment Strategy Statement describes the Fund's investment strategy as follows:

- The investment objective of the Fund is to provide for sufficient capital growth of the Fund's assets in a range of market conditions, supplemented by employee and employer contribution income, to meet the cost of benefits as they fall due. It is translated into a suitable strategic asset allocation benchmark designed to address the nature of the Fund's liabilities, and deliver returns over the long term including through periods of volatility in financial markets.

## Funding objective

### Terminology

#### Past service liabilities

This is the present value of the benefits to which members are entitled based on benefits accrued to the valuation date, assessed using the assumptions agreed between a Fund's Administering Authority and the Fund Actuary.

#### Funding objective

To hold sufficient and appropriate assets to meet the past service liabilities.

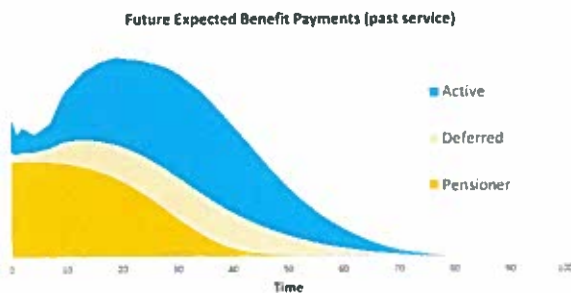
#### Funding strategy statement

Sets out the Administering Authority's strategy for meeting the funding objective

The Administering Authority's funding objective is to hold assets which are at least equal to the past service liabilities i.e. to meet the funding objective.

In order to calculate the past service liabilities and the cost to the Employers of future benefit accrual, the benefits paid out by the Fund are estimated for each year into the future. The estimated benefit payments are then 'discounted back' to the valuation date using an agreed rate of interest known as the discount rate.

The benefit payments from the Fund are expected to be made for a very long period – the chart below shows the cashflow pattern for the current membership of a typical LGPS fund (based on past service benefits). Some cashflows will be fixed but others will be linked to future levels of salary growth and inflation.



Source: 2016 valuation for a "typical" LGPS fund

### The discount rate

The Funding Strategy Statement describes the risk based approach used to set the funding strategy and hence the discount rate. Under this risk based approach:

- The discount rate for the secure long term scheduled bodies assumes indefinite future investment in assets similar to the Fund's holdings at the valuation date (allowing for any known or planned changes to the long term investment strategy as appropriate).
- For orphan bodies, the discount rate has regard to the possibility that participation might cease at any time and anticipates a move to a low risk investment portfolio made up of long dated Government bonds (of appropriate nature and term) at cessation.
- For subsumption bodies, where a long term scheduled body has agreed to subsume the liabilities of an admission body or other employer on exit, we have agreed with the Administering Authority to use the scheduled body discount rate for that employer.
- This valuation has been undertaken on a prudent basis. Prudence is achieved through the use of discount rates (expected return assumptions) which have a better than evens chance of being achieved by the Fund's assets. Information on the level of prudence (or risk) in the funding strategy is contained in the Fund's Funding Strategy Statement.

An explanation of scheduled bodies, orphan bodies and subsumption bodies is given in the Glossary.

## Summary of method and assumptions

The Administering Authority agreed the assumptions used to calculate the past service liabilities and the cost of future benefit accrual. The table below summarises the key assumptions, together with those used for the previous valuation, and the reasons for any change. Further details of all of the assumptions are set out in Appendix 5.

Assumption	This valuation	Previous valuation	Rationale for change
Scheduled and subsumption body funding target (past service/future service)	4.4% pa / 4.4% pa	4.8% pa / 5.6% pa	<p>Updated to reflect</p> <ul style="list-style-type: none"> <li>the Administering Authority's adoption of a risk-based approach and allowing for the outlook for the Fund's actual asset holdings as at 31 March 2016; and</li> <li>use of the same assumptions for past and future service</li> </ul>
Ongoing orphan body funding target			<p>Introduced to reflect use of a gilts-based exit valuation for employers exiting the Fund leaving orphan liabilities.</p> <p>The in-service discount rate allows for some out-performance of the Fund's assets relative to the yield on long-dated gilts.</p> <p>The left-service discount rate reflects our view of the possible future increase in gilt yields over a five year period so is above the prevailing gilt yields on the valuation date.</p>
In-service discount rate	4.1% pa	N/A	
Left-service discount rate	2.5% pa	N/A	
Rate of revaluation of pension accounts	2.0% pa	2.6% pa	Updated to reflect the outlook for CPI inflation at 31 March 2016.
Pension increases (on pension in excess of GMPs)	2.0% pa	2.6% pa	Updated to reflect the outlook for CPI inflation at 31 March 2016.

Assumption	This valuation	Previous valuation	Rationale for change
Pensionable Pay Increases	3.25% pa	4.1% pa with short term allowance for 1.0% pa for first 2 years and 2.6% pa for next 3 years	Updated to reflect financial expectations at 31 March 2016.
Post-retirement mortality assumption – base table	Standard SAPS S2P tables with scaling factors of: Men: 100% Women: 85%	Standard SAPS S1P tables with scaling factors of: Men: 97% Women: 96%	Updated to reflect recent research and the Fund's pensioner mortality experience since the last valuation.
Post-retirement mortality assumption – future improvements	CMI 2014 core projections with long-term improvement rate of 1.5% pa	CMI 2012 core projections with long-term improvement rate of 1.5% pa	Updated to reflect more recent CMI publications and our view of best estimate improvements

We show below the assumed life expectancies for current members resulting from these mortality assumptions:

Assumed Life expectancy at age 65	Member currently aged 65		Member currently aged 45	
	This valuation	Previous valuation	This valuation	Previous valuation
Men	22.7	22.9	24.9	25.1
Women	26.2	25.4	28.5	27.7

In our view these assumptions are appropriate for the purposes of the valuation, and setting Employer contributions to the Fund.

As for the previous valuation, the past service liabilities have been calculated using the projected unit method. This method, with a one year control period, has also been used to calculate the cost of future benefits building up for most Employers. The attained age method has been used for some Employers who do not admit new employees to the Fund.

For orphaned liabilities i.e. liabilities in respect of former employers where there is no future funding from those employers, the discount rate used is a "low risk" discount rate, derived as the yield on long term UK government bonds, with no allowance for outperformance of the Fund's assets above that yield. This discount rate was 2.1% p.a. as at 31 March 2016.

### Shared risks

Funding gains or losses arising from the following risks are pooled across all Employers in the Fund:

Risk	Method
Cash sum on death in service	Shared in proportion to the payroll of active members

## Past service results

*A comparison of the Fund's past service liabilities with the value of assets held by the Fund is shown below. The past service liabilities have been calculated using the assumptions described in the previous section.*

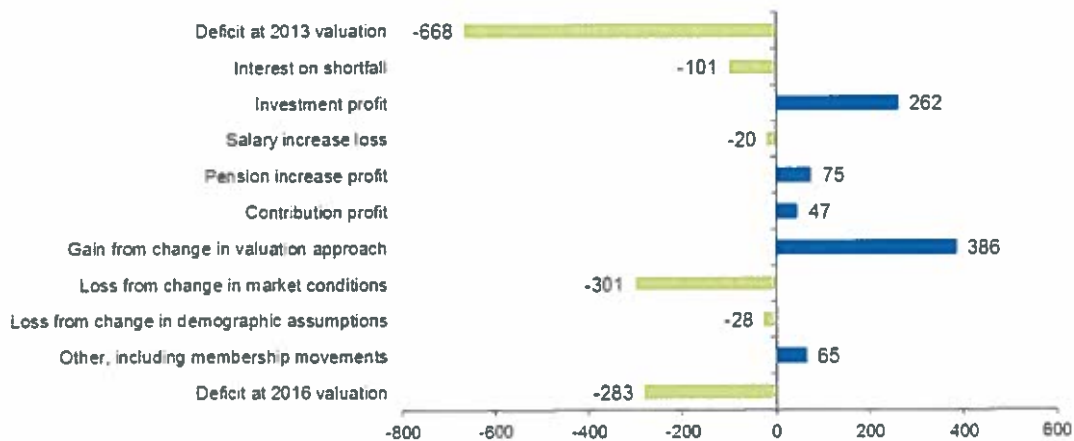
	£M
Value of past service benefits for	
Actives	1,025.3
Deferred members	535.7
Pensioners	1,139.7
Total past service liabilities	2,700.7
Value of assets	2,417.8
Past service surplus / (shortfall)	(282.9)
Funding ratio	90%

Employers will need to pay additional contributions to remove this shortfall. This is considered later.

## Reasons for change in past service position

*At the previous valuation the Fund had a shortfall of £668M. The funding position has therefore improved by £385M over the period.*

The chart below shows the key reasons for the change in funding position.



As the chart shows, the main factors which have led to an improvement in the funding position are:

- Investment returns above the discount rate adopted at the 2013 valuation
- Changes to the Funding Strategy / valuation approach
- Pension increases below the assumption made at the 2013 valuation
- Contributions paid by employers towards paying off the deficit disclosed at the 2013 valuation

These have been partially offset by the following main factors which on their own have led to a worsening of the funding position:

- The change in the financial market conditions
- Changes to the demographic assumptions

## Addressing the shortfall

*Employers will need to pay additional contributions to remove the shortfall.*

We have agreed with the Administering Authority a recovery plan such that the shortfall will be removed by payment of additional contributions by the Employers over a range of different recovery periods not exceeding 24 years.

The assumptions used to calculate the recovery plan are the same as those used to calculate the past service liabilities.

Across the Fund as a whole, the contributions required to remove the shortfall using a recovery period of 24 years from 1 April 2017 would be £13.6M pa increasing at 3.25% pa. This is equivalent to approximately 3.1% pa of Pensionable Pay assuming the membership remains broadly stable and pay increases follow our assumptions.

In practice, different recovery periods apply to individual Employers or groups of Employers in the Fund. The actual contributions to be paid by each Employer or group are set out in the Rates and Adjustments Certificate and reflect each Employer's specific recovery period and funding position.

For some Employers, contribution increases will be phased in over a number of years (or 'steps') as permitted by the Funding Strategy Statement.

### Terminology

#### Recovery plan

A plan for making good any shortfall relative to the past service liabilities.

#### Recovery period

The period for which contributions are adjusted to remove the shortfall (or surplus).

#### Shortfall contributions

The additional contributions to remove the shortfall by the end of the recovery period.



## Cost to the Employers of future benefits

*The table below shows the aggregate calculated cost to Employers at the valuation date of benefits that members will earn in future (the aggregate primary contribution rate). Contributions at the aggregate primary rate would be appropriate if the Fund had no surplus or shortfall.*

These rates have been calculated using the same assumptions as used to calculate the past service liabilities.

	% of Pensionable Pay
Value of benefits building up	23.4
Death in service cash sum	0.3
Administration expenses	0.4
Less member contributions	(6.3)
<b>Net cost to the Employers (primary contribution rate)</b>	<b>17.8</b>

The aggregate Employer future service contribution rate (the weighted average, by payroll, of the individual employers' primary rates) is 17.8% of Pensionable Pay.

Employers will also pay additional contributions to remove the shortfall for past service liabilities, or, where individual employers are in surplus, pay lower contributions to reflect this surplus.

The cost of future benefits has increased significantly since the previous valuation. The main reasons for this are:

- Changes to the Funding Strategy (adopting the same discount rate for past and future service, leading to a lower discount rate relative to inflation at this valuation)
- Changes to the demographic assumptions

These have been slightly offset by the following factor which on its own has reduced the cost of future benefits:

- Changes in the active membership since the last valuation

## Risks and uncertainties

*The Fund faces a number of key risks which could affect its funding position.*

These risks include:

- Funding risk – the risk that the value placed on the past service liabilities is set too low and contributions paid into the Fund prove insufficient to meet the payments as they fall due.
- Employer risk – the risk that an Employer is no longer able to meet its liabilities in the Fund. For example, due to the insolvency of an Employer.
- Investment risks – the risk that investment returns are lower than allowed for in the valuation, and also that the assets are volatile and move out of line with the liabilities, so the funding position is not stable.
- Longevity risk – the risk that Fund members live for longer than expected and that pensions would therefore need to be paid for longer resulting in a higher cost for the Fund.
- Inflation risk – the risk that inflation is higher than expected, resulting in higher pension increases (and payments to pensioners) than allowed for in the valuation.
- Options for members (or other parties) – the risk that members exercise options resulting in unanticipated extra costs. For example, members could exchange less of their pension for a cash lump sum than allowed for in the valuation.
- Legislative/Regulatory risk – the risk that changes to general and LGPS specific regulations, taxation, national changes to pension requirements, or employment law result in an increased cost of administration, investment or funding for benefits.

To quantify some of these risks, the chart on the following page shows the approximate impact of the following one-off step changes on the Fund's funding position (all other elements of the valuation basis being unchanged):

- Life expectancy at age 65 is two years longer than anticipated (with corresponding increases at other ages).
- A 1% pa fall in long term expected investment returns (the discount rate) with no change in asset values.  
A 1% p.a. increase in expected price inflation (measured by CPI), with no change in asset values.
- A 25% fall in the market value of equities (with no change in bond markets, and no change in the discount rate).
- A 1% p.a. increase in expected real Pensionable Pay increases.

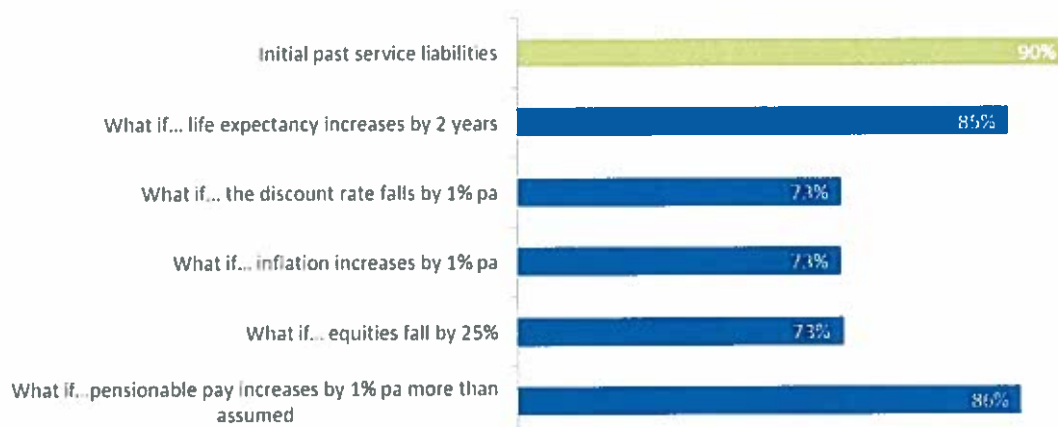
In practice, some of these changes may be partially offset by other changes in the values of the assets or the liabilities. For example, a reduction in the expected investment return or inflation might lead to a compensating change in asset values, or a change in asset values might lead to a compensating change in expected investment returns.

These potential effects are not shown in the chart on the next page.

Further information on the risks and actions taken by the Fund to mitigate them can be found in the Fund's Funding Strategy Statement.

## Risks and uncertainties

The chart below shows the approximate impact on the funding ratio of the Fund under a number of different scenarios.



The analysis demonstrates that on the approach used the Fund is susceptible to:

- Falls in expected investment returns (the discount rate) to the extent not matched by higher asset values
- Falls in the market value of equities to the extent not offset by higher expected future returns
- Rising inflation and pay increase expectations
- Members living longer than expected

The scenarios considered are not 'worst case' scenarios, and could occur in combination (rather than in isolation).

The future service contribution rate (primary contribution rate) is also highly sensitive to a number of the above factors: falls in expected investment returns, rising inflation expectations and increases in life expectancy.

All the risks considered have a negative impact on the funding ratio. Opposite movements could also apply for each scenario which would result in an increase in the funding ratio.

## Individual Employer contribution rates

*Employers, or groups of Employers, are set their own contribution rate which reflects their specific circumstances.*

The Employer contribution rates are set by the Fund Actuary taking into account a number of factors including:

- Regulation 62 – which requires the Actuary to have regard to
  - The existing and prospective liabilities
  - The desirability of maintaining as nearly a constant a primary contribution rate as possible
  - The Administering Authority's Funding Strategy Statement, and
  - The requirement to secure the solvency of the Fund and the long-term cost efficiency of the Scheme, so far as relating to the Fund.
- The results of the valuation.
- Developments since the valuation date, including any one-off contributions paid as documented in Appendix 7.
- Discussions between the Fund Actuary, the Administering Authority and Employers.

Contribution rates for Employers which contribute to the Fund are set out in the Rates and Adjustments Certificate in Appendix 8.

Rates of contribution payable by individual Employers, or groups of Employers, differ because they take into account Employers' particular membership profiles and funding ratios and, in some cases, the assumptions and recovery periods are specific to the Employer's circumstances. We have agreed with the Administering Authority that increases in contribution rates for some Employers can be phased as set out in the Funding Strategy Statement.

For certain Employers who are in surplus, it has been agreed with the Administering Authority that the Employer can use some of the surplus to support the payment of contributions to the Fund at a rate below the future service contribution rate.

The contributions payable by individual Employers are set out in Appendix 8.

The aggregate Employer contributions certified for the 3 years from 1 April 2017 can be summarised as follows:

Year from 1 April	% of Pensionable Pay	Aggregate contribution amount (£M)
2017	17.3%	17.2
2018	17.3%	17.4
2019	17.3%	15.8

- The annual contribution amounts above are the aggregate of the additional contribution amounts certified for individual Employers in each year.
- Payments to meet additional costs arising from early retirements and other increases in benefits are payable in addition.
- At the end of the period shown above, the annual contribution amounts for each employer or group are anticipated to increase by approximately 3.25% pa until the end of the relevant recovery period. Thereafter, aggregate contributions are anticipated to be in line with the future service contribution rate of that employer. These contributions will be subject to review at future actuarial valuations.
- Member contributions are payable in addition to the Employers' contribution rates set out above and in Appendix 8. The member contributions are set out in the Regulations. AVCs may be payable in addition.

## Individual Employer contribution rates cont.

### Terminology

#### **Rates and Adjustments Certificate**

Specifies the contributions payable by the Employers until March 2020.

- Contributions by active members and Employers should be paid to the Fund at such time and at such frequency as required by the Regulations and the Administering Authority's Pension Administration Strategy. Unless otherwise agreed with the Administering Authority and the Employer, any monetary shortfall contributions have been calculated on the basis that they are payable in monthly instalments over the relevant year.

## Final comments

### The key results from this valuation are:

The value of the Fund's assets was £2,417.8M and its past service liabilities were £2,700.7M which correspond to

- a shortfall of £282.9M and
- a funding ratio of 90%.

The cost to the Employers of future benefits building up is 17.8% of Pensionable Pay.

If the shortfall is removed over 24 years from 1 April 2017, the aggregate Employer total contributions needed would be equivalent to 20.9%\* of Pensionable Pay until 31 March 2041, reverting to 17.8% of Pensionable Pay thereafter.

*\* if the membership remains broadly stable and pay increases in line with our assumptions.*

### Developments since the valuation date

- Market movements since 31 March 2016

Since 31 March 2016, equity markets have generally risen, although the impact of this has been partially offset by falls in the risk-based discount rate that would be used if the valuation were being carried out at a more recent date (and falls in bond yields for Employers on an Orphan Funding Target).

Overall, market movements since the valuation date have increased the future service (primary) contribution rate but have had a positive impact on the funding ratio in the period to 31 December 2016. Taking these two offsetting factors together, and bearing in mind the long-term nature of the Fund, our opinion is that certifying contributions based on market conditions as at the valuation date remains appropriate.

- Employers joining or exiting since the valuation date

Contributions for employers joining since 31 March 2016 will be advised separately. Similarly, a revised Rates and Adjustments will have been prepared as necessary for employers exiting the Fund since 31 March 2016 where this has been requested by the Administering Authority.

### Monitoring the Fund

In the light of the volatility inherent in the funding position where investments do not match liabilities, the Administering Authority monitors the financial position of the Fund in an appropriate manner on a regular basis.

The Administering Authority will also consider monitoring the position of individual employers, particularly those subject to the ongoing orphan funding target and those which may exit the Fund before 1 April 2020. Where appropriate and permitted by the Regulations, contributions for those employers may be amended before the next valuation.

#### Next actuarial valuation

The next formal actuarial valuation is due to take place as at 31 March 2019.

If actual experience before the next actuarial valuation is in line with the assumptions in this report, we expect the Fund's funding ratio to increase to approximately 91%. This improvement would be mainly due to shortfall payments certified to be paid before the next actuarial valuation.

## Appendix 1: Legal framework

*It is a legal requirement to carry out a full valuation at least once every three years.*

This report was commissioned by and is produced solely for the use of the Administering Authority.

It is produced in compliance with:

- Regulation 62 of the Local Government Pension Scheme Regulations 2013.
- The terms of the agreement between the Administering Authority and Aon Hewitt Limited, on the understanding that it is solely for the benefit of the addressee.

Unless prior written consent has been given by Aon Hewitt Limited, this report should not be disclosed to or discussed with anyone else unless they have a statutory right to see it.

We permit the Administering Authority to release copies of this report to the following parties only:

- Any Employer which contributes to the Fund.
- The Department for Communities and Local Government.

We also permit the Department for Communities and Local Government to pass our report to the Government Actuary's Department in connection with their statutory duties. None of the above bodies has our permission to pass our report on to any other parties.

**Notwithstanding such consent, Aon Hewitt Limited does not assume responsibility to anyone other than the addressee of this report.**

## Appendix 2: Membership data

*Membership data was provided by the Administering Authority.*

Active members		Number	Average age	Total pensionable pay (£000 pa)	Average pensionable pay (£ pa)	Average service Pre 2014 Scheme (years)	Average post 2014 pension (£ pa)
Men	2016	7,215	45.7	137,249	19,023	6.6	704
	2013	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>	<i>N/A</i>
Women	2016	23,566	45.7	272,819	11,577	3.7	412
	2013	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>	<i>N/A</i>
Total	2016	30,781	45.7	410,068	13,322	4.4	481
	2013	29,359	49.9	382,741	13,037	9.9	<i>N/A</i>

*Notes:*

*The 2013 average ages shown are weighted by pension amount. The 2016 average ages are unweighted. Pensionable pay at 2016 valuation is actual pay and is based on the 2014 scheme definition. Average service at the 2016 valuation is to 31 March 2014.*

Deferred members		Number	Average age	Total pension (£000s pa)	Average pension (£ pa)
Men	2016	7,268	44.2	11,831	1,628
	2013	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>
Women	2016	24,955	46.2	20,725	830
	2013	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>
Frozen Refunds	2016	7,933	-	-	-
	2013	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>
Total	2016	40,156	46.0	32,556	1,010
	2013	30,072	48.8	28,367	943

*Note:*

*The 2013 average ages shown are weighted by pension amount. The 2016 average ages are unweighted.*



Pensioners		Number	Average age	Total pension (£000 pa)	Average pension (£ pa)
Men	2016	6,275	70.9	38,974	6,211
	2013	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>
Women	2016	10,568	69.4	27,542	2,606
	2013	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>
Dependants	2016	2,520	71.9	6,767	2,685
	2013	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>	<i>Not known</i>
Total	2016	19,363	70.2	73,283	3,785
	2013	16,715	70.4	64,250	3,844

**Notes:**

The 2013 average ages shown in these tables are weighted by pension amount. The 2016 average ages are unweighted.

In addition there were 139 (132 in 2013) members in receipt of a children's pension with pensions totalling £177,254 (£140,111 in 2013) per annum.

## Appendix 3: Benefits

The benefits of the Local Government Pension Scheme are set out in Regulations, the principal Regulations currently being:

- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as subsequently amended)
- the Local Government Pension Scheme Regulations 2013 (as subsequently amended)

A broad summary of the benefits payable to active members as at 31 March 2016 is given below. This reflects our understanding of the Regulations at the time of writing. This may however be subject to change and readers should refer to the Regulations for further details.

	Benefits accrued before 1 April 2014	Benefits accrued after 31 March 2014
Type of scheme	Final salary	Career average revalued earnings (CARE)
Normal Retirement / Pension Age	65	Linked to State Pension Age (or age 65 if higher)
Member contributions	No longer applicable	Between 5.5% of pay and 12.5% of actual Pensionable Pay dependent on contribution band the member is in
50:50 option	Not applicable	Members can opt to pay 50% contributions for 50% of member's pension benefit (dependants' benefits not affected)
Pensionable Pay	Generally total pay (excluding non-contractual overtime)	Generally total pay (including non-contractual overtime)
Final Pay	Generally Pensionable Pay over the 12 months prior to retirement or earlier exit or, if higher, in one of the	Not applicable

	Benefits accrued before 1 April 2014	Benefits accrued after 31 March 2014
Pensionable service	preceding two years.	
Normal retirement pension	<p>Membership of Fund (years and days), plus periods of credited service</p> <p>1/60 of Final Pay for each year of Pensionable Service on or after 1 April 2008.</p> <p>For each year of Pensionable Service before 1 April 2008:</p> <ul style="list-style-type: none"> <li>▪ a pension of 1/80 of Final Pay, plus</li> <li>▪ a cash sum of 3/80 of Final Pay</li> </ul> <p>Pension can be surrendered for additional cash sum to a maximum cash sum of one quarter of the total capital value of benefits.</p> <p>Conversion rate is £12 for each £1 pa of pension given up</p>	<p>Not applicable</p> <p>1/49 of revalued Pensionable Pay received during membership from 1 April 2014.</p> <p>The resulting accumulated pension is called the 'pension account'.</p>
Early retirement pension	<p>Reduced pension payable on retirement after age 60, or after age 55 with Employer consent.</p> <p>Pension calculated as for normal retirement but based on Pensionable Service to early retirement date, and reduced for early payment.</p> <p>Certain categories of member eligible for protection can retire on unreduced pension if their age plus Pensionable Service is greater than or equal to 85 years, with Employer consent required if under age 60.</p>	<p>Reduced pension payable on retirement after age 55.</p> <p>Pension calculated as for normal retirement but based on revalued Pensionable Pay up to early retirement date (in relation to final salary benefits), and reduced for early payment.</p> <p>Certain categories of member eligible for protection can retire on unreduced pension if their age plus Pensionable Service is greater than or equal to 85 years.</p>
Incapacity and ill-health pensions	<p>In each case members must</p> <ul style="list-style-type: none"> <li>▪ be permanently incapable of efficiently discharging the duties of the employment they were engaged in to qualify</li> </ul>	

	Benefits accrued before 1 April 2014	Benefits accrued after 31 March 2014
	<p>and</p> <ul style="list-style-type: none"> <li>▪ be incapable of immediately undertaking any gainful employment</li> </ul>	
<p><b>Incapacity and ill-health pensions (continued)</b></p>	<p><b>Tier 1</b></p> <ul style="list-style-type: none"> <li>▪ Payable to members with more than 2 years of Pensionable Service.</li> <li>▪ Immediate payment of accrued pension, plus an enhancement equal to the amount of earned pension the member would have accrued between the date of leaving and Normal Pension Age, based on the current Pensionable Pay.</li> </ul> <p>To qualify for this benefit the member must be unlikely to be capable of undertaking any gainful employment before Normal Pension Age.</p> <p><b>Tier 2</b></p> <ul style="list-style-type: none"> <li>▪ Payable to members with more than 2 years of Pensionable Service.</li> <li>▪ Immediate payment of accrued pension, plus an enhancement equal to 25% of the Tier 1 enhancement.</li> </ul> <p>To qualify for this benefit the member must be expected to be capable of undertaking gainful employment at some point after 3 years, but before Normal Pension Age.</p> <p><b>Tier 3</b></p> <p>Subject to members having qualifying service of 2 years or more:</p> <ul style="list-style-type: none"> <li>▪ Payable to members with more than 3 months' Pensionable Service based on Final Pay at exit and Pensionable Service completed to date of exit.</li> <li>▪ To qualify for this benefit the member must be expected to be capable of undertaking gainful employment at some point within 3 years of date of exit.</li> </ul> <p>Payable for 3 years or until gainful employment obtained, if earlier.</p>	
<p><b>Leaving Pensionable Service</b></p>	<p>Pension payable on retirement at Normal Retirement Age based on Final Pay at exit and Pensionable Service to date of exit.</p>	<p>Pension payable on retirement at Normal Pension Age calculated as for normal retirement based on revalued Pensionable Pay during period of membership.</p>

	Benefits accrued before 1 April 2014	Benefits accrued after 31 March 2014
	Certain categories of member can retire early on unreduced pension if aged 60 or over and their age plus service is greater than or equal to 85 years. Service in this case includes the period between date of exit and date pension commences.	
CARE revaluation in service	Not applicable	In line with increases in the Consumer Prices Index (CPI)
Deferred pension revaluation after leaving	<ul style="list-style-type: none"> <li>Guaranteed Minimum Pensions (GMPs) increase in deferment in line with State revaluation factors.</li> <li>Deferred pensions in excess of GMPs increase in line with CPI</li> </ul>	In line with CPI (subject to a minimum of zero)
Pension increases in payment	<ul style="list-style-type: none"> <li>GMPs accrued after 6 April 1988 increase at the lower of 3% pa and CPI, with the exception of members who reach State Pension Age between 6 April 2016 and 5 December 2018.</li> <li>Pensions in payment in excess of GMPs, and GMPs for members who reach State Pension Age between 6 April 2016 and 5 December 2018, increase in line with CPI.</li> </ul>	In line with CPI (subject to a minimum of zero)
Death benefits	A cash sum of 3 x Assumed Pensionable Pay at exit.	
Death benefits (continued)	A partner's pension of 1/160 of Final Pay for each year of Pensionable Service before 1 April 2014.	A partner's pension of 1/160 of revalued Pensionable Pay received during membership from 1 April 2014 plus an enhancement to pension of 1/160 of Assumed Pensionable Pay at death for each year between death and Normal Pension Age.

	Benefits accrued before 1 April 2014	Benefits accrued after 31 March 2014
Death benefits (continued)	Partners are spouses, civil partners and cohabitants. Children's pensions may be payable.	
State pension scheme	The Scheme was contracted out of the State Second Pension Scheme until contracting-out was abolished in April 2016.	
Protections / underpins	Pre 2014 benefits protected (including link to eventual Final Pay). Underpin of benefits on 2008 Scheme structure for members aged over 55 in April 2012. Rule of 85 retained for members aged over 60 on 31 March 2016. Partial protection of Rule of 85 for members aged over 60 on 31 March 2020. Rule of 85 retained for service before 31 March 2008 for those with scheme membership before 1 October 2006.	
Vesting period	A refund of member contributions is paid for members leaving membership with qualifying service of less than 2 years.	

## Appendix 4: Consolidated revenue account

*We show a summary of the revenue and outgo of the Fund since the previous valuation below, taken from the Fund's Report and Accounts.*

	Total £000
<b>Fund as at 31 March 2013</b>	<b>1,840,733</b>
<b>Income</b>	
Contributions	
Employer normal	<b>168,954</b>
Employer additional	<b>88,085</b>
Employer special	<b>9,068</b>
Employee	<b>75,476</b>
Transfers-in	<b>26,682</b>
Investment income	<b>61,801</b>
Underwriting commission	<b>(1,077)</b>
<b>Total income</b>	<b>428,989</b>
<b>Outgo</b>	
Pensions paid	<b>209,775</b>
Retirement cash sums	<b>63,612</b>
Transfers-out	<b>48,549</b>
Death benefits paid out	<b>5,485</b>
Refunds of contributions on leaving	<b>510</b>
Expenses	
Investment	<b>18,350</b>
Administration	<b>6,128</b>
State scheme premiums	<b>-</b>
Other	<b>-</b>
<b>Total outgo</b>	<b>352,409</b>
<b>Change in market value</b>	<b>500,520</b>
<b>Fund as at 31 March 2016</b>	<b>2,417,833</b>

## Appendix 5: Assumptions used to value the liabilities

The assumptions used for calculating the past service liabilities and the cost of future benefit accrual are summarised below.

### Financial assumptions

<b>In-service discount rate</b>	
<i>Scheduled body / subsumption funding target</i>	<b>4.4% pa</b>
<i>Orphan body funding target</i>	<b>4.1% pa</b>
<b>Left-service discount rate</b>	
<i>Scheduled body / subsumption funding target</i>	<b>4.4% pa</b>
<i>Orphan body funding target</i>	<b>2.5% pa</b>
<b>Rate of Pensionable Pay increases</b> (service up to 31 March 2014 only) (in addition to promotional increases)	<b>3.25% pa</b>
<b>Rate of CPI price inflation</b>	<b>2.0% pa</b>
<b>Rate of revaluation of pension accounts</b>	<b>2.0% pa</b>
<b>Rate of pension increases</b>	
on non GMPs	<b>2.0% pa</b>
on post 88 GMPs	<b>1.8% pa</b>
<b>Rate of deferred pension increases</b>	
non GMP	<b>2.0% pa</b>
GMP	<b>3.25% pa</b>
<b>Administration expenses</b>	<b>0.4% of Pensionable Pay</b>



## Demographic assumptions

<b>Pre-retirement base mortality</b>	Males: 70% of Standard SAPS S2P tables Females: 40% of Standard SAPS S2P tables	
<b>Post-retirement base mortality</b>	Males: 100% of Standard SAPS S2P tables Females: 85% of Standard SAPS S2P tables	
<b>Ill-health retirement base mortality</b>	Males: 100% of Standard SAPS S2 Ill Health tables Females: 130% of Standard SAPS S2 Ill Health tables	
<b>Improvements to mortality</b>	An allowance for improvements in line with the CMA 2014 improvements (for men or women as appropriate) with a long term rate of improvement of 1.5% pa.	
<b>Promotional salary increases</b>	Allowance has been made for age-related promotional increases (see sample rates below).	
<b>Withdrawals</b>	Allowance has been made for withdrawals from service (see sample rates below). On withdrawal, members are assumed to leave a deferred pension in the Fund.	
<b>Retirement age</b>	Members were assumed to retire at the following ages:	
	<b>Member group</b>	<b>Assumed age at retirement</b>
	Active members with protected Rule of 85 age (joined LGPS before 1 October 2006 and attained age 60 before 1 April 2020)	Rule of 85 age (or age 60 if higher).  Any part of their pension payable from a later age will be reduced.
	Active members who joined before 1 April 2014 and not included in the above group	Age 65.  Post 2014 pensions will be reduced if the member's State Pension Age is projected to be over age 65 at that point.
	Deferred members who joined the Fund before 1 April 2014 with protected Rule of 85 age	Rule of 85 age (or age 60 if higher).  Any part of their pension payable from a later age will be reduced.
	Deferred members who joined the Fund before 1 April 2014 with no protected Rule of 85 age	Age 65.
	All other active and deferred members	State Pension Age (or age 65 if higher)
<b>Retirement cash sum</b>	Each member is assumed to surrender pension on retirement, such that the total cash received is 75% of the permitted maximum.	

<b>Family details</b>	<p>Each man was assumed to be three years older than his wife/partner.</p> <p>75% of non-pensioners were assumed to be married or have a spouse, civil partner or cohabitee ('partner') at retirement or earlier death.</p> <p>75% of pensioners were assumed to be married or have a partner at age 65.</p> <p>Partners were assumed to exhibit the same mortality as pensioners of the same sex who retired in normal health.</p> <p>No allowance for children's pensions.</p>						
<b>Retirement due to ill-health</b>	<p>Allowance has been made for retirements due to ill-health (see below). Proportions assumed to fall into the different benefit tiers are:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">Tier 1</td> <td>90%</td> </tr> <tr> <td>Tier 2</td> <td>5%</td> </tr> <tr> <td>Tier 3</td> <td>5%</td> </tr> </table>	Tier 1	90%	Tier 2	5%	Tier 3	5%
Tier 1	90%						
Tier 2	5%						
Tier 3	5%						
<b>Take up of 50:50 scheme</b>	<p>All members are assumed to remain in the scheme they are in at the date of the valuation.</p>						

## Sample rates

The table below illustrates the allowances made for withdrawals from service and ill-health retirement at various ages. Also shown is the allowance included for promotional pay increases, which is shown as the percentage increase over the next year.

Current age	Percentage promotional pay increase over next year	Percentage leaving the Fund each year as a result of withdrawal from service	Percentage leaving the Fund each year as a result of ill-health retirement	
	Males and Females	Males and Females	Men	Women
20	3.9%	12.5%	0.01%	0.00%
25	3.3%	12.5%	0.02%	0.00%
30	2.6%	9.0%	0.02%	0.01%
35	1.8%	7.5%	0.03%	0.02%
40	1.1%	6.0%	0.06%	0.03%
45	0.3%	5.0%	0.09%	0.05%
50	0.0%	4.0%	0.25%	0.11%
55	0.0%	2.5%	0.41%	0.18%
60	0.0%	1.0%	0.57%	0.25%
65	0.0%	0.0%	0.00%	0.00%

## Appendix 6: Membership experience

*We have compared the actual numbers of deaths, retirements and other exits since the previous valuation with the numbers expected on the assumptions used for the 2016 valuation:*

Type of exit	Men	Women
<b>Death after retirement in normal health</b>		
Actual	450	376
Expected	379	344
<b>Death after retirement in ill health</b>		
Actual	146	99
Expected	119	83
<b>Death in service</b>		
Actual	27	39
Expected	32	51
<b>Withdrawals (excluding refunds)</b>		
Actual	1,746	5,595
Expected	1,230	3,945
<b>Ill-health retirements</b>		
Actual	45	53
Expected	48	63

## Appendix 7: Additional contributions paid before 31 March 2017

*We understand that certain Employers have paid additional shortfall contributions in the year ended 31 March 2017 beyond those certified. We have taken these into account in assessing the contributions required for the period after 1 April 2017 as set out within the Rates and Adjustments Certificate.*

The following Employers have paid additional shortfall contributions to the Fund over 2016/17 beyond those certified:

Employer	Amount paid	Date paid
Selby District Council	£9.391M	27 March 2017

## Appendix 8: Rates and Adjustments Certificate

### Actuarial certificate given for the purposes of Regulation 62 of the Local Government Pension Scheme Regulations 2013.

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 ('the 2013 Regulations'), we certify that contributions should be paid by Employers at the following rates for the period 1 April 2017 to 31 March 2020.

- Primary contribution rates for individual employers as shown below. The primary rate for the whole Fund, calculated as a weighted average of the employers' individual rates, is 17.8% of Pensionable Pay.
- Individual adjustments (i.e. secondary contribution rates) which, when added to or subtracted from the primary rate for that employer, produce the following minimum Employer contribution rates.

Employer	Employer code(s)	Primary Contribution rate % Pensionable Pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
			2017	2018	2019	2017	2018	2019
<b>Schedule 2 Part 1 bodies / Schedule 2 Part 2 bodies (Scheduled bodies), and Schedule 2 Part 3 bodies (Admission bodies) where the Subsumption Funding Target applies</b>								
Archbishop Holgates School	103	19.9%	£59,800	£61,700	£63,700	19.9% plus £59,800	19.9% plus £61,700	19.9% plus £63,700
Arete Learning Trust (Stokesley School)	144	18.7%	£61,200	£63,200	£65,300	18.7% plus £61,200	18.7% plus £63,200	18.7% plus £65,300
Askham Bryan College	61	16.6%	£76,900	£79,400	£82,000	16.6% plus £76,900	16.6% plus £79,400	16.6% plus £82,000
Be independent	131	20.1%	0.0%	0.0%	0.0%	20.1%	20.1%	20.1%
Bishop Wheeler Catholic Academy Trust	153	17.7%	£37,400	£38,600	£39,800	17.7% plus £37,400	17.7% plus £38,600	17.7% plus £39,800

Employer	Employer code(s)	Primary Contribution rate % Pensionable Pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
			2017	2018	2019	2017 £	2018 £	2019 £
Brotherton & Byram	148	15.6%	£6,900	£7,100	£7,300	15.6% plus £6,900	15.6% plus £7,100	15.6% plus £7,300
Churchill Security	120	22.5%	0.0%	0.0%	0.0%	22.5%	22.5%	22.5%
City of York Council	8, 20, 96, 97, 114, 116, 121, 123, 134, 135, 136, 137, 138, 141, 142, 143, 151, 157	17.9%	£2,051,300	£2,118,000	£2,186,800	17.9% plus £2,051,300	17.9% plus £2,118,000	17.9% plus £2,186,800
Craven College	62	17.3%	0.0%	0.0%	0.0%	17.3%	17.3%	17.3%
Craven District Council	14	17.7%	£576,966 Paid in April 2017	£576,967 Paid in April 2017	£576,967 Paid in April 2017	17.7% plus £576,966 Paid in April 2017	17.7% plus £576,967 Paid in April 2017	17.7% plus £576,967 Paid in April 2017
Craven Educational Trust (The Skipton Academy)	133	18.6%	£23,300	£24,100	£24,900	18.6% plus £23,300	18.6% plus £24,100	18.6% plus £24,900
David Ross Educational Trust (Thomas Hinderwell Primary)	125	16.0%	£9,700	£10,000	£10,300	16.0% plus £9,700	16.0% plus £10,000	16.0% plus £10,300
Easingwood Town Council	85	19.5%	£1,000	£1,100	£1,100	19.5% plus £1,000	19.5% plus £1,100	19.5% plus £1,100
Ebor Academy Filey	152	18.3%	£28,900	£29,800	£30,800	18.3% plus £28,900	18.3% plus £29,800	18.3% plus £30,800

Employer	Employer code(s)	Primary Contribution rate % Pensionable Pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
			2017	2018	2019	2017	2018	2019
Enquire Learning Trust (Roseberry Academy)	139	18.8%	£9,800	£10,100	£10,400	18.8% plus £9,800	18.8% plus £10,100	18.8% plus £10,400
Enterprise	92	23.0%	-5.0%	-5.0%	-5.0%	18.0%	18.0%	18.0%
Filey Town Council	2	19.5%	£1,900	£2,000	£2,000	19.5% plus £1,900	19.5% plus £2,000	19.5% plus £2,000
Foss Internal Drainage Board	38	19.5%	£10,200	£10,500	£10,800	19.5% plus £10,200	19.5% plus £10,500	19.5% plus £10,800
Fulford Parish Council	1	19.5%	£4,700	£4,800	£5,000	19.5% plus £4,700	19.5% plus £4,800	19.5% plus £5,000
Glusburn Parish Council	35	19.5%	£300	£300	£300	19.5% plus £300	19.5% plus £300	19.5% plus £300
Great Ayton Parish Council	4	19.5%	£800	£900	£900	19.5% plus £800	19.5% plus £900	19.5% plus £900
Gt Smeaton Primary School	109	20.1%	£400	£400	£400	20.1% plus £400	20.1% plus £400	20.1% plus £400
Hambleton District Council	9	16.5%	£277,600 Paid in April 2017	£277,600 Paid in April 2017	£277,600 Paid in April 2017	16.5% plus £277,600 Paid in April 2017	16.5% plus £277,600 Paid in April 2017	16.5% plus £277,600 Paid in April 2017
Harrogate Borough Council	11, 120	18.0%	£1,963,450 Paid in April 2017	£1,963,450 Paid in April 2017	0.0%	18.0% plus £1,963,450 Paid in April 2017	18.0% plus £1,963,450 Paid in April 2017	18.0%

Employer	Employer code(s)	Primary Contribution rate % Pensionable Pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
			2017	2018	2019	2017	2018	2019
Harrogate High Academy	113	18.6%	£63,300	£65,400	£67,500	18.6% plus £63,300	18.6% plus £65,400	18.6% plus £67,500
Haxby Road Primary	127	16.9%	£1,100	£5,200	£9,400	16.9% plus £1,100	16.9% plus £5,200	16.9% plus £9,400
Haxby Town Council	72	19.5%	£2,700	£2,700	£2,800	19.5% plus £2,700	19.5% plus £2,700	19.5% plus £2,800
Housing and Care 21	132	5.0%	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%
Hunmanby Town Council	71	19.5%	£800	£800	£800	19.5% plus £800	19.5% plus £800	19.5% plus £800
Huntington Primary School	146	18.3%	£10,100	£10,400	£10,700	18.3% plus £10,100	18.3% plus £10,400	18.3% plus £10,700
Knarborough Town Council	47	19.5%	£1,900	£2,000	£2,000	19.5% plus £1,900	19.5% plus £2,000	19.5% plus £2,000
Make It York	147	19.1%	-2.0%	-2.0%	-2.0%	17.1%	17.1%	17.1%
Maiton Town Council	56	19.5%	£2,500	£2,600	£2,700	19.5% plus £2,500	19.5% plus £2,600	19.5% plus £2,700
Manor CE School	106	16.0%	£48,800	£50,300	£52,000	16.0% plus £48,800	16.0% plus £50,300	16.0% plus £52,000
Marston Moor Internal Drainage Board	44	19.5%	£1,100	£1,100	£1,200	19.5% plus £1,100	19.5% plus £1,100	19.5% plus £1,200



Employer	Employer code(s)	Primary Contribution rate % Pensionable Pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
			2017	2018	2019	2017 £	2018 £	2019 £
New Park Primary Academy	158	16.3%	£6,200	£6,400	£6,600	16.3% plus £6,200	16.3% plus £6,400	16.3% plus £6,600
North York Moors National Park	52	18.0%	0.0%	0.0%	0.0%	18.0%	18.0%	18.0%
North Yorkshire County Council	25, 26, 27, 29, 30, 48, 54, 58, 59, 69, 75, 93, 94, 95, 110, 115, 124, 132, 140	17.9%	£8,399,366 Paid in April 2017	£8,399,367 Paid in April 2017	£8,399,367 Paid in April 2017	17.9% plus £8,399,366 Paid in April 2017	17.9% plus £8,399,367 Paid in April 2017	17.9% plus £8,399,367 Paid in April 2017
North Yorkshire Fire & Rescue	51	16.9%	£95,100 Paid in April 2017	£98,200 Paid in April 2018	£101,400 Paid in April 2019	16.9% plus £95,100 Paid in April 2017	16.9% plus £98,200 Paid in April 2018	16.9% plus £101,400 Paid in April 2019
Northallerton & Romanby Burial Board	18	19.5%	£1,300	£1,300	£1,400	19.5% plus £1,300	19.5% plus £1,300	19.5% plus £1,400
Northallerton Town Council	60	19.5%	£4,100	£4,200	£4,300	19.5% plus £4,100	19.5% plus £4,200	19.5% plus £4,300
Norton College	104	19.1%	£54,000	£59,400	£74,100	19.1% plus £54,000	19.1% plus £59,400	19.1% plus £74,100
Norton on Derwent Town Council	46	19.5%	£2,600	£2,700	£2,800	19.5% plus £2,600	19.5% plus £2,700	19.5% plus £2,800
NY Chief Constable	129	15.8%	-4.5%	-4.5%	-4.5%	11.3%	11.3%	11.3%
NY Police and Crime Commissioner	128	16.1%	-12.2%	-12.2%	-12.2%	3.9%	3.9%	3.9%

Employer	Employer code(s)	Primary Contribution rate % Pensionable Pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
			2017	2018	2019	2017	2018	2019
Outwood Grange Academies Trust (Outwood Academy, Ripon)	108	19.0%	£44,200	£45,700	£47,200	19.0% plus £44,200	19.0% plus £45,700	19.0% plus £47,200
Pickering Town Council	70	19.5%	£1,800	£1,900	£1,900	19.5% plus £1,800	19.5% plus £1,900	19.5% plus £1,900
Poppleton Ousebank School	145	19.3%	£18,900	£19,500	£20,200	19.3% plus £18,900	19.3% plus £19,500	19.3% plus £20,200
Red Kite Learning Trust	98, 155	18.3%	£52,700	£88,000	£124,200	18.3% plus £52,700	18.3% plus £88,000	18.3% plus £124,200
Richmond Town Council	50	19.5%	£700	£700	£800	19.5% plus £700	19.5% plus £700	19.5% plus £800
Richmondshire District Council	12	18.7%	£308,033 Paid in April 2017	£308,033 Paid in April 2017	£308,034 Paid in April 2017	18.7% plus £308,033 Paid in April 2017	18.7% plus £308,033 Paid in April 2017	18.7% plus £308,034 Paid in April 2017
Richmondshire Leisure Trust	82	19.4%	£3,200	£3,300	£3,400	19.4% plus £3,200	19.4% plus £3,300	19.4% plus £3,400
Ringway	110	23.3%	0.0%	0.0%	0.0%	23.3%	23.3%	23.3%
Ripon City Council	28	19.5%	£2,500	£2,500	£2,600	19.5% plus £2,500	19.5% plus £2,500	19.5% plus £2,600
Robert Wilkinson Academy	126	17.1%	£13,100	£24,400	£37,700	17.1% plus £13,100	17.1% plus £24,400	17.1% plus £37,700

