ERPF
East Riding Pension Fund

2016/2017

Annual Report & Accounts

Pensions Regulator Scheme Registration Number 10079121

contents

foreword

The Fund was created on the reorganisation of local government in 1974 and East Riding of Yorkshire Council became the Administering Authority on 1 April 1996.

At 31 March 2017 the Fund was valued at £4,534.6m, having paid out £144.1m during the year for the benefit of Scheme members. This is an increase in the Fund value of £821m from 31 March 2016, due to significant capital appreciation in the majority of equity markets following the outcome of the US Presidential Election, strength in corporate earnings, and a further improvement in investor risk sentiment. In addition, sterling returns from overseas investments received a significant boost due to the depreciation of the currency in the aftermath of the EU referendum. The Fund also benefited from the strong performance of its internal and external investment managers.

At 31 March 2017 the number of employers in the Fund was 257 (2016: 238). The increase during the year was due mainly to the continued conversions of schools to academy status.

All employees, other than teachers, of the Administering Authority and the majority of the Scheme Employers are entitled to participate in the Scheme. Employees of Scheme Employers classed as designating bodies, such as town and parish councils, and employees of the 39 Admission Bodies may be nominated for membership by their employer. Teachers, police officers and firefighters have separate pension arrangements.

Although membership is not compulsory, it is automatic for all employees who have a contract of employment that is for at least 3 months and who are under age 75. Employees have freedom of choice to leave the Scheme and make alternative pension arrangements.

At 31 March 2017 the total membership records administered by the East Riding Pension Fund was 109,685, an increase of 6.1% in the year (2016: 103,375). For active members, each separate employment contract is classed as a record where an individual has multiple employments, and the number of active member records has increased by 0.6% to 39,475 (2016: 39,227). For pensioner members each pension entitlement is classed as a record where an individual is in receipt of more than one pension and the number of pensioner member records, including the pensions paid to spouses and dependants of the former scheme members, has increased by 7.2% to 28,625 (2016: 26,698). All the membership figures in the report are based on the up to date position recorded on the pension administration system, with all previous years restated on a consistent basis. The average pension in payment is £4,661.60 per annum, equivalent to a weekly payment of £89.40.

The Fund generated a return of 21.1% for the year ended 31 March 2017, compared to the strategic benchmark return of 20.1%. Over the three years to 31 March 2017, the Fund returned 10.5% per annum, compared to the strategic benchmark return of 10.0% per annum, and the long term investment objective of 7.1% per annum.

The Pension Fund continues to be managed in a cost effective manner with total pension administration and investment management costs equating to just 0.12% (2016: 0.13%) of funds under management.

The key challenges for the Fund in the year ahead are maintaining strong investment performance in a lower return environment and continuing the preparations for the creation of Border to Coast Pensions Partnership, the Fund's chosen entity to satisfy the Government's requirement for pooling. The Fund is participating fully in the pooling process and will strive to ensure that any changes will be communicated to both scheme members and employers.

I would like to extend my appreciation to everyone involved in the management of the Fund whose efforts have resulted in a continuation of the standard of service that members of the Fund have come to expect.

Julian Neilson
Head of Finance
East Riding of Yorkshire Council
1 September 2017

the local government pension scheme

Legal Framework

The Local Government Pension Scheme (LGPS) has been in existence since 1922 and has developed into a comprehensive scheme providing pensions for all members and their spouses, civil partners or eligible cohabiting partners and eligible children.

The current scheme, LGPS 2014, is a Career Average Revalued Earnings (CARE) scheme. The scheme rules for LGPS 2014 are contained within the LGPS Regulations 2013 (Statutory Instrument Number 2013 No. 2356) and subsequent amendments and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (Statutory Instrument Number 2014 No. 525). Amendments to LGPS 2014 are made under the Public Service Pensions Act 2013. Details of the main provisions of LGPS 2014 can be found at http://lgpsregs.webdigi.co.uk/schemeregs/index.php

The Regulations specify the type and amounts of pension and other benefits payable in respect of scheme members who leave, retire or die, and also fix the member contributions rates payable on an ongoing basis. Employees have the freedom to opt-out and make their own pension provision.

Employer contribution rates are set by the Fund’s Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the Fund. New rates were set by the Actuary from 1 April 2017 to 31 March 2020 following the 2016 Actuarial Valuation.

Whilst the Regulations are fixed on a national basis, the LGPS is managed by a designated Administering Authority, and throughout England and Wales there are 89 such authorities. East Riding of Yorkshire Council is responsible for administering ‘The East Riding Pension Fund’ for the benefit of its own employees and the employees of the scheme employers and admission bodies. Full details of the employers participating within the Fund are shown on pages 5 to 6. Teachers, Police Officers and Firefighters are excluded from the LGPS as they are members of separate statutory pension schemes.

HM Revenues and Customs has granted the LGPS ‘exempt approval’ for the purposes of the Income and Corporation Taxes Act 1988. Since April 2006, the LGPS has been classified as a registered public service pension scheme under Part 4 of Chapter 2 of the Finance Act 2004. It complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995, and the Pensions Act 2004 and meets the government’s new standards under the automatic enrolment provisions of the Pensions Act 2008.

The East Riding Pension Fund Local Pension Board

As required under section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013 (as amended), the East Riding Pension Fund Local Pension Board (ERPFLPB) was established on 25 February 2015 and is made up of three employer representatives and three member representatives. The ERPFLPB is responsible for assisting East Riding of Yorkshire Council (as administering authority) in securing compliance with the LGPS regulations, overriding legislation and guidance from the Pensions Regulator.

Details of the activities of the ERPFLPB can be found can be found on the East Riding Pension Fund website at http://www.erpf.org.uk/local-pension-board-information/

Fund Membership

The 257 employers, including East Riding of Yorkshire Council, with an interest in the Pension Fund in 2016/17 are listed below:

ADMINISTERING AUTHORITY

East Riding of Yorkshire Council

SCHEDULE 2 EMPLOYERS (217)

Ainthorpe Primary Academy
Anlaby Common Parish Council
Appleton Primary Academy
Archbishop Sentamu Academy
Ashwell Academy
Aspire Academy
Barton upon Humber Town Council
Beverley and North Holderness Internal Drainage Board
Bellfield Academy
Beverley Grammar School
Beverley Town Council
Biggin Hill Primary Academy
Bishop Burton College
Bottesford Town Council
Bricknell Primary Academy
Bridgeview School
Bridlington Town Council
Brigg Town Council
Broughton Town Council
Buckingham Primary Academy
Bude Park Primary Academy
Bursar Primary Academy
Burton upon Stather Parish Council
Cambridge Park Academy
Canon Peter Hall Academy
Chiltern Primary School
Christopher Pickering Primary School
Cleethorpes Academy
Cleeve Primary Academy
Collingwood Academy
Coritani Academy
Cottingham High School
Craven Primary Academy
Crowle Academy
Dawes Lane Academy
Dorchester Primary Academy
Driffield School
Driffield Town Council
Dunswell Primary Academy
Easington CE Primary Academy
East Ravendale Academy
East Riding College
Eastfield Primary Academy (Immingham)
Eastfield Academy (Hull)
Edward Heneage Academy
Elliston Primary Academy
Elloughton cum Brough Parish Council
Emergency Services Fleet Management (Humberside) Ltd
Endike Primary School
Endsleigh Holy Child VC Academy
Enfield Academy of New Waltham
Epworth Academy
Estcourt Primary Academy
Fairfield Academy
Francis Askew Primary School
Franklin College
Ganton School
Goole High School
Goole Town Council
Greatcoates Primary Academy
Grimsby Institute of Further and Higher Education
Hall Road Academy
Havelock Academy
Healing Primary School
Healing Science Academy Limited
Hedon Town Council
Hessle High School
Hessle Penshurst Primary School
Hessle Town Council
Hibaldstow Academy
Highlands Primary Academy
Holy Family Catholic Academy
Hornsea Town Council
Hull College
Hull Culture and Leisure Limited
Hull Studio School
Hull Trinity House Academy
Humber Bridge Board
Humber University Technical College
Humberside Fire Authority
Humberside Magistrates' Courts Committee
Humberston Academy
Humberston Cloverfields Academy
Humberston Park Academy
Hunsley Primary School
Huntcliff Academy
ICT 4 Collaboration
Immingham Town Council
Ings Primary School
John Leggott College
John Whitgift Academy
Kelvin Hall School
Kingston Upon Hull City Council
Kingstown Works Limited
Kingswood Academy
Kingswood Parks Primary Academy
Kirk Ella and West Ella Parish Council
Kirton in Lindsey Town Council
Laceby Acres
Lisle Marsden Academy
Littlecoates Primary Academy
Longhill Primary Academy
Macaulay Academy
Malet Lambert Academy
Market Weighton Town Council
Maybury Primary Academy
Melior Community College Academy
Mersey Academy
Middlethorpe Academy
Neasden Primary Academy
New Waltham Academy
Newbald Parish Council
Newington Academy
Newland St John's CE Academy
North Cave Parish Council
North East Lincolnshire Council
North Eastern Inshore Fisheries and Conservation Authority
North Lincolnshire Council
North Lindsey College
Oasis Academy Henderson Avenue
Oasis Academy Immingham
Oasis Academy Nunsthorpe
Oasis Academy Parkwood
Oasis Academy Wintringham
Old Clee Primary Academy
Ormiston Maritime Academy
Ormiston South Parade Academy
Ouse and Humber Drainage Board
Outwood Academy Brumby
Outwood Academy Foxhills
Patrington CE Primary Academy
Pearson Primary School
PHASE
Phoenix House PRU
Pocklington Junior School
Priory Primary Academy
Quay Academy
Reynolds Primary Academy
St Augustine Webster Academy
St Bede's Academy
St Bernadette's Academy
St George's Primary Academy
St James' CE Academy
St Joseph's Academy
St Mary Queen of Martyrs VC Academy
St Mary's Academy
St Mary's Catholic Academy
St Nicholas Primary Academy
St Norbert's Academy
St Peter's CE Primary Academy
St Richards RC Primary School
St Vincents VC Academy
Scartho Junior Academy
Scawby Academy
Sevenhills Academy
Sigglesthorne Primary Academy
Signhills Academy
Signhills Infants Academy
Sirius Academy North
Sirius Academy West
South Axholme Academy
South Hunsley School and Sixth Form College
Southcoates Primary Academy
Spring Cottage Academy

- Springfield Primary Academy
- Stamford Bridge School
- Stepney Primary Academy
- Stockwell Academy
- Strand Academy
- Sullivan Centre
- Sutton Park Primary Academy
- Swanland Primary School Academy Trust
- The Axholme Academy
- The Boulevard Academy
- The Boulevard Centre
- The Chief Constable of Humberside Police
- The Green Way Academy
- The Marvell College
- The Parks Academy
- The Police and Crime Commissioner for Humberside
- The St Lawrence Academy
- The Snaith School
- The Vale Academy
- Thoresby Academy
- Thorpepark Academy
- Thrunscoe Primary Academy
- Tollbar Academy Limited
- Tweendykes Academy
- Ulceby St Nicholas Primary School
- University of Lincoln
- Waltham Leas Primary Academy
- Wansbeck Academy
- Weelsby Primary Academy
- Welholme Primary Academy
- Welton Parish Council
- Westcott Primary Academy
- Westwoodside Academy
- Wheeler Academy
- Whitehouse Pupil Referral Unit
- Wilberforce College
- William Barcroft Junior Academy
- Willoughby Road Primary Academy
- Willows Academy
- Winifred Holtby Academy
- Winterton Academy
- Winterton Town Council
- Withernsea Primary Academy
- Withernsea Town Council
- Wold Academy
- Woldgate School and Sixth Form Cottage
- Woodlands Primary Academy
- Workforce Skills Limited
- Worlaby Academy
- Wybers Wood Academy
- Wyke College
- Yarborough Primary Academy
- Yorkshire and Humberside Grid for Learning

ADMISSION BODIES (39)

- Barnado's
- Bulloughs Cleaning Services Limited
- Churchill Contract Services Ltd (IET)
- City Health Care Partnership CIC
- Civica UK Limited
- Compass Contract Services (UK) Limited (Hessle Academy Community Trust)
- Compass Contract Services (UK) Limited (The Vale)
- ENGIE Services Limited
- Havelock Housing Association Limited
- Hull and Goole Port Health Authority
- Hull Charterhouse Trustees
- Hull Resettlement Project Limited
- Humbercare Limited
- Humberside Independent Care Association
- Independent Cleaning Services Limited (Chiltern)
- Independent Cleaning Services Limited (Driffield)
- Independent Cleaning Services Limited (Thorpepark)
- Independent Cleaning Services Limited (Wolfreton)
- Interserve (Facilities Management) Ltd
- ISS Facility Services - PFI
- Lincs Inspire Limited
- Mellors Catering Services Limited
- North East Lincolnshire Clinical Commissioning Group
- NPS Humber Limited
- Ongo Homes Limited
- Pickering and Ferens Homes
- Pocklington School
- Robertson Facilities Management Limited
- Robertson Facilities Management Limited PFI
- Sewell Facilities Management Limited
- Shoreline Housing Partnership Limited
- Sodexo Limited
- Sodexo Limited Nunsthorpe
- Taylor Shaw Limited
- The Deep (EMIH) Limited
- The Humber NHS Foundation Trust
- The Riverside Group Limited
- University of Lincoln Students' Union
- University of York

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Management Arrangements of Fund

The arrangements for the management of the Fund are:

- The Pensions Committee meet at quarterly intervals to determine overall strategy, to review retrospectively detailed implementation of policy and to consider performance, with a further four meetings being held to consider other matters;
- The fixed income portfolio is managed by the Corporate Resources Directorate;
- The UK equity portfolio is managed by the Corporate Resources Directorate;
- Overseas investments are managed by Schroder Investment Management, except for 60% of European equities which are managed by the Corporate Resources Directorate;
- Alternative assets are managed by the Corporate Resources Directorate;
- The Corporate Resources Directorate administers obligations to pensioners and Fund contributors.

Custodial Arrangements

Investments are held by State Street Bank and Trust Company in the nominee name of The East Riding Pension Fund. State Street Bank and Trust Company are also empowered to carry out stock lending on behalf of the Fund (see note E to the accounts).

risk management

East Riding Pension Fund recognises the importance of effective risk management including the identification and management of its key risks. Risk is defined as a condition, act, situation or event with the ability or potential to impact on the Fund either by enhancing or inhibiting performance, attainment of objectives or meeting stakeholder expectations. Risk management is the process by which the Pension Fund systematically identifies, assesses and seeks to mitigate the risks associated with its activities, and is a key component of the overall governance process. Effective risk management is a clear indicator of good governance and a risk register is the primary control document for the identification, assessment and monitoring of key risks.

The Fund's key objectives are to:

- ensure the long term solvency of the fund and that sufficient funds are available to meet all benefits as they fall due for payment;
- administer the fund effectively and efficiently in accordance with regulations; and
- communicate effectively with all key stakeholders

The Fund's risk management strategy includes a risk register which identifies its key risks, details the consequence of those risks, and highlights the controls which are currently in place to mitigate those risks. For each risk the register includes:

- a brief description of each risk;
- the potential consequences;
- an estimate of the severity of the risk before any risk controls have been implemented;
- a description of the controls currently in place to mitigate the risk;
- the revised severity of the risk as a result of the controls already in place; and
- additional control requirements that have been identified.

The Fund's risk register is reviewed on a semi-annual basis by the Pensions Committee and the latest risk register is included on pages 10 to 20. In the interests of brevity the risk scores, which are based on the likelihood of the risk occurring and the potential impact on the Fund, have been omitted from the table.

The Fund's risk register is included below.

No.	Risk	Consequences	Controls
1	Inappropriate long-term investment strategy including issues such as: • Active v. Passive • In-house v. External management • Equities v. Bonds • Investment in Alternatives • Liquidity of investments	Failure to meet long term investment rate of return target. Asset classes fail to provide adequate returns irrespective of investment strategy or manager performance. Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term. Deterioration in funding position. Increase, and/or volatility, in employer contribution rates. Concentration risk in assets that have similar characteristics. Insufficient liquid assets to meet liabilities as they fall due.	Strategic asset allocation, including appropriate diversification of assets, determined on a triennial basis following the latest actuarial valuation. Agreed by Members, advisers, and investment managers. Tactical asset allocation determined on a quarterly basis by Pensions Committee in light of financial market conditions and following advice from advisers and investment managers. Statement of Investment Principles discloses the permitted asset classes, allocation, and ranges in order to provide an appropriate level of diversification. Fund-specific benchmark is used, informed by Asset-Liability modelling of liabilities. Regular review of long-term investment strategy to ensure it remains appropriate. Investment management responsibilities split between internal and external investment managers. Robust investment process including detailed research and analysis. Performance monitored by the Head of Finance and Interim Director of Corporate Resources on a quarterly basis. Detailed analysis of investment managers' performance on an annual basis, using external provider of performance measurements services, and reviewed by the Pensions Committee. Detailed analysis of Fund performance on an absolute basis and relative to the actuarial rate of return and the Fund specific benchmark. Independent assurance received on internal controls of the Fund's investment managers on an annual basis. Analysis of Fund liquidity position on a weekly basis.
2	Under-performance of investment managers relative to benchmark	Failure to meet long term investment rate of return target. Deterioration in funding position. Increase in employer contribution rates.	Analysis of market performance and investment managers' performance relative to their index benchmark on a quarterly basis by independent company. Detailed analysis of Fund performance on an absolute basis and relative to the actuarial rate of return and the Fund specific benchmark. Detailed analysis of investment managers' performance on an annual basis, using external provider of performance measurements services, and reviewed by the Pensions Committee. Ability to switch funds under management between the internal and external investment managers. Continual focus on investment costs including fees, expenses, and transaction costs. Key personnel changes at investment managers are highlighted to the Pensions Committee on a quarterly basis. Ability to terminate external investment managers' contract in its entirety.

No.	Risk	Consequences	Controls
3	Objectives within the Treasury Management Strategy not met – e.g. capital security, liquidity, interest rate	Potential risk of financial loss in the event of counterparty default. Inability to pay short term liabilities. Forced sale of assets to meet liquidity requirements. Damage to reputation.	Treasury Management Policy establishes limits on investments. Treasury Management Policy reviewed by the Pensions Committee on an annual basis. Controls within systems audited on an annual basis. Restriction on institutions and counterparties. Operational Treasury Management Board meets on a regular basis to review investment criteria. Maintain a minimum level of liquid investments to meet liquidity requirements.
4	Decrease in UK government bond yields	Reduction in future returns from UK government bonds. Increase in the value placed on liabilities through a reduction in the discount rate. Deterioration in funding position. Increase in employer contribution rates.	Monitoring of investment performance relative to the estimated growth in liabilities on an annual basis. Some investment in bonds (and similar investments) helps to mitigate this risk.
5	Pay and price inflation significantly higher than anticipated	Increase in the Fund's liabilities. Increase in the Fund's cash flow requirements. Deterioration in funding position. Increase in employer contribution rates.	Actuarial valuation process focuses on real returns on assets, net of price and pay increases. Monitoring of investment performance relative to the estimated growth in liabilities on an annual basis. Some investment in index-linked bonds (and other inflation-linked investments) helps to mitigate this risk. Pension Fund can invest in inflation protection products subject to LGPS investment regulations. Triennial strategic asset allocation review considers the appropriateness of assets. Employers pay for their own salary awards. Employers are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer serving employees.
6	Pensioners in receipt of pensions for longer	Increase in the Fund's liabilities. Deterioration in funding position. Increase in employer contribution rates.	Mortality assumptions are set with some allowance for future increases in life expectancy. Fund actuary monitors combined experience of around 50 funds to look for early warnings of fewer pension amounts ceasing than assumed in funding. Administering Authority encourage any employers concerned at costs to promote a later retirement culture. Each 1 year rise in the average age at retirement would save roughly 5% of pension costs. The Fund used the Actuary's "Club Vita" data to provide more accurate mortality assumptions. The Pension Fund is part of Tell Us Once and LGPS NI database which reduces the likelihood of pensioners being overpaid and ensuring Fund pays death grants in accordance with the Regulations.

No.	Risk	Consequences	Controls
7	Changing patterns of early retirement	Reducing employer payrolls due to redundancy exercises increases past service liabilities and consequently deficit recovery. Ill-health retirements significantly higher than anticipated.	Employers are charged the extra capital cost of non-ill health retirement following each individual decision. Employer ill health retirement experience is monitored and, where appropriate, employers are advised of the option to take out ill health liability insurance.
8	Reductions in contributing members • Scheme members opting out including high earners opting out due to reductions in HMRC limits • Recruitment freeze • Increase in employer redundancy exercises • Outsourcing projects including conversions to academy status • Scheme members electing to be in 50/50 section • Members opt-out of LGPS for greater flexibility under "Freedom and Choice" • Members opt out due to increase in National Insurance contributions following the end of contracting out	Insufficient deficit recovery payments. Increased employer costs for future service liabilities. Increased employer costs where members in 50/50 section due in service or retire on ill health. Increase in transfers out of the Fund may impact on funding position and liquidity.	In terms of Scheme members opting out and recruitment freezes, employer membership totals are monitored on a quarterly basis. Therefore, there is no significant cause for concern as this will, in effect, be caught at the next formal valuation. However, there are protections where there is concern regarding redundancy exercises and outsourcing, as follows: • For employers in the stabilisation mechanism, the employer may be brought out of that mechanism to permit an appropriate increase in contributions. • For other employers, review of contributions is permitted between valuations and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts. • Actuarial calculation of employer contribution rates ensures that employers are in no worse position when schools convert to academies. • Communicating benefits of being a scheme member via website, newsletters, employer briefing notes and face to face contact with members. • Within Phase 3 of UPM (the Fund's new computerised pension administration system) employers will be able to access their own staff records to model the impact of any future workforce management projects. This will enable them to establish costs ahead of the event which should aid the decision making process. This will allow them to be more interactive and gain quicker access to data and information. • Number of members electing for 50/50 section are monitored. • Information on website to help members understand how "Freedom and Choice" impacts on their LGPS benefits. Information also included in pension estimate and deferred benefit documentation sent to members. • Newsletter sent to members in March 2016 advising end of contracting out and options for 50/50 and retirement planning for high earners.

No.	Risk	Consequences	Controls
9	Securities Lending	Borrower default resulting in financial loss. Value of collateral falling below the value of the securities lent. Loss on the reinvestment of cash collateral. Securities delivered to the borrower before the collateral is received. Inability to settle a transaction involving a security on loan. Not receiving income (dividends or interest) from securities on loan. Unable to exercise voting rights for securities on loan. Potential loss from tax treatment of "manufactured overseas dividends".	Indemnity with State Street, the Fund's global custodian, provides full protection in the event of borrower default. Diversification of borrowers. Approval of list of counterparties. Approval of types of collateral. Excess collateral (2 – 5% above the value of the securities lent) required. Mark to market on a daily basis with a commensurate change in the value of the collateral. Cash is not accepted as collateral. Custodian will not release the securities until the collateral has been received. Indemnity agreement ensures that transaction proceeds and income are credited irrespective of any issues arising from the securities being on loan. Ability to recall stock, subject to investment manager discretion, that is subject to a vote. Use of tax experts to reclaim inappropriately levied tax. Independent review of controls undertaken by Ernst and Young and reported through Independent Service Auditor's Report.
10	A company admitted to the Fund as an admission body may become financially unviable	If the Admitted Body is providing a service or assets in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement, the contracting authority will pick up the pension liabilities and potentially will increase their employer contribution rate. Where the admitted body falls under a different category i.e. not providing a service or assets performed by a Scheme employer, all fund employers will pick up a share of the liabilities which may potentially make smaller bodies financially unviable.	All new admitted bodies are required to undertake a risk assessment to the satisfaction of the administering authority (and in the case of an admitted body providing a service or assets, the employing authority that was previously responsible for the service or assets). Subject to the Fund's internal auditors' recommendations, the admitted body is required to either put in place the necessary indemnity or bond or, alternatively, provide evidence of an appropriate guarantor. This will minimise the risk to the Fund should an admitted body cease to exist.

No.	Risk	Consequences	Controls
11	Failure by Scheme employer to carry out statutory functions	Supply of poor quality data which may affect the calculation and payment of benefits. Incorrect employer contribution rates. Missing and incomplete member records. Increased formal complaints leading to members invoking the Internal Resolution Dispute Procedure and potentially the Pensions Ombudsman. Increase in staffing cost in issuing reminders to employers for data.	Clear allocation of responsibilities. Regular reports to employers on performance. Guidance issued and updated on a regular basis – Employer Bulletins now issued monthly and include information and reminders on statutory requirements. Bulletins also on website. Carried out data quality checks in accordance with the Pensions Regulator data requirements from 2013. Training Officer runs employer training events every 3 months covering employer responsibilities and statutory duties. Pensions Administration Strategy to be incorporated into Phase 3 of UPM as an interactive tool as part of the data submission process. Within Phase 3 of UPM, the web module for employers will incorporate data quality checks into the processes that employers can complete online. Strict monitoring of Year end returns to ensure employers return data according to timetable set by the Fund. Audit report on compliance with The Pensions Regulator Code of Practice 14 Principal Pensions Officers run targeted workshops for employers – for example – Year end returns.
12	Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt	An employer may cease to exist with insufficient funding or adequacy of a bond. If the Admitted Body is providing a service or assets in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement, the contracting authority will pick up the pension liabilities and potentially will increase their employer contribution rate. Where the admitted body falls under a different category i.e. not providing a service or assets performed by a Scheme employer, all fund employers will pick up a share of the liabilities which may potentially make smaller bodies financially unviable Orphaned employers give rise to added costs for the Fund.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: • Seeking a funding guarantee from another scheme employer, or external body, wherever possible. • Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. • Vetting prospective employers before admission. • Where permitted under the regulations requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer failed. • Reviewing bond or guarantor arrangements at regular intervals. • Reviewing contribution rates if considered appropriate. To minimise the risk of orphaned employers giving rise to added costs, the Fund seeks a cessation debt, security, or guarantor. If the added costs occur, the Fund actuary calculates the added cost spread pro-rata among all employers.

No.	Risk	Consequences	Controls
13	Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements, closing to new entrants)	Employer paying incorrect contribution rate. Employers funding position deteriorates. Possible short term increase in employer contribution rates Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies.	The Administering Authority monitors membership movements on a quarterly basis. The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions (under Regulation 38) between triennial valuations. Deficit contributions are expressed as monetary amounts and disclosed in Appendix G of the 2016 Valuation Report. Seek feedback from employers on scope to absorb short-term contribution rises. An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions, including deficit spreading, phasing in of contribution rises, and possible pooling of contributions. Finance Control Team monitors receipt of non-Unitary employer contributions against member data on a monthly basis. Employer Bulletins and factsheet issued covering impact of TUPE transfers and changes to membership levels.
14	Failure to comply with the regulations i.e. current, new, external e.g. HMRC, DWP,	Issue of out of date literature. Out of date software leading to incorrect calculations. Staff training and guidance notes not up to date. Failure to communicate changes to employers who in turn may not meet their statutory requirements. Changes to national pension requirements are not communicated effectively. Loss of reputation. Financial penalties Increased formal complaints leading to members invoking the Internal Resolution Dispute Procedure and potentially the Pensions Ombudsman Fund inherits incorrect Guaranteed Minimum Pension (GMP) liabilities when contracting out for defined benefit schemes ends in April 2016.	Individuals' responsibilities are clearly identified. Service plan includes key targets and dates that are monitored quarterly. Formal structure in place for impact assessment of new legislation and codes of practice. System testing and checking in place to ensure legislation changes are implemented correctly. Staff training and identification of training requirements through the EDR process. Annual audit of fundamental systems by the Internal Audit Section. Audit recommendations are followed up and implemented. Member of Pensions Advisory Network, NEPOF, LAPFF to assist in keeping abreast of new developments. Attend seminars and conferences to keep abreast of latest developments. The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself. The Administering Authority considers all consultation papers issued by the CLG and comments where appropriate. Any changes to member contribution rates or benefit levels will be carefully communicated with members and employers to minimise possible opt-outs or adverse actions. UPM has a facility called the "test harness" which allows the system to be updated to test calculation results to ensure that software updates provide the correct results before being implemented. UPM has the facility to "lock down" records ensuring more audit controls are in place and that fixes to the system will be quicker. The IDRP procedure has been streamlined to provide compensation payments earlier in the process resulting in savings to costs and staff time. Project group to be set up to reconcile GMP data held by the Fund with data held by HM Revenue and Customs.

No.	Risk	Consequences	Controls
15	Changes in legislation and regulations e.g. LGPS 2014 scheme changes, investment regulations, changes to tax treatment, changes to audit and reporting requirements, new governance arrangements etc.	Potential financial loss. Increase in pension liabilities. Increase in adherence costs. Increase in workload. Reduction in effectiveness of investment approach.	Use of tax experts to advise on tax changes. Member of Pension Advisory Network, NEPOF, LAPFF to assist in keeping abreast of new developments. Regular attendance at conferences and webinars. Regular contact with Fund advisers including external investment manager, independent adviser, actuary, and external auditors. Participation in government consultations. Regular contact with other LGPS funds to compare and inform best practice. Introduction of the Local Pension Board to assist the Administering Authority in complying with changes to legislation and regulations.
16	Professional standards and/or section procedures not applied	Potential financial loss. Negative impact on reputation. Incorrect calculation of pensions. Fraud/collusion by senior staff. Inaccurate information/data leading to incorrect decisions. Risk of underperformance from investment managers. Actuarial advice is not sought, or is not heeded, or proves to be insufficient in some way.	Staff training and identification of training requirements through the EDR process. Dedicated Pensions training officer provides bespoke training for internal staff and regular training events for employers. Regular attendance and feedback from industry conferences. Independent verification and quality control procedures including external verification by the external audit and internal audit. Use of specialists to supplement in house expertise including Pension Advisory network; external investment manager for a proportion of the Fund's assets; independent advisor to the Pensions Committee; and the Fund's Actuary. Compliance Manual updated on an annual basis and signed by all staff in the Investments Section. The Fund maintains close contact with its actuarial advisers. Actuarial advice is subject to professional requirements such as peer review and advice is delivered via formal meetings with Elected Members, and recorded appropriately. Dedicated WEB team now fully staffed following the Pensions Section review and are currently working on pilot testing the Employer web module incorporating the professional standards applied by the Pensions Section.

No.	Risk	Consequences	Controls
17	Unforeseen/ unplanned customer demands placed on the Pensions section	Failure to fulfil statutory requirements of the pension scheme. Employers' failure to understand obligations and liabilities under the LGPS. Failure to meet targets, financial implications e.g. late payment equals interest, loss of reputation, poor customer service	Internal Task Management system to monitor workflow. Pension Officers working with employers to provide information required. Clear allocation of responsibilities. Training sessions organised for internal departments and/or employers. Guidance issued and updated on a regular basis. Six monthly meetings held with all Fund employers to address workforce issues. Unitary Finance Officers to cascade employer plans early to avoid unforeseen occurrences. Within Phase 3 of UPM employers will be able to access their own staff records to model the impact of any future workforce management projects. This will enable them to establish costs ahead of the event which should aid the decision making process. This will allow them to be more interactive and gain quicker access to data and information.
18	Insecure storage and unsafe transmission of data	Breach of data protection i.e. theft or loss of data. Inability to verify pensions data. Transmission of data to incorrect recipient. Inappropriate levels of access to confidential data. Potential for fraud. Inability for employers to provide data electronically. Greater need to perform manual calculations. Increased formal complaints leading to members invoking the Internal Resolution Dispute Procedure and potentially the Pensions Ombudsman.	Authentication controls including regular password changes and robust user administration procedures are in place. Access rights are restricted. Data is backed up on a daily basis. Audit trails and reconciliations are in place. Pension system is protected against viruses and other system threats. Software is regularly updated to ensure LGPS requirements are met. Regular data matching exercise. Adhere to the ICT Security Policy e.g. GCSX secure e-mail account used for transmission of sensitive data and all staff use Government Protective Marking scheme for e-mails. Pensions section has Data Protection Link Officer. All staff completed data protection e-learning module in October 2015.

No.	Risk	Consequences	Controls
19	Failure of supplier e.g. IT supplier, Bloomberg, Custodian, External Investment Manager	Unable to access LGPS member records; pay benefits; access information e.g. e-mails, training notes, payroll. Failure to pay pensions, to collect contributions, lack of funding. Failure to settle trades, corporate actions, undertake stock lending, and exercise voting rights. Potential negative impact on the Fund's investment performance. Loss of staff work time. Unable to communicate with members and employers e.g. ABS, newsletters, employer updates. Custody risk including missed dividends or corporate actions, and delays in trade settlements. Unable to trade due to incomplete information. No updates, no support, lack of training and information.	Procurement process assesses technical ability and financial stability. Disaster recovery in place for each IT system e.g. Payments, Masterpiece, I Notes, Bloomberg. Back-up systems in place and completed daily. Business continuity plans in place for UPM system. Regular meetings with IT development staff. Regular performance monitoring. Regular reconciliation of custody data to internal records. Funds under management can be transferred to the external investment manager. WEB based facility to access IT system.
20	Business disruption e.g. unable to access the building/workspace	Failure to fulfil statutory requirements of the pension scheme. Employers' failure to understand obligations and liabilities under the LGPS. Potential negative impact on the Fund's investment performance.	Remote working or alternative sites. Key control for accessing workspace should rest with Asset management. Disaster recovery plan would provide limited emergency office space. Senior managers could work from home. Senior managers have out of office contact details for all staff Disaster Recovery and Business Continuity plan for UPM in place to provide web-based access to UPM and/or emergency office space. Disaster Recovery and Business Continuity plan last updated January 2015. Pensions Section emergency contact lists extended to include team leaders and increased facility for senior staff to access UPM from home in the event of an emergency.

No.	Risk	Consequences	Controls
21	Failure to recruit and retain staff including long term staff absence	Insufficient staff to administer tasks on a daily basis. Re-prioritise workloads i.e. essential work only resulting in reduced performance and service provided to other areas e.g. employers, scheme members and staff Potential for financial penalties if work not completed correctly Potential negative impact on the Fund's investment performance. Potential for additional costs to be incurred e.g. additional temporary staff, transfer of investment assets to an external provider	Sickness reviewed monthly and dealt with in accordance with the sickness policy. Regular EDRs to identify well-being issues, skill gaps and training requirements. Workforce development action plan in place to identify future workforce requirements, training needs and recruitment/ retention measures. Review of vacant posts and re-evaluation /regrading/ restructuring considered as appropriate. Succession planning within Sections. Detailed records of rationale for investment decisions. Key processes are documented. To complete succession planning toolkit for key members of staff. Health and Safety policy. Occupational Health. Maternity Risk Assessment form. Managing holiday usage. Advertising extended to include local newspapers (Hull Daily Mail and Goole Times) resulting in an increase in the number and quality of applicants. Potential introduction of trainee Investment Analyst posts offers greater resilience to the internal investment manager.
22	Insufficient training for personnel responsible for the Fund (Members and Officers).	Failure to fulfil statutory requirements of the pension scheme. Employers' failure to understand obligations and liabilities under the LGPS. Potential negative impact on the Fund's investment performance. Failure to attract suitably skilled and experienced members for the S101 Pensions Committee and the East Riding Pension Fund Local Pension Board.	Induction and training programme for Members and Officers. Regular training sessions for new and existing Pensions Committee and Local Pension Board members. Regular EDRs to identify training requirements and wellbeing issues. Relevant staff are encouraged to obtain formal investment management qualifications e.g. CFA, IMC where relevant. Sickness absence policy. Mini induction on return to work from long term absence. Detailed records of rationale for investment decisions. Key processes are documented. Regular Employer pensions training and internal staff training reviewed following pensions administration work review in March 2015. Pensions Administration Strategy to be produced following the completion of Phase 3 of UPM. Formal training programme for Pensions Committee members. Local Pension Board training programme linked to the Training Needs Analysis undertaken with Local Pension Board representatives.

No.	Risk	Consequences	Controls
23	Government policy of pooling investments across LGPS funds.	Selected pooling arrangement not deemed to be "suitably ambitious" by Government. Potential disruption to existing investment arrangements whilst new pooling arrangements are created. Additional costs of new vehicle outweigh the benefits of pooling.	Fund has assumed a leading role in the creation of its selected pooling arrangement. Full participation in response to consultation. Full participation and decision making ability into how the pooling arrangement will be created and managed.
24	Failure to report a breach of the Law to The Pensions Regulator.	Potential that members of the Pensions Committee and the Local Pension Board will not be able to fulfil their roles Inadequate internal controls leading to poor governance, administration, and inappropriate decision making practices Potential that member benefits calculated incorrectly due to poor record keeping. Scheme assets misappropriated or insufficiently safeguarded.	All relevant persons aware of their legal duty to report a breach through the Fund's Procedure for Reporting Breaches including members of the Pensions Committee and the Local Pension Board, and officers of Fund employers. Pensions section staff have undertaken e-learning programme on the Regulator's website. All breaches including those reported to the Regulator and those unreported are presented to the Pensions Committee and the Local Pension Board on a six monthly basis as part of the Pension Fund Risk Register review.

In addition, an investment management risk schedule is reviewed by the Pensions Committee on a quarterly basis which considers issues such as Fund performance, regulation and compliance, and personnel and structure.

Other risks pertaining to the Fund are disclosed in the Funding Strategy Statement (pages 92 to 119) and Note X Disclosure Relating to Financial Instruments (pages 85 to 90).

Internal Controls and Assurance

The Statement of Investment Principles requires an annual written statement from the Investment Managers that they have adhered to the principles set out in the statement. Statements are received from the Director of Corporate Resources and Schroder Investment Management.

In addition, assurance to assess the internal controls and procedures at Schroder Investment Management and State Street Global Services is also sought. Schroder Investment Management prepare an Audit and Assurance Faculty Report which covers the control objectives and procedures relating to its investment activities. The report is audited by PricewaterhouseCoopers in accordance with International Standard on Assurance Engagement (ISAE) 3402 and 3000 and the Institute of Chartered Accountants in England and Wales Technical Release AAF 01/06. The report concluded that controls were suitably designed and operated effectively throughout the period under review with the exception of one issue relating to the review of client reporting. Management have subsequently implemented a process review and introduced enhanced audit trails in order to prevent this from occurring in the future. The State Street audit, by Ernst and Young, was performed in accordance with the Statement on Standards for Attestation Engagements No 16 (SSAE 16) issued by the American Institute of Certified Public Accountants (AICPA) and the International Standard on Assurance Engagement (SAE) 3402 issued by the International Accounting and Assurance Standards Board. The report concluded that controls were suitably designed and operated effectively throughout the period under review.

Audit

During the financial year the East Riding of Yorkshire Council Internal Audit section reviewed the operations of the Investments and Pension Administration sections to ensure there were adequate controls and procedures in place. The results of these audits are shown in the table below:

	Control Effectiveness	Risk Exposure
Investments	Significant Assurance	Minor
Pensions Administration	Adequate Assurance	Moderate

financial performance

Analytical Review

The following tables provide a brief review of the major movements in the Fund Account and the Net Assets Statement for the financial year. More detail is provided in the Investment Policy and Performance report on pages 38 to 51.

Fund Account	2015/16	2016/17	Notes
	£000	£000	
Net Contributions	26,761	25,296	
Return on Investments	9,967	795,207	Positive returns in the majority of asset classes enhanced by the impact of the depreciation of sterling on the value of non-sterling investments
Net increase in the Fund	36,728	820,503	

Net Asset Statement	2015/16	2016/17	Notes
	£000	£000	
Fixed Interest	370,011	444,537	Positive returns and net investment
Index-linked	23,917	34,477	Positive returns and net investment
Equities	1,539,039	1,895,273	Positive returns in all equity markets
Pooled Funds	1,620,236	2,001,321	Positive returns and net investment in Property and Alternatives
Cash	132,993	129,194	Investment income and net contributions predominantly reinvested in Bonds, Property and Alternatives
Other	13,423	15,050	
Total Investment Assets	3,699,619	4,519,852	

Analysis of pension contributions

The following table provides an analysis of contributions

	2015/16					2016/17				
	Total	On Time		Late		Total	On Time		Late	
	£000	£000	%	£000	%	£000	£000	%	£000	%
Employer – Primary	131,512	127,961	97.3	3,551	2.7	133,667	130,639	97.7	3,028	2.3
Employee – Primary	34,019	33,148	97.4	871	2.6	34,130	33,413	97.9	717	2.1
	165,531	161,109	97.3	4,422	2.7	167,797	164,052	97.8	3,745	2.2

In 2016/17 84 monthly payments were received late, of which 61 were received within 1 month of the due date, 13 were received within 1 and 3 months, and 10 were received after 3 months.

In 2015/16 131 monthly payments were received late, of which 110 were received within 1 month of the due date, 5 were received within 1 and 3 months, and 16 were received after 3 months.

Forecasts

The following tables show the forecasts and outturn for the Fund Account and the Net Assets Statement for the 3 years to 31 March 2018

Fund Account	2015/16		2016/17		2017/18
	Forecast	Actual	Forecast	Actual	Forecast
	£000	£000	£000	£000	£000
Contributions	160,000	171,373	160,000	175,720	267,000
Payments	(137,000)	(144,612)	(137,000)	(150,424)	(155,000)
Admin expenses	(1,619)	(1,511)	(2,050)	(1,745)	(2,269)
Net investment income	105,000	118,800	110,000	141,171	153,600
Investment expenses	(2,590)	(2,819)	(2,550)	(3,279)	(3,861)
Oversight and governance expenses	(400)	(427)	(400)	(549)	(400)
Change in market value	155,442	(102,185)	170,888	659,609	108,168
Net increase in the Fund	278,833	38,619	298,888	820,503	367,238

Contributions and payments are based on current expectations; the administration, investment management, and oversight and governance expenses are based on current budgets; and the net investment income and change in market value are based on the long term forecast returns for each asset class.

Net Asset Statement	2015/16		2016/17		2017/18
	Forecast	Actual	Forecast	Actual	Forecast
	£000	£000	£000	£000	£000
Equities	2,526,968	2,206,046	2,721,544	2,743,467	2,924,536
Fixed Income	359,809	393,928	377,440	479,014	497,696
Cash	199,343	132,992	226,911	129,194	237,506
Property	238,011	422,460	254,195	499,467	527,937
Alternatives	499,156	530,769	542,083	653,660	699,416
Other	-	13,423	-	15,050	-
Total Investment Assets	3,823,287	3,699,618	4,122,173	4,519,852	4,887,091

The forecasts for total investment assets for 2015/16 and 2016/17 are based on the actual figures at 31 March 2014 multiplied by the annualised forecast long term returns for each asset class as determined by the strategic asset allocation review in 2013. The forecast for 2017/18 is based on the actual figures at 31 March 2017 multiplied by the annualised forecast long term returns for each asset class as determined by the strategic asset allocation review in 2016.

Net contributions, less administration and investment management expenses, are added to the Cash figure to reflect new money into the Fund. The forecasts do not take into account potential additions or disposals of investments within these asset classes during this 3 year period as potential changes are not known with any degree of certainty.

The long term annualised forecasts, which are shown net of costs, are as follows

Asset Class	2010 strategic review	2013 strategic review	2016 strategic review
	%	%	%
Equities	7.8	7.7	6.6
Fixed Income	5.6	4.9	3.9
Cash	4.8	3.4	2.2
Property	6.5	6.8	5.7
Alternatives	8.5	8.6	7.0
Total	7.4	7.1	6.0

These long term forecasts are revised every 3 years in line with the actuarial valuation exercise and the subsequent strategic asset allocation review with the latest review completed in 2016/17.

Operational Expenses

	2015/16		2016/17		2017/18
	Budget	Actual	Budget	Actual	Budget
	£000	£000	£000	£000	£000
Pensions Administration					
Employees	993	1,099	1,255	1,290	1,428
Supplies and Services	304	141	328	249	492
Professional Fees	95	69	270	5	150
Central costs	177	202	199	201	199
	1,569	1,511	2,052	1,745	2,269
Investment Management					
Employees	696	693	696	645	796
Supplies and Services	234	157	199	265	363
External Fund Manager	1,391	1,644	1,822	2,039	1,993
Custodian	100	99	100	116	137
Stock Lending	150	156	150	127	150
Professional Fees	10	10	10	9	10
Central costs	59	60	70	70	70
LGPS Pooling Costs	-	-	-	8	342
	2,640	2,819	3,047	3,279	3,861
Oversight and Governance	400	427	400	549	400
Total	4,609	4,757	5,449	5,573	6,530

Analysis of Pension Overpayments

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
	£	£	£	£	£	£
Overpayments recovered	9,889	4,507	7,146	10,352	92,544	124,438
Overpayments written off						
Deaths	4,178	3,593	5,753	7,010	7,525	28,059
GMP	-	-	-	27,812	11,427	39,239
Total	4,178	3,593	5,753	34,822	18,952	67,298
Annual Payroll	98,119,729	103,025,314	107,481,388	110,001,025	111,488,388	530,115,844
Write offs as % of Payroll	<0.1%	<0.1%	<0.1%	<0.1%	<0.1%	<0.1%
Number of cases - Written off	143	112	356	317	446	1,374
Number of cases - Recovered	13	16	15	18	314	376
Number of cases - in process of recovery	16	12	45	26	12	111

administrative management performance

East Riding of Yorkshire Council (ERYC) has been a member of the CIPFA Pensions Administration benchmarking club since 2005. On an annual basis the Pensions Section completes a comprehensive questionnaire containing a breakdown of budget costs between pensions administration and other functions within the section including communications, IT, accountancy and the commissioning of actuarial work. Data is also provided on LGPS members, Fund employers, workloads, staffing, IT arrangements, industry standard performance indicators and current best practice.

The 2016 CIPFA Pensions Administration benchmarking club report, issued in November 2016, compared the performance of ERYC in 2015/16 with 38 local authorities who administer the Local Government Pension Scheme (LGPS). The key findings for 2015/16 were:

- **The annual cost of administering the LGPS per member.** The key benchmark for Pensions Administration is the cost of administering the LGPS per member and the Fund's cost for 2015/16 was £16.47 (2014/15: £15.88) compared to the average of £18.37 (2014/15: £19.17). The table below is an analysis of the Fund's cost per member compared with the average cost for the authorities in the benchmarking club.

	East Riding Pension Fund	Average
	£	£
Staff	7.80	8.62
Payroll	1.00	1.40
Direct costs e.g. communications and actuarial fees	0.94	2.15
Overheads e.g. IT, accommodation, central charges	6.95	6.34
Income	(0.21)	(0.41)
Net cost per member	16.47*	18.37*

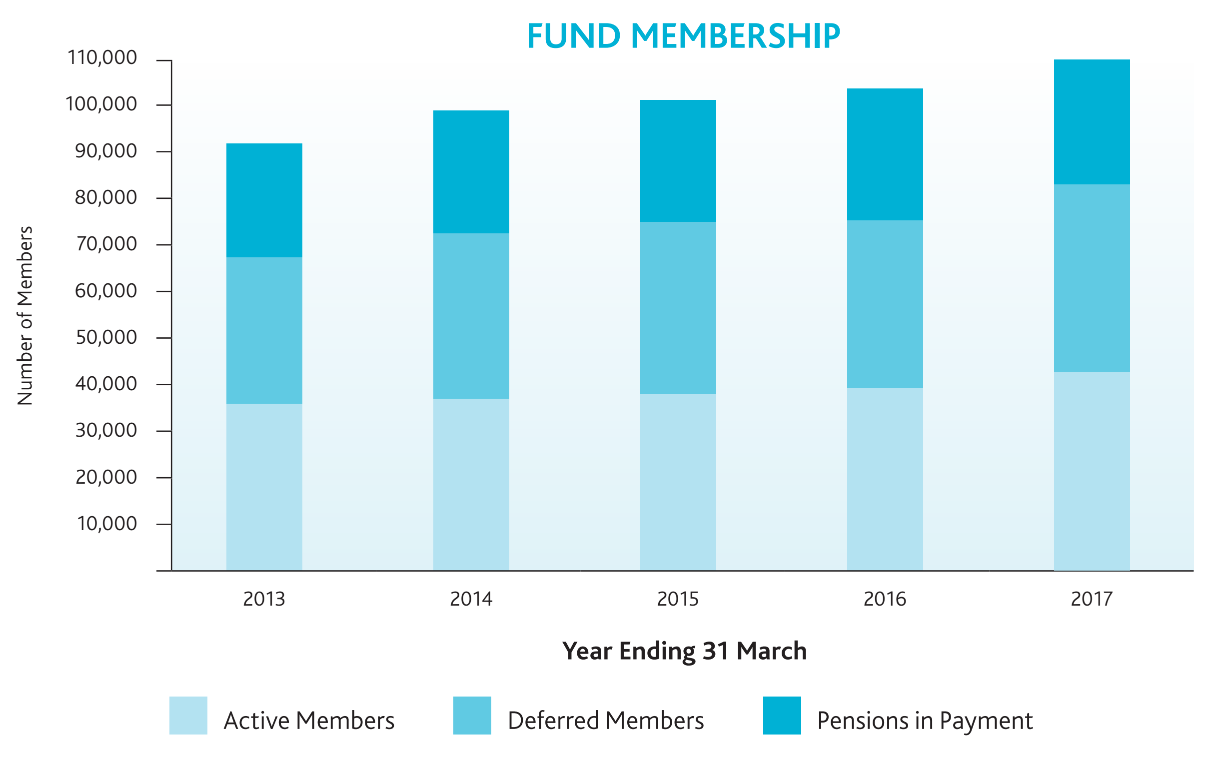
* difference between the total cost and the sum of the sub averages is due to rounding and quality control methods applied by CIPFA

- **The annual cost of employing a full time equivalent (FTE) member of staff to administer the LGPS.** The Fund's staff cost for 2015/16 was £24,455 pa per FTE staff (2014/15: £24,265 pa) compared to the average of £33,807 pa (2013/14: £32,429 pa).

5 Year Analysis of Fund Membership Data

	2013	2014	2015	2016	2017
Active Members	35,969	36,978	37,472	39,227	39,475
Deferred Beneficiaries	33,375	35,867	36,859	37,450	41,585
Deferred Members	31,791	34,293	35,113	35,358	38,817
Frozen Refunds	1,584	1,574	1,746	2,092	2,768
Pensions in Payment	24,404	25,656	26,408	26,698	28,625
Total Membership	93,748	98,501	100,739	103,375	109,685

5 Year analysis of Fund Membership



Age Profile of Fund Membership at 31 March 2017

Age Band Years	Active	Beneficiary	Deferred	Pensioner	Preserved Refund	Total
<20	1,311	237	174	0	142	**1,864**
20-24	2,882	2	1,526	0	316	**4,726**
25-29	3,390	6	3,184	1	233	**6,814**
30-34	3,828	9	3,828	2	271	**7,938**
35-39	4,307	16	4,260	9	306	**8,898**
40-44	5,885	34	6,113	40	408	**12,480**
45-49	6,621	98	7,783	109	366	**14,977**
50-54	6,094	173	7,255	554	316	**14,392**
55-59	3,866	232	4,057	3,341	199	**11,695**
60-64	1,090	335	589	6,986	92	**9,092**
65-69	175	569	42	6,232	71	**7,089**
70-74	25	511	6	3,367	29	**3,938**
75-79	1	628	0	2,207	15	**2,851**
80-84	0	578	0	1,253	2	**1,833**
85-89	0	341	0	484	2	**827**
>90	0	149	0	122	0	**271**
Total	39,475	3,918	38,817	24,707	2,768	**109,685**

Employer and Employee Primary Contributions by Band

	Employer contributions £000	Contribution Bands																	
		2.75%	5.50%	2.90%	5.80%	3.25%	6.50%	3.40%	6.80%	4.25%	8.50%	4.95%	9.90%	5.25%	10.50%	5.70%	11.40%	6.25%	12.50%
		up to £13’600	up to £13’600	£13’601- £21’200	£13’601- £21’200	£21’201- £34’400	£21’201- £34’400	£34’401- £43’500	£34’401- £43’500	£43’501 - £60’700	£43’501 - £60’700	£60’701 - £86’000	£60’701 - £86’000	£86’001 - £101’200	£86’001 - £101’200	£100’201 - £151’800	£100’001 - £150’000	>£151’800	>£151’800
Employers	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Ainthorpe Primary Academy	67	0	7	0	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Anlaby & Anlaby Common Parish Council	3	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Appleton Primary Academy	91	0	8	0	5	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Archbishop Sentamu Academy	316	0	20	0	53	0	30	0	0	0	4	0	6	0	0	0	0	0	0
Ashwell Pru Academy	88	0	0	0	7	0	4	0	0	0	4	0	0	0	0	0	0	0	0
Aspire Academy	81	0	3	0	21	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Barnardo's	5	0	0	0	0	0	1	0	2	0	0	0	0	0	0	0	0	0	0
Barton On Humber Town Council	14	0	0	0	1	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Bellfield Academy	67	0	7	0	4	0	3	0	0	0	0	0	0	0	0	0	0	0	0
Beverley Grammar Academy	152	0	15	0	12	0	7	0	0	0	4	0	0	0	0	0	0	0	0
Beverley Town Council	13	0	0	0	1	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Biggin Hill Primary Academy	176	0	21	0	5	0	7	0	1	0	0	0	0	0	0	0	0	0	0
Bishop Burton College	762	0	45	3	72	0	75	0	20	1	24	0	6	0	0	0	0	0	0
Bottersford Town Council	7	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bricknell Primary Academy	149	0	22	0	7	0	0	0	1	0	0	0	0	0	0	0	0	0	0
Bridgeview School	48	0	3	0	6	0	3	0	0	0	0	0	0	0	0	0	0	0	0
Bridlington Town Council	9	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Brigg Town Council	12	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Broughton Town Council	7	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Buckingham Primary School	107	0	8	0	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bude Park Primary Academy	110	0	9	0	6	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Bulloughs Cleaning Services Ltd	20	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bursar Academy	64	0	6	0	3	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Burton Upon Stather Parish Council	3	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cambridge Park M&C Spec Academy	363	0	52	0	20	0	10	0	0	0	4	0	0	0	0	0	0	0	0
Canon Peter Hall Academy	57	0	9	0	5	0	1	0	0	0	0	0	0	0	0	0	0	0	0

Employer and Employee Primary Contributions by Band (Continued)

	Employer contributions £000	Contribution Bands																	
		2.75%	5.50%	2.90%	5.80%	3.25%	6.50%	3.40%	6.80%	4.25%	8.50%	4.95%	9.90%	5.25%	10.50%	5.70%	11.40%	6.25%	12.50%
		up to £13'600	up to £13'600	£13'601-£21'200	£13'601-£21'200	£21'201-£34'400	£21'201-£34'400	£34'401-£43'500	£34'401-£43'500	£43'501 - £60'700	£43'501 - £60'700	£60'701 - £86'000	£60'701 - £86'000	£86'001 - £101'200	£86'001 - £101'200	£100'201 - £151'800	£100'001 - £150'000	>£151'800	>£151'800
Employers	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Chiltern Primary	127	0	14	0	9	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Christopher Pickering Primary Academy	150	0	11	0	8	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Churchill Contract Services Ltd	32	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
City Health Care Partnership CIC	15	0	3	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Civica - Revenue and Benefits	561	0	19	0	101	0	92	0	14	0	5	0	0	0	0	0	0	0	0
Cleethorpes Academy	106	0	11	0	16	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Cleeve Primary Academy	184	0	17	0	12	0	4	0	0	0	0	0	0	0	0	0	0	0	0
Collingwood Academy	91	0	9	0	2	0	5	0	0	0	5	0	0	0	0	0	0	0	0
Compass Contract Services UK Ltd (Hessle Academy Com Trust)	27	0	4	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Compass Contract Services UK Ltd (The Vale)	13	0	2	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Coritina Academy	25	0	1	0	1	0	3	0	0	0	0	0	0	0	0	0	0	0	0
Cottingham Academy	225	0	16	0	24	0	11	0	2	0	0	0	0	0	0	0	0	0	0
Craven Primary Academy	76	0	6	0	4	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Crowle Primary Academy	59	0	7	0	2	0	1	0	3	0	0	0	0	0	0	0	0	0	0
Dorchester Primary Academy	121	0	13	0	8	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Driffield School	48	0	3	0	6	0	3	0	0	0	0	0	0	0	0	0	0	0	0
Driffield Town Council	22	0	0	0	3	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Dunswell Academy	40	0	7	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Easington Academy	28	0	5	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
East Ravendale Academy	32	0	4	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0
East Riding College	479	0	34	0	50	0	23	0	19	0	10	0	0	0	10	0	0	0	0
East Riding Of Yorkshire Council	23,733	0	2,396	1	2,574	0	2,340	0	807	0	370	0	78	0	94	0	52	0	0
Eastfield Academy	162	0	14	0	9	0	3	0	0	0	11	0	0	0	0	0	0	0	0
Eastfield Primary Academy	85	0	5	0	4	0	2	0	0	0	6	0	0	0	0	0	0	0	0
Edward Heneage Academy	86	0	9	0	4	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Elliston Academy	191	0	17	0	7	0	1	0	0	0	0	0	0	0	0	0	0	0	0

Employer and Employee Primary Contributions by Band (Continued)

	Employer contributions £000	Contribution Bands																	
		2.75%	5.50%	2.90%	5.80%	3.25%	6.50%	3.40%	6.80%	4.25%	8.50%	4.95%	9.90%	5.25%	10.50%	5.70%	11.40%	6.25%	12.50%
		up to £13'600	up to £13'600	£13'601-£21'200	£13'601-£21'200	£21'201-£34'400	£21'201-£34'400	£34'401-£43'500	£34'401-£43'500	£43'501 - £60'700	£43'501 - £60'700	£60'701 - £86'000	£60'701 - £86'000	£86'001 - £101'200	£86'001 - £101'200	£100'201 - £151'800	£100'001 - £150'000	>£151'800	>£151'800
Employers	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Elloughton Cum Brough Parish Council	14	0	0	0	1	0	0	0	2	0	0	0	0	0	0	0	0	0	0
Emergency Services Fleet Management (Humberside) Limited	259	0	1	0	15	0	34	0	3	0	4	0	0	0	0	0	0	0	0
Emih Ltd-The Deep	297	0	8	0	16	0	35	0	5	0	13	0	8	0	0	0	0	0	0
Endike Primary Academy	90	0	8	0	9	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Endsleigh Holy Child Rc Primary Academy	87	0	10	0	9	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Enfield Academy of New Waltham	54	0	3	0	4	0	1	0	0	0	0	0	0	0	0	0	0	0	0
ENGIE Services Limited	420	0	8	0	21	0	73	0	18	0	4	0	0	0	0	0	0	0	0
Epworth Academy	61	0	9	0	4	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Estcourt Primary Academy	117	0	13	0	5	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Fairfield Academy	80	0	11	0	5	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Francis Askew Primary Academy	130	0	11	0	9	0	2	0	3	0	0	0	0	0	0	0	0	0	0
Franklin College	278	0	22	0	18	0	15	0	7	0	12	0	0	0	0	0	0	0	0
Future Cleaning Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ganton School	257	0	17	0	28	0	8	0	0	0	0	0	0	0	0	0	0	0	0
Goole Academy	179	0	19	0	20	0	4	0	0	0	3	0	0	0	0	0	0	0	0
Goole Town Council	96	0	8	0	6	0	9	0	0	0	0	0	0	0	0	0	0	0	0
Great Coates Primary Academy	58	0	6	0	4	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Grimsby Institute	1,419	-712	106	2	157	2	129	0	23	0	30	0	12	0	9	0	0	0	0
Hall Road Primary Academy	117	0	10	0	5	0	3	0	0	0	0	0	0	0	0	0	0	0	0
Havelock Academy	625	0	43	0	82	0	72	0	18	0	0	0	0	0	0	0	0	0	0
Healing Primary Academy	72	0	8	0	4	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Healing Science Academy	202	0	16	0	21	0	11	0	3	0	4	0	0	0	0	0	0	0	4
Hedon Town Council	17	0	1	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Henderson Ave Primary Academy	148	0	21	0	11	0	8	0	3	0	0	0	0	0	0	0	0	0	0
Hessle Academy	189	0	15	0	17	0	12	0	4	0	0	0	0	0	0	0	0	0	0
Hessle Town Council	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Employer and Employee Primary Contributions by Band (Continued)

	Employer contributions £000	Contribution Bands																	
		2.75%	5.50%	2.90%	5.80%	3.25%	6.50%	3.40%	6.80%	4.25%	8.50%	4.95%	9.90%	5.25%	10.50%	5.70%	11.40%	6.25%	12.50%
		up to £13'600	up to £13'600	£13'601- £21'200	£13'601- £21'200	£21'201- £34'400	£21'201- £34'400	£34'401- £43'500	£34'401- £43'500	£43'501 - £60'700	£43'501 - £60'700	£60'701 - £86'000	£60'701 - £86'000	£86'001 - £101'200	£86'001 - £101'200	£100'201 - £151'800	£100'001 - £150'000	>£151'800	>£151'800
Employers	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Hibaldstow Academy	33	0	4	0	1	0	0	0	3	0	0	0	0	0	0	0	0	0	0
HICA	54	0	0	0	0	0	2	0	3	0	0	0	0	0	0	0	14	0	0
Highlands Primary Academy	137	0	13	0	13	0	7	0	0	0	0	0	0	0	0	0	0	0	0
Holy Family Catholic Academy	93	0	7	0	7	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Hornsea Town Council	40	0	0	0	4	0	4	0	0	0	0	0	0	0	0	0	0	0	0
Hull & Goole Port Health Authority	46	0	1	0	0	0	11	0	0	0	2	0	0	0	0	0	0	0	0
Hull Charterhouse Trustees	19	0	0	0	3	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Hull City Council	14,955	1	847	1	1,374	5	2,125	0	745	0	468	0	62	0	100	0	45	0	0
Hull College Of F.E	1,767	0	126	0	205	0	147	0	35	0	32	0	19	0	9	0	0	0	0
Hull Culture and Leisure Limited	1,108	0	112	0	130	0	150	0	29	0	29	0	0	0	10	0	0	0	0
Hull Resettlement Project Ltd	20	0	0	0	0	0	0	0	3	0	4	0	0	0	0	0	0	0	0
Humber Bridge Board	325	0	5	0	46	0	27	0	11	0	0	0	0	0	9	0	2	0	0
Humber Foundation Trust	186	0	1	0	9	0	51	0	17	1	3	0	0	0	0	0	0	0	0
Humber University Technical College	31	0	1	0	5	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Humberside Fire Authority	845	0	25	0	93	0	104	0	46	0	9	0	0	0	10	0	0	0	0
Humberston Academy	153	0	16	0	12	0	5	0	2	0	0	0	0	0	0	0	0	0	0
Humberston Cloverfields Academy	97	0	15	0	1	0	3	0	0	0	0	0	0	0	0	0	0	0	0
Humberston Park Academy	226	0	28	0	20	0	3	0	0	0	5	0	6	0	0	0	0	0	0
Hunsley Primary School	14	0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Huntcliff School	111	0	11	0	7	0	6	0	0	0	0	0	0	0	0	0	0	0	0
ICS Chiltern	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ICS Driffield	3	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ICS Wolfreton	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ICT 4 Collaboration	76	0	1	0	5	0	11	0	5	0	10	0	4	0	0	0	0	0	0
Immingham Academy	142	0	10	0	16	0	10	0	0	0	3	0	0	0	0	0	0	0	0
Immingham Town Council	45	0	1	0	4	0	2	0	0	0	5	0	0	0	0	0	0	0	0

Employer and Employee Primary Contributions by Band (Continued)

	Employer contributions £000	Contribution Bands																	
		2.75%	5.50%	2.90%	5.80%	3.25%	6.50%	3.40%	6.80%	4.25%	8.50%	4.95%	9.90%	5.25%	10.50%	5.70%	11.40%	6.25%	12.50%
		up to £13’600	up to £13’600	£13’601- £21’200	£13’601- £21’200	£21’201- £34’400	£21’201- £34’400	£34’401- £43’500	£34’401- £43’500	£43’501 - £60’700	£43’501 - £60’700	£60’701 - £86’000	£60’701 - £86’000	£86’001 - £101’200	£86’001 - £101’200	£100’201 - £151’800	£100’001 - £150’000	>£151’800	>£151’800
Employers	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Ings Primary	21	0	2	0	2	0	1	0	0	0	0	0	0	0	0	0	0	0	0
ISS Facility Services PFI	12	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
John Leggott College	334	0	13	0	38	0	23	9	0	0	6	0	0	0	0	0	0	0	0
Kelvin Hall School	332	0	15	0	39	0	19	0	0	0	0	0	0	0	0	0	0	0	0
Kingstown Works	1,734	0	27	0	104	2	361	0	29	0	30	3	20	0	0	0	0	0	0
Kingswood Academy	139	0	7	0	13	0	8	0	0	0	4	0	0	0	0	0	0	0	0
Kingswood Park Primary	45	0	9	0	3	0	4	0	0	0	0	0	0	0	0	0	0	0	0
Kirkella & Westella Parish Council	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Laceby Acres	83	0	9	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lincs Inspire Limited	370	0	14	0	36	0	33	0	5	0	4	0	8	0	0	0	0	0	0
Lisle Marsden Academy	130	1	19	0	6	0	0	0	2	0	0	0	0	0	0	0	0	0	0
Littlecoates Primary Academy	50	0	7	0	3	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Longhill Primary Academy	146	0	9	0	10	0	1	0	5	0	0	0	0	0	0	0	0	0	0
Macaulay Academy	152	0	17	0	9	0	4	0	0	0	0	0	0	0	0	0	0	0	0
Malet Lambert Academy	341	0	9	0	34	0	7	0	0	0	5	0	0	0	0	0	0	0	0
Market Weighton Town Council	15	0	1	0	1	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Maybury Primary Academy	78	0	4	0	7	0	3	0	0	0	0	0	0	0	0	0	0	0	0
Melior Community Academy	186	0	9	0	19	0	10	0	0	0	0	0	0	0	0	0	0	0	0
Mellors Catering Services Ltd	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mersey Primary Academy	55	0	5	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Middlethorpe Academy	50	0	8	0	3	0	2	0	0	0	0	0	0	0	0	0	0	0	0
N.E Inshore Fisheries	102	0	0	0	4	0	14	0	3	0	9	0	0	0	0	0	0	0	0
Neasden Primary Academy	77	0	9	0	1	0	3	0	0	0	0	0	0	0	0	0	0	0	0
New Waltham Academy	71	0	8	0	5	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Newbald Parish Council	4	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Newington Primary Academy	94	0	7	0	8	0	2	0	0	0	0	0	0	0	0	0	0	0	0

Employer and Employee Primary Contributions by Band (Continued)

		Contribution Bands																	
	Employer contributions £000	2.75%	5.50%	2.90%	5.80%	3.25%	6.50%	3.40%	6.80%	4.25%	8.50%	4.95%	9.90%	5.25%	10.50%	5.70%	11.40%	6.25%	12.50%
		up to £13'600	up to £13'600	£13'601-£21'200	£13'601-£21'200	£21'201-£34'400	£21'201-£34'400	£34'401-£43'500	£34'401-£43'500	£43'501 - £60'700	£43'501 - £60'700	£60'701 - £86'000	£60'701 - £86'000	£86'001 - £101'200	£86'001 - £101'200	£100'201 - £151'800	£100'001 - £150'000	>£151'800	>£151'800
Employers	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Newland St Johns CofE Primary Academy	81	0	13	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
North Axholme Academy	102	0	8	0	8	0	6	0	0	0	0	0	0	0	0	0	0	0	0
North Cave Parish Council	3	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
North East Lincolnshire Council	5,505	0	306	2	512	7	779	1	273	2	226	0	118	0	20	0	29	0	0
North East Lincs CTP	48	0	0	0	0	0	4	0	5	0	0	0	0	0	0	0	0	0	0
North Lincolnshire Council	12,108	0	1,114	0	1,030	0	1,344	0	465	0	342	0	48	0	44	0	24	0	0
North Lindsey College	518	0	22	0	68	0	45	0	13	0	10	0	7	0	0	0	0	0	0
NPS Humber Ltd	681	0	1	0	16	0	88	0	37	0	54	0	0	0	10	0	0	0	0
Nunsthorpe Academy	83	0	13	0	7	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Old Clee Primary Academy	180	0	16	0	7	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Ongo Homes	1,834	0	6	0	63	1	217	0	63	0	35	0	15	0	11	0	27	0	0
Ormiston Maritime Academy	246	0	24	0	22	0	8	0	0	0	4	0	0	0	0	0	0	0	0
Ouse & Humber Drainage Board	87	0	0	0	7	0	6	0	0	0	9	0	0	0	0	0	0	0	0
Outwood Academy Brumby	158	0	11	0	19	0	2	0	2	0	0	0	0	0	0	0	0	0	0
Outwood Academy Foxhills	160	0	13	0	14	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Parkwood Primary Academy	82	0	14	0	6	0	1	0	3	0	0	0	0	0	0	0	0	0	0
Patrington Academy	42	0	9	0	3	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Pearson Primary	56	0	3	0	6	0	4	0	0	0	0	0	0	0	0	0	0	0	0
Penshurst Academy	79	0	7	0	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Phoenix House Pru	79	0	1	0	13	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Pickering Homes Trust	203	0	3	1	4	0	28	0	6	0	0	0	14	0	9	0	0	0	0
Pocklington Junior School	20	0	2	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pocklington School	102	0	1	0	10	0	8	0	0	0	4	0	0	0	0	0	0	0	0
Priory Primary Academy	103	0	8	0	5	0	4	0	0	0	0	0	0	0	0	0	0	0	0
Quay Academy	80	0	14	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reynolds Primary Academy	98	0	13	0	5	0	2	0	0	0	0	0	0	0	0	0	0	0	0

Employer and Employee Primary Contributions by Band (Continued)

	Employer contributions £000	Contribution Bands																	
		2.75%	5.50%	2.90%	5.80%	3.25%	6.50%	3.40%	6.80%	4.25%	8.50%	4.95%	9.90%	5.25%	10.50%	5.70%	11.40%	6.25%	12.50%
		up to £13'600	up to £13'600	£13'601-£21'200	£13'601-£21'200	£21'201-£34'400	£21'201-£34'400	£34'401-£43'500	£34'401-£43'500	£43'501 - £60'700	£43'501 - £60'700	£60'701 - £86'000	£60'701 - £86'000	£86'001 - £101'200	£86'001 - £101'200	£100'201 - £151'800	£100'001 - £150'000	>£151'800	>£151'800
Employers	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Riverside	53	0	1	0	2	0	6	3	0	0	0	0	0	0	0	0	0	0	0
Robertson FM	10	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Robertson FM PFI	20	0	2	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Scartho Academy	35	0	2	0	3	0	0	0	2	0	0	0	0	0	0	0	0	0	0
Scawby Academy	67	0	8	0	2	0	2	0	3	0	0	0	0	0	0	0	0	0	0
Sevenhills Academy	72	0	1	0	8	0	6	0	0	0	0	0	0	0	0	0	0	0	0
Sewell Facilities Managmnt Ltd	6	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0
Shoreline Housing Partnership	350	0	3	0	3	0	62	0	16	0	4	0	0	0	0	0	13	0	0
Sigglesthorne CofE Primary Academy	6	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Signhills Academy	78	0	9	0	4	0	3	0	0	0	0	0	0	0	0	0	0	0	0
Signhills Infants Academy	69	0	10	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Sirius Academy	323	0	20	0	35	0	28	0	1	0	10	0	7	0	0	0	0	0	0
Sodexo Nunsthorpe	7	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
South Axholme Academy	148	0	16	0	5	0	10	0	0	0	4	0	0	0	0	0	0	0	0
South Cave Parish Council	7	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0
South Hunsley Academy	390	0	32	0	39	0	19	0	0	0	8	0	0	0	0	0	0	0	0
South Parade Academy	168	0	21	0	9	0	7	0	0	0	0	0	0	0	0	0	0	0	0
Southcoates Primary	130	0	12	0	5	0	5	0	0	0	0	0	0	0	0	0	0	0	0
Spring Cottage Academy	131	0	10	0	10	0	1	0	0	0	3	0	0	0	0	0	0	0	0
Springfield Primary Academy	98	0	9	0	2	0	3	0	0	0	0	0	0	0	0	0	0	0	0
St Augustine Webster Academy	73	0	12	0	3	0	3	0	0	0	0	0	0	0	0	0	0	0	0
St Bede'S Academy	126	0	12	0	8	0	6	0	0	0	0	0	0	0	0	0	0	0	0
St Bernadettes Academy	59	0	8	0	6	0	1	0	0	0	0	0	0	0	0	0	0	0	0
St Georges Primary	39	0	5	0	1	0	3	0	0	0	0	0	0	0	0	0	0	0	0
St James CofE Primary Academy	62	0	7	0	4	0	2	0	0	0	0	0	0	0	0	0	0	0	0
St Joseph's Catholic Academy	83	0	11	0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0

Employer and Employee Primary Contributions by Band (Continued)

	Employer contributions £000	Contribution Bands																	
		2.75%	5.50%	2.90%	5.80%	3.25%	6.50%	3.40%	6.80%	4.25%	8.50%	4.95%	9.90%	5.25%	10.50%	5.70%	11.40%	6.25%	12.50%
		up to £13’600	up to £13’600	£13’601-£21’200	£13’601-£21’200	£21’201-£34’400	£21’201-£34’400	£34’401-£43’500	£34’401-£43’500	£43’501 - £60’700	£43’501 - £60’700	£60’701 - £86’000	£60’701 - £86’000	£86’001 - £101’200	£86’001 - £101’200	£100’201 - £151’800	£100’001 - £150’000	>£151’800	>£151’800
Employers	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
St Mary's Academy Brigg	43	0	8	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0
St Mary's Catholic Primary Academy	78	0	10	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0
St Marys Queen Of Martyrs Academy	79	0	8	0	8	0	2	0	0	0	0	0	0	0	0	0	0	0	0
St Nicholas Primary Academy	62	0	8	0	5	0	1	0	0	0	0	0	0	0	0	0	0	0	0
St Nordetts Academy	22	0	4	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
St Peter's CofE Primary School	37	0	6	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0
St Richards RC Primary Academy	169	0	10	0	11	0	10	0	0	0	0	0	0	0	0	0	0	0	0
St Vincents Rc Primary Academy	45	0	5	0	3	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Stamford Bridge Primary School	21	0	3	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stepney Primary	51	0	3	0	7	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Stockwell Academy	64	0	5	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Strand Academy	73	0	11	0	3	0	3	0	0	0	0	0	0	0	0	0	0	0	0
Sullivan Centre	7	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sutton Park Primary Academy	100	0	9	0	6	0	4	0	3	0	0	0	0	0	0	0	0	0	0
Swanland Primary School	86	0	15	0	3	0	0	0	3	0	0	0	0	0	0	0	0	0	0
Taylor Shaw Lt St Bedes	3	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
The Boulevard Academy	92	0	1	0	9	0	6	0	2	0	4	0	0	0	0	0	0	0	0
The Boulevard Centre	42	0	3	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0
The Chief Constable Of Humberside	6,612	0	81	0	298	0	1,272	0	200	0	54	0	29	0	0	0	36	0	0
The Green Way Primary Academy	130	0	11	0	6	0	8	0	0	0	0	0	0	0	0	0	0	0	0
The Marvell College	63	0	3	0	4	0	6	0	0	0	0	0	0	0	0	0	0	0	0
The Parks Academy	88	0	6	0	8	0	3	0	0	0	0	0	0	0	0	0	0	0	0
The PCC For Humberside	172	0	1	0	3	0	15	0	16	0	7	0	19	0	0	0	0	0	0
The Snaith School	176	0	19	0	10	0	6	0	3	0	0	0	0	0	0	0	0	0	0
The St Lawrence Academy	145	0	8	0	15	0	13	0	3	0	5	0	0	0	0	0	0	0	0
Thomas Ferens Academy	277	0	9	0	31	0	5	0	0	0	0	0	0	0	0	0	0	0	0

Employer and Employee Primary Contributions by Band (Continued)

		Contribution Bands																
	Employer contributions £000	2.75%	5.50%	2.90%	5.80%	3.25%	6.50%	3.40%	6.80%	4.25%	8.50%	4.95%	9.90%	5.25%	10.50%	5.70%	11.40%	6.25%	12.50%
		up to £13'600	up to £13'600	£13'601-£21'200	£13'601-£21'200	£21'201-£34'400	£21'201-£34'400	£34'401-£43'500	£34'401-£43'500	£43'501 - £60'700	£43'501 - £60'700	£60'701 - £86'000	£60'701 - £86'000	£86'001 - £101'200	£86'001 - £101'200	£100'201 - £151'800	£100'001 - £150'000	>£151'800	>£151'800
Employers	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Thoresby Academy	120	0	11	0	11	0	1	0	3	0	0	0	0	0	0	0	0	0	0
Thorpepark Academy	149	0	20	0	7	0	3	0	3	0	0	0	0	0	0	0	0	0	0
Thrunscoe Academy	80	0	14	0	1	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Toll Bar Academy	365	0	21	0	21	0	42	2	7	0	1	0	14	0	0	0	0	0	0
Trinity House Academy	132	0	2	0	9	0	13	0	0	0	0	0	0	0	0	0	0	0	0
Tweendykes Academy	309	0	24	0	19	0	12	0	3	0	0	0	0	0	0	0	0	0	0
Ulceby St Nicholas Academy	9	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Univ Lincoln Students Union	67	0	0	0	2	1	9	0	0	0	1	0	0	0	0	0	19	0	0
University of Lincoln	5,612	0	45	2	177	4	568	0	197	2	208	0	51	0	24	0	69	0	0
Vale Academy	121	0	9	0	11	0	8	0	0	0	0	0	0	0	0	0	0	0	0
Waltham Leas Academy	89	0	12	0	4	0	0	0	2	0	0	0	0	0	0	0	0	0	0
Wansbeck Academy	45	0	5	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weeslby Academy	116	0	15	0	6	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Welholme Primary Academy	154	0	18	0	7	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Welton Parish Council	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Westcott Primary Academy	33	0	3	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Westwoodside Academy	48	0	6	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wheeler Academy	213	0	20	0	12	0	5	0	3	0	0	0	0	0	0	0	0	0	0
Whitehouse Pupil Referral Unit	72	0	10	0	5	0	0	0	2	0	0	0	0	0	0	0	0	0	0
Whitgift Academy	161	0	14	0	8	0	12	0	0	0	1	0	0	0	0	0	0	0	0
Wilberforce College	195	0	11	1	16	2	14	0	4	0	0	0	0	0	0	0	0	0	0
William Barcroft Junior Academy	6	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Willoughby Rd Primary Academy	99	0	18	0	5	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Willows Academy	38	0	4	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Winifred Holtby	293	0	18	0	27	0	13	0	0	0	5	0	0	0	0	0	0	0	0

Employer and Employee Primary Contributions by Band (Continued)

		Contribution Bands																	
	Employer contributions £000	2.75%	5.50%	2.90%	5.80%	3.25%	6.50%	3.40%	6.80%	4.25%	8.50%	4.95%	9.90%	5.25%	10.50%	5.70%	11.40%	6.25%	12.50%
		up to £13’600	up to £13’600	£13’601-£21’200	£13’601-£21’200	£21’201-£34’400	£21’201-£34’400	£34’401-£43’500	£34’401-£43’500	£43’501 - £60’700	£43’501 - £60’700	£60’701 - £86’000	£60’701 - £86’000	£86’001 - £101’200	£86’001 - £101’200	£100’201 - £151’800	£100’001 - £150’000	>£151’800	>£151’800
Employers	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Winterton Academy	92	0	8	0	4	0	9	0	0	0	0	0	0	0	0	0	0	0	0
Winterton Town Council	3	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wintringham Academy	190	0	21	0	20	0	14	0	5	0	4	0	0	0	0	0	0	0	0
Withernsea Primary Academy Trust	165	0	26	0	13	0	4	0	4	0	0	0	0	0	0	0	0	0	0
Withernsea Town Council	16	0	0	0	4	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Wold Academy	139	0	18	0	8	0	3	0	0	0	0	0	0	0	0	0	0	0	0
Woldgate School and Sixth Form College	52	0	3	0	4	0	1	0	2	0	0	0	0	0	0	0	0	0	0
Woodlands Academy	121	0	10	0	5	0	6	0	0	0	0	0	0	0	0	0	0	0	0
Workforce Skills Limited	146	0	3	0	2	0	25	0	3	2	0	0	0	0	0	0	0	0	0
Worlaby Academy	15	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wybers Wood Primary Academy	96	0	13	0	4	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Wyke College	248	0	17	0	16	0	19	0	5	0	9	0	0	0	0	0	0	0	0
Yarborough Academy	110	0	12	0	9	1	1	0	0	0	0	0	0	0	0	0	0	0	0
Young Peoples Support CIC	71	0	1	0	14	0	2	0	3	0	0	0	0	0	0	0	0	0	0

investment policy and performance

Asset Allocation

The strategic asset allocation of the Pension Fund is determined on a triennial basis in conjunction with the actuarial valuation exercise. It aims to meet the long term target rate of return with an acceptable level of risk and includes an appropriate diversification of asset classes. The strategic asset allocation is agreed by the Pensions Committee and the Fund's advisers and investment managers.

The strategic asset allocation of the Pension Fund effective during the year ended 31 March 2017 is as follows:

	Strategic Allocation	Range
Equities	60%	+/- 10%
Bonds [1]	19%	+/- 5%
Property	10%	+/- 3%
Alternatives	11%	+/- 3%

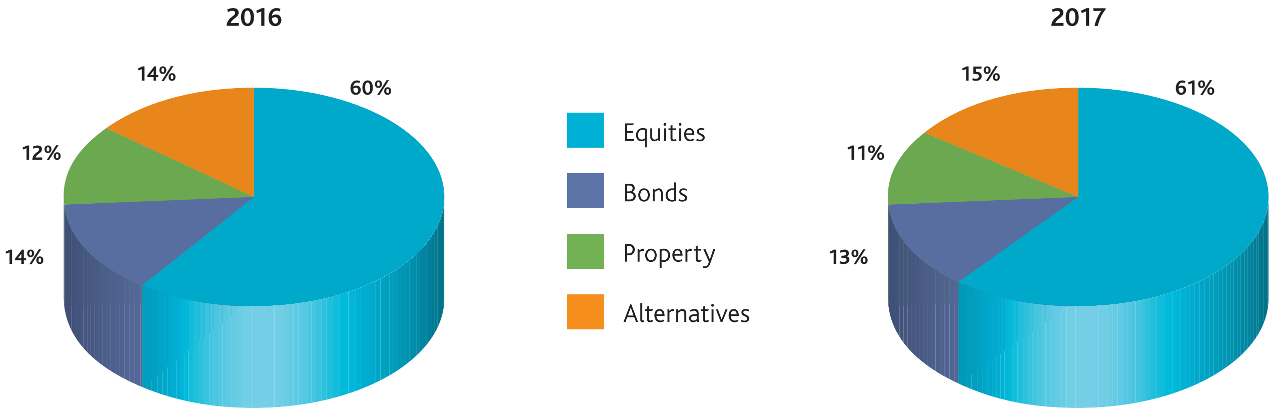
[1] Including Cash

The Pensions Committee determines the tactical asset allocation of the Pension Fund on a quarterly basis in light of financial market conditions and following advice from the Fund's advisers and investment managers. The Pensions Committee also regularly reviews the long term investment strategy to ensure that it remains appropriate.

Following the triennial review in 2016 – 17 the Fund's new strategic asset allocation, effective 1 April 2017, is as follows:

	Strategic Allocation	Range
Equities	55%	+/- 10%
Bonds [1]	19%	+/- 5%
Property	11%	+/- 3%
Alternatives	15%	+/- 3%

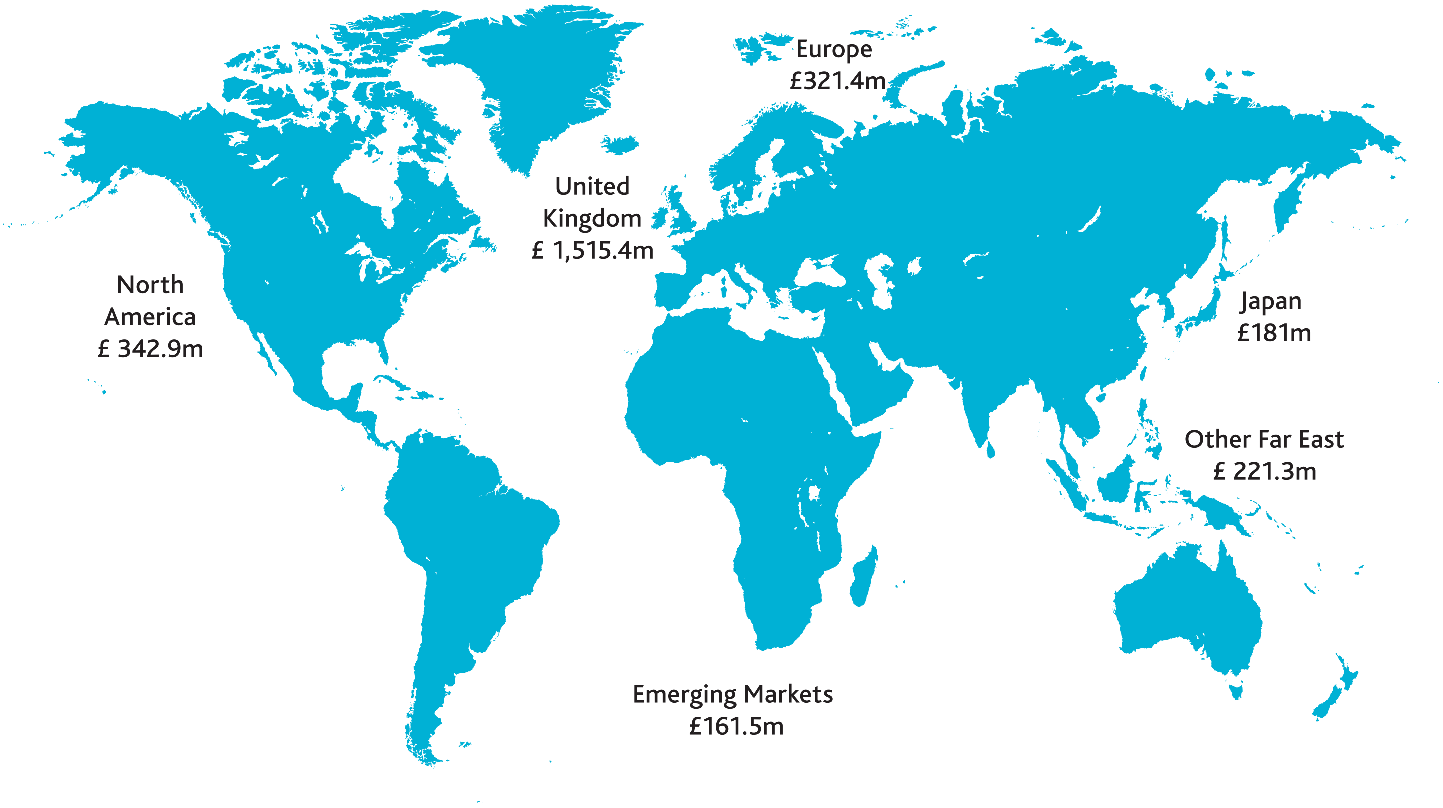
The asset allocation of the Pension Fund at the start and end of the financial year is set out below. The figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset allocation decisions made by the Pensions Committee. There have been no material changes to asset allocation during the financial year.



Geographical Analysis of Fund Assets as at 31 March 2017

Asset Class	UK	Non-UK	Total
	£m	£m	£m
Equities	1,515.4	1,228.1	2,743.5
Fixed Income	199.6	279.4	479.0
Alternatives	755.4	397.7	1,153.1
Cash and cash equivalents	159.0	-	159.0
Total	2,629.4	1,905.2	4,534.6

Geographic Distribution of Equity Investment as at 31 March 2017



Details of the Largest Equity Investments as at 31 March 2017

Top 15 UK Equities	Market Value £m	% Investment Assets
Royal Dutch Shell Plc A and B shares	92.4	2.0
BP Plc	62.7	1.4
HSBC Holdings Plc	59.7	1.3
Glaxosmithkline Plc	57.6	1.3
British American Tobacco Plc	50.4	1.1
Unilever Plc	49.3	1.1
Astrazeneca Plc	47.2	1.0
Vodafone Group Plc	43.7	1.0
Shire Plc	41.0	0.9
Biotech Growth Trust Plc	34.9	0.8
Reckitt Benckiser Group Plc	33.5	0.7
Prudential Plc	32.6	0.7
Impax Environmental Markets Plc	32.0	0.7
Compass Group Plc	31.5	0.7
Diageo Plc	31.1	0.7

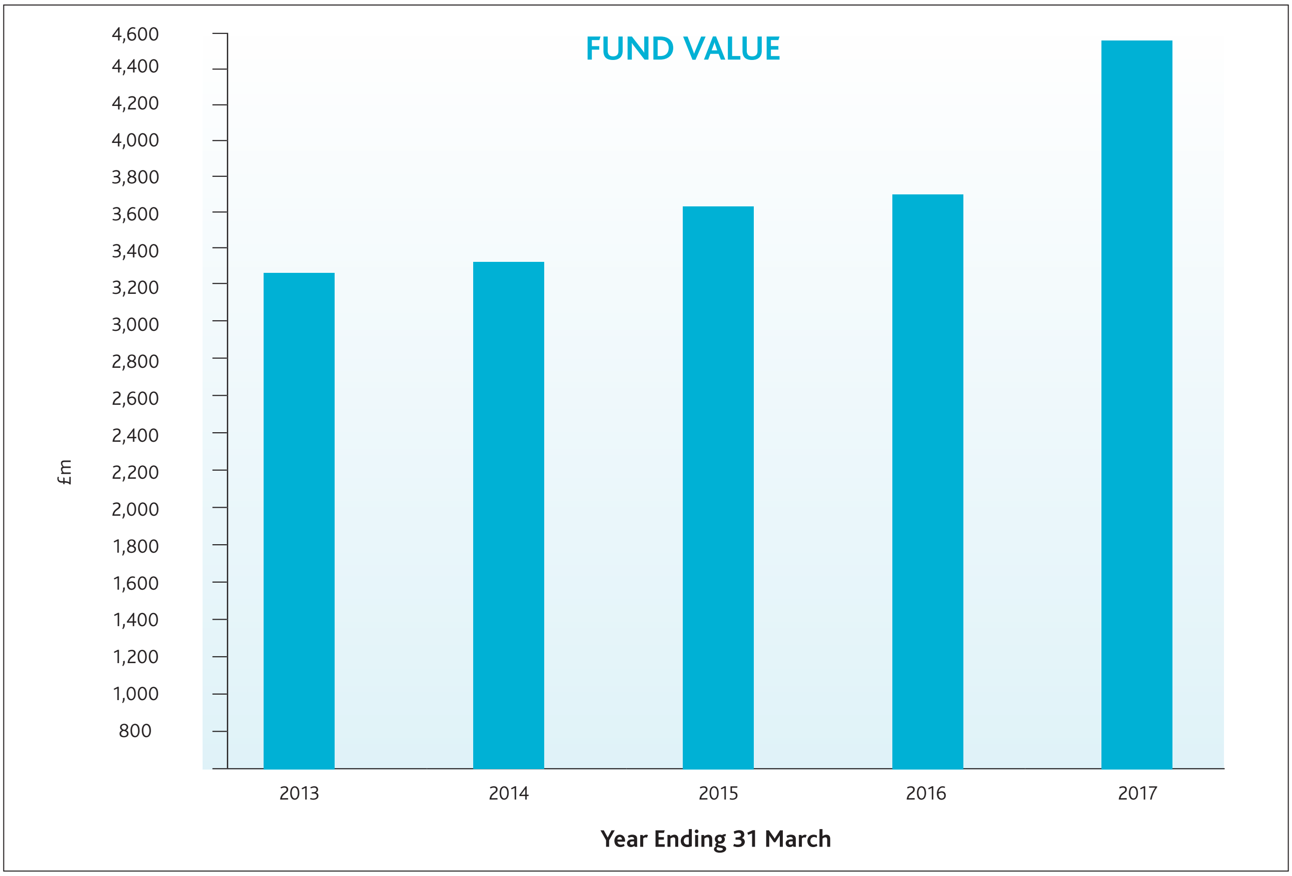
Top 15 Overseas Equities	Market Value £m	% Investment Assets
Roche Holding AG	12.4	0.3
JP Morgan European Smaller Companies Trust Plc	11.5	0.3
Montanaro European Smaller Companies Trust Plc	10.9	0.2
Jupiter European Opportunities Trust Plc	10.5	0.2
SAP SE	9.8	0.2
Novo Nordisk A/S	9.1	0.2
Infineon Technologies AG	7.8	0.2
Mitsubishi UFJ Financial Group Inc	7.4	0.2
KDDI Corporation	7.0	0.2
BNP Paribas AG	6.7	0.1
AXA SA	6.5	0.1
Toyota Motor Corporation	6.1	0.1
CIE Financiere Richemont AG	5.9	0.1
Itochu Corporation	5.7	0.1
Bridgestone Corp	5.7	0.1

Details of Institutional Unit Trusts as at 31 March 2017

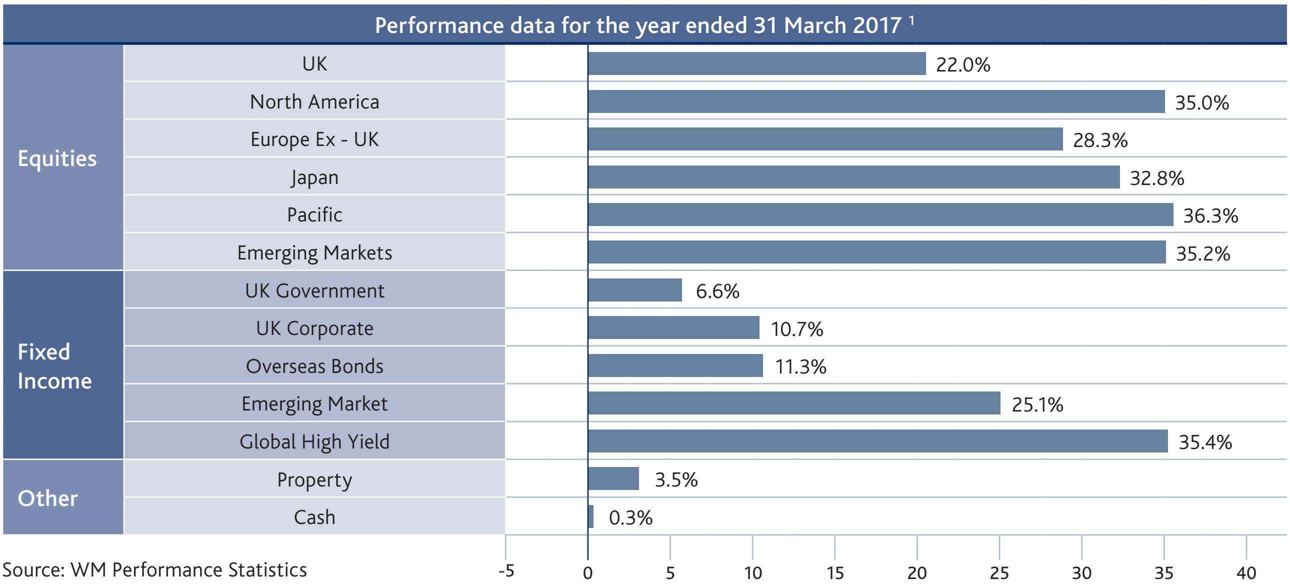
Global Equity Funds	Market Value £m	% Investment Assets
Schroder Funds		
SGST North America Equity Fund	342.9	7.6
Institutional Pacific Fund	171.0	3.8
Emerging Markets Fund	161.6	3.6
Developing Markets Fund	50.3	1.1
UK Smaller Companies Fund	41.2	0.9
Recovery Fund	16.9	0.4
European Smaller Companies Fund	17.0	0.4
Japan Smaller Companies Fund	7.1	0.2

Property Funds

The Fund holds a portfolio of 34 Property investments valued at £499.5m as at 31 March 2017 in listed, pooled, and limited partnership structures. Each investment is selected on the basis of its expected risk-adjusted return and its contribution to the Fund's target return for the asset class with sector and geographic exposure reflecting the preferred areas of investment.



Performance data for the year ended 31 March 2017 [1]



Source: WM Performance Statistics

[1] The table shows the Fund's benchmark returns in each asset class within the strategic asset allocation

Equities

- Global equity markets were relatively strong during the year due to a modest improvement in economic growth, positive investor sentiment, and an improvement in earnings expectations. Sterling returns from overseas markets were boosted by the sharp depreciation in sterling following the result of the EU referendum in June 2016.
- The best performing equity region, in sterling terms, was Pacific ex-Japan due to a recovery in commodity prices and its proximity to Asian emerging markets which experienced an improvement in economic growth.
- Emerging Markets also benefited from an improvement in economic growth in the region as well as its relatively high valuation discount to developed equity markets.
- North America rebounded following the outcome of the US presidential election as the new administration's rhetoric centred on fiscal stimulus through corporate and personal tax cuts and increased infrastructure spending, and protectionist trade policies which were expected to benefit US companies.
- Japan benefited from continued loose monetary policy, domestic equity purchases by the government pension investment fund, relatively attractive valuations, improvements in corporate governance, and, in the latter part of the year, currency weakness.
- Europe benefited from a modest improvement in economic growth, the absence of further sovereign debt shocks, and reduced fears regarding political instability in the region following a series of elections. This was partly offset by the outcome of the EU referendum and the potential negative impact on economic growth.
- The UK was the worst performing equity region, although returns were still exceptionally strong, due to increased uncertainty as a result of the EU referendum and the potential instability during the forthcoming exit negotiations. This particularly affected smaller companies with a domestic focus but was partly offset by larger multinational companies benefiting from sterling depreciation.

Fixed Income

- Fixed income markets were positive due to a further decrease in yields as investors continued to search for secure income. Sterling returns from overseas markets benefited from the sharp depreciation in the currency post-Brexit.
- In the UK market, bond yields had increased in the first part of the financial year due to an improvement in economic data. However, there was a sharp fall post-Brexit due to an increase in demand for safe haven investments and expectations of weaker economic growth. Yields partially recovered in the latter part of the year but remained relatively low.
- In the Overseas developed markets, local currency returns were negative as yields increased modestly due to expectations of a tightening in monetary policy as global economic growth continued to recover. However, the significant weakness in sterling against all of the major currencies resulted in relatively strong returns.
- Emerging Market bonds were very strong driven by income and a reduction in yields. Local currency bonds benefited further from a stabilisation in emerging market currencies.
- Investment-grade corporate bonds were relatively strong as spreads over government bonds reduced. High yield bonds performed exceptionally well as yields fell sharply following the commodity price-related weakness in the previous financial year.

Property

- UK property returns were relatively modest as a result of the fall in capital values following the EU referendum due to increased uncertainty regarding occupancy demand.
- The best performing sector was Industrial due to higher yields and relatively strong rental growth. The Logistics sub-sector benefited from a reduction in yields as investors sought property with long leases let to strong tenants with inflation-linked rental growth.
- The worst performing sector was Offices as a result of sharp falls in capital values in Central London due to the potential negative impact of the UK's exit from the EU, particularly in financial services.

- European property markets out-performed the UK market following significant under-performance over the last 5 years. The Nordic markets were the strongest performing area with Italy being the weakest. In addition, relative strength in the Euro had a significant positive impact on sterling investors.

Market Outlook

- Economic growth continues to tentatively improve in both developed and emerging economies. Interest rates and inflation expectations in the developed economies are likely to remain low, possibly with the exception of the US, as wage growth and labour productivity remain relatively weak. However, there are signs that unconventional monetary policies may be reversed as a precursor to a more normalised interest rate environment. There also appears to be more support for fiscal stimulus to replace monetary stimulus as it is considered to have a greater impact on the real economy.
- Equity markets continue to benefit from loose monetary policy, an improvement in earnings expectations, and positive investor sentiment. However, valuations for the majority of developed markets are above their long term average and markets could be susceptible to a correction if economic growth deteriorates or monetary policy is tightened. Corporate balance sheets appear to be more stretched than in the past and profit margins could come under pressure from rising wage growth. On balance, equity markets are likely to generate returns below their long term historical average and there is a risk of a sharp correction in the short term. As a result, companies with robust balance sheets, visible revenue and earnings growth, and strong cash generation remain attractive in the current environment.
- Bond markets have experienced a multi-year bull market driven by low interest rate and inflation expectations and unconventional monetary policy. Despite the recent rise in yields, bonds remain unattractive to a long term investor at the current time. Although bond yields may rise further there is unlikely to be a significant correction in bond markets in the short term as interest rates are expected to remain low, there are very few inflationary pressures, and if quantitative easing is scaled back it is likely to be gradual. Corporate bond spreads, both investment grade and sub-investment grade, are significantly below their long term average and susceptible to a correction in the event of a deterioration in credit quality. Alternative credit investments, such as direct lending or mezzanine debt, offer more attractive risk-adjusted returns and investors can take advantage of the illiquidity premium.
- The UK property market has performed exceptionally well over the last few years but some sectors, most notably Central London offices and High Street retail, have, and will continue to, suffer as a result of the exit from the EU and the continued squeeze on households income respectively. Although rental growth remains relatively strong capital growth is likely to be more constrained. As a result, total returns are likely to moderate in the short term which should mean that defensive investments such as real estate debt and social housing are likely to perform relatively well.
- It has become clear that investors will have to adjust to a lower return environment, particularly in traditional asset classes, over the next few years. As a result, a switch in focus from return generation to capital protection may be more appropriate.

Investment performance

The following table shows the performance of the Fund relative to its strategic benchmark:

Annualised performance	1 year	3 years	5 years	10 years
East Riding Pension Fund	21.1%	10.5%	10.6%	6.8%
Strategic benchmark	20.1%	10.0%	9.9%	7.2%

Source: State Street Investment Analytics

The performance of the Fund can be analysed further by asset class:

Annualised performance	1 year	3 years	5 years	10 years
Equities				
Fund	28.3%	11.9%	12.8%	8.3%
Strategic benchmark	26.0%	10.2%	11.0%	7.0%
Fixed Income				
Fund	13.0%	8.6%	5.8%	6.9%
Strategic benchmark	15.7%	10.9%	7.2%	8.1%
Cash				
Fund	1.5%	1.1%	1.0%	1.9%
Strategic benchmark	0.3%	0.3%	0.3%	1.2%
Property				
Fund	4.5%	9.0%	7.2%	1.9%
Strategic benchmark	3.5%	9.7%	9.1%	3.5%
Alternatives				
Fund	18.2%	11.5%	11.1%	7.0%
Strategic benchmark	16.6%	9.7%	9.5%	10.0%

Source: State Street Investment Analytics

The management of the Fund's assets are split between the internal investment manager and the external investment manager, currently Schroder Investment Management Limited, as follows:

Asset Class	Internal Investment Manager		Schroder IM	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Equities	1,402,594	1,705,494	803,452	1,037,974
Fixed Income ¹	514,320	601,833	12,600	6,375
Property	422,460	499,467	-	-
Alternatives	530,769	653,660	-	-
Total	2,870,143	3,460,454	816,052	1,044,349

¹ Including Cash

The performance of the Fund by investment manager is as follows:

Annualised performance	1 year	3 years	5 years	10 years
Internal Manager	17.2%	8.9%	10.0%	5.7%
Strategic benchmark	17.1%	8.7%	9.3%	6.5%
Schroder IM	35.1%	15.8%	12.7%	10.0%
Strategic benchmark	34.1%	15.1%	12.2%	9.4%

Source: State Street Investment Analytics

Corporate Governance

As a responsible investor, the East Riding Pension Fund wishes to promote corporate social responsibility, high standards of corporate governance, good practice, and improved corporate performance amongst all companies in which it invests. As a result, the Fund has adopted the Principles of the Financial Reporting Council's (FRC) UK Stewardship Code. The Pension Fund's Statement of Compliance with the Stewardship Code is shown on pages 46 to 49.

The Fund views stewardship as part of the responsibilities of share ownership, and, therefore, an integral part of the investment strategy. The Fund believes that active stewardship will help to deliver high standards of corporate governance which will contribute positively to business performance over time by:

- encouraging accountability between directors, shareholders, and other stakeholders;
- strengthening the integrity of relationships between these bodies; and
- improving transparency in the way companies are run.

In practice, the Fund's policy is to discharge its corporate governance responsibilities through engagement with investee companies, the utilisation of its voting rights, an interpretation of best practice guidelines, existing arrangements with its external investment manager, and through membership of the Local Authority Pension Fund Forum (LAPFF). Further details of LAPFF's guidance on environmental, social, and governance issues can be found on **www.lapfforum.org**.

In addition to the above, the Fund will take into account the guidance issued by LAPFF, and any other appropriate guidance and information, in determining any relevant social, environmental, or governance considerations when selecting, retaining, and realising any of its investments. However, the overriding objective for the Pensions Committee will be to discharge its fiduciary duty in managing the Fund's investments in the best interests of the scheme's beneficiaries.

The Fund subscribes to the Pensions Investment Research Consultants (PIRC) advisory voting service which provides voting recommendations based on industry best practice. Further details of PIRC's voting guidance is shown in the "UK Shareowner Voting Guidelines 2016" guidance document which is available at **www.pirc.co.uk**.

However, the Fund will interpret the application of these principles according to its own views of best practice. There are also other issues outside of these principles on which the Fund will take a view.

The external investment manager will vote in accordance with its "Investment and Corporate Governance" policy which is available at **www.schroders.com**.

The Fund's investment managers can exercise their discretion not to vote in accordance with best practice. Where this discretion is exercised, the rationale for this decision is reported to the Pensions Committee.

The exercise of any other rights attaching to a particular investment will be considered on a case by case basis.

The Pensions Committee reviews the Fund's corporate governance and voting activity on a quarterly basis.

The voting activity of the Pension Fund during the financial year is summarised in the following table:

	Number of meetings	Number of resolutions	Voted in accordance with stated policy	Not voted in accordance with stated policy
UK	172	2,355	2,320	35
North America	304	3,824	3,740	84
Europe ex-UK	150	2,516	2,376	140
Japan	159	1,868	1,861	7
Pacific ex-Japan	51	466	466	-
Emerging Markets	72	653	601	52
Total	908	11,682	11,364	318

Statement of Compliance with the UK Stewardship Code for Institutional Investors

This statement of compliance was updated in March 2017 in response to the FRC's assessment of signatories' quality of reporting against the Code and subsequent categorisation. The statement of compliance will be reviewed on an annual basis.

East Riding Pension Fund has been categorised as a Tier 1 asset owner and Schroder Investment Management Limited has been categorised as a Tier 1 asset manager. This demonstrates that both signatories "provide a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary".

The East Riding Pension Fund supports the UK Stewardship Code and, as part of its commitment to best practice, seeks to apply the Principles in the Code to its investment activity.

The management of the Fund's assets is split between the internal investment manager and Schroder Investment Management Limited. Schroder's Statement of Compliance with the UK Stewardship Code can be viewed at **www.frc.org.uk**.

Principle 1 – Institutional investors should publically disclose their policy on how they will discharge their stewardship responsibilities.

The Fund takes its responsibilities as a shareholder seriously and seeks to adhere to the Principles of the Stewardship Code. It views stewardship as part of the responsibilities of share ownership, and, therefore, an integral part of the investment strategy. The Fund believes that active stewardship will help to deliver high standards of corporate governance which will contribute positively to business performance over time by:

- encouraging accountability between directors, shareholders, and other stakeholders;
- strengthening the integrity of relationships between these bodies; and
- improving transparency in the way companies are run.

In practice, the Fund's policy is to apply the Code through engagement with investee companies, the utilisation of its voting rights, an interpretation of best practice guidelines informed through the use of the Pensions Investment Research Consultants (PIRC) voting advisory service, existing arrangements with its external investment manager, and through membership of the Local Authority Pension Fund Forum (LAPFF).

Further details of PIRC's voting guidance is shown in the "UK Shareowner Voting Guidelines 2016" guidance document which is available at www.pirc.co.uk and further information regarding the engagement activities of the LAPFF is available at www.lapfforum.org.

The Pension Fund considers that social, environmental, and governance considerations can have a material impact on the value of its investments and should form part of its investment managers' investment processes.

Therefore, the Fund will take into account the guidance issued by LAPFF, which highlights corporate governance issues at investee companies and recommends appropriate voting action, and any other appropriate guidance and information, in determining any relevant social, environmