



North Yorkshire Pension Fund

# Annual Report and Accounts 2017/18

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# Part 1 - Management and Financial Performance

## 1.1 Introduction

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

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

by the Fund's Actuary. These contributions are supplemented by earnings on the Fund's investments in order to pay retirement benefits.

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

## 1.2 Pension Fund Committee

PFC membership as at 31 March 2018 was as follows:

Members	Position	Voting Rights
John Weighell (Chairman)	Councillor, NYCC	Yes
Helen Swiers (Vice-Chairman)	Councillor, NYCC	Yes
Mike Chambers MBE	Councillor, NYCC	Yes
John Blackie	Councillor, NYCC	Yes
Clifford Lunn	Councillor, NYCC	Yes
Patrick Mulligan	Councillor, NYCC	Yes
Andy Solloway	Councillor, NYCC	Yes
Angus Thompson	Councillor, NYCC	Yes
Jim Clark	Councillor, District Councils' representative of Local Government North Yorkshire and York	Yes
David Carr	Councillor, City of York Council	Yes
David Portlock	Chairman of the Pension Board	No
3 Unison representatives	Union Officials	No

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

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

### 1.3 Fund Administrators, Advisers and Investment Managers

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

### 1.4 Risk Management

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

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

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

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

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

### 1.5 LGPS Pooling Arrangements

In the July 2015 Budget, the Chancellor of the Exchequer announced the Government's intention to work with the 89 administering authorities in the LGPS to ensure that they pool investments to achieve improved efficiency and significantly reduce costs, and to promote increased infrastructure investments by the LGPS within the UK, while maintaining overall investment performance.

On 15 July 2016 the Fund and eleven other LGPS Funds sent a proposal to the Government describing in detail how investment pooling arrangements could work. This proposal can be found here <https://www.nypf.org.uk/nypf/Investment%20Pooling.shtml>. This followed a summary proposal published on 19 February 2016.

During 2017/18, the Border to Coast Pensions Partnership (Border to Coast) was established to lead the pooling of investment assets across 12 LGPS Funds from the North to the South of England; this was signed up to by NYPF. The Administering Authorities of the LGPS funds that are

participating in the Border to Coast pool, and are therefore its intended investors, are a combination of "like-minded" UK-based local government Unitary Authorities, Non-Metropolitan County Councils and Metropolitan District Councils. These are listed in the table below:

Administering Authority	Local Government Pension Fund
Bedford Borough Council	Bedfordshire Pension Fund
Cumbria County Council	Cumbria Pension Fund
Durham County Council	Durham Pension Fund
The East Riding of Yorkshire Council	East Riding Pension Fund
Lincolnshire County Council	Lincolnshire Pension Fund
North Yorkshire County Council	North Yorkshire Pension Fund
Northumberland County Council	Northumberland Pension Fund
South Yorkshire Pensions Authority	South Yorkshire Pension Fund
Surrey County Council	Surrey Pension Fund
Middlesbrough Council	Teesside Pension Fund
The Borough Council of South Tyneside	Tyne and Wear Pension Fund
Warwickshire County Council	Warwickshire Pension Fund

During the financial year 2018/19 the phased transition of investment assets from the Fund to Border to Coast Pension Partnership will begin.

# Part 2 - Scheme Administration

## 2.1 Administering Authority Arrangements

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

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

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

## 2.2 Disputes Process

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

However, as part of the Pension team's customer care policy, all questions raised are dealt with via an internal process with the aim of resolving issues to the satisfaction of the Scheme member as quickly as possible. In 2017/18 eight cases were received via the IDRP process. Of these only two were referred back to the employers concerned to obtain further information. This confirms that regulatory requirements have been followed and the appropriate actions have been taken.

## 2.3 Pensions Administration

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

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

Following the Education Act 2011 there continues to be a significant growth in scheme employers converting to Academies. A dedicated NYPF contact continues to provide schools with appropriate actuarial information regarding employer contribution rates and deficits.

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

## 2.4 Member Self-Service (MSS)

This is a web-based self-service facility which allows members to update their contact details and perform calculations. This facility has also been used to allow electronic communication with members for the retirement and estimates processes. As at 31 March 2018 there were 15,402 registered users.

A small number of staff from employers within the Fund have direct upload access to the pensions database (with access to their employees only). This allows them to carry out basic pensions administration processes (creating new starter records, updating hours and personal information) and upload associated documents. Work is monitored via a 'task' which is created on the member record by the employer detailing what they have done. All changes can be tracked through an audit report which is run by the NYPF Systems team.

## 2.5 Electronic Annual Benefit Statements

Active and deferred Scheme members may view their Annual Benefit Statement online. The majority, representing 97% of all statements, are delivered in this way with only 1,325 being posted to members in 2017/18.

## 2.6 NYPF Website

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

## 2.7 Data Quality

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

# Part 3 - Investment Policy and Performance

## 3.1. Investment Policy

### (a) Regulations

NYCC is required, as the administering authority, to invest any NYPF monies which are not immediately required to pay pensions and other benefits. The LGPS Management and Investment of Funds Regulations 2016 set out certain restrictions as to individual investments, the purpose of which is to limit the exposure risk of an LGPS fund. Full details of the investment policy are shown in the Investment Strategy Statement (see Part 6).

### (b) Investment Management arrangements

As at 31 March 2018 the following investment management arrangements were in place:

- › Baillie Gifford managed two active global (i.e. including UK) equity portfolios, namely Global Alpha and Long Term Global Growth (LTGG). Each of these portfolios is in the form of a pooled vehicle, rather than being invested in segregated holdings. Both are managed without reference to a benchmark, however the FTSE All World index is used for performance measurement purposes
- › Fidelity managed an active overseas equities (ex UK) portfolio comprising segregated holdings in overseas companies against a composite MSCI World (ex UK) index
- › Standard Life managed an active UK equity portfolio comprising segregated holdings in UK companies against the FTSE 350 (excluding investment trusts) equally weighted index
- › M&G managed an active Gilts portfolio comprising segregated fixed income and index linked holdings, against the “least risk” benchmark
- › Hermes managed an active UK Property portfolio through a pooled fund with the objective of outperforming the IPD Other Balanced Property Funds index
- › Threadneedle and Legal & General both managed active UK Property portfolios during the year through pooled funds with the objective of outperforming the All Balanced Property Funds index
- › Standard Life and Newton both managed Diversified Growth Fund portfolios during the year through the Global Absolute Return Strategy (GARS) and Real Return (RR) pooled funds respectively, with the objectives of significantly outperforming the cash benchmark
- › Veritas and Dodge and Cox managed active global equity portfolios in the form of a pooled vehicle against the MSCI All Country World index
- › Bluebay and Permira managed private debt portfolios through pooled Funds, both are managed without reference to a benchmark but have an objective to significantly outperform cash

The agreed asset class structure for the investment portfolio as at 31 March 2018 was as follows:

	Minimum %	Maximum %
Equities	40	65
Alternatives	20	35
Fixed Income	15	30

### (c) Custody of Investments

BNY Mellon Asset Servicing is the custodian for the Fund’s assets. There is one exception, being:

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

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

## 3.2 Performance

### (a) Fund and Manager Performance

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

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

Performance for the year was +8.4% compared to the benchmark return of +3.4%.

Performance for the North Yorkshire Pension Fund compared with the benchmark for 5 years is shown below.

Periodic Performance	1 Year	5 Years (p.a.)
North Yorkshire Pension Fund	8.4%	12.0%
Benchmark	3.4%	9.0%
Performance against benchmark	+5.0%	+3.0%



The performance of the Fund as a whole and of the individual fund managers for the year to 31 March 2018 compared with their defined benchmarks is shown in the following table:

Fund Manager	Share of Fund as at 31 March 2018	Fund Performance	Customised Benchmark	+/-
	%	%	%	%
Baillie Gifford Life Ltd - Global Alpha	19.8	13.2	2.9	+10.3
Baillie Gifford Life Ltd - LTGG	14.3	26.3	2.9	+23.4
Fidelity International	9.7	3.9	3.5	+0.4
Veritas	4.6	-2.1	2.9	-5.0
Dodge & Cox	4.5	-2.1	2.9	-5.0
Standard Life Investments - Equities	10.2	8.4	6.1	+2.3
M&G Investment Management Ltd	17.6	1.7	1.4	+0.3
Hermes Investment Management Ltd	1.1	11.5	10.5	+1.0
Legal & General	2.0	8.2	10.0	-1.8
Threadneedle	5.2	10.3	10.0	+0.3
Standard Life (GARS)	5.2	0.9	0.3	+0.6
Newton Investments (RR)	4.1	-2.2	0.3	-2.5
Bluebay	0.2	7.3	8.3	-1.0
Permira	1.0	13.3	6.0	+7.3
Internally Managed Cash (and net debtors)	0.5	-	-	-
<b>Total Fund</b>	<b>100.0</b>	<b>8.4</b>	<b>3.4</b>	<b>+5.0</b>

### (b) Analysis of Accounts

The Statement of Accounts for the year 2017/18 is shown at Appendix A.

The value of the Fund's assets at 31 March 2017 was £3,036m, and this increased by £293m during the year to give a value of £3,329m at 31 March 2018.

### Analysis of Fund Account over three years to 2017/18

	2017/18	2016/17	2015/16
	£000	£000	£000
Net additions/(withdrawals) from dealings with members	47,645	23,205	15,840
Net investment return	(1,349)	3,843	8,705
Change in market value of investments	246,433	590,955	(6,581)
Net increase/(decrease) in the Fund	292,730	618,003	17,964

### Analysis of Net Asset Statement over three years to 2017/18

	2017/18	2016/17	2015/16
	£000	£000	£000
Fixed Interest Securities	626,598	422,864	341,598
Equities	592,014	587,799	488,055
Pooled Funds	1,839,822	1,742,033	1,391,947
Pooled Property	276,831	252,966	176,463
Private Equity	0	55	82
Cash Deposits	13,887	10,123	8,339
Other	(37,975)	4,382	2,813
<b>Total Investment Assets</b>	<b>3,311,177</b>	<b>3,020,222</b>	<b>2,409,297</b>
<b>Current Assets and Current Liabilities</b>	<b>17,389</b>	<b>15,614</b>	<b>8,536</b>
<b>Net Assets of the Fund</b>	<b>3,328,566</b>	<b>3,035,356</b>	<b>2,417,833</b>

### (c) Accounting and Cash Flow

Prior to the start of the 2017/18 financial year, a Budget was prepared for NYPF which expressed the expected levels of expenditure (i.e. pensions, lump sums, administrative expenses) and income (i.e. employees and employers' contributions, net transfer values in, early retirement costs recharged). The Budget was monitored at each subsequent quarterly PFC meeting, and revised as necessary to take into account the latest projections.

The revised Budget for 2017/18 forecast a net cash surplus of £38.0m. The actual surplus for the year was £37.8m, resulting in an overall cash flow of £0.2m below expectations

	Budget 2017/18	Actual Income/Expenditure	Variance
	£m	£m	£m
<b>Expenditure</b>			
Benefits	106.5	105.6	-0.9
Administration	2.2	1.9	-0.3
Investment Expenses	7.6	12.0	4.4
<b>Total Expenditure</b>	<b>116.3</b>	<b>119.5</b>	<b>3.2</b>
<b>Income</b>			
Employer and Employee contributions	150.5	151.2	0.7
Transfers	2.5	4.8	2.3
Other Income	1.3	1.3	0.0
<b>Total Income</b>	<b>154.3</b>	<b>157.3</b>	<b>3.0</b>
<b>Net Surplus</b>	<b>38.0</b>	<b>37.8</b>	<b>-0.2</b>

The main reasons for the variances were:

- Investment expenses - due to high performance on global equities in particular over the period
- Transfers - the budget is largely based on past experience as transfer payments/receipts cannot be accurately forecast.

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

# Part 4 - Pension Administration Activity

The number of staff (in FTE terms) at the Council involved in Pension Administration was 24.80.

## (a) Key Performance Indicators

The Local Government Pensions Committee has defined a range of performance indicators through which Funds can be compared. NYPF's performance in these areas for the year to 31 March 2018 is shown here:

Performance Indicator	LGPC Target	Achieved (%)
Letter detailing transfer in quote	10 days	96.17
Letter detailing transfer out quote	10 days	94.29
Process and pay refund	5 days	97.53
Letter notifying estimate of retirement benefits	10 days	96.37
Letter notifying actual retirement benefits	5 days	59.45
Process and pay lump sum retirement grant	5 days	69.45
Initial letter acknowledging death of active/deferred/pensioner member	5 days	60.30
Letter notifying amount of dependant's benefits	5 days	60.30
Calculate and notify deferred benefits	10 days	80.90

## (b) Benefit Calculation Activity

The number of cases processed during the year requiring benefit calculations is shown here:

Task	Number
Retirements	3720
Transfers In	344
Refunds	1859
Frozen Refunds	824
Preserved Benefits	3697
AVCs/ARCs	1
Divorce cases	206
Deaths in Service	37
Deaths of Pensioners	577

## (c) Administration

The total numbers of joiners and leavers during 2017/18 were:

Joining	8093
Retiring	1375
Deaths	654
Other Leavers	3276

The performance and activity reflect the efforts the Pension Administration team goes to in providing a first class service to the Fund membership. NYPF continues to encourage all stakeholders to utilise technology effectively in all communications. Examples of this over 2017/18 include:

- Continued to promote online member self-service and encourage members to check their online Annual Benefit Statement, paying particular attention to their Career Average Benefits

- Encouraged members to plan for their retirement by providing pre-retirement presentations in conjunction with Affinity Connect and Prudential. Information regarding financial planning and lifestyle adjustments were provided
- Develop relationships with new employers to support them with the requirements of the LGPS. There continues to be significant growth in scheme employers largely in respect of schools converting to Academies
- Offering face to face training and support for all employers
- Dedicated newsletter for retired members
- Processes have been updated to encourage deferred members to 'opt into' electronic communications. This will allow a quicker and more efficient retirement process when the member wants to claim their pension benefits. It also allows regular updates to be provided more frequently. It will increase the number of newsletters which can be sent via email rather than by post, saving on printing and postage.

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

# Part 5 - Membership Contributions and Scheme Benefits

## 5.1 Membership

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

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

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

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

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

Membership Type	31 March 2014	31 March 2015	31 March 2016	31 March 2017	31 March 2018
Current contributors	31,501	35,056	31,748	33,559	33,110
Deferred pensions	29,490	30,591	32,079	33,147	35,799
Pensioners receiving benefits	17,668	18,444	19,793	20,441	21,462

## 5.2 Contributions

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

The total contributions received for 2017/18 on an accruals basis were £150.6m, and NYCC being the main employer in the Fund contributed £71.5m. Employer contributions are set every three years by the Actuary as part of the Triennial Valuation. Details of the employer contribution rates can be seen in the latest Valuation Report by following the link below:

[www.nypf.org.uk/Documents/NorthYorkshirePensionFund-ActuarialValuationasat31March2016.pdf](http://www.nypf.org.uk/Documents/NorthYorkshirePensionFund-ActuarialValuationasat31March2016.pdf)

## 5.3 Employer Analysis

At 31 March 2018 there were 157 contributing employer organisations within NYPF including the County Council. Full details of all employers can be found in the Statement of Accounts (see Part 6).

The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Scheduled	92	13	105
Admitted Body	46	35	81
Total	138	48	186

## 5.4 Member Rates

For member contributions a banded structure has been in place from April 2008 linked to the rate of pensionable pay a member receives. The band ranges were updated in April 2017 as follows:

Band	Range	Contribution rate
1	£0 to £13,700	5.5%
2	£13,701 to £21,400	5.8%
3	£21,401 to £34,700	6.5%
4	£34,701 to £43,900	6.8%
5	£43,901 to £61,300	8.5%
6	£61,301 to £86,800	9.9%
7	£86,801 to £102,200	10.5%
8	£102,201 to £153,300	11.4%
9	Over £153,301 or more	12.5%

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

Employers' contributions are determined in a cycle every three years by a Triennial Valuation. The Valuation assesses the contributions required to meet the cost of pension benefits payable as they are earned, as well as additional contributions employers may be required to pay to address any deficit relating to previous years. Further details, including a list of each employer's minimum

contributions following the 2016 Valuation are shown at [www.nypf.org.uk/Documents/NorthYorkshirePensionFund-ActuarialValuationasat31March2016.pdf](http://www.nypf.org.uk/Documents/NorthYorkshirePensionFund-ActuarialValuationasat31March2016.pdf)

## 5.5 Scheme Benefits

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

### Normal Pension Age

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

On retirement, both a pension and a lump sum retirement grant are payable for service up to 31 March 2008. For service from 1 April 2008 only a pension is payable, with no automatic lump sum. However, members do have the option to convert an amount of pension to a lump sum.

### Pension (Normal)

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

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

### Pension (Ill Health)

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

#### First Tier:

If it is unlikely that the member will be capable of gainful employment before Normal Pension Age (NPA), LGPS service is enhanced by 100% of the remaining potential pension to NPA. This is based on 1/49<sup>th</sup> of an 'Assumed Pensionable Pay' figure

which is a calculation of the pensionable pay on a prescribed basis for the period between the date of retirement and NPA.

#### Second Tier:

If it is unlikely that the member will be capable of gainful employment within 3 years of leaving but is likely to be capable of undertaking gainful employment before reaching NPA, LGPS service is enhanced by 25% of the remaining potential pension to NPA.

#### Third Tier:

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

### Lump Sum Retirement Grant

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

### Death Grant

#### Death in Service

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

If a member has a deferred benefit and / or a pension in payment from a previous period of membership, the lump sum death grant will be the greater of any lump sum death grant payable in respect of those benefits or the death in service

lump sum death grant of three times their assumed pensionable pay.

#### Death after Retirement

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

#### Death of a member with Preserved Benefits

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

#### Spouses, civil partners and eligible cohabiting partners pensions

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

Benefits are payable to a cohabiting partner provided the member paid into the LGPS on or after 1 April 2008 and subject to certain qualifying conditions being met.

The pension available to a cohabiting partner is based on post April 1988 membership only (unless the member elected to pay additional contributions to make any pre April 1988 membership count).

### Children's Pension

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

### Pension Increases

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

### AVCs

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

# Part 6 - Governance Documentation

The main governance documentation is as follows:

- Investment Strategy Statement  
[https://www.nypf.org.uk/Documents/InvestmentStrategyStatement\\_June2018.pdf](https://www.nypf.org.uk/Documents/InvestmentStrategyStatement_June2018.pdf)
- Governance Compliance Statement  
[https://www.nypf.org.uk/Documents/GovernanceComplianceStatement\\_v1.1June18.pdf](https://www.nypf.org.uk/Documents/GovernanceComplianceStatement_v1.1June18.pdf)
- Funding Strategy Statement  
[https://www.nypf.org.uk/Documents/GovernanceComplianceStatement\\_v1.1June18.pdf](https://www.nypf.org.uk/Documents/GovernanceComplianceStatement_v1.1June18.pdf)
- Communications Policy  
[https://www.nypf.org.uk/Documents/Comms%20Policy\\_v1%2012.6.18.pdf](https://www.nypf.org.uk/Documents/Comms%20Policy_v1%2012.6.18.pdf)
- Pension Administration Strategy  
[www.nypf.org.uk/nypf/policiesandstrategies.shtml](http://www.nypf.org.uk/nypf/policiesandstrategies.shtml)

All of these documents can be found on the NYPF website at <https://www.nypf.org.uk/nypf/policiesandstrategies.shtml>

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

## (a) Investment Strategy Statement

Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations) requires administering authorities to formulate, publish and maintain an Investment Strategy Statement (ISS).

The ISS must include:

- A requirement to invest money in a wide variety of investments;
- The authority's assessment of the suitability of particular investments and types of investments;
- The authority's approach to risk, including the ways in which risks are to be measured and managed;
- The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- The authority's policy on the exercise of rights (including voting rights) attaching to investments.

## (b) Governance Compliance Statement

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

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

## (c) Funding Strategy Statement

The Funding Strategy Statement (FSS) has been prepared in accordance with Regulation 58 of the LGPS Regulations 2013 (as amended) and the guidance papers issued in March 2004 and November 2004 by the Chartered Institute of Public Finance and Accountancy (CIPFA). The main purpose is to:

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

In addition to this, the Funding Strategy Statement covers:

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

## (d) Communications Policy

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

## (e) Pensions Administration Strategy

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

## Part 7 - Training

### 7.1 Public Sector Pensions - Finance Knowledge and Skills

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

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

### 7.2. Training for Pension Fund Committee Members and Officers

#### (i) Internally Provided

Three Investment Strategy Workshops and new Member training sessions were held throughout the year, all of which were well attended by PFC Members and officers of the Fund.

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

#### (ii) Externally Provided

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

Events attended by PFC Members during 2017/18 were:

Event	Place	Date
PLSA Local Authority Conference	Gloucestershire	15-17 <sup>th</sup> May 2017
CIPFA Conference for Local Pension Boards	London	28 <sup>th</sup> June 2017
LGPS Conference	Bournemouth	29 <sup>th</sup> & 30 <sup>th</sup> June 2017
BCPP New Member Seminar	York	11/12 <sup>th</sup> September 2017
PLSA Annual Conference	Manchester	18-20 <sup>th</sup> October 2017
LAPFF Conference	Bournemouth	6-8 <sup>th</sup> December 2017
NAPF Investment Conference	Edinburgh	7-9 <sup>th</sup> March 2018

Details of the training undertaken by Members is recorded and reported at each PFC meeting. The latest report can be found by looking in the Pensions Administration Report in the link below:

<http://democracy.northyorks.gov.uk/committees.aspx?commid=11&meetid=3797>

## Part 8 - Glossary and Contact Details

#### Active member:

Current employee who is contributing to a pension scheme.

#### Actuary:

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

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

#### Additional Voluntary Contributions (AVC):

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

#### Administering Authority:

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

#### Admitted Body:

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

#### Alternatives:

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

#### Asset Allocation:

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

#### Benchmark:

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

#### CARE (Career Average Revalued Earnings):

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

#### Deferred Members:

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

#### Defined Benefit Scheme:

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

**Diversified Growth Funds (DGF):**

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

**Employer Contribution Rates:**

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

**Equities:**

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

**Fixed Interest Securities:**

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

**Index:**

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

**Pooled Funds:**

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

**Return:**

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

**Scheduled Body:**

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

**The Pensions Advisory Service (TPAS):**

TPAS provide free, independent and impartial information and guidance about pensions including workplace, personal and stakeholder schemes as well as the State Pension.

**Unrealised Gains/Losses:**

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

**Contact Information****North Yorkshire Pension Fund**

County Hall  
Northallerton  
North Yorkshire  
DL7 8AL

Telephone: **01609 536335**

Email: [pensions@northyorks.gov.uk](mailto:pensions@northyorks.gov.uk)

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

**The Pensions Advisory Service (TPAS)**

11 Belgrave Road  
London  
SW1V 1RB

Telephone: The Pensions Helpline:

**0800 011 3797**

Email: [enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)

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

# Appendix A

**Statement of responsibilities for the financial statements**

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

**a) The Administering Authority**

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

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

**b) Treasurer**

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

In preparing these financial statements, the Treasurer has:

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

The Treasurer has also:

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

**Certificate**

I hereby certify that the Annual Report and Accounts give a true and fair view of the financial position of the North Yorkshire Pension Fund as at 31 March 2018 and its income and expenditure for the financial year then ended.

**Gary Fielding**

Treasurer

North Yorkshire Pension Fund

## North Yorkshire Pension Fund

### Fund Account for the year ended 31 March 2018

2016/17			2017/18
£000	CONTRIBUTIONS AND BENEFITS	£000	£000
	<b>Contributions</b>		
58,793	Employers - Normal	74,612	
38,953	- Deficit	46,345	
3,091	- Early Retirement Costs Recharged	2,738	
26,226	Employees - Normal	26,692	
187	- Additional Voluntary	163	
127,250	<b>Total Contributions Receivable (Note 7)</b>		150,551
11,959	<b>Transfers In (Note 8)</b>		13,782
	<b>Less</b>		
	<b>Benefits</b>		
(76,846)	Pensions	(80,592)	
(23,693)	Commutation and Lump Sum Retirement Benefits	(21,912)	
(3,664)	Lump Sums Death Benefits	(2,615)	
(104,203)	<b>Total Benefits Payable (Note 9)</b>		(105,119)
	<b>Leavers</b>		
(267)	Refunds to Members Leaving Service	(423)	
0	Payments for Members Joining State Scheme	(92)	
(9,280)	Transfers Out	(8,957)	
(9,547)	<b>Total Payments on Account of Leavers (Note 10)</b>		(9,472)
(2,255)	<b>Management Expenses (Note 11)</b>		(2,097)
23,205	<b>Net Additions From Dealings With Members</b>		47,645
	<b>RETURNS ON INVESTMENTS</b>		
18,330	Investment Income (Note 12)		23,545
(256)	Taxation (Note 13)		(371)
(14,231)	Investment Management Cost (Note 11)		(24,523)
590,955	Change in market value of investments (Note 14a)		246,433
594,798	<b>Net Returns On Investments</b>		245,084
618,003	<b>Net Increase in the Fund During the Year</b>		292,730
2,417,833	<b>Opening Net Assets of the Fund</b>		3,035,836
3,035,836	<b>Closing Net Assets of the Fund</b>		3,328,566

## North Yorkshire Pension Fund

### Net Assets Statement

31 March 2017		31 March 2018
£000	INVESTMENT ASSETS (Notes 15 & 16)	£000
422,864	Fixed Interest Securities	626,598
587,799	Equities	592,013
1,742,033	Pooled Investments	1,839,822
252,966	Pooled Property Investments	276,831
55	Private Equity	0
3,005,717		3,335,265
10,123	Cash Deposits	13,887
6,234	Investment Debtors	24,990
3,022,074	<b>TOTAL INVESTMENT ASSETS</b>	3,374,142
	<b>INVESTMENT LIABILITIES (Notes 14 &amp; 15)</b>	
(182)	Derivative Contracts - Forward Currency Contracts	0
(1,670)	Investment Creditors	(62,965)
(1,852)	<b>TOTAL INVESTMENT LIABILITIES</b>	(62,965)
3,020,222	<b>NET INVESTMENT ASSETS</b>	3,311,177
	<b>CURRENT ASSETS</b>	
7,878	Contributions due from employers	8,470
797	Other Non-Investment Debtors	765
8,683	Cash	12,471
17,358	<b>TOTAL CURRENT ASSETS</b>	21,706
	<b>CURRENT LIABILITIES</b>	
(1,744)	Non-investment creditors	(4,317)
(1,744)	<b>TOTAL CURRENT LIABILITIES</b>	(4,317)
3,035,836	<b>TOTAL NET ASSETS (Note 17)</b>	3,328,566

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

## Notes to the North Yorkshire Pension Fund accounts for the year ended 31 March 2018

### 1. Description of the Fund

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

The following description of the Fund is a summary only. For more detail, refer to the NYPF Annual Report 2017/18 and the statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

#### a) General

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

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016

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

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

#### b) Membership

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

Organisations participating in NYPF include:

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

At 31 March 2018 there were 157 contributing employer organisations within NYPF including the County Council itself, and over 90,000 individual members, as detailed opposite.

### 105 Scheduled Bodies including 61 Academies

Ainsty 2008 Internal Drainage Board	Align Property Services
Askham Bryan College	Chief Constable NYP
City of York Council	Craven College
Craven District Council	Easingwold Town Council
Filey Town Council	Foss 2008 Internal Drainage Board
Fulford Parish Council	Glusburn Parish Council
Great Ayton Parish Council	Hambleton District Council
Harrogate Borough Council	Haxby Town Council
Hunmanby Parish Council	Knaresborough Town Council
Malton Town Council	North York Moors National Park
North Yorkshire County Council	North Yorkshire Fire and Rescue
North Yorkshire Police and Crime Commissioner	Northallerton & Romanby JBB
Northallerton Town Council	Norton on Derwent Town Council
Pickering Town Council	Richmond Town Council
Richmondshire District Council	Ripon City Council
Ryedale District Council	Scarborough Borough Council
Scarborough Sixth Form College	Selby College
Selby District Council	Selby Town Council
Skipton Town Council	Sutton in Craven Parish Council
Tadcaster Town Council	Thornton (Vale of Pickering) IDB
Whitby Town Council	York Arts Education
York College	Yorkshire Dales National Park

Academy Trusts	
Arete Learning Trust - Stokesley Prim Acad	Bishop Wheeler Catholic Academy Trust
Arete Learning Trust - Richmond School	Craven Educational Trust
Ebor A.T. - Brotherton & Byram CP	Dales Academies Trust
Ebor A.T. - Camblesforth CP	Elevate MAT
Ebor A.T. - Filey Academy	Enquire Learning Trust - East Whitby Primary
Ebor A.T. - Filey COE Nursery and Infants	Enquire Learning Trust - Roseberry Primary
Ebor A.T. - Haxby Road	Enquire Learning Trust - Stokesley CP School
Ebor A.T. - Park Grove	Great Smeaton Academy Primary School
Ebor A.T. - Robert Wilkinson	Hope Learning Trust - Barby High
Ebor A.T. - Staynor Hall CP	Hope Learning Trust - Burton Green Primary
Ebor A.T. - Tockwith School	Hope Learning Trust - Forest of Galtres
Northern Star AT - Harrogate High	Hope Learning Trust - Manor CoE Academy
Northern Star AT - Hookstone Chase	Hope Learning Trust - Poppleton Ousebank
Northern Star AT - New Park Primary	Hope Learning Trust - Vale of York
Northern Star AT - Skipton Girls High School	Norton College - an 11-19 academy
Outwood Grange A.T. - Greystone CP School	Pathfinder MAT - Acomb Primary
Outwood Grange A.T. - Outwood Acad.Ripon	Pathfinder MAT - Archbishop Holgates School
Red Kite Learning Trust Pooled	Pathfinder MAT - Badger Hill School
Rodillian MAT - Brayton High School	Pathfinder MAT - Clifton with Rawcliffe School
Rossett School Academy	Pathfinder MAT - Hempland School
Scalby Learning Trust	Pathfinder MAT - Heworth School
South Bank Multi Academy Trust	Pathfinder MAT - New Earswick School
South Craven Academy Trust	Pathfinder MAT - St Lawrence School
South York MAT - Fulford School	Pathfinder MAT - Tang Hall School
Yorkshire Causeway S.T - .Hampsthwaite	Selby Educational Trust
Yorkshire Causeway S.T - .Oatlands Infant	The Grove Academy,
Yorkshire Causeway S.T - .Pannal Primary	The Woodlands Academy
Yorkshire Causeway S.T - .Richard Taylor CE	Thomas Hinderwell Primary Academy
Yorkshire Causeway S.T - .St Aidans	Yorkshire Collaborative Academy Trust
Yorkshire Causeway S.T - .St Peters CE	Yorkshire Endeavour Academies Trust
Yorkshire Causeway S.T - North Rigton	

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

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

	31 March 2018	31 March 2017
<b>Number of Employers with Active Members</b>	157	140
<b>Employees in the fund</b>		
NYCC	17,690	19,528
Other Employers	15,420	14,031
<b>Total</b>	<b>33,110</b>	<b>33,559</b>
<b>Pensioners</b>		
NYCC	11,636	11,017
Other Employers	9,826	9,424
<b>Total</b>	<b>21,462</b>	<b>20,441</b>
<b>Deferred Pensioners</b>		
NYCC	22,515	20,318
Other Employers	13,284	12,829
<b>Total</b>	<b>35,799</b>	<b>33,147</b>

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2018. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016 that set the contribution rates for 2017/18, 2018/19, 2019/20; details of the rates for individual employers are available on the Fund's website. The contribution rates in 2017/18 were set at the 2016 Valuation.

### d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS up to 31 March 2014 are based on final pensionable pay and length of pensionable service.

For service up to 31 March 2008 each year worked is worth 1/80th of final pensionable salary, an automatic lump sum of three times salary is payable, and part of the annual pension can be exchanged

for a one-off tax free cash payment at the rate of £12 lump sum for each £1 pension given up. For service from 1 April 2008 each year worked is worth 1/60th of final pensionable salary, there is no automatic lump sum, and part of the annual pension can be exchanged at the same rate as for service up to 31 March 2008.

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

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

## 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2017/18 financial year and its year end position as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

## 3. Summary of Significant Accounting Policies

### Fund Account - Revenue Recognition

#### a) Contribution Income

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

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

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

#### b) Transfers To and From Other Schemes

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

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

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

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

#### c) Investment Income

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

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

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

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

### Fund Account - Expense Items

#### d) Benefits Payable

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

#### e) Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income

tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

#### f) Management expenses

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

#### Administrative Expenses and Oversight and Governance Costs

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

#### Investment Management Expenses

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

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

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

- Baillie Gifford & Co - Global Equities
- FIL Pensions Management (Fidelity) - Global (ex-UK) Equities
- Standard Life Investments - UK Equities
- Hermes Investment Management - UK Property
- Bluebay - Private Debt
- Permira - Private Debt

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

#### Net Assets Statement

##### g) Assets

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

##### h) Foreign Currency Transactions

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

##### i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purpose (see note 15)

##### j) Cash and Cash Equivalents

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

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

##### k) Liabilities

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

losses arising from changes in the fair value of the liability are recognised by the Fund.

#### l) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund's Actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an Appendix to these statements.

#### m) Additional Voluntary Contributions

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

AVCs are not included in the Accounts in accordance with Section 4(1)(b) of the LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

### 4. Critical Judgement in Applying Accounting Policies

#### Unquoted Private Equity Investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment manager using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2018 was £0k (31 March 2017, £55k).

#### Pension Fund Liability

The Fund's liability is calculated every three years by the Actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

The item in the Net Assets Statement as at 31 March 2018 for which there is a significant risk of material adjustment being required is the actuarial present value of promised retirement benefits, which is based on assumptions on the discount rate, salary increases, retirement ages, mortality rates and the return on investments.

The effects of changing individual assumptions on the value of pension liabilities can be measured. A 0.1% increase in the discount rate would reduce liabilities by 1.9%, a 0.1% increase in inflation would increase liabilities by 1.9%, and an increase in life expectancy of one year would increase liabilities by 2.9%.

## 6. Events After the Reporting Date

The Local Government Pension Scheme Investment Regulations 2016 required LGPS fund's to pool their assets in order to achieve cost savings whilst maintaining investment performance. North Yorkshire County Council, as administering authority of the North Yorkshire Pension Fund, has approved the Fund's membership of the Border to Coast Pension Partnership, a pool with a total of 12 funds. During the financial year 2018/19 the phased transition of investment assets from the Fund to Border to Coast Pension Partnership will begin. Some investment assets will continue to be managed by the current Internal and External managers.

## 7. Contributions Receivable

	2017/18	2016/17
	£000	£000
<b>Employee's contributions</b>	26,855	26,413
<b>Employer's contributions</b>		
Normal contributions	74,612	58,793
Past Service Deficit	46,345	38,953
Early Retirement Recharges	2,504	2,602
Compensatory Added Years Recharges	234	489
<b>Total Contributions</b>	<b>150,551</b>	<b>127,250</b>

	2017/18	2016/17
	£000	£000
<b>Contributions Receivable</b>		
North Yorkshire County Council	71,483	52,208
Other Scheduled Bodies	69,233	68,944
Admitted Bodies	9,835	6,098
	<b>150,551</b>	<b>127,250</b>

## 8. Transfers In from Other Pension Funds

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

## 9. Benefits Payable

	2017/18	2016/17
	£000	£000
<b>Benefits Payable</b>		
North Yorkshire County Council	45,588	44,144
Other scheduled Bodies	52,701	53,056
Admitted Bodies	6,830	7,003
	<b>105,119</b>	<b>104,203</b>

## 10. Payments To and On Account of Leavers

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

## 11. Management Expenses

	2017/18	2016/17
	£000	£000
Administrative Costs	1,507	1,852
Investment Management Costs	24,523	14,231
Oversight and Governance Costs	590	403
	<b>26,620</b>	<b>16,486</b>

Investment Management Costs includes £7,376k (2016/17: £1,990k) in respect of performance related fees payable to the Fund's investment managers and £2,826k in respect of transaction costs (2016/17 £2,638k).

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

### 11a. Investment Management Expenses

	2017/18	2016/17
	£000	£000
Management Fees	11,381	8,597
Performance Related Fees	7,376	1,990
Custody Fees	90	81
Transaction Costs	3,964	2,638
Other	1,712	925
	<b>24,523</b>	<b>14,231</b>

## 12. Investment Income

	2017/18	2016/17
	£000	£000
Income from bonds	3,418	2,829
Income from equities	16,302	13,507
Pooled Property Investments	1,307	1,313
Pooled Investments - Other Managed Funds	413	0
Interest on Cash Deposits	47	3
Other	2,058	678
	<b>23,545</b>	<b>18,330</b>

### 13. Taxes on Income

	2017/18	2016/17
	£000	£000
Withholding Tax on Dividends	371	256

### 14. Investments

#### a) Reconciliation of Movements in Investments and Derivatives

	Value at 31 March 2018	Change in market value at 31 March 2018	Sales proceeds and derivative receipts	Purchases at cost and derivative payments	Value at 1 April 2017
	£000	£000	£000	£000	£000
Fixed Interest Securities	626,598	10,127	(1,413,385)	1,606,992	422,864
Equities	592,013	19,987	(440,004)	424,231	587,799
Pooled Investments	1,839,822	189,370	(1,457,130)	1,365,549	1,742,033
Pooled Property	276,831	26,818	(2,953)	0	252,966
Private Equity	0	(51)	0	0	51
Derivative Contracts	0	182	0	0	(182)
Total Invested	3,335,265	246,433	(3,313,472)	3,396,772	3,005,531
Cash Deposits	13,887				10,123
Net Investment Debtors	(37,975)	(42,539)			4,564
Net Investment Assets	3,311,177	203,894			3,020,218

	Value at 31 March 2017	Change in market value at 31 March 2017	Sales proceeds and derivative receipts	Purchases at cost and derivative payments	Value at 1 April 2016
	£000	£000	£000	£000	£000
Fixed Interest Securities	422,864	82,714	(1,232,108)	1,230,660	341,598
Equities	587,799	110,792	(287,072)	276,024	488,055
Pooled Funds	1,742,033	384,244	(51,545)	17,387	1,391,947
Pooled Property	252,966	13,387	(146,665)	209,781	176,463
Private Equity	55	0	(27)	0	82
Derivative Contracts	(182)	(182)	0	0	0
Total Invested	3,005,535	590,955	(1,717,417)	1,733,852	2,398,145
Cash Deposits	10,123				8,339
Net Investment Debtors	4,564	1,750			2,813
Net Investment Assets	3,020,222	592,705			2,409,297

#### b) Analysis of Investments (excluding derivative contracts)

	2017/18	2016/17
	£000	£000
Fixed Interest Securities		
UK Public Sector Quoted	626,598	422,682
Equities		
UK Quoted	326,188	308,717
Overseas Quoted	265,825	279,082
	592,013	587,799
Pooled Investments		
UK Equity	67,277	70,284
UK Property	276,831	252,966
UK Fixed Income	0	0
Overseas Equity	1,462,601	1,328,818
Overseas Fixed Income	0	93,095
	1,806,709	1,745,162
Diversified Growth Funds - UK	309,944	249,837
Private Equity - UK	0	55
Total Investments (excl Derivatives)	3,335,265	3,005,535
Cash Deposits	13,887	10,123
Net Investment Debtors	(37,975)	4,564
Net Investment Assets	3,311,177	3,020,222

**c) Investments analysed by Fund Manager**

	31 March 2018		31 March 2017	
	£000	%	£000	%
Baillie Gifford - Global Alpha	658,308	19.8	604,424	19.9
M&G Investments	585,246	17.6	427,134	14.1
Baillie Gifford - LTGG	475,901	14.3	418,471	13.8
Standard Life Investments - Equities	338,416	10.2	312,208	10.3
Fidelity International	323,116	9.7	340,419	11.2
Threadneedle	174,545	5.2	158,237	5.2
Standard Life DGF	173,477	5.2	138,060	4.5
Veritas	151,620	4.6	154,599	5.1
Dodge & Cox	149,844	4.5	153,007	5.0
Newton Investments	136,467	4.1	111,778	3.7
Legal & General	67,572	2.0	62,453	2.1
Hermes	35,304	1.1	32,866	1.1
Permira	33,346	1.0	5,850	0.2
Blue Bay	8,016	0.2	7,570	0.2
Yorks & Humber Equity Fund	0	0.0	52	0.0
ECM Asset Management	0	0.0	93,095	3.1
Internally Managed (cash and net debtors)	17,389	0.5	15,614	0.5
	3,328,566	100.0	3,035,836	100.0

The investments with Baillie Gifford, Threadneedle and Veritas each represent more than 5% of net assets. These investments are in pooled funds. All other investments are either below 5% or constitute a portfolio of segregated assets.

**d) Stock Lending**

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

**15. Analysis of Derivatives****Futures**

Type	Expires	Economic Exposure	Market Value 31 March 2017	Economic Exposure	Market Value 31 March 2018
		£000	£000	£000	£000
<b>Liabilities</b>					
UK Fixed Interest	Less than one year	(182)	(182)	0	0

**16. Fair Value - Basis of Valuation**

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments - hedge funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts 31. Required by 6.5.5.1 d) and f), 7.4.2.13 of the Code.
Notes to the Ellebeau Pension Fund Account for the year ended 31 March 2017 Page 31 Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided <sup>32</sup>

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by John Finley FRICS of independent valuers Carrott-Jones LLP in accordance with the RICS Valuation Standards (9th Edition)	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

### Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

Assessed valuation range (+/-)	Value at 31 March 2018	Value on increase	Value on decrease
	£000	£000	£000
Pooled investments - private debt	41,362		
Pooled investments - hedge funds			
Freehold and leasehold property			
Unquoted overseas equity			
Private equity			
<b>Total</b>	<b>41,362</b>		

### 16a: Fair Value Hierarchy

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

#### Level 1

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

#### Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

#### Level 3

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Values at 31 March 2018	£000	£000	£000	£000
Financial assets at fair value through profit and loss	1,279,194	2,075,292	41,362	3,395,848
Non-financial assets at fair value through profit and loss				0
Financial liabilities at fair value through profit and loss	(67,282)			(67,282)
Net investment assets	1,211,912	2,075,292	41,362	3,328,566

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

## 17. Financial Instruments

### a) Classification of Financial Instruments

31 March 2017			31 March 2018		
Designated as fair value through profit & loss	Loans & Receivables	Financial liabilities amortised at cost	Designated as fair value through profit & loss	Loans & Receivables	Financial liabilities amortised at cost
£000	£000	£000	£000	£000	£000
<b>Assets</b>					
422,864			Fixed Interest Securities	626,598	
587,799			Equities	592,013	
1,492,196			Pooled Investments	1,529,878	
252,966			Pooled Property	276,831	
249,837			Diversified Growth Funds	309,944	
55			Private Equity		
	18,806		Cash		26,358
6,234			Investment Debtors	24,990	
	8,675		Non Investment Debtors		9,234
3,011,951	27,481	0		3,360,255	35,592
<b>Liabilities</b>					
182			Derivative Contracts	0	
1,670			Investment Creditors	62,965	
		1,743	Non Investment Creditors		4,317
1,853	0	1,743		62,965	0
3,010,099	27,481	(1,743)		3,297,290	35,592
					(4,317)

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

### b) Net Gains and Losses on Financial Instruments

	2017/18	2016/17
	£000	£000
Fair Value Through Profit & Loss	246,433	590,955
Loans and Receivables	(38,775)	37
	207,658	590,992

## 18. Nature and Extent of Risks Arising from Financial Instruments

### Risk and Risk Management

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

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

### a) Market Risk

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

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

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

advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

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

### Other Price Risk

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

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

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

**Other price risk - sensitivity analysis**

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2018/19 reporting period.

Asset Type	Potential Market Movements (+/-)
	%
Cash and Cash Equivalents	1.0
UK Bonds	9.0
UK Equities	19.0
Overseas Equities	20.0
UK Pooled Equities	19.0
Overseas Pooled Equities	20.0
UK Pooled Bonds	9.0
Overseas Pooled Bonds	9.0
Pooled Property Investments	12.5
Diversified Growth Funds	10.0
Private Equity	27.5
Derivatives	0.0
Non-Investment Debtors/Creditors	0.0

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

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

Asset Type	Value as at 31 March 2018	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Cash and Cash Equivalents	13,887	139	14,026	13,748
UK Bonds	626,598	56,394	682,992	570,204
UK Equities	326,189	61,976	388,165	264,213
Overseas Equities	265,825	53,165	318,990	212,660
UK Pooled Equity	108,639	20,641	129,280	87,998
Overseas Pooled Equity	1,421,239	284,248	1,705,487	1,136,991
UK Pooled Bonds	0	0	0	0
Overseas Pooled Bonds	0	0	0	0
Pooled Property Investments	276,831	34,604	311,435	242,227
Diversified Growth Funds	309,944	30,994	340,939	278,950
Private Equity	0	0	0	0
Derivatives	0	0	0	0
Non Investment Debtors/Creditors	4,918	0	4,918	4,918
<b>Total Assets</b>	<b>3,354,070</b>		<b>3,896,231</b>	<b>2,811,909</b>

  

Asset Type	Value as at 31 March 2017	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Cash and Cash Equivalents	10,123	101	10,224	10,022
UK Bonds	422,864	38,058	460,922	384,806
UK Equities	308,717	58,656	367,373	250,061
Overseas Equities	279,082	57,212	336,294	221,870
UK Pooled Equity	70,283	13,354	83,637	56,929
Overseas Pooled Equity	1,328,818	272,408	1,601,226	1,056,410
UK Pooled Bonds	0	0	0	0
Overseas Pooled Bonds	93,095	10,240	103,335	82,855
Pooled Property Investments	252,966	31,621	284,587	221,345
Diversified Growth Funds	249,837	26,233	276,070	223,604
Private Equity	55	15	70	40
Derivatives	(182)	0	(182)	(182)
Non Investment Debtors/Creditors	6,931	0	6,931	6,931
<b>Total Assets</b>	<b>3,022,589</b>		<b>3,530,487</b>	<b>2,514,691</b>

### Interest Rate Risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2017/18 £000	2016/17 £000
Cash and Cash Equivalents	13,887	10,123
Fixed Interest Securities	626,598	422,864
	640,485	432,987

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Advice suggests that it is reasonable to expect a change in the long term average rate of approximately 1%. For illustrative purposes if it were to change by +/- 100 bps the values in the table above would change by £6,405k and for 2016/17 asset values, £4,330k.

### Currency Risk

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

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

After receiving advice it is considered that the likely volatility associated with foreign exchange movements to be +/-9.9%. A fluctuation of this size is considered reasonable based on the analysis of long term historical movements in the month end exchange rates.

Assuming all other variables, in particular, interest rates remain constant, a 9.9% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Value as at 31 March 2018	Value on 9.9%	Value on 9.9%
	£000	Increase £000	Decrease £000
Overseas Equities	1,687,064	1,854,083	1,520,045
Overseas Bonds	0	0	0
Total Assets	1,687,064	1,854,083	1,520,045

Asset Type	Value as at 31 March 2017	Value on 9.8%	Value on 9.8%
	£000	Increase £000	Decrease £000
Overseas Equities	1,607,899	1,765,473	1,450,325
Overseas Bonds	93,095	102,219	83,972
Total Assets	1,700,994	1,867,692	1,534,297

### b) Credit Risk

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

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

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

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

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

NYCC believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements with NYCC at 31 March 2017 was £12.5m (31 March 2017, £8.6m) and was held with the following institutions:

	Credit Rating	31 March 2018 £000	31 March 2017 £000
<b>Call Accounts</b>			
Barclays	A / F1	1,539	552
Santander UK	A / F1	0	227
<b>Fixed Term Deposit Notice Accounts</b>			
Bank of Scotland	A+ / F1	1,904	2,396
Leeds BS	A- / F1	0	366
Nationwide	A / F1	423	1,127
Commonwealth Bank of Australia	AA- / F1+	635	0
Santander UK	A / F1	1,430	900
Goldman Sachs	A / F1	1,692	1,127
Aberdeenshire Council	-	212	0
Ashfield District Council	-	85	0
Birmingham City Council	-	423	0
Doncaster Metropolitan Borough Council	-	212	0
Dudley Metropolitan Borough Council	-	254	0
Dundee City Council	-	212	0
Eastbourne Borough Council	-	592	0
Fife Council	-	0	141
Hambleton District Council	-	212	155
Isle of Wight Council	-	0	282
Lancashire County Council	-	212	282
Lancashire PCC	-	212	0
North Tyneside Metropolitan Borough Council	-	212	0
Northumberland County Council	-	0	141
Runnymede Borough Council	-	212	0
Salford City Council	-	0	141
Tewkesbury Borough Council	-	212	0
Warrington Borough Council	-	592	282
West Berkshire District Council	-	0	113
West Dunbartonshire Council	-	381	310
West Yorkshire PCC	-	190	0
Woking Borough Council	-	423	141
		12,471	8,683

### c) Liquidity Risk

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

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

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

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

As at 31 March 2018 the value of illiquid assets was £0k (31 March 2017, £55k, which represented less than 0.1% of total Fund assets).

All liabilities at 31 March 2018 are due within one year. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

## 19. Funding Arrangements

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

The key elements of NYPF's funding policy are:

- to ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the Administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

At the 2016 Valuation the aim was to achieve 100% solvency over a period of 24 years from April 2017 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2016 Triennial Valuation the Fund was assessed as 90% funded (73% at the 2013 Valuation). This reflected a deficit of £283m (£668m at the 2013 Valuation).

The common rate of employers' contributions is the average rate required from all employers calculated

as being sufficient, together with contributions paid by employees, to meet all liabilities arising in respect of service after the Valuation date. For 2017/18 the common rate (determined at the 2013 Valuation) is 13.8% of pensionable pay.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 Triennial Valuation Report and the Funding Strategy Statement on the Fund's website.

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

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

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

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

### Commutation Assumption

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

### 50:50 Option

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

### 20. Actuarial Present Value of Promised Retirement Benefits

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

### 21. Current Assets

Debtors	2017/18	2016/17
	£000	£000
<b>Investment Debtors</b>		
Investment Transactions	19,805	2,490
Accrued Dividends	3,204	2,058
Withholding Taxes Recoverable	1,981	1,686
	24,990	6,234
<b>Other Debtors</b>		
Contributions due from Scheduled (Government) Bodies	8,054	7,449
Contributions due from Admitted Bodies	416	429
Pensions Rechargeable	377	301
Interest on Deposits	0	0
Other	388	496
	9,235	8,675
<b>Total Debtors</b>	<b>34,225</b>	<b>14,909</b>

### 22. Current Liabilities

Creditors	2017/18	2016/17
	£000	£000
Investment Creditors	62,965	1,670
Sundry Other Creditors	4,317	1,744
	67,282	3,414

### 23. Additional Voluntary Contributions

	Market Value 31 March 2018	Market Value 31 March 2017
	£000	£000
Prudential	20,267	19,958

AVC contributions of £2,007k were paid directly to Prudential during the year (£1,846k in 2016/17).

### 24. Agency Services

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

### 25. Related Party Transactions

#### North Yorkshire County Council

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

The Council incurred costs of £1,322k (£1,231K in 2016/17) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed £71.5m to the Fund in 2017/18 (£52.2m in 2016/17).

Part of the Fund's cash holdings are invested with banks and other institutions by the treasury management operations of NYCC, through a service level agreement. During the year to 31 March 2018 the Fund had an average investment balance of £14m (-£2.4 m during 2016/17) paid interest of £69.1k (£15.1k received in 2016/17) on these funds.

### Governance

As at 31 March 2018 there were no Pension Fund Committee Members who were also active members of the Fund. The Corporate Director - Strategic Resources, who was also the Treasurer of the Fund was an active member. Benefits for the Treasurer was accrued on exactly the same basis as for all other members of the Fund.

### Key Management Personnel

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

### 26. Contingent Liabilities and Contractual Commitments

The Fund had no material contingent liabilities or contractual commitments at the year end (£nil in 2016/17).

### 27. Contingent Assets

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

### 28. Impairment Losses

The Fund had no material impairment losses at the year-end (£nil in 2016/17).

## Appendix B

### Statement of the Actuary

#### North Yorkshire Pension Fund Statement of the Actuary for the year ended 31 March 2018

##### Introduction

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

##### Actuarial Position

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

##### Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 24 years from 1 April

2017, amounting to £13.6M in 2017/18, and increasing by 3.25% p.a. thereafter.

- In practice, each individual employer's position is assessed separately and contributions are set out in Aon's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
- The funding plan adopted in assessing the contributions for each individual employer was in accordance with the Funding Strategy Statement. The approach, and the recovery period used for each employer, were agreed with the Administering Authority reflecting the Employers' circumstances.
- The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

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

In addition, the discount rate for orphaned employers (i.e. employers with no active

members and where there is no scheme employer responsible for funding the non-active liabilities) was 2.1% in-service and left-service.

The assets were valued at market value.

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

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. Since the date the valuation report was signed, HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, has made an announcement to extend the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off before the announcement, but the increase in liability is not expected to be material.

9. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out by Aon as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

10. The actuarial valuation report is available on the Fund's website at the following address:  
[www.nypf.org.uk/nypf/valuationreports.shtml](http://www.nypf.org.uk/nypf/valuationreports.shtml)

**Aon Hewitt Limited**  
20 April 2018

## Appendix C

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

#### **Opinion**

We have examined the pension fund financial statements for the year ended 31 March 2018 which comprise the Fund Account, Net Asset Statement and the related notes, including the accounting policies in note 3.

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of North Yorkshire County Council for the year ended 31 March 2018 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We have not considered the effects of any events between the date we signed our report on the full annual published statement of accounts on 30 July 2018 and the date of this report.

#### **Respective responsibilities of the Corporate Director – Strategic Resources and the auditor**

As explained more fully in the Statement of the Corporate Director – Strategic Resources' Responsibilities the Corporate Director – Strategic Resources is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the North Yorkshire Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of North Yorkshire County Council, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements, the purpose of our audit work and to whom we owe our responsibilities.

#### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if we have exercised our responsibilities in respect of the pension fund in the following areas:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

**Rashpal Khangura**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants, Sovereign Square,  
1 Sovereign Street, Leeds. LS1 4DA

17 September 2018

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