Employer	Employer code(s)	Primary Contribution rate % Pensionable Pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
			2017	2018	2019	2017	2018	2019
Rossett School	105	19.5%	£58,200	£60,100	£62,000	19.5% plus £58,200	19.5% plus £60,100	19.5% plus £62,000
Ryedale District Council	10, 73	18.7%	£326,000 Paid in April 2017	£326,000 Paid in April 2017	£326,000 Paid in April 2017	18.7% plus £326,000 Paid in April 2017	18.7% plus £326,000 Paid in April 2017	18.7% plus £326,000 Paid in April 2017
Sanctuary Housing	140	7.0%	0.0%	0.0%	0.0%	7.0%	7.0%	7.0%
Scarborough Borough Council	7, 89	18.2%	£1,759,366 Paid in April 2017	£1,759,367 Paid in April 2017	£1,759,367 Paid in April 2017	18.2% plus £1,759,366 Paid in April 2017	18.2% plus £1,759,367 Paid in April 2017	18.2% plus £1,759,367 Paid in April 2017
Scarborough VI Form College	68	19.5%	-2.4%	-1.2%	0.0%	17.1%	18.3%	19.5%
Selby College	65	18.5%	-1.3%	£2,500	£30,500	17.2%	18.5% plus £2,500	18.5% plus £30,500
Selby District Council	13	16.7%	0.0%	0.0%	0.0%	16.7%	16.7%	16.7%
Selby Town Council	34	19.5%	£8,900	£9,200	£9,500	19.5% plus £8,900	19.5% plus £9,200	19.5% plus £9,500
Skipton Girls High School	101	18.3%	£33,900	£35,000	£36,200	18.3% plus £33,900	18.3% plus £35,000	18.3% plus £36,200
Skipton Town Council	41	19.9%	£3,600	£3,700	£3,800	19.9% plus £3,600	19.9% plus £3,700	19.9% plus £3,800

Employer	Employer code(s)	Primary Contribution rate % Pensionable Pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
			2017	2018	2019	2017	2018	2019
SLM Ltd Scar Leisure	149	17.8%	0.0%	0.0%	0.0%	17.8%	17.8%	17.8%
South Craven Academy Trust	102	19.1%	£131,900	£136,100	£140,600	19.1% plus £131,900	19.1% plus £136,100	19.1% plus £140,600
Sutton in Craven Parish Council	5	19.5%	£1,400	£1,500	£1,500	19.5% plus £1,400	19.5% plus £1,500	19.5% plus £1,500
Tadcaster Town Council	48	39.1%	-6.4%	-3.2%	0.0%	32.7%	35.9%	39.1%
The Grove Academy	122	17.8%	£2,800	£2,900	£3,000	17.8% plus £2,800	17.8% plus £2,900	17.8% plus £3,000
The Woodlands Academy	119	15.6%	£36,800	£38,000	£39,200	15.6% plus £36,800	15.6% plus £38,000	15.6% plus £39,200
Thornton Internal Drainage Board	49	19.5%	£900	£900	£900	19.5% plus £900	19.5% plus £900	19.5% plus £900
University of Hull	55	18.6%	£122,700	£126,700	£130,800	18.6% plus £122,700	18.6% plus £126,700	18.6% plus £130,800
Veritau Ltd	90	18.1%	-2.9%	-2.9%	-2.9%	15.2%	15.2%	15.2%
Veritau North Yorkshire	111	15.9%	-6.4%	-6.4%	-6.4%	9.5%	9.5%	9.5%
Whitby Town Council	3	19.5%	£4,200	£4,300	£4,500	19.5% plus £4,200	19.5% plus £4,300	19.5% plus £4,500
York College	64, 67, 74	18.1%	-0.7%	-0.1%	£23,500	17.4%	18.0%	18.1% plus £23,500

Employer	Employer code(s)	Primary Contribution rate % Pensionable Pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
			2017	2018	2019	2017 £	2018 £	2019 £
York Libraries & Arc	130	17.7%	0.5%	0.5%	0.5%	18.2%	18.2%	18.2%
York Museums Trust	76	14.9%	0.0%	0.0%	0.0%	14.9%	14.9%	14.9%
York St John University	16	15.8%	£56,600	£58,400	£60,300	15.8% plus £56,600	15.8% plus £58,400	15.8% plus £60,300
Yorkshire Causeway Schools Trust (Richard Taylor Primary Academy)	156a	19.1%	£16,300	£16,900	£17,400	19.1% plus £16,300	19.1% plus £16,900	19.1% plus £17,400
Yorkshire Causeway Schools Trust (St Aidans Church of England High School)	107	19.1%	£108,900	£112,500	£116,100	19.1% plus £108,900	19.1% plus £112,500	19.1% plus £116,100
Yorkshire Causeway Schools Trust (St Peter's CE Primary School)	156b	19.1%	£24,400	£25,100	£26,000	19.1% plus £24,400	19.1% plus £25,100	19.1% plus £26,000
Yorkshire Coast Homes	80	16.3%	-3.6%	-3.6%	-3.6%	12.7%	12.7%	12.7%
Yorkshire Collaboration Academy Trust	154	18.1%	£29,000	£29,900	£30,900	18.1% plus £29,000	18.1% plus £29,900	18.1% plus £30,900
Yorkshire Dates National Park	53	18.6%	0.0%	0.0%	0.0%	18.6%	18.6%	18.6%
<b>Schedule 2 Part 3 bodies (Admission Bodies) where the Orphan body funding target applies</b>								
Joseph Rowntree Trust	40	27.7%	£5,600	£22,000	£38,500	27.7% plus £5,600	27.7% plus £22,000	27.7% plus £38,500

Employer	Employer code(s)	Primary Contribution rate % Pensionable Pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
			2017	2018	2019	2017	2018	2019
Sheffield Int Venues	118	29.5%	-7.3%	£1,900	£29,900	22.2%	29.5% plus £1,900	29.5% plus £29,900
Superclean Services	86	36.3%	-17.4%	£800	£2,900	18.9%	36.3% plus £800	36.3% plus £2,900
Welcome to Yorkshire	15	27.4%	-0.4% plus £140,000	-0.4% plus £150,000	-0.4% plus £160,000	27.0% plus £140,000	27.0% plus £150,000	27.0% plus £160,000
Wigan Leisure	91	38.0%	-8.9%	-4.5%	0.0%	29.1%	33.5%	38.0%
York Archaeological Trust	17	25.2%	£20,700	£29,700	£38,700	25.2% plus £20,700	25.2% plus £29,700	25.2% plus £38,700
<b>Total</b>		<b>17.8%</b>	<b>-0.5% plus £17,200,000</b>	<b>-0.5% plus £17,400,000</b>	<b>-0.5% plus £15,800,000</b>	<b>17.3% plus £17,200,000</b>	<b>17.3% plus £17,400,000</b>	<b>17.3% plus £15,800,000</b>

Where advance payment of the Secondary contributions has been agreed to be paid by the Employer in April 2017, the total Secondary contribution due is summarised below. This is simply the sum of the Secondary contributions shown in the table above.

Employer	Secondary contribution due in April 2017
Craven District Council	£1,730,900
Hambleton District Council	£832,800
Harrogate Borough Council	£3,926,900
North Yorkshire County Council	£25,198,100
Richmondshire District Council	£924,100
Ryedale District Council	£978,000
Scarborough Borough Council	£5,278,100

The contributions shown above represent the minimum contributions to be paid by each Employer. Employers may choose to pay additional contributions from time to time subject to the Administering Authority's agreement.

Where payments due from an Employer are expressed as monetary amounts, the amounts payable by that Employer may be adjusted to take account of any amounts payable, in respect of a surplus or shortfall to which those monetary payments relate, by new employers created after the valuation date which have been credited with proportions of the assets and liabilities of the relevant Employer.

Additional contributions may be required in respect of any additional liabilities that arise under the provisions of Regulations 30, 31, 35 and 38 of the 2013 Regulations and Employers will be notified of such contributions separately by the Administering Authority.

Additional contributions may be payable by any Employers which have ceased to participate in the Fund since 31 March 2016 and these will be certified separately.

Contribution rates for Employers commencing participation in the Fund after 31 March 2016 will be advised separately.

This certificate should be read in conjunction with the notes overleaf.

Signed on behalf of Aon Hewitt Limited

Alison Murray FFA

Fellow of the Institute and Faculty of Actuaries

31 March 2017

Aon Hewitt Limited  
25 Marsh Street  
Bristol BS1 4AQ

Scott Campbell FIA

Fellow of the Institute and Faculty of Actuaries

## Notes to Fund Actuary's certificate

The contribution rates certified have been assessed using the actuarial methods and assumptions detailed in our actuarial valuation report dated 31 March 2017. In particular the following assumptions have been made regarding retirement liabilities from active membership status:

### Normal, late and voluntary retirement under Regulations 30(1), 30(3) and 30(5) of the 2013 Regulations

The assumptions regarding retirement at each age are as summarised in Appendix 5 of our valuation report.

Where some or all benefits are drawn before the assumed retirement age, but no reduction for early payment applies or members elect to draw their benefits after the assumed retirement age there may be a funding strain or loss respectively. This will come through as an item of experience at the next actuarial valuation.

Additional funding would not normally be required if actual retirements exceed the number anticipated, unless retirements occur before Normal Pension Age and the employer waives the reduction for early payment as permitted by Regulation 30(8). The Administering Authority requires separate funding of any additional liabilities arising from such retirements and, as such, the financial impact of these retirements is broadly neutral.

### Ill-health under Regulation 35 of the 2013 Regulations

The assumptions regarding ill health retirement at each age are as summarised in Appendix 5 of our valuation report.

Such retirements increase costs due to the early payment of enhanced benefits. If actual retirements exceed the number anticipated, and no action is taken before the next valuation, this would be identified as a source of loss at the next valuation.

### Severance and redundancy under Regulation 30(7) of the 2013 Regulations

No allowance is made in the valuation for retirements in these circumstances.

Such retirements increase costs due to the early payment of benefits. Any enhancement of benefits through the Fund would increase costs further. If actual retirements exceed the number anticipated, and no action is taken before the next valuation, this would be identified as a source of loss at the next valuation. The Administering Authority requires separate funding of liabilities arising from such retirements and, assuming the factors used to calculate the additional Employer payments are updated as proposed, the financial impact of these retirements is broadly neutral.

### Flexible retirement under Regulation 30(6) of the 2013 Regulations

No allowance is made in the valuation for retirements in these circumstances.

Such retirements are generally 'cost neutral' (although there may be a small gain or loss to the extent that the actuarial reduction factors are based on different assumptions to those adopted for funding purposes). Additional funding would not normally be required if actual retirements exceed the number anticipated, unless retirements occur before Normal Pension Age and no reduction for early payment applies. The Administering Authority requires separate funding of any additional liabilities arising from such retirements and, as such, the financial impact of these retirements is broadly neutral.

In this certificate, references to:

- the 2013 Regulations mean the Local Government Pension Scheme Regulations 2013



## Appendix 9: Glossary

### Active member

A person who is employed by an employer participating in the Fund, and is paying (or is treated as paying) contributions to the Fund (includes certain members temporarily absent, e.g. due to family leave or sickness).

### Admission Body

An employer admitted to the Fund under an admission agreement.

### Attained age method

This is one of the methods used by actuaries to calculate a contribution rate to the Fund. This method calculates the present value of the benefits expected to accrue to members over their expected remaining membership of the Fund expressed as a percentage of their expected future pensionable pay. It allows for projected future increases to pay or revaluation as appropriate through to retirement or date of leaving service. The method is based on the current membership and takes no account of the possibility of further members joining the Fund. If there are no new members, this method would be expected to result in a stable contribution rate, once surpluses or shortfalls are taken into account, and if all the other assumptions are borne out. However, if more members join the Fund to replace older leavers, the contribution rate can be expected to fall.

### Consumer Prices Index (CPI)

This is the price inflation index that increases to pensions and deferred pensions paid by the Fund are currently based on. It is published every month by the Office of National Statistics.

### Deferred members

A former employee who has left active membership, but has not yet received any benefits from the Fund and is prospectively entitled to receive a deferred pension from his/her normal pension age.

### Discount rate

This is used to place a present value on a future payment.

### Fund Actuary

The actuary to the Fund, who provides actuarial advice to the Administering Authority including carrying out the actuarial valuation contained in this report.

### Funding objective

To hold sufficient and appropriate assets to cover the Funding Target.

### Funding ratio

This is the ratio of the value of assets to the Funding Target.

### Funding Strategy Statement

A document prepared by the Administering Authority in accordance with the Regulations which sets out the funding strategy adopted for the Fund. The Fund Actuary must have regard to this statement in preparing this actuarial valuation.

## Funding target

An assessment of the present value of the benefits that will be paid from the Fund in the future, normally based on pensionable service prior to the valuation date. Under the current Funding Strategy Statement the funding target is equal to the past service liabilities calculated using a prudent set of assumptions.

## Future service contribution rate

The contribution rate (expressed as a percentage of Pensionable Pay) required to meet the cost of benefits which will accrue to members in future. This is also known as the primary contribution rate.

## Guaranteed Minimum Pensions (GMPs)

Most Funds that were contracted out of the State Earnings Related Pension Scheme (SERPS) before April 1997 have to provide a pension for service before that date at least equal to the Guaranteed Minimum Pension (GMP). This is approximately equal to the SERPS pension that the member would have earned had the Fund not been contracted out. GMPs ceased to accrue on 6 April 1997 when the legislation changed.

## Long-term cost efficiency

This is not defined in the Regulations but further explanation can be found in the Cipfa guidance 'Preparing and Maintaining a Funding Strategy Statement', dated September 2016:

The notes to the Public Service Pensions Act 2013 state:

*Long-term cost-efficiency implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time.*

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund.

In assessing whether the above condition is met, GAD may have regard to the following considerations:

- the implied average deficit recovery period
- the investment return required to achieve full funding over different periods, e.g. the recovery period
- if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future
- the extent to which the required investment return above is less than the administering authority's view of the expected future return being targeted by a fund's investment strategy, taking into account changes in maturity/strategy as appropriate

## Orphan employer

This is an employer whose participation in the Fund may cease at some future point in time, after which it is expected that the Administering Authority will have no access to future contributions from that employer for the employer's liabilities in the Fund once any liability on exit has been paid. On exit the employer's liabilities will become 'orphan liabilities' in the Fund.

## Ongoing orphan funding target

For active employers whose liabilities are expected to be orphaned on exit, the Administering Authority will have regard to the potential for participation to cease (or for the body to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities). This is known as the ongoing orphan funding target.

Typically employers which will ultimately give rise to Orphan liabilities will have a discount rate which is based on the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption (typically this addition will be different when applied to liabilities in relation to members still in service and to those who have left service). The addition for the left service discount rate is intended to reflect the Fund Actuary's view of the possible future increase in gilt yields over a five year period, and is greater than market expectations of future increases at the valuation date.

## Past service liabilities

This is the present value of the benefits to which members are entitled based on benefits accrued to the valuation date, assessed using the assumptions agreed between a Fund's Administering Authority and the Fund Actuary. It generally allows for projected future increases to pay or revaluation as appropriate through to retirement or date of leaving service.

## Present value

Actuarial valuations involve projections of pay, pensions and other benefits into the future. To express the value of the projected benefits in terms of a cash amount at the valuation date, the projected amounts are discounted back to the valuation date by a discount rate. This value is known as the present value. For example, if the discount rate was 4% a year and if we had to pay a cash sum of £1,040 in one year's time the present value would be £1,000.

## Primary Rate of the Employers' Contribution

This is not defined in the Regulations but further explanation can be found in the Cipfa guidance Preparing and Maintaining a Funding Strategy Statement, dated September 2016:

The primary rate for each employer is that employer's future service contribution rate, which is the contribution rate required to meet the cost of the future accrual of benefits, expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit but allowing for any employer-specific circumstances, such as the membership profile of that employer, the funding strategy adopted for that employer (including any risk-sharing arrangements operated by the administering authority), the actuarial method chosen and/or the employer's covenant.

The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.

## Projected unit method

One of the common methods used by actuaries to calculate a contribution rate to a Fund.

This method calculates the present value of the benefits expected to accrue to members over a control period (often one year) following the valuation date. The present value is usually expressed as a percentage of the members' pensionable pay. It allows for projected future increases to pay or revaluation as appropriate through to retirement or date of leaving service. Provided that the distribution of members remains stable with new members joining to take the place of older leavers, the contribution rate calculated can be expected to remain stable, if all the other assumptions are

borne out. If there are no new members however, the average age will increase and the contribution rate can be expected to rise.

## Prudent

Prudent assumptions are such that the actual outcome is considered to be more likely to overstate than understate the amount of money actually required to meet the cost of the benefits.

## Rates and Adjustments Certificate

A certificate required at each actuarial valuation by the Regulations, setting out the contributions payable by employers for the 3 years from the 1 April following the valuation date.

## Recovery period

The period over which any surplus or shortfall is to be eliminated.

## Recovery plan

Where a valuation shows a funding shortfall against the past service liabilities, a recovery plan sets out how the Administering Authority intends to meet the funding objective.

## Regulations

The statutory regulations setting out the contributions payable to, and the benefits payable from, the Local Government Pension Scheme and how the Funds are to be administered. They currently include the following sets of regulations:

- |   |   |
|---|---|
| ▪ 1997 Regulations                      | Local Government Pension Scheme Regulations 1997  |
| ▪ Administration Regulations            | Local Government Pension Scheme (Administration) Regulations 2008                         |
| ▪ Benefits Regulations and              | Local Government Pension Scheme (Benefits, Membership, Contributions) Regulations 2007    |
| ▪ Transitional Regulations 1997         | Local Government Pension Scheme (Transitional provisions) 1997                            |
| ▪ 2013 Regulations                      | Local Government Pension Scheme Regulations 2013  |
| ▪ 2014 Transitional Regulations Savings | Local Government Pension Scheme (Transitional Provisions, and Amendment) Regulations 2014 |

## Scheduled body

Bodies which participate in the Fund under Schedule 2 Part 1 of the 2013 Regulations.

## Scheduled body / subsumption funding target

For secure Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite and Admission Bodies with a subsumption commitment from such Scheduled Bodies, the Administering Authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets. This is known as the scheduled and subsumption body funding target.

## Secondary rate of the employers' contribution

This is not defined in the Regulations but further explanation can be found in the Cipfa guidance 'Preparing and Maintaining a Funding Strategy Statement', dated September 2016:

The secondary rate is an adjustment to the primary rate to arrive at the rate each employer is required to pay. It may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning with 1 April in the year following that in which the valuation date falls. The secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are actually required to pay is the sum of the primary and secondary rates.

The Fund Actuary is required to also disclose the secondary rates for the whole scheme in each of the three years beginning with 1 April in the year following that in which the valuation date falls. These should be calculated as a weighted average based on the whole scheme payroll in respect of percentage rates and as a total amount in respect of cash adjustments. The purpose of this is to facilitate a single net rate of contributions expected to be received over each of the three years that can be readily compared with other rates and reconciled with actual receipts.

## Shortfall

Where the assets are less than the Funding Target, the shortfall is the Funding Target less the value of assets.

## Shortfall contributions

Additional contributions payable by employers to remove the shortfall by the end of the recovery period.

## Solvency

This is not defined in the Regulations but further explanation can be found in the Cipa guidance Preparing and Maintaining a Funding Strategy Statement, dated September 2016:

The notes to the Public Service Pensions Act 2013 state that solvency means that the rate of employer contributions should be set at "such level as to ensure that the scheme's liabilities can be met as they arise". It is not regarded that this means that the pension fund should be 100% funded at all times. Rather, and for the purposes of Section 13 of the Public Service Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- the rate of employer contributions is set to target a funding level for the whole fund (assets divided by liabilities) of 100% over an appropriate time period and using appropriate actuarial assumptions; and either
- employers collectively have the financial capacity to increase employer contributions, and/or the fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed.

If the conditions above are met, then it is expected that the fund will be able to pay scheme benefits as they fall due.

## State Pension Age (SPA)

Age at which State pensions are payable. Current legislation specifies the following ages:

- Currently age 65 for men; transitioning to age 65 for women by 2018.
- Current legislation transitions State Pension Age for both men and women to age 68 by 2046, as follows:
  - to age 66 by 2020
  - to age 67 by 2028
  - to age 68 by 2046

## Strains

These represent the cost of additional benefits granted to members under a discretion of the employer or the Administering Authority. They include the cost of providing enhanced benefits on retirement or redundancy.

## Subsumption and subsumption body

An employer who is not a secure long term Scheduled Body and where the Administering Authority has obtained an undertaking from a related employer that, if and when the employer exits the Fund, they will be a source of future funding should any funding shortfalls emerge on the original employer's liabilities after exit.

In this document the process of taking on the responsibility for future funding at the point of exit is known as 'subsumption' of an employer's liabilities. The employer whose liabilities will be (or are being) subsumed is referred to as a subsumption body.

## Surplus

Where the assets are more than the Funding Target, the surplus is the value of assets less the Funding Target.

## Transfer value

Members generally have a legal right to transfer their benefits to another pension arrangement before they retire. In taking a transfer, members give up their benefits in a fund, and a sum of money (called the transfer value) is paid into another approved pension fund. This is used to provide pension benefits on the terms offered in that fund.

## About Aon

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**NORTH YORKSHIRE COUNTY COUNCIL****PENSION FUND COMMITTEE****24 MAY 2018****INVESTMENT STRATEGY REVIEW UPDATE REPORT****Report of the Treasurer****1.0 PURPOSE OF REPORT**

- 1.1 To update Members on progress towards the implementation of the agreed Investment Strategy changes as a result of the recent Investment Strategy Review.

**2.0 BACKGROUND AND RECENT EVENTS**

- 2.1 Over recent months an investment strategy review of the Fund has been undertaken. To remind Members, in recent investment strategy workshops the following changes to the current investment strategy were agreed:

- To de-risk the Fund in light of the current funding level by disinvesting 10% from equities
- To reinvest this 10% in other alternative asset classes, including Insurance Linked Securities and Property Debt
- To reintroduce an element of currency hedging within the Fund

An update of each of the changes above will be provided in the sections below.

**3.0 INSURANCE LINKED SECURITIES MANAGER PROCUREMENT**

- 3.1 As part of a de-risking strategy Members resolved to undertake a procurement for an Insurance Linked Security (ILS) Manager with the intention of reducing equity investment levels. This was determined on 23 November 2017.
- 3.2 Due to the nature of ILS investments, they can only be accessed twice a year, in June and December. In order to begin to de-risk the Fund in the short term, the preference was to meet the June deadline. Therefore a restricted OJEU compliant procurement was undertaken to meet the June 2018 intake of funds.
- 3.3 This procurement has now been concluded and the contract has been awarded to Leadenhall Capital Partners. The initial investment will be £80m in total and officers are currently working with Leadenhall and the consultants to ensure that the necessary documentation is completed to



transfer funds by June. In order to provide diversification this investment will be split equally across the following three Leadenhall Funds:

- Diversified Fund- £26.67m
- Nat Cat Focus Fund- £26.67m
- Remote Fund- £26.67m

Further details on the Diversified Fund and Nat Cat Fund have been included in the Aon fact sheets in **Appendix 1 & 2** respectively. As the Remote Fund is newly buy rated there is not yet a fact sheet available, however further detail can be provided on this Fund in the meeting.

- 3.4 Members agreed at the November meeting to invest up to 5% of the Fund in Insurance Linked Securities, which was around £160m of the Fund. The initial investment is lower due to the current capacity limitations within the Leadenhall Funds. It is anticipated that this investment be increased once further capacity is available. Members are asked to delegate authority to the Treasurer to invest up to the agreed £160m investment in ILS when the capacity becomes available.
- 3.5 To fund this investment in ILS, Members agreed at the February PFC meeting to disinvest 5% from UK equities. Officers have been working with Standard Life and the Consultants to carry out this disinvestment of £160m in tranches across April and May to ensure the funds are available. Standard Life has been transferring the funds, following disinvestment, into a money market fund in the short term. In June £80m will be transferred to the ILS manager and it is proposed that the remaining £80m be moved to fixed income until it is invested into ILS. Members are asked to approve the transfer of £80m into fixed income in the short term pending opportunities to invest further in ILS.

#### **4.0 PROPERTY DEBT MANAGER**

- 4.1 In the November meeting it was agreed that Property Debt was another possible alternative investment option for the remaining 5% of the Fund that is to move from equities as part of the de-risking strategy.
- 4.2 Members authorised officers to commence a procurement process for a Property Debt manager. Prior to the commencement of a procurement, a property debt workshop has been arranged for 25 May 2018 to provide Members with an educational session on the asset class.

#### **5.0 CURRENCY HEDGING**

- 5.1 In the November PFC meeting Members agreed to the principle of reintroducing some currency hedging within the Fund using Fidelity's currency hedging facility. Officers have been working with Fidelity and the consultants to ensure that the necessary paperwork has been completed to

put this facility in place. The final stage is to provide an instruction letter to Fidelity outlining the levels of currency hedging that we would like them to undertake.

- 5.2 In the February meeting the approach to currency hedging was discussed including the currency levels and timing of hedging. It was agreed that 50% of the underlying Euro and Yen currency exposures within the Fidelity portfolio be hedged. In light of updated market conditions, Aon will provide Members with an updated view on this approach in the May meeting to determine if it is still appropriate.

## **6.0 RECOMMENDATIONS**

Members are recommended to:-

- 6.1 note the content of the report.
- 6.2 delegate authority to the Treasurer to increase the investment in ILS up to £160m when the capacity becomes available
- 6.3 approve the transfer of £80m into fixed income in the short term pending opportunities to invest further in ILS
- 6.4 consider the preferred option for hedging following further advice.

GARY FIELDING  
Treasurer to North Yorkshire Pension Fund  
NYCC  
County Hall  
Northallerton

10 May 2018

**NORTH YORKSHIRE COUNTY COUNCIL****PENSION FUND COMMITTEE****24 MAY 2018****LGPS POOLING ARRANGEMENTS****Report of the Treasurer****1.0 PURPOSE OF REPORT**

- 1.1 To update Members on progress towards the Government's announced proposal to pool the assets of LGPS funds.

**2.0 RECENT EVENTS**

- 2.1 There continues to be a significant amount of work being undertaken as the 'Go Live' date of 2 July 2018 approaches. The key milestones that have been achieved since that last update are gaining FCA approval, drafting the ACS Prospectus and the approval of the 3 year operating budget. The current areas of focus are on the set up and launch of the upcoming subfunds, transition planning and recruitment and TUPE of staff. Further detail is provided on some of these key tasks and milestones in the sections below.
- 2.2 The Joint Committee (JC) had its last meeting on 13 March 2018. A verbal update on this meeting and other BCPP developments will also be provided at the meeting by the Chairman and Treasurer.

**3.0 SHAREHOLDER DIRECTORS ON THE BCPP BOARD**

- 3.1 At the January 2018 JC meeting the principle of appointing two shareholder directors to the BCPP Board with full standing including voting rights was agreed. These additional roles will be non-executive directors and will bring the total directors to seven, three Executive and four non-executive directors.
- 3.2 In the March 2018 meeting it was decided that these two shareholder directors would be selected by the JC through an exhaustive ballot process in the July 2018 meeting. It has also been agreed that these Members, if currently a Member of the JC, would no longer sit on the JC.
- 3.3 To provide a degree of continuity for the Board, one of the initial appointments will be for a one year term and the other a two year term. No director appointed through the JC will be allowed to serve more than two consecutive terms.

- 3.4 BCPP have provided a role description for these posts which is attached along with the report that went to JC in March as **Appendix 1**. Administering Authorities will be sent an invitation by the end of May to put forward suitably qualified candidates for election to the roles. These candidates will be asked to provide a short supporting statement to the JC through the secretariat no later than two weeks prior to the 10 July 2018 meeting. Members may wish to consider whether they would like to put themselves forward for the roles.
- 3.5 The Chair and the Vice chair of the JC will also be elected through exhaustive ballot in the July 2018 meeting.

#### **4.0 BCPP BUSINESS PLAN AND ANNUAL BUDGET**

- 4.1 In April the BCPP Strategic Business Plan, Annual Budget and support for regulatory capital draw down was presented to Shareholders for approval. This required 100% approval as this is the first year of operations; this required approval will drop to 75% in future years. At the end of April 100% approval was achieved from the Shareholders. The approved documents are attached for information in **Appendix 2**. Following this approval BCPP has received all regulatory capital from the Funds.
- 4.2 The approved annual operating charge for NYPF, included in Appendix 2, has been included in the 2018/19 budget in the Budget and Statistics paper.

#### **5.0 TRANSITION PLAN**

- 5.1 The current high level draft transition timeline is as follows:
- Internal Funds (UK and Global Equities) - July 2018
  - UK Equities – Q3 2018
  - Alternatives- Q4 2018 onwards
  - Global Equities- Q1 2019
  - Fixed Income- Q2 2019
  - Diversified Growth Funds- Q4 2019
  - Property- Q3 2020
- 5.2 As we approach the Go Live date, detailed work is being undertaken on the launch of the July 2018 and Q3 2018 sub funds. There is a working group of BCPP staff and Partner Fund officers, including NYPF, that are working on the launch of the UK equities sub fund.
- 5.3 The procurement process is currently being finalised for the procurement of the external managers and the detail will be shared with Funds once available; it is anticipated that this will be available in the next week for the UK equity subfund. An external search advisor is being appointed to assist with the earlier procurement processes.

- 5.4 BCPP are holding Manager Days in advance of the external manager procurements to explain the process to them, including the timelines and what is expected from them. All existing managers have been invited to these days.
- 5.5 Before the launch of each sub fund it is important that the PFC is provided with enough information to allow them to approve the transition of funds into the sub fund and the disinvestment from current managers. There have been discussions between BCPP and each of the Partner Fund officers on what due diligence information is required to allow this decision to be made by committees; this agreed information will be provided for each sub fund in advance of its launch. For the UK equity sub fund it is expected that this due diligence information will be available in the next week. In addition it is intended that the newly appointed relationship manager will attend a future PFC to further explain the transition plan and support the due diligence information if necessary.
- 5.6 Due to the current investment strategy changes, outlined in the Investment Strategy update paper in this pack, it is not anticipated that NYPF will invest in the External UK equity sub fund when it is launched in Q3 of 2018.
- 5.7 BCPP have appointed a transition adviser, Inalytics, for the Internal and UK equity transitions to advise both the Pool and the Partner Funds. Work is continuing to agree the approach to the transition of funds.

## **6.0 NEXT STEPS**

- 6.1 The next Joint Committee meeting is to be held on 10 July 2018.

## **7.0 RECOMMENDATION**

- 7.1 Members note the content of the report and verbal updates provided in the meeting.
- 7.2 Members to consider whether they would like to put themselves forward for the roles of shareholder directors on the BCPP Board.

GARY FIELDING  
Treasurer, North Yorkshire Pension Fund  
NYCC  
10 May 2018

## North Yorkshire County Council

### Pension Board

Minutes of the meeting of the Pension Board held on Thursday 12 April 2018 at County Hall, Northallerton commencing at 10.00 am.

**Present:-**

**Members of the Board**

David Portlock (Independent Chairman).

**Employer Representatives:**

Councillor Ian Cutherbertson (City of York Council), Louise Branford-White (Hambleton District Council) and County Councillor Mike Jordan (North Yorkshire County Council).

**Scheme Members:**

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

**In attendance:-**

County Council Officers: Amanda Alderson, Phillippa Cockerill, Steve Loach, Ian Morton and Jo Foster-Wade.

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

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**135a. Apologies for Absence**

There were no apologies for absence.

**135b. Appointments of Scheme Member Representative and Vacancy for an Employer Representative**

The Chairman stated that, following a recruitment exercise, including application and interview, Simon Purcell, an employee of North Yorkshire County Council and representing Unison, was proposed as a Scheme Member representative to fill the current vacancy.

The Chairman noted that following the departure of Phil Macdonald a vacancy existed for an Employer Representative and the vacancy had been advertised on the North Yorkshire Pension Fund website. The closing date for applications was 30 April 2018, with interviews to follow.

**Resolved -**

That Simon Purcell be appointed as Scheme Member Representative and the details in relation to Employer Representative be noted.

### **136a. Minutes**

#### **Resolved -**

That the Minutes of the meeting held on 18 January 2018, having been printed and circulated, be taken as read and confirmed and signed by the Chairman as a correct record.

### **136b. Progress on Issues raised by the Board**

The issue regarding the appointment of a Scheme Member Representative, through a co-optation process, to the Joint Committee of BCPP would remain on the report for future meetings, to ensure that the issue remains current.

It was noted that details in relation to assurances provided by the DfE in respect of providing a guarantee for academies in terms of pension provision, should they cease to operate or find themselves in financial difficulty, had been circulated to Members of the Pension Board following the meeting in January.

In relation to the matter highlighted in respect of arranging a meeting between representatives from the various Pension Boards of those Funds involved in BCPP and the Chief Executive Officer of BCPP, it was stated that this matter would be discussed later in the meeting.

The other issues raised in the report were agenda items for today's meeting.

#### **Resolved -**

That the report be noted.

### **137. Declarations of Interest**

There were no declarations of interest submitted.

### **138. Public Questions or Statement**

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

### **139. Draft Minutes of the Pension Fund Committee Meeting held on 22 February 2018**

The Chairman provided details of the Minutes from the Pension Fund Committee meeting, as detailed, and the following issues and points were raised:-

- ◆ In relation to the 2017/18 budget a Member referred to the cash position, noting previous discussions, and asked whether there was a possibility of a negative cash-flow situation shortly, despite the reassurances previously given. In response it was stated that this was not expected before the next triennial valuation in 2019. The Pension Fund's consultants, AON Hewitt, were preparing a paper, which would be submitted to the Pension Fund Committee in May, in relation to this matter. It was expected, that further discussion could be undertaken at the next meeting of the Pension Board, in relation to that paper. It was stated that only a substantial amount of transfers out could cause negative cash-flow before that time, and this was unlikely to happen.

- ◆ Clarification was provided that the North Yorkshire Pension Fund (NYPF) was now 109% funded. In relation to that a Member asked why one employer had been in a deficit position, which was paid as a one off additional contribution, if the Fund is in a surplus position. In response it was stated that around 150 employers contributed to the NYPF, at a range of funding levels, with some around 70% funded to around 120% funded.. In terms of one particular employer there was a deficit at the last valuation that was paid off in full to make them 100% funded.
- ◆ A Member noted that the CIPFA benchmarking returns indicated that the NYPF Administration Team had relatively low costs and wondered whether the benchmarking arrangements would continue when pooling commenced. In response it was stated that the administration of the NYPF would continue after pooling, as the pooling arrangements were in relation to investments, whereas the administration of the Fund would need to continue outside of those arrangements. It was emphasised that the monitoring arrangements and benchmarking arrangements would continue in future.
- ◆ A Member noted that reference had been made to Unison representatives attending Pension Fund Committee meetings. It was clarified that this was not a criticism with regards to attendance merely an observation.
- ◆ A Member noted that consideration had been given to a death benefit payment during a confidential section of the meeting. She noted that the Committee had been asked to make judgement, but it appeared that they were not prepared to do so. In response it was stated that this was not the case and that the particular circumstances of the death benefit warranted the matter being brought to the Pension Fund Committee and, as a result, it had been suggested that legal advice be sought and then the issue be returned to the Committee for final determination. The Chairman stated that, having been at the meeting, he was satisfied that appropriate governance was being adhered to in respect of this matter.
- ◆ It was asked whether the GDPR Action Plan had been completed. In response it was noted that the Plan was around 95% complete and was expected to be in place shortly. It was noted that Internal Audit were likely to consider the Plan once this had been in place for a year and would be considered during the Internal Audit planning for 2018/19.
- ◆ A Member asked whether the NYPF's Draft Stewardship Code had been reviewed by the FRC. In response it was stated that the FRC had considered the draft Code and had submitted a small number of minor amendments which were in the process of being completed. It was expected that approval for this would be in place shortly following the amendments.
- ◆ A Member noted that a major issue within the performance statistics related to outstanding queries with employers and it was asked how this was being addressed. In response it was stated that every effort was being made to address this and, where necessary, employers were being advised that the regulator would be involved, should there be no compliance with the request for information. It was noted that there had been some recent high profile cases where the Pensions Regulator had taken action and this had served as a warning to employers that, should they not be complying with the requests of the NYPF then the regulator would be called in.



- ◆ Clarification was provided in relation to the status of the Admission Agreement for the Star Academy.
- ◆ It was noted that reference was made to a meeting being held with representatives of the Pension Fund Committee and local MP, Rishi Sunak MP, who had recently been appointed to a higher position overseeing the Local Government Pension Scheme. It was noted that this meeting had not taken place as yet and, should this be arranged, then feedback would be provided to the Pension Board.

**Resolved -**

That the draft Minutes, and the issues raised in relation to those, be noted.

**140. Pensions Administration**

Considered -

The report of the Head of Pensions Administration providing Members with an update on key initiatives undertaken by the Administration Team of the NYPF.

The report provided details and updates in relation to the following issues:-

- ◆ Breaches Log.
- ◆ Annual Benefits Statements.
- ◆ Data quality.
- ◆ Letter review project.
- ◆ Death of a pensioner process.
- ◆ Pensioner newsletter.

The following issues and points were raised:-

- ◆ The letter review project had seen the number of standard letters reduced from 320 to 215 letters. It was noted that this was a slow process as there was no dedicated resource to undertake this, however, the process would continue and be assisted by the project currently being undertaken by Pension Board Members.
- ◆ The issues raised previously at the Board in relation to Pension Fund Administration having to provide Employment Support Services with a copy of the death certificate to end a deceased pensioner's record, even though the death had been reported to the NYPF, were again raised and it was suggested that the Pension Board provide its support to the Pension Fund Administration in ending this bureaucratic step.
- ◆ It was noted that the majority of pensions were now paid in arrears, which ruled out complications in terms of over payment following the death of a pensioner. There were a small number of pensioners still paid in advance, but that provision would continue to reduce.
- ◆ It was requested that the Breaches Log be provided in a larger format for future use as it was difficult to read.

**Resolved -**

- (i) That the report be noted and any action indicated be undertaken accordingly;
- (ii) That the Pension Board supports the NYPF in its attempts to simplify the process required in the cessation of deceased pensioner records with a view to reducing the risk of financial loss to the NYPF and that support be outlined to Employment Support Services in respect of any discussions undertaken in relation to this process.

#### **141. Recent Pensions Regulator Developments**

Considered -

A report provided Members with details of a recent seminar held on 27 February 2018, hosted by AON Hewitt. It outlined a number of updates from the Pensions Regulator (TPR) as follows:

- ◆ The TPR would start to impose fines for non-completion of annual returns.
- ◆ The TPR current focus was on:-
  - clear roles and responsibilities
  - clear purpose of strategy
  - training and improving knowledge
- ◆ Their upcoming areas of focus would be how the Pension Fund managed its advisers and other contract providers, managing risks and conflicts, meetings and decision-making and value for money and member experience.
- ◆ The TPR would attend Pension Board/Pension Fund Committee meetings, by invite, in the future.

The following issues and points were raised in relation to the report:-

- ◆ The Chairman noted that TPR had published further press releases (in March) in relation to roles and responsibilities and that the Business Plan being developed for NYPF would take account of that.
- ◆ The Chairman also referred to the current disparity in terms of legal requirements on training for Pension Board Members, and of those not applying, currently, to Pension Fund Committee Members. In a discussion of this issue Members considered that there was a gap in relation to the requirements for training and knowledge for Pension Board Members and Pension Fund Committee Members. It was emphasised that the issue was delicate, as, currently, there was no requirement in legislation for Trustees to undertake training and have the skills to participate in their role. It was noted that the current Pension Fund Committee benefitted from Members with a great deal of experience in relation to Local Government Pensions' issues, however, going forward, this may not always be the case and it would be appropriate, therefore, for a training and knowledge requirement to be in place for Trustees. In relation to this it was emphasised that the Pension Board did not want to appear provocative towards the Pension Fund Committee, particularly as, currently, there was no requirement in legislation for them to have appropriate skills and knowledge. It was also noted that

consideration was being given to a skills matrix within the development of the Business Plan for the Pension Fund. It was suggested that further consideration be given to this matter during discussion of the Pension Board's training programme later in the meeting.

**Resolved -**

That the report be noted.

**142. Internal Audit Reports**

**Considered -**

The report of Internal Audit providing the Pension Board with an update on recent activity. It was noted that there had been little progress on the Internal Audit reports detailed at the previous meeting due to staff absence.

It was reported that the income and expenditure reports had been drafted and were currently in the process of being cleared before submission to officers. As part of the expenditure report the relationship between Pension Fund Administration and Employment Support Services was being explored. The final reports for income, expenditure and governance arrangements were expected to be in place and submitted to the next Pension Board meeting. It was noted that the draft governance arrangement report was due to be published in the next few weeks.

In terms of the implementation of recommendations from the 2016/17 audit reports it was noted that all the findings had now been actioned. Clarification was provided in relation to the classification of priorities for the findings.

A Member asked whether any "secret shopper" exercises were carried out by Internal Audit in relation to the operations of the Pension Fund Administration. In response it was stated that visits were carried out to determine whether confidential information was being stored away securely, however, currently, "secret shopper" initiatives were not undertaken.

**Resolved -**

That the report be noted.

### 143. Pension Board Projects

Members provided updates in relation to the following projects, in respect of their position as project leaders:-

#### Management, administration and governance process and procedure

Mandy Swithenbank reported on the progress that she had made in relation to the project, highlighting the following:-

- ◆ The project was currently considering the provision of data from employers in relation to the production of Annual Benefits Statements. It was noted that deadlines had been missed by some employers as outlined in the Breaches Log. Employers were aware of the requirement to submit information in relation to active members. The Head of Pensions Administration stated that employers were contacted by email where they had missed deadlines, with the final deadline being 30 April. The process for obtaining information began in January with reminders issued in the following months up to the final deadline. The Project Leader suggested that details of those employers that were consistently missing deadlines be brought to the next meeting of the Pension Board. In response the Head of Pensions Administration stated that a report would be included in the governance document submitted to the Pension Fund Committee in May and, therefore, would come to the Pension Board meeting in July as the minutes of the PFC were submitted to all Pension Board meetings. The Project Leader emphasised that the aim was to ensure that Pensions Administration was being provided with the information it required in a timely manner and would suggest taking action against employers that repeatedly did not comply with the deadlines. The Chairman noted that details in relation to this were provided via the Internal Audit reports, directly from Pensions Administration and via the project being undertaken, which allowed a triangulation of the facts to be undertaken. He stated that it would be appropriate for these details to be provided to the July meeting.
- ◆ The Head of Pensions Administration noted that the issues around returns were not only the timeliness of the submission of data, but also the quality of the data sent. It was suggested that this could form part of the review being undertaken by the Project Leader. It was noted, however, that the return to TPR was undertaken electronically, via their portal, and therefore the information would have to be tracked to be made available to the Project Manager.

#### Development of Improved Customer Services/Scheme Member and Employer Communications

Project leaders, Councillor Ian Cuthbertson and County Councillor Mike Jordan, provided a brief update on the projects, outlining the following:-

- ◆ It was noted that the projects were currently in their infancy, but some preparation work had been undertaken and further work was planned, alongside the Head of Pensions Administration .
- ◆ It was noted that, as reported earlier in the meeting, the number of standard letters had been reduced to 215 and the project would consider further reductions in the number of letters produced.

- ◆ As Annual Benefits Statements were about to be produced it was suggested that this was a good time to give consideration to how these were developed and presented, as it would fit in with the current work timetable of officers.
- ◆ It was expected that both Councillor Cuthbertson and County Councillor Jordan would meet shortly with the Head of Pensions Administration to develop these projects further.
- ◆ County Councillor Jordan suggested that a review of the Retired members' newsletter may be required, however, a contrary opinion was provided by another Member who suggested that the publication was appropriate.

**Resolved -**

That the development of the projects be noted and further update reports be submitted to subsequent meetings.

**144. Exclusion of the Public and Press**

**Resolved -**

That the public and press be excluded from the meeting during consideration of Minute No. 145, pooling, on the grounds that this involved the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

**The following report was considered in private the public have no right of access.  
Minute No. 145 is a public summary of business conducted in private.**

**145. Pooling**

A report relating to the project and implementation budget update for February 2018 in respect of the Border to Coast Pensions Partnership was outlined.

The following details were provided:-

- ◆ Project implementation planning.
- ◆ Governance.
- ◆ People.
- ◆ Investment.
- ◆ Procurement.
- ◆ Corporate infrastructure.
- ◆ Solution delivery.
- ◆ Implementation budget outturn.
- ◆ Risks.

Members of the Pension Board undertook an in-depth discussion of the report and were provided with clarification to a number of questions raised.

**Resolved -**

- (i) That the report be noted;
  - (ii) That consideration be given to a joint meeting with other Pension Boards from the other Pension Funds represented within the Pool; and
  - (iii) That further update reports be provided to subsequent meetings of the Board.
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**The meeting returned to open session**

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**146. Training**

Considered -

The report providing an update on Pension Board Member training.

It was noted that the current training details for Pension Board Members were up to date.

The Chairman highlighted a skills-matrix and evaluation document that had been circulated by TPR and suggested that this may be beneficial for Members of the Board to complete, to provide an analysis of the current combined skills held by the Pension Board. A Member noted that the documents, which had been circulated prior to the meeting, referred to Trustees of Pension Funds, rather than Pension Board Members, and suggested that this was not within the Pension Board's remit. Members discussed the details of the evaluation/skills-matrix forms and whether they appropriately applied to Pension Board Members. It was concluded that there were a significant number of questions within the documents that related to membership of the Pension Board and, therefore, there was some merit in completing the forms detailed. It was agreed, therefore, that these be circulated and completed, and an analysis undertaken to determine what further training could be undertaken by the Pension Board, in terms of any missing skills. In terms of the questions that related to Trustees it was considered that these could be marked not applicable for Pension Board Members.

It was suggested that when the forms had been completed by the Pension Board then it could be suggested to the Pension Fund Committee that they also complete the forms to determine the level of skills and knowledge of Members of the Committee, as Trustees to the Pension Fund.

**Resolved -**

That the TPR's skills-matrix and evaluation forms be circulated to Pension Board Members for them to complete, return and be evaluated, for submission to the next meeting of the Board.

## 147. Work Plan

Considered -

The report detailing the areas of planned work by the Pension Board, noting the current issues that were being undertaken as projects by Pension Board Members, updated earlier in the meeting as:-

1. Management, administration and governance processes and procedure.
2. Development of improved customer services.
3. Scheme member and employer communications.

In relation to the Work Programme it was noted that a number of issues were cross referenced within the details set out and, a number were monitored through papers provided to Pension Fund Committee meetings and, therefore, considered at Pension Board meetings through the Minutes of the PFC. It was emphasised, therefore, that no individual reviews were required for those matters, as they were continually monitored or picked up through other items. It was suggested that a list of matters that were being monitored, together with the progress being made on those, and any developments, be drafted to ensure that Pension Board Members were kept abreast of these. In relation to this it was considered appropriate that the issues were reported to Pension Board at the time when officers were dealing with these so as not to cause an additional burden.

In view of this it was suggested that the pre-meeting for Pension Board agendas be widened to include all appropriate officers, allowing them to have their input into fulfilling this requirement.

The Chairman stated that he would develop this further.

**Resolved -**

That the report be noted and action identified be undertaken accordingly.

The meeting concluded at 12.25 pm

SL/JR