

North Yorkshire Pension Fund

Annual Report and Accounts
2006-2007



NORTH YORKSHIRE PENSION FUND

**Annual Report and Accounts
for the Year Ended
31 MARCH 2007**

North Yorkshire County Council
Finance and Central Services

CONTENTS

Item	Page No
MANAGEMENT STRUCTURE (as at 31 March 2007)	3
PART A. ADMINISTRATION REPORT	
1. Report of the Pension Fund Committee	4
2. Management Report	
(a) Introduction	11
(b) Actuarial Valuation	12
(c) Employer Contributions	15
(d) Administrative arrangements	17
(e) Key Documents	17
PART B. INVESTMENT REPORT	
1. Investment Policy	
(a) Regulations	18
(b) Investment Management arrangements	19
(c) Custody of Investments	24
2. Performance of the Fund	25
PART C. FINANCIAL REPORT	27
PART D. AUDITOR'S REPORT	34
PART E. SCHEME BENEFITS	35
PART F. STATEMENT OF PENSION FUND COMMITTEE RESPONSIBILITIES	38
PART G. COMPLIANCE STATEMENT	39
Appendix 1 Membership Statistics	40
Appendix 2 Certificate of Actuary - Rates and Adjustments Certificate	41

MANAGEMENT STRUCTURE (as at 31 March 2007)

Administering Authority:-	North Yorkshire County Council
Pension Fund Committee Members as at 31 March 2007	J Weighell (Chairman) E Broadbent Mrs M-A de Courcey-Bayley R Harrison-Topham B Bateman H Swiers J Watson J Blackie (appointed by the North Yorkshire Branch of the Association of District Councils) Q Macdonald, City of York Council
Treasurer	John Moore, Corporate Director – Finance and Central Services
Investment Adviser:-	Philip Williams (Epic)
Fund Managers:-	Baillie Gifford & Co Barclays Global Investors Standard Life Investments European Credit Management Crédit Agricole Asset Management UBS Global Asset Management (from 1 Feb 2007) R C Brown Investment Management Hermes Focus Asset Management Ltd Yorkshire Fund Managers
Legal Services	Head of Legal Services North Yorkshire County Council Ward Hadaway
Auditor	Audit Commission
Banker	Barclays Bank Plc
Custodian for Fund Assets: (+ fund accounting and performance measurement)	J P Morgan Worldwide Securities Services (to 30 June 2006) ABN AMRO Mellon (from 1 July 2006)
Shareholder Voting Advisor	Pensions Investment Research Consultants Ltd

PART A - ADMINISTRATION REPORT

1. REPORT OF THE PENSION FUND COMMITTEE

INTRODUCTION

The North Yorkshire County Council (NYCC) is the administering authority for the North Yorkshire Pension Fund (NYPF) and these responsibilities are fulfilled by the Pension Fund Committee (PFC).

The Committee meets formally a minimum of four times a year, with additional meetings arranged where necessary. There are also additional informal meetings throughout the year to receive and consider reports from investment managers. The Committee receives professional advice from its independent Investment Adviser, as well as the Treasurer. From 1 April 2007 there will also be advice from investment consultants, Mercer Investment Consulting.

INVESTMENT STRATEGY REVIEW

Phase I

The first phase was concluded in 2005/06 - see the **Annual Report** for that year for details.

Phase II

The PFC defined the issues to be addressed as follows:

- ➔ how to allocate equities globally within the parameters of the newly agreed 'risk budget'
- ➔ what performance benchmarks(s) are appropriate for the newly defined equity arrangement(s)
- ➔ what is the long-term policy on currency risk arising from non-UK equities (ie what should be the level of exposure hedged back to sterling?)
- ➔ does the Fund wish to use Tactical Asset Allocation or Currency Overlay as a means of managing asset allocation risk and foreign currency exposure respectively?
- ➔ review the niche equity investment managers
- ➔ in light of the above issues consider if the current fund manager structure is fit for purpose

In order to address these issues a number of workshops were held. The workshops were led by the Investment Adviser with input from the Treasurer and also at appropriate times, existing fund managers.

The various options arising from the workshops were then discussed at the PFC meeting on 27 April 2006. Members made the following decisions in respect of the allocation of the Fund's total equity portfolio:-

- ➔ to separate the UK and Global Mandates
- ➔ to allocate 30% of equities to a segregated UK mandate with a FTSE 350 equally weighted benchmark
- ➔ 50% of non-UK equity holdings to be currency hedged
- ➔ to allocate 25% of equities to a global 'unconstrained' equity sub asset class with a global equity benchmark
- ➔ to allocate 5% of equities to a Global Tactical Asset Allocation (GTAA) mandate
- ➔ to terminate the Northern Investors niche holding

The decision as to the subsequent implementation details of this revised equity asset allocation policy was taken at a special PFC meeting held on 9 June 2006. The Committee decided that the existing principal equity fund managers should be retained but that new mandates would be allocated to them, to commence on 1 October 2006. There would, however, be a tendering exercise for the GTAA mandate.

Discussions therefore took place subsequent to this meeting with each of the three principal equity fund managers to resolve the precise benchmark, fees, monitoring arrangements, etc..

The final arrangements signed off by the Committee on 22 September 2006 were as follows:

<i>Asset Category</i>	<i>Fund Manager</i>	<i>Percentage Allocation</i>	<i>Value as at 30/06/06</i>
UK	Standard Life Hermes UK	33%	271.1 19.4
Global (ex UK)	BGI Hermes Europe	31%	248.8 24.1
Global (inc UK)	Baillie Gifford	19%	167.4
Unconstrained Global	Baillie Gifford	12%	105.6
TAA Overlay	New Manager	5%	44.0
Total		100%	880.4

In terms of the whole Fund the final benchmarks and manager alignment therefore became:

Equities	77%	UK	25%	FTSE 350 unwt'd FTSE All Share	+3%	Standard Life Hermes UK
		Global (x UK)	24%	FTSE World ex-UK FTSE World Europe	+1%	BGI Hermes European
		Global (inc UK)	15%	FTSE World incl-UK	+2%	Baillie Gifford
		Global LTGG	9%	FTSE World incl-UK	+3%	Baillie Gifford
		GTAA Carve-out		4%	FTSE All World	0.75%
Bonds	23%			Least Risk Portfolio	+3%	Credit Agricole ECM
Ethical Equities	*			FTSE All Share	2%	RC Brown

(* for the purposes of strategic asset allocation this mandate is considered outwith the "main" Fund as it represents a customised mandate for a single employer)

The final outcome in respect of equity portfolios is that, with effect from 1 October 2006, in place of the three principal equity fund managers each looking after a global equities portfolio:

- **Baillie Gifford** is now managing two **global** (ie including UK) **equity** portfolios, namely **Global Alpha** and an unconstrained portfolio, the **Long Term Global Growth (LTGG)**. Each of these portfolios is in the form of a pooled vehicle, rather than consisting of separate direct holdings
- **BGI** is managing an **overseas equities (ex UK)** portfolio. In the same way as BGI managed the global equities portfolio prior to 1st October 2006, they use a selection of their own overseas equities pooled vehicles in proportions at their discretion
- **Standard Life** is managing a **UK equity** portfolio comprising segregated holdings in UK companies. The benchmark is now an unweighted index covering the FTSE 350 companies to reduce the influence of 'concentration' issues and large cap bias

Other Issues relating to Investment Strategy Review II

1. Northern Investors

The holding in Northern Investors was sold in two stages in August and September 2006.

2. Global Tactical Asset Allocation Mandate

Also arising from Investment Strategy Review II was the decision to appoint a manager to run a **Global Tactical Asset Allocation** portfolio representing 4% of the overall Fund value (equivalent to 5% of equities). During 2006/07 the management of this portfolio was the subject of a tendering exercise, resulting in the appointment of **UBS Global Asset Management**, who commenced operating the portfolio with effect from 1st February 2007. This mandate is in the form of an overlay fund, whereby the effect of imbalances between the actual overall asset allocation at a point in time and the nominated strategic asset allocation, which are caused by differences over time in the relative performance of the various markets, is corrected without interfering with the day to day activities of the three principal equity managers.

The GTAA portfolio initially purchased derivative futures to equitise the portfolio. The remainder was invested in two funds, namely the Market Absolute Return Strategy (MARS), and the Currency Absolute Return Strategy (CARS) in the ratio of 2:1. The target for this portfolio, relative to the FTSE All World index, is +0.75% outperformance in respect of the total pension fund, equivalent to +15% outperformance for the GTAA portfolio.

3. Currency Hedging

The Investment Strategy Review II also resolved to hedge 50% of the Fund's overseas equities exposure to the major currencies using forward foreign exchange contracts. This is managed by NYCC staff working directly with the Fund's global custodian, ABN AMRO Mellon.

4. Transition Arrangements

In order to manage the shift between the existing and new mandates, involving almost £690m of equities, Mellon Transition Management Services were appointed to act as Transition Manager. The transition process included the creation of the new Global Tactical Asset Allocation (GTAA) fund which was held as a portfolio of futures contracts by BGI until the permanent manager (ie UBS) was appointed to run this mandate.

5. Rebalancing Arrangements

The implementation of the new Investment Strategy adds a further degree of complexity to the rebalancing calculation to be undertaken each quarter. Rebalancing is therefore now carried out between Bonds and Equities, as well as within Equities. Wherever possible the process is facilitated by cash accumulated within the Fund in the period since the last rebalancing, but if this insufficient, funds are transferred between investment managers. To avoid minor transfers the rebalancing criteria includes tolerance limits.

6. Fee Scales

The fee scales for Barclays remained unchanged. After negotiations with both Standard Life and Baillie Gifford it was agreed that, due to the performance targets set for each manager, a performance based fee structure would be most appropriate.

CONTRACT FOR INVESTMENT ADVISER

At the Pension Fund Committee meeting on 26 October 2006, Members agreed to undertake a formal review of the Investment Adviser contract and instructed the Treasurer to report back to the Committee on an appropriate process to follow.

A tender evaluation meeting was arranged for 9 March 2007 at County Hall to consider the ten tenders received and to agree upon a shortlist of candidates.

At this meeting it was agreed that the tenders should be divided into two categories identified as "individuals" and "companies"; there were five tenders in each category.

Following clarification meetings with the shortlisted tenderers held in early April the following decisions were made:-

- ➔ to re-appoint Philip Williams to the role of Independent Investment Adviser
- ➔ to appoint Mercer Investment Consulting to the role of Investment Consultant

both appointments to be effective from April 2007 and to run for an initial period of three years.

Philip Williams will therefore continue in his current role which involves attending all PFC and fund manager meetings, liaising with fund managers as required and preparing a quarterly performance report.

Mercer IC will undertake a new role working alongside Philip Williams. It is intended that Mercers will focus upon the Investment Strategy (including asset allocation and risk analysis) and its continued appropriateness rather than the performance per se of individual fund managers.

FUNDING STRATEGY STATEMENT

In March 2004 the ODPM (now the CLG) stipulated by Regulation that Local Authority Pension Funds must produce and maintain a Funding Strategy Statement (FSS). The current NYPF FSS was agreed at the NYPF meeting on 15 February 2005 and can be found on the NYPF website,

www.nynet.org.uk/pensionfund/word/fundstrat.pdf

This site can also be accessed from the NYCC website www.northyorks.gov.uk

STATEMENT OF INVESTMENT PRINCIPLES

Following the Investment Strategy Review II an updated Statement of Investment Principles (SIP) was agreed by Committee on 26 October 2006. The amendments:

- ➔ fully reflect the decisions by the Committee to award specialist mandates to individual fund managers
- ➔ include the introduction of a global tactical asset allocation portfolio
- ➔ update the number of active employing bodies participating in the Fund
- ➔ remove the reference to Northern Investors Plc following the sale of these holdings
- ➔ amend the references to the Global Custodian to reflect the appointment of ABN AMRO Mellon replacing JP Morgan

The most recent SIP is available on:

www.nynet.org.uk/pensionfund/word/Statement_of_Principles.pdf

This site can also be accessed from the NYCC website: www.northyorks.gov.uk

INVESTMENT PERFORMANCE

Over the year to 31 March 2007, the Fund underperformed the customised benchmark by 0.3%. More details are to be found in the Investment Report (see Performance of the Fund **page 25**).

REGULATION CHANGES

Changes to the scheme took effect in 2006/07 arising from new Regulations.

The changes that took effect in April 2006 included:

- ➔ the option for all members to give up part of their pension to increase their Lump Sum at a rate of an additional £12 Lump Sum for every £1 of pension given up
- ➔ the removal of the 15% employee contribution limit. Up to 50% of pay can now be paid into the scheme in-house AVC arrangement with tax relief on contributions
- ➔ the 40 year service restriction that was previously in place has been removed and there is no longer a limit to the service you can build up
- ➔ Members are now able to remain contributing to the scheme until the day before their 75th birthday
- ➔ flexible retirement, which allows members to access benefits from age 50, if they reduce hours or move to a lower paid position. Employer consent is required to access benefits in this way and reductions to benefits may apply

The further changes operating from October 2006 included the removal of the “85 year rule” for all new entrants. Under this rule members are allowed to retire with unreduced benefits before age 65, if when added together their service in the scheme and their age totals at least 85.

Because of this rule change, protections have been put in place for certain members:

- ➔ existing members who were in the scheme as at 30 September 2006 have their service up to 31st March 2008 protected
- ➔ anyone aged 60 by 31st March 2016 who meets the 85 year rule by that date has all their service protected
- ➔ protections for those members who are 60 between 1st April 2016 and 31st March 2020 are currently being reconsidered nationally

Finally, a consultation was undertaken towards the end of 2006 on draft benefit regulations for the **New Look LGPS** that is to be introduced from 1 April 2008.

Revised regulations and guidance will be issued ahead of the effective date of 1 April 2008 following completion of the required consultation exercise

Based on the consultation documents, the New Look scheme will continue to operate as a final salary pension scheme.

CLLR J. WEIGHELL
Chair
Pension Fund Committee

2. MANAGEMENT REPORT

(a) INTRODUCTION

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 Local Government Pension Scheme Regulations 1997. The Fund does NOT cover teachers, police and fire-fighters for whom separate statutory arrangements exist.

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

Employees therefore have various options:-

- ➔ to be part of the **NYPF**
- ➔ to be part of the State Second Pension Scheme, or
- ➔ to purchase a personal pension plan or a stakeholder pension managed by a private sector company.

The growth in membership numbers over the past 4 years is apparent in the table below

<i>Membership Type</i>	<i>As at 31March 2003</i>	<i>As at 31 March 2004</i>	<i>As at 31 March 2005</i>	<i>As at 31 March 2006</i>	<i>As at 31 March 2007</i>
Current Contributors	21,010	22,879	25,289	27,987	28,401
Deferred Pensions	8,273	8,770	9,431	10,903	14,246
Pensioners receiving Benefits	10,042	10,444	10,803	11,159	11,721

See **Appendix 1** for a detailed analysis of membership numbers at 31 March 2007, with comparative numbers for 31 March 2006.

Income

The Fund is primarily financed by contributions from both employees and employers together with income earned from investments. The surplus of income received from these sources, net of benefits and other expenses payable, is invested in accordance with a predetermined investment policy (**see page 18** - Investment Report).

The contributions payable by employees are prescribed by the Regulations. Prior to 1998, the rates were 5% or 6% of superannuable pay depending upon the conditions of service applicable. The 1997 Regulations amended this to a standard rate of 6% with effect from 1 April 1998, unless the member has “lower rate rights” (ie was paying 5% before 1 April 1998). The basis of the employer contribution rates is explained further in sections (b) **Actuarial Valuation** and (c) **Employer Contributions** below.

Benefits

The Benefits payable under the 1997 Regulations are largely mandatory allowing little discretion to the employing bodies. A summary of benefits payable under the Local Government Pension Scheme (LGPS) is provided on **page 35**.

Pensions paid to retired employees are subject to mandatory inflation increases (usually annual), arising out of the Pension Increase Acts. The cost impact on the Fund of these increases is incorporated into the overall assessment of the contributions paid by employers.

(b) ACTUARIAL VALUATION

In common with all other LGPS Funds an Actuarial Valuation is carried out every three years, known as the Triennial Valuation. The employer contribution rates for 2006/07 were determined by the Triennial Valuation as at 31 March 2004, the results of which are summarised below.

Funding Objective

To achieve and then maintain a funding target that requires assets equal to 100% of the present value of benefits based on completed service including provision for the effects of future salary growth and inflation up to retirement.

Valuation Results

(i) Future Service

The Common Contribution Rate (i.e. the contribution rate in respect of future service only) was calculated at **10.4%** of Pensionable Pay.

(ii) Past Service

The Fund showed a deficit of £524.5 million at the valuation date against the above funding objective and on the actuarial assumptions detailed in the report. This represented a funding level of 59%. An analysis of the results is shown below:

<i>Item</i>		<i>£m</i>
Value of liabilities		
• members in service		583.3
• deferred pensioners		176.3
• pensioners		530.7
Total liabilities	(a)	1,290.3
Market value of assets	(b)	765.8
Deficit	(a-b)	524.5
Funding level	(b/a)	59%

The Actuary stated that the deficit of £524.5 million could be eliminated by an average contribution addition of **7.1%** of Pensionable Pay running for 30 years. This would imply an average employer contribution rate of 17.5% (17.7% at the previous valuation) of Pensionable Pay.

Funding Plan

At overall NYPF level, the Funding Plan is set out in the Funding Strategy Statement (FSS). Individual employer funding plans, and the resulting certified contribution rates, were determined by the Actuary in accordance with the FSS. Depending on employers' individual circumstances, different approaches to the funding of benefits could be adopted; this process is known as "controlled flexibility". The standard position adopted by the majority of employers was that contribution rates would be assessed based on recovery of the deficit over a **maximum period of 30 years**, and that any increase in contributions to this required level could be phased in over a period of up to 3 years if desired.

The employer contribution rates for each individual employer for the three years commencing 1 April 2005, are shown on the schedule in **Appendix 2**. The rates in operation for 2006/07 which resulted from the 2004 Valuation are also shown, by employer, starting on **page 15**.

Assumptions

In summary, the **financial** assumptions adopted for the 2004 Valuation (2001 assumptions shown in brackets) were as follows:

	<i>Past service</i>	<i>Future service</i>
Investment return (pre retirement)	6.6% pa (5.6% pa)	6.5% pa (6.5% pa)
Investment return (post retirement)	5.1% pa (5.6% pa)	6.5% pa (6.5% pa)
Pensionable Pay increases	4.55% pa (3.8% pa)	4.25% pa (4.0% pa)
Pension increases	2.8% pa (2.3% pa)	2.5% pa (2.5% pa)

The Actuary also adopted various **demographic** assumptions, in respect of early retirement, ill-health retirement, mortality (ie to allow for the trend for people to live longer), withdrawals from the Fund, and the proportion of members who are married and their age differences.

Allowance had also to be made for the significant changes in benefits since the previous Valuation, viz:

- (i) the introduction of benefits for **Councillors** in England and Wales
- (ii) the **Local Government (Amendment) Regulations 2004** which made the following principal changes **from 1 April 2004**:
 - introduction of vesting of benefits after 3 months
 - introduction of the restriction of re-employed pensioners and deferred pensioners to have their service aggregated for benefit calculation purposes
- (iii) the **Local Government Pension Scheme (Amendment) (No.2) Regulations 2004** which were to make the following changes, effective from 1 April 2005:
 - removal of Rule of 85 retirement terms for benefits earned from scheme membership after 1 April 2005
 - normal retirement age of 65 for all members
 - increase in the earliest age from which retirement benefits may be paid, other than on grounds of ill health, from 50 to 55

Unhelpfully the Local Government Pension Scheme (Amendment) (No.2) Regulations 2004 were revoked by the Deputy Prime Minister on 13 July 2005 then reinstated as the **Local Government Pension Scheme (Amendment) Regulations 2006**, and **Local Government Pension Scheme Amendment (No.2) Regulations 2006** the provisions of which were operational from April 2006 except for the removal of the Rule of 85, with extended protections for existing members, which took effect in October 2006.

For the latest position in respect of changes in regulations, see **Page 10**.

Latest Solvency position

The Fund monitors, via the Actuary, the solvency position of the Fund on an ongoing basis. At 31 March 2007 the improved solvency position was:

	At 31 March 2007	2004 Valuation
	£m	£m
Market Value of Assets	1,266	766
- Total past service liabilities	<u>1,759</u>	<u>1,290</u>
= Deficit	<u>493</u>	<u>524</u>
Funding Level	72%	59%

The next Triennial Valuation will be at 31 March 2007 and this will set the employer contribution rates for the three financial years commencing 1 April 2008. The solvency position as at 31 March 2007 calculated for the Triennial Valuation will be more accurate since it will be based on up-to-date membership data.

(c) EMPLOYER CONTRIBUTIONS

The following is a list of the 61 employers who contributed to the Fund in 2006/07, showing the specific contribution rate per employer which applied. The Fund average was 17.5%.

Scheduled Bodies (45):

<i>Employer</i>	<i>Contribution Rate % of pensionable pay (average)</i>
North Yorkshire County Council	18.7
City of York Council	17.6
Craven District Council	23.9
Hambleton District Council	16.7
Harrogate Borough Council	19.9
Richmondshire District Council	21.1
Ryedale District Council	19.7
Scarborough Borough Council	19.8
Selby District Council	18.9
North Yorkshire Police Authority	18.9
North Yorkshire Fire & Rescue Authority	15.2
North Yorkshire Probation Service	24.0
Yorkshire Dales National Park	19.6
North York Moors National Park	15.5
University of Hull, Scarborough Campus	13.4
Askham Bryan College	16.5
Selby College	12.7
Craven College	12.4
Scarborough Sixth Form College	14.6
Yorkshire Coast College	12.8
York College	12.6
Skipton Town Council	24.2

<i>Employer</i>	<i>Contribution Rate % of pensionable pay</i>
Scheduled Bodies grouped for setting contribution rates:	18.4
Foss Internal Drainage Board	
Marston Moor Internal Drainage Board	
Thornton Internal Drainage Board	
Ouse & Derwent Internal Drainage Board	
Great Ayton Parish Council	
Whitby Town Council	
Fulford Parish Council	
Sutton-in-Craven Parish Council	
Selby Town Council	
Norton on Derwent Town Council	
Knaresborough Town Council	
Glusburn Parish Council	
Richmond Town Council	
Northallerton & Romanby Joint Burial Committee	
Northallerton Town Council	
Malton Town Council	
Pickering Town Council	
Hunmanby Parish Council	
Haxby Town Council	
Ripon City Council	
Kirkbymoorside Parish Council	
Easingwold Town Council	
Filey Town Council	

Admitted Bodies (16):

<i>Employer</i>	<i>Contribution Rate % pensionable pay</i>
York St.John University	13.8
York Archaeological Trust	24.3
Yorkshire Tourist Board	10.2
Joseph Rowntree Charitable Trust	17.2
Yorkshire Housing	16.0
Ryedale Sports and Recreation Ltd	16.5
North Yorkshire Business and Education Partnership	37.4
Balfour Beatty Infrastructure Services Ltd	18.8
Northern Procurement Group	17.1
Connexions York & North Yorkshire Ltd	12.9
York Museum and Galleries Trust	12.5
Craven Housing Ltd	10.1
Yorkshire Coast Homes Ltd	11.7
Richmondshire Leisure Trust	17.3
Jacobs (UK) Ltd	14.3
Superclean Services	18.0

(d) ADMINISTRATIVE ARRANGEMENTS

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

The Pensions Section of Finance and Central Services in NYCC administers all aspects of the benefits regulations, member records etc. Other staff within Finance and Central Services look after the accounting and management information requirements of the Fund and the PFC. In contrast all aspects of the day to day management of investment funds are undertaken by independent fund managers (see **page 19** et seq.)

During the year the PFC met on six occasions to consider performance reports from the fund managers. When monitoring the performance of these managers the Committee receives professional advice both from its Investment Adviser, and officers of the County Council. Committee meetings provide a forum for discussion about economic and market trends, monitoring the performance of the investment managers and considering the overall investment strategy.

Finance and Central Services staff liaise with the fund managers and Investment Adviser on a day to day basis and are responsible for all the associated administrative and accounting functions relating to the Fund.

The Corporate Director - Finance and Central Services, acting as Treasurer to the Pension Fund is responsible for preparing the Pension Fund Annual Report in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes 2002*.

(e) KEY DOCUMENTS

Access to key documents referred to in this Report can be obtained via the Pensions Fund website at www.nynet.org.uk/pensionfund/fund_management.shtml

These include:

- ➔ previous years' Annual Reports
- ➔ Funding Strategy Statement (see page 9)
- ➔ Statement of Investment Principles (see page 9)
- ➔ Triennial Actuarial Valuation report (see page 12 et seq)
- ➔ Policy Statements in relation to Governance Arrangements and Communications (see page 39)

PART B - INVESTMENT REPORT

1. INVESTMENT POLICY

(a) Regulations

NYCC is required, as administering authority, to invest any NYPF monies which are not immediately required to pay pensions and other benefits. NYCC is not unfettered in how it can invest NYPF funds. The restrictions that apply are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, as subsequently amended by Regulations in 1999 and 2000. Effectively

- (a) no more than 1% of the Fund may consist of any single sub-underwriting contract
- (b) no more than 2% of the Fund may consist of contributions to any single partnership
- (c) no more than 5% of the Fund may consist of contributions to partnerships
- (d) no more than 10% of the Fund may be deposited with any local authority, or body precepting on a local authority
- (e) no more than 10% of the Fund may consist of securities which are not listed on a recognised stock exchange
- (f) no more than 10% of the Fund may be held in any single holding, unless the investment has been made by an investment manager or the single holding is in units of a unit trust
- (g) no more than 10% of the Fund may consist of cash held with any one Bank
- (h) no more than 15% of the Fund may consist of sub-underwriting contracts, and
- (i) no more than 25% of the Fund may consist of unit trusts managed by the same body
- (j) no more than 25% of the Fund may be invested in open-ended investment companies where the collective investment schemes constituted by the companies are managed by the same body
- (k) no more than 25% of the Fund may consist of unit trusts plus open-ended investment companies where both are managed by any one body
- (l) no more than 25% of the Fund may be invested in any single insurance contract
- (m) no more than 25% of the Fund may be transferred under stock lending arrangements

However, the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2003 provide LGPS funds with the opportunity to increase exposure to certain types of investments. Proper advice needs to be obtained by the PFC before these wider limits can be adopted by the Fund. As the changes flowing from the Investment Strategy Review II settle down, these opportunities will be assessed by the PFC as part of any future review of the Investment Strategy.

(b) Investment Management arrangements

As at 31 March 2007 specialist equity mandates were managed by the following

Baillie Gifford and Co
Barclays Global Investors
Standard Life Investments

fixed income by

Crédit Agricole Asset Management
European Credit Management.

and a Global Tactical Asset Allocation portfolio by

UBS Global Asset Management

Details of the results of the Investment Management Review II and the new equity mandates operating from October 2006 are set out in the Report of the Pension Fund Committee (**pages 4 - 8**).

The Fund also has a small portfolio of assets (£1.9m) held by R C Brown Investment Management Plc. This equity mandate is based on ethical criteria and has been invested at the request of one particular employing body.

In July 2000 the Fund allocated £15m to the Third Hermes Lens Focus Fund, which invests in underperforming UK companies and seeks to improve their performance through appropriate stewardship and/or management interventions.

In October 2001 the Fund invested £3m through Northern Venture Managers Ltd in Northern Investors Co PLC. This holding was sold in August and September 2006.

In February 2002 the Fund invested the equivalent of EUR10m in the Hermes European Focus Fund, with a further EUR10m being invested in July 2002. This Fund operates in the same way as the Third Hermes UK Focus Fund, but in respect of European companies.

The NYPF is committed to an investment of £3m in the Yorkshire and Humber Regional Venture Capital Fund, the first tranche of £300k having been drawdown in July 2002, with further instalments to be drawn down on request.

Finally, a currency hedging account is operated directly with the Fund's global custodian, ABN AMRO Mellon.

The following table shows the total of investments and cash held by each manager and the County Council as at 31st March 2007:

<i>Investment Manager</i>	2007		2006	
	£000	%	£000	%
Baillie Gifford & Co	-	-	285,607	24.8
Baillie Gifford & Co - Global Alpha	183,248	14.5	-	-
Baillie Gifford & Co - LTGG	110,450	8.7	-	-
Barclays Global Investors	273,447	21.6	272,194	23.7
Standard Life Investments	301,755	23.8	282,532	24.6
European Credit Management	128,584	10.2	108,238	9.4
Crédit Agricole Asset Management	148,752	11.8	139,055	12.1
UBS Global Asset Management	48,028	3.8	-	-
R C Brown Investment Management	1,939	0.2	1,678	0.1
Hermes Focus Asset Management-UK	23,076	1.8	18,547	1.6
Hermes Focus Asset Management-Europe	28,116	2.2	25,107	2.2
Northern Investors Co plc	-	-	2,943	0.3
Yorks & Humber Regional Venture Capital Fund	300	0.0	300	0.0
Currency Hedging	4,358	0.3	-	-
North Yorkshire County Council (cash & net debtors)	13,622	1.1	14,327	1.2
Total	1,265,675	100.0	1,150,528	100.0

The following table details the ten largest segregated UK equity holdings as at 31 March 2007:

Company		Market Value	Percentage of Value of Fund
		£000	%
(1)	Royal Bank of Scotland Group PLC	14,652	1.2
(2)	HBOS	13,679	1.1
(3)	Vodafone Group PLC	10,932	0.9
(4)	BP	10,662	0.8
(5)	XStrata	10,051	0.8
(6)	Glaxo SmithKline	10,001	0.8
(7)	Galiform	9,412	0.7
(8)	MyTravel Group	8,248	0.7
(9)	BAE Systems	8,104	0.6
(10)	Legal and General	7,916	0.6
Total		103,657	8.2

Individual Fund managers are given wide discretion as to the selection of stock and securities in which investment is made. However, since April 2001 specific benchmarks have been in place for each asset class and / or each manager; managers are then monitored against these specific performance mandates.

Following the Investment Strategy Review, the resulting tactical asset allocation and performance targets in operation as at 31 March 2007, are shown below, (these include the changes in equity asset allocation which took place during 2006/07).

Table A

<i>Asset Class</i>	<i>Benchmark Proportion</i>
Equities	77%
Fixed Income	23%

The percentages shown in **Table A** exclude the bespoke fund managed by R C Brown Investment Management.

On a quarterly basis the Fund is rebalanced to the benchmark proportions stated above using, wherever possible, the positive cash flows generated each month by the Fund. In addition, the Equity element of the benchmark is then rebalanced to the proportions set out in **Table B** below.

The PFC has defined Fund specific benchmark proportions and relevant indices for each asset class/mandate type

- ➔ for equity mandates see **Table B** below
- ➔ for the fixed income mandate see **Table C** below

Table B

Equity Benchmark

<i>Asset Sub Class</i>	<i>Benchmark Proportion</i>	<i>Out-Performance Target</i>	<i>Benchmark Index</i>
UK Equities	33%	+ 3%	FTSE 350 (ex IT) (Equally Weighted)
Global Equities (ex UK)	31%	+ 1%	FTSE World (ex UK)
Global Equities	19%	+ 2%	FTSE World
Long-term Global Growth Equities	12%	+ 3%	FTSE World
Global Tactical Asset Allocation	5%	+ 0.75%	FTSE All World

The **benchmark proportion** has been determined by the risk budgeting process as the most effective mix of asset allocation and investment style with the **out-performance target** reflecting where more risk is expected to be taken.

Table C

Fixed Income Benchmark (= Least Risk Portfolio)

<i>Asset Sub Class</i>	<i>Benchmark Proportion</i>	<i>Permitted Range</i>	<i>Benchmark Index</i>	<i>Out-Performance Target</i>
Index linked gilts (longer than 15 years)	85%	+/- 1%	FTSE UK Index-Linked Gilts	+ 3%
Fixed interest gilts (longer than 15 years)	15%	+/- 1%	FTSE UK Gilts	+ 3%

The split shown in the above table between the index linked and fixed interest gilts equates to the **least risk portfolio**; this is an actuarially designed portfolio that is the closest match possible to the Fund's liabilities, and represents the least risk investment position. By using the least risk portfolio with an out-performance target of 3% as the benchmark for the fixed income mandates, then assuming the target is met this portion of the Fund's assets should move in line (or better) relative to the Fund's liabilities.

The performance criteria for the individual investment managers are as follows:

Equity - UK

➔ **Standard Life** - the principal objective is to out-perform the FTSE 350 (ex IT) Equally Weighted index (per **Table B**) by 3% per annum over rolling three year periods.

Equity – Global (ex UK)

➔ **Barclays Global** - the principal objective is to out-perform the FTSE World (ex UK) index (per **Table B**) by 1% per annum over rolling three year periods. The short term objective is for the Fund to limit the risk of underperforming the benchmark by more than 5% in any one year; in pursuit of this aim the manager undertakes to use best endeavours to constrain predicted tracking error to a maximum of 4%.

Equity - Global

- **Baillie Gifford** - the principal objective is to out-perform the FTSE World index (per **Table B**) by 2% per annum over rolling three year periods.

Equity – Long Term Growth

- **Baillie Gifford** - the principal objective is to out-perform the FTSE World index (per **Table B**) by 3% per annum over rolling three year periods.

Global Tactical Asset Allocation

- **UBS** - the principal objective is to out-perform the FTSE All World index (per **Table B**) by 0.75% per annum on the equivalent total equity allocation over rolling three year periods, based upon a GTAA portfolio of 5% of the total equity allocation.

Equity - Niche

- **Hermes UK and Yorkshire and Humber Regional Venture Capital Fund** - the objective is to out-perform the FTSE All Share Index on a consistent basis.
- **Hermes European** - the objective is to out-perform the FTSE World Europe ex UK Index on a consistent basis.

Equity - Ethical

- **RC Brown** - the objective is to out-perform the FTSE All Share Index by 2% per annum over rolling three year periods.

Fixed Income

- **Crédit Agricole Asset Management** - the asset allocation is that set out in **Table C** but the performance target is to exceed the Least Risk Portfolio by 3% p.a.
- **European Credit Management** - the asset allocation is that set out in **Table C** but the performance target is to exceed the Least Risk Portfolio by 3% p.a.

The benchmark for the whole Fund is effectively a composite performance figure based on the specified indices measured over the defined period but weighted according to the benchmark proportions. This composite benchmark figure is then re-balanced (see **page 7**) at the start of each quarter to the initial proportions as defined in **Tables A and B**.

(c) Custody of Investments

Until 30 June 2006 the Fund employed J P Morgan Worldwide Securities, and then from 1 July 2006 ABN AMRO Mellon, as global custodian for all the Fund's assets except:-

- (i) Hermes Focus Funds who use their own custodianship arrangements with J P Morgan
- (ii) Northern Investors plc, where NYPF had contracted with Cazenove & Co to act as custodian. (Please note that this holding was sold in August and September 2006).
- (iii) Yorkshire and Humber Regional Venture Capital Fund, whose bankers are the Royal Bank of Scotland plc
- (iv) Internally Managed Cash which is held either in the North Yorkshire Pension Fund Account, or swept to the North Yorkshire County Council County Fund Account, both held at Barclays Bank, Northallerton

ABN AMRO Mellon were appointed as a result of the review described in detail in the Annual Report for 2005/06. The main services provided 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.

2. PERFORMANCE OF THE FUND

The performance of the fund managers is measured and assessed on a quarterly basis. During 2006/07, NYPF participated in an investment performance measurement service provided by JP Morgan Worldwide Securities Services to 30 June 2006, and then by Mellon Analytical Services (an arm of ABN AMRO Mellon). The WM Company, who provided a performance measurement service to NYPF up until 30 September 2003, have been retained for the purpose of providing comparisons with the WM Local Authority Universe, ie the performance of other local authority pension funds.

Both Global Custodians made use of the information found within the Investment Accounting System, which they also provided for NYPF, in assessing the rate of return achieved by NYPF in relation to the defined benchmarks.

2006/07 Performance

The overall performance of the Fund and of the individual fund managers for the year to 31 March 2007, compared with their defined benchmarks is shown in the following table:

<i>Fund Manager</i>	<i>Share of Fund %</i>	<i>Fund Performance %</i>	<i>Customised Benchmark %</i>	<i>+/- %</i>
Baillie Gifford & Co - Global Alpha (1)	14.5	5.0	6.2	-1.2
Baillie Gifford - LTGG (1)	8.7	3.9	6.2	-2.3
Barclays Global Investors (1)	21.6	5.4	5.6	-0.2
Standard Life Investments (1)	23.8	16.7	16.0	0.7
European Credit Management (1)	10.2	4.3	2.3	2.0
Crédit Agricole Asset Management	11.8	1.9	2.3	-0.4
UBS Global Asset Management (2)	3.8	N/A	N/A	N/A
R C Brown Investment Management	0.2	6.9	11.1	-4.2
Hermes UK	1.8	24.4	11.1	13.3
Hermes European	2.2	11.9	12.0	-0.1
YHRVCF	0.0	0.0	11.1	-11.1
Internally Managed Cash & Currency Hedging	1.4	1.3	4.8	-3.5
Total Fund	100.0	6.9	7.2	-0.3

(1) mandate wef 1 October 2006, so six months results shown.

(2) mandate wef 1 February 2007. No results shown since the period is less than a quarter.

As indicated above, the WM Company also provided comparative data on the 88 local authority pension funds for the 2006/2007 financial year, as well as annualised returns over longer periods. This shows that the NYPF ranked 51st for the year and 31st over the past three years.

3 Year Performance

Over the 3 years to 31 March 2007, the Fund achieved an annualised return of 14.5%pa which compares favourably with the performance of the Least Risk Portfolio (see **Table C on page 23**) which returned 7%pa. This outperformance of the Fund against the Least Risk Portfolio of 7.5% is considerably higher than the 1.4% outperformance target assumed by the Fund Actuary in the 2004 Triennial Valuation; this contributed to the improved solvency level of 72% based upon the 2004 assumptions, compared to 59% at the 31 March 2004 (see **page 14**).

PART C - FINANCIAL REPORT

Income and Expenditure for the year 2006/2007 and the **Net Assets Statement** (representing the value of the Fund) as at 31 March 2007 are shown on **pages 29 and 30**.

The value of the Fund's assets at 31 March 2006 was £1,151m and this increased by £115m during the year to give a value of **£1,266m** at 31 March 2007.

Contributions for the year were £5.1m more than for the year 2005/06 due to the effect of annual increments and pay increases for employees.

Expenditure on benefits increased during the year from £45.5m to £50.6m. This was principally caused by a net increase in the number of pensions in payment from 11,159 to 11,721 (**see page 11**).

Total contributions received during the year amounted to more than the total of benefits paid and administrative expenses by £36.7m. To this surplus was added net investment income of £16.3m, thereby giving an overall net surplus of funds for 2006/07 of £53m (excluding gains and losses on investments).

Transfer values are payable when an employee leaves one pension fund, and joins another, in order to provide for the future pension which the latter will have to meet. For NYPF the net impact was that £3.7m more was received in transfer values in 2006/07 than was paid to other funds in that year.

The main item of expenditure included in Administration Expenses is the service charge from North Yorkshire County Council for pensions administration, accounting expenses etc (£0.9m). The investment related expenses comprise the fees for fund managers (£2.9m) together with other costs of investment and related administration (£0.6m).

The principal items included in the accounts as Debtors are the sale of investments made in March 2007, but not settled until later (£5.7m), accrued dividends (£2.9m), the balance of employees' and employers' contributions due from employing authorities (£7.0m) and interest on internally invested cash not credited to the Fund until after 31 March 2007 (£0.1m) (**see page 31** for full details).

The principal items included in the accounts as Creditors relate to the purchase of investments made in March 2007 but not settled until later (£2.5m), management fees due (£0.9m) and retirement allowances/death grants payable (£0.4m) (**see page 31** for full details).

No account is taken of liabilities to pay pensions and other benefits after 31 March 2007. The Triennial Actuarial Valuation and Interim Actuarial Reviews (**see pages 12-15**) take account of the long term liabilities of the Fund.

At March 2007, 96.8% of the fund assets were invested with a market value of £1.226m (**see page 30**). In addition, cash held on deposit by fund managers and the County Council at the year end totalled £34m, whilst £6m worth of net debtors increased the total of assets to £1.266m.

The Audit Commission have completed their audit of these accounts, and this Annual Report, and their report is unqualified (**see page 34**).

JOHN MOORE
Treasurer of the North Yorkshire Pension Fund

September 2007

NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

2005/06 £000		£000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable		
58,202	Employers - Normal	62,184	
286	- Special	389	
1,832	- Early Retirement Costs Recharged	1,573	
18,986	Employees - Normal	20,205	
267	- Additional Voluntary	357	
79,573	Total Contributions Receivable		84,708
14,955	Transfers in		10,611
	<u>Less</u>		
	Benefits payable		
(37,781)	Pensions	(39,849)	
(6,736)	Commutation of Pensions and Lump Sum Retirement Benefits	(10,104)	
(958)	Lump Sums Death Benefits	(642)	
(45,475)	Total Benefits payable		(50,595)
	Payments to and on account of leavers		
(159)	Refunds of contributions	(62)	
(39)	State Scheme Premiums	(20)	
(1,456)	Transfers out - Group Transfers	0	
(10,549)	- Individual Transfers	(6,896)	
(12,203)	Total payments to and on account of leavers		(6,978)
(1,011)	Administration and other Expenses		(1,035)
35,839	Net additions/(withdrawals) from dealings with members		36,711
	RETURNS ON INVESTMENTS		
17,728	Investment income		20,068
220,843	Change in market value of investments		62,142
(221)	Taxation		(268)
(2,837)	Investment management expenses		(3,506)
235,513	Net returns on investments		78,436
271,352	Net Increase/(Decrease) in Fund during year		115,147
879,176	Opening Net Assets of the Scheme		1,150,528
1,150,528	Closing Net Assets of the Scheme		1,265,675

NORTH YORKSHIRE PENSION FUND - NET ASSETS STATEMENT

31st March 2006 £000		£000	£000
INVESTMENT ASSETS			
	Fixed Interest Securities		
73,911	Government	95,874	
131,364	Corporate	131,041	
7,331	Index Linked	7,395	
24,445	Certificates of Deposit	<u>32,500</u>	
<u>237,051</u>	Total Fixed Interest Securities		266,810
	Equities		
523,878	Segregated Equities	297,126	
266,579	Unit Trusts	273,443	
0	Unitised Insurance Policies	293,668	
87,613	Other Managed Funds	<u>94,565</u>	
<u>878,070</u>	Total Equities		958,802
	Short Term Investment Assets		
12,672	Cash and Cash Funds	13,436	
5,478	Total Return Interest Rate Swaps	6,875	
7,561	Debtors	8,630	
<u>(4,631)</u>	Less Creditors	<u>(2,501)</u>	
21,080			26,440
<u>1,136,201</u>	Total Investment Assets		<u>1,252,052</u>
	OTHER CURRENT ASSETS AND LIABILITIES		
7,151	Debtors		7,127
	Cash		
8,766	Invested with NYCC	7,811	
<u>(705)</u>	At Bank	<u>26</u>	
8,061	Total Cash		7,837
(885)	Creditors		(1,341)
<u>14,327</u>	Net Current Assets and Liabilities		<u>13,623</u>
<u>1,150,528</u>	TOTAL NET ASSETS		<u>1,265,675</u>

Additional Information:

Current Assets and Liabilities

	2006/07 £000	2005/06 £000
Debtors		
Investment Assets		
Investment Transactions	5,657	2,123
Accrued Dividends	2,913	5,404
Withholding Taxes Recoverable	60	34
	<u>8,630</u>	<u>7,561</u>
Other Assets		
Contributions due from Employing Authorities	6,988	6,569
Pensions Rechargeable	21	21
Interest on Deposits	86	141
Value Added Tax	18	18
Transfer Values In (1)	0	360
Other	14	42
	<u>7,127</u>	<u>7,151</u>
Total Debtors	<u>15,757</u>	<u>14,712</u>
Creditors		
Investment Assets		
Investment Transactions	2,501	4,631
	<u>2,501</u>	<u>4,631</u>
Other Assets		
Management Fees	927	712
Retirement Allowances/Death Grants	377	82
Transfer Values Out (1)	0	36
Other	37	55
	<u>1,341</u>	<u>885</u>
Total Creditors	<u>3,842</u>	<u>5,516</u>

- (1) A change in accounting policy, to match the SORP, means that transfer values in and out are now treated on a cash basis, with no accruals made in relation to sums due in 2006/07 but not received or paid until 2007/08.

Investment Income

	2006/07 £000	2005/06 £000
Fixed Interest Securities	8,995	5,484
Dividends from Equities	11,188	10,995
Income from Index-Linked Securities	84	31
Income from Pooled Investment Vehicles	160	13
Interest on Cash Deposits	1,651	1,205
Interest on Interest Rate Swaps	(2,010)	0
	20,068	17,728

Contributions and Benefits

Contributions represent the total amounts receivable from the various employing authorities in respect of their own contributions and those of their pensionable employees. The employer's contributions are made at a rate determined by the Fund's actuary. Benefits represent the amounts paid in pensions and lump sums (including retirement and death grants).

	2006/07 £000	2005/06 £000
Contributions Receivable		
North Yorkshire County Council	35,325	32,915
Other scheduled bodies	45,597	42,752
Admitted bodies	3,786	3,906
	84,708	79,573

Members of the Fund can make Additional Voluntary Contributions (AVCs) which are invested in insurance policies with Prudential Assurance Company Limited on behalf of the individual members concerned.

	2006/07 £000	2005/06 £000
Benefits Payable		
North Yorkshire County Council	22,895	20,423
Other scheduled bodies	25,807	23,338
Admitted bodies	1,893	1,714
	50,595	45,475

Administration Expenses

	2006/07 £000	2005/06 £000
Administration and Processing	971	927
Actuarial Fees	49	40
Legal and Audit Fees	15	44
	1,035	1,011

The analysis above does not include investment expenses, £3.506m in 2006/07 (£2,837m in 2005/06).

PART D - AUDITOR'S REPORT

Independent auditors' report to the Members of North Yorkshire County Council on the pension fund annual report

I have examined the financial statements included in the Pension Fund Annual Report which comprise the Fund Account, the Net Assets Statement and the related notes.

This report is made solely to North Yorkshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of Chief Finance Officer and auditors

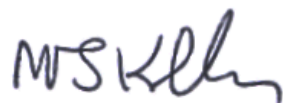
The Chief Finance Officer is responsible for preparing the Annual Report in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes 2002'. My responsibility is to report to you my opinion on the consistency of the financial statements within the Annual Report with the statutory financial statements. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the statutory financial statements.

Basis of opinion

I conducted my work in accordance with paragraphs 15-18 of Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board.

Opinion

In my opinion the financial statements included in the Annual Report are consistent with the statutory financial statements of the Authority for the year ended 31 March 2007.



Mark Kirkham
District Auditor
Audit Commission
Kernel House
Killingbeck
Leeds

Date 22 October 2007

PART E - SCHEME BENEFITS

Introduction

The Local Government Pension Scheme (LGPS) is a very comprehensive scheme providing a wide range of benefits for members and their families. This summary does not give details of all the benefits provided by the Scheme or of all the specific conditions that must be met before these benefits can be obtained. More detailed information, including the Scheme booklet *A Guide to the LGPS*, can be obtained by contacting the Pensions Section at County Hall, Northallerton, (telephone 01609 780780 extension 2340).

Normal Retirement Age

65 for both men and women (earlier voluntary retirement allowed from age 60 but benefits are reduced if minimum service conditions are not met).

On retirement, normally, both a pension and a lump sum retirement grant are payable both related to length of service and final pay.

Pension (Normal)

Based on average pensionable pay for the last year of service or the better of the two previous years if this gives a higher figure. Pensions are calculated on a fraction of $\frac{1}{80}$ th for each year of membership of the scheme.

Pension (Ill Health)

Based on average pensionable pay for the last year of service, $\frac{1}{80}$ th for each year as follows:

Service of 2 years and less than 5 years	- actual
Service between 5 and 10 years	- doubled
Service 10 to 13 $\frac{1}{3}$ years	- enhanced to 20 years
Service 13 $\frac{1}{3}$ years and above	- 6 $\frac{2}{3}$ years to be added

Lump Sum Retirement Grant

Based on average pensionable pay for the last year of service, $\frac{3}{80}$ ths for each year of service, with appropriate enhancement in respect of ill health, if appropriate.

Death Grant

(i) Death in Service

A lump sum death grant usually equal to two times pensionable pay would be payable to the member's spouse, or nominee.

(ii) Death after Retirement

A death grant is payable in certain circumstances where death occurs after retirement. Retirement pensions are guaranteed for five years and where death occurs within that period, a death grant is payable.

Widows/Widower's Pension

(i) Short Term Benefits

Pension equal in value to three months pensionable pay is paid to the widow/widower. If there are any children under age 17 or still in full time education and under age 23, then this pension will be paid for six months.

(ii) Long-Term Benefits

Based on 50% of spouse's pension at date of retirement

OR

for death in service, calculated as if ill-health retirement had taken place on the date of death (again 50% of spouse's pension). This is payable for life.

Children's Pension

Each child under age 17, or still in full-time education and under age 23, will receive a pension of at least 25% of the parent's pension at the date of retirement or, for death in service, 25% of the parent's pension based on ill health retirement on the date of death. There is a maximum payment due of two thirds of the parent's pension where there are more than two children and there is no spouse's or partner's pension 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 Retail Price Index.

Contracting Out Status (with effect from 1 April 2002)

The LGPS is contracted-out of the State Second Pension Scheme (S2P). This means that members pay reduced National Insurance contributions and that they do not earn a pension under S2P. Instead, the LGPS must guarantee to pay a pension that in general is as high as the pension which would have been earned in the State Earnings Related Pension Scheme (SERPS) / S2P. For contracted-out membership or and between 6 April 1978 and 5 April 1997, a Guaranteed Minimum Pension (GMP) is calculated by the Inland Revenue which is the minimum pension which must be paid from the North Yorkshire Pension Fund to the member. For membership after 5 April 1997, the LGPS has guaranteed that the benefits it provides will, in general, be no less favourable than those provided under a Reference Scheme prescribed under the Pensions Act 1995.

AVC's

A facility is available for scheme members to make Additional Voluntary Contributions (AVCs). The Pension Fund Committee has appointed the Prudential as the nominated provider for this purpose. Further details are available from the Prudential Pensions Connection Team on 0845 6070077.

Changes from April 2008, The New Look Scheme

Proposed changes to scheme benefits with effect from April 2008 are set out on **page 10**.

PART F - STATEMENT OF PENSION FUND COMMITTEE RESPONSIBILITIES

The Pension Fund Committee holds the following delegated powers

1. To exercise the powers of the County Council to invest monies forming part of the Pension Fund, including:-
 - ◆ investment in property
 - ◆ appointment of managers to manage and invest Fund monies on the County Council's behalf
 - ◆ receiving reports from the managers at least once every three months setting out the action they have taken under their appointment
 - ◆ receiving reports every three months reviewing the investments made by the Investment Manager
 - ◆ from time to time considering the desirability of continuing or terminating the appointments and
 - ◆ from time to time reporting to the Executive
2. To exercise all the County Council's powers as administering authority for the North Yorkshire Pension Fund, subject to any specific instructions that might be given from time to time by the Council.
3. To carry out the County Council's functions relating to local government pensions under
 - ◆ The Local Authority (Discretionary Payments) Regulations 1996;
 - ◆ The Local Authority Pension Scheme Regulations 1997; and
 - ◆ The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, and subsequent amendments

PART G - COMPLIANCE STATEMENT

Myners Compliance and SIP

Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1999, as amended in 2002, the Fund is required to report its compliance with Myners principles in the Statement of Investment Principles (SIP) – **see page 9**.

Governance Policy Statement

In accordance with the LGPS (Amendment) (No 2) Regulations 2005, the Fund was required to prepare, consult on and publish by 1st April 2006 a Governance Policy Statement setting out its policy on the delegation of pension fund functions to committees, officers etc together with the frequency of meetings, terms of reference, representation and voting rights. The Regulations also required the Fund to publish a Communications Policy Statement at the same time.

A copy of the current version of both statements can be found on the website at <http://www.nynet.org.uk/pensionfund/word/0606GovCommsPolStatement.pdf>

Trustee Training

The County Council as administrators of the Fund supports the practice of regular training to ensure PFC Members are familiar with the issues on which they are required to make decisions. This is achieved by their attendance at training seminars, courses and conferences provided by external providers, and at internally provided workshops and training events.

Corporate Governance

The present policy on corporate governance is that NYPF has instructed Pension Investment Research Consultants Limited (PIRC) to execute voting rights for all UK Equities held by the Fund. Votes are executed according to predetermined Shareholder Voting Guidelines agreed with PIRC by the PFC. PIRC currently instructs the Fund Custodian by email of voting recommendations for each FTSE All Share holding.

The scope of the policy is under review with the intention of extending the range of companies where NYPF's interest can be voted, for example to overseas holdings.

NYPF, as a member of the Local Authority Pensions Fund Forum (LAPFF), receives research and advice in relation to voting issues and local authority pension fund good practice.

Securities Lending and Commission Recapture

NYPF prohibits its fund managers and custodian from securities lending, or operating a commission recapture arrangement with brokers.

MEMBERSHIP STATISTICS

Employer (1)	SUMMARY OF ACTIVE MEMBERS		SUMMARY OF DEFERRED MEMBERS		SUMMARY OF PENSIONERS	
	Pensionable Employees as at 31/3/2006 (2)	Pensionable Employees as at 31/3/2007 (3)	Deferreds as at 31/3/2006 (4)	Deferreds as at 31/3/2007 (5)	Pensioners as at 31/3/2006 (6)	Pensioners as at 31/3/2007 (7)
North Yorkshire County Council	15,587	16,407	5,625	7,828	6,064	6,360
North Yorkshire Police Authority	1,050	1,169	324	376	338	357
North Yorkshire Fire & Rescue Authority	120	132	17	20	21	23
North Yorkshire Probation Committee	280	257	103	125	100	104
North Yorkshire Magistrates Courts Committee (1)	0	0	187	176	74	79
North York Moors National Park	127	119	37	61	24	26
Yorkshire Dales National Park	142	142	49	53	20	22
Balfour Beatty	251	224	42	57	26	39
DISTRICTS						
Craven	249	251	143	158	214	213
Hambleton	381	366	162	194	202	201
Harrogate	1,168	1,178	612	702	640	645
Richmondshire	275	265	148	163	195	202
Ryedale	225	263	119	131	232	233
Scarborough	926	826	482	581	836	862
Selby	319	327	234	246	264	271
UNITARY AUTHORITIES						
York	5,056	4,898	1,747	2,356	1,375	1,484
COLLEGES	1,330	1,302	679	833	376	422
OTHER EMPLOYERS	501	275	193	186	158	178
TOTAL	27,987	28,401	10,903	14,246	11,159	11,721

- Notes** (1) Responsibility for the Magistrates' Courts Service has passed to Central Government, so staff are no longer entitled to be members of the LGPS.
(2) The table also reflects the results of a data cleansing exercise which was undertaken during 2006/07.

Actuarial Certificate

Local Government Pension Scheme Regulations 1997 (as amended)

Rates and Adjustments Certificate issued in accordance with Regulation 77

Regulation 77(3)

I hereby certify that, in my opinion, the Common Rate of employers' contributions payable in each year of the period of three years beginning 1 April 2005 should be at the rate of 10.4 per cent of Pensionable Pay.

I hereby certify that, in my opinion, the amount of the employers' contribution rate payable in each year of the period of three years beginning with 1 April 2005, as set out above, should be individually adjusted as set out in the attached Schedule.

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of the Rates and Adjustments Certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's actuary and the Administering Authority.

The contribution rates set out in the attached Schedule represent the minimum contribution which may be paid by each employer. Additional contributions may be paid if requested by the employer concerned.

Regulation 77(7)

As noted above, no allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs rising will be met by additional contributions. Allowance for ill health requirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out the report.

Signature:

Name:

Date of Signing:



Actuarial Certificate

Schedule to the Rates and Adjustments Certificate dated 14 March 2005

	2005/06		2006/07		2007/08	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Major Scheduled Bodies						
North Yorkshire County Council	8.2	18.6	8.3	18.7	8.4	18.8
City of York Council	7.2	17.6	7.2	17.6	7.2	17.6
Ryedale District Council	8.3	18.7	9.3	19.7	9.8	20.2
Harrogate Borough Council	8.4	18.8	9.5	19.9	10.6	21.0
Richmondshire District Council	10.5	20.9	10.5	20.9	10.5	20.9
Selby District Council	8.5	18.9	8.5	18.9	8.5	18.9
Craven District Council	12.5	22.9	13.5	23.9	14.5	24.9
Hambleton District Council	6.3	16.7	6.3	16.7	6.3	16.7
Scarborough Borough Council	9.4	19.8	9.4	19.8	9.4	19.8
North Yorkshire Police Authority	8.5	18.9	8.5	18.9	8.5	18.9

	2005/06		2006/07		2007/08	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Other Scheduled Bodies						
Askham Bryan College	6.1	16.5	6.1	16.5	6.1	16.5
Craven College	2.0	12.4	2.0	12.4	2.0	12.4
York College	2.2	12.6	2.2	12.6	2.2	12.6
Selby College	2.3	12.7	2.3	12.7	2.3	12.7
Yorkshire Coast College	2.4	12.8	2.4	12.8	2.4	12.8
Scarborough Sixth Form College	4.2	14.6	4.2	14.6	4.2	14.6
University of Hull, Scarborough Campus	3.0	13.4	3.0	13.4	3.0	13.4
Fulford Parish Council	8.0	18.4	8.0	18.4	8.0	18.4
Whitby Town Council	8.0	18.4	8.0	18.4	8.0	18.4
Great Ayton Parish Council	8.0	18.4	8.0	18.4	8.0	18.4
Northallerton and Romanby Burial Committee	8.0	18.4	8.0	18.4	8.0	18.4
Selby Town Council	8.0	18.4	8.0	18.4	8.0	18.4
Glusburn Parish Council	8.0	18.4	8.0	18.4	8.0	18.4
Sutton-in-Craven Parish Council	8.0	18.4	8.0	18.4	8.0	18.4
Foss Internal Drainage Board	8.0	18.4	8.0	18.4	8.0	18.4
Skipton Town Council	13.8	24.2	13.8	24.2	13.8	24.2
Ouse and Derwent Internal Drainage Board	8.0	18.4	8.0	18.4	8.0	18.4
Marston Moor Internal Drainage Board	8.0	18.4	8.0	18.4	8.0	18.4
Norton on Derwent Town Council	8.0	18.4	8.0	18.4	8.0	18.4
Thornton Internal Drainage Board	8.0	18.4	8.0	18.4	8.0	18.4
Richmond Town Council	8.0	18.4	8.0	18.4	8.0	18.4
Malton Town Council	8.0	18.4	8.0	18.4	8.0	18.4
Northallerton Town Council	8.0	18.4	8.0	18.4	8.0	18.4
Pickering Town Council	8.0	18.4	8.0	18.4	8.0	18.4
Hunmanby Parish Council	8.0	18.4	8.0	18.4	8.0	18.4
Haxby Town Council	8.0	18.4	8.0	18.4	8.0	18.4
Tadcaster Town Council	8.0	18.4	8.0	18.4	8.0	18.4
Ripon City Council	8.0	18.4	8.0	18.4	8.0	18.4
Knaresborough Town Council	8.0	18.4	8.0	18.4	8.0	18.4
North Yorkshire Fire and Rescue Authority	4.8	15.2	4.8	15.2	4.8	15.2
North Yorkshire Moors National Park	5.1	15.5	5.1	15.5	5.1	15.5
Yorkshire Dales National Park	9.2	19.6	9.2	19.6	9.2	19.6
North Yorkshire Probation Committee	13.6	24.0	13.6	24.0	13.6	24.0
North Yorkshire Magistrates Courts Committee (Department for Constitutional Affairs)	£314,500	£314,500	£314,500	£314,500	£314,500	£314,500

	2005/06		2006/07		2007/08	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Admitted Bodies						
York St John College	3.4	13.8	3.4	13.8	3.4	13.8
Ryedale Housing	5.6	16.0	5.6	16.0	5.6	16.0
Yorkshire Tourist Board	-1.4	9.0	-0.2	10.2	0.9	11.3
York Archaeological Trust Limited	13.9	24.3	13.9	24.3	13.9	24.3
Joseph Rowntree Charitable Trust	6.8	17.2	6.8	17.2	6.8	17.2
Ryedale Sports and Recreation Limited	6.1	16.5	6.1	16.5	6.1	16.5
North Yorkshire Business and Education Partnership	27.0	37.4	27.0	37.4	27.0	37.4
Raynesway	8.4	18.8	8.4	18.8	8.4	18.8
Northern Procurement Group	6.7	17.1 + £14,000 p.a.	6.7	17.1 + £14,000 p.a.	6.7	17.1 + £14,000 p.a.
Connexions	2.5	12.9	2.5	12.9	2.5	12.9
York Museum & Gallery Trust	2.1	12.5	2.1	12.5	2.1	12.5
Craven Housing	-0.3	10.1	-0.3	10.1	-0.3	10.1
Yorkshire Coast Homes	1.3	11.7	1.3	11.7	1.3	11.7

Other interested bodies with no pensionable employees

Former Employers	Proportion of Pension Increases to be Recharged %
Filey Town Council	0
Department of Transport DVLC	100
Yorkshire Water Authority	100
Department of Social Security	0
St Sampsons Social Club	0
Ashville College	0
Selby Area Internal Drainage Board	0
Buy from the Blind Guild	0
Harewood Housing Society Limited	0
Harrogate Society for the Blind	0

A bulk transfer is pending in respect of Harrogate College former Fund members. Active members of the Fund in respect of the Magistrates Courts Committee will transfer to the Principal Civil Service Pension Scheme on 31 March 2005. From that date we have assumed that the Department for Constitutional Affairs (DCA) will be liable for the deficit payments required in respect of the pensioner and deferred pensioner liabilities, which will remain with the Fund. If the DCA's participation in the Fund were to be terminated the deficit position would be revised on a risk-free basis of assessment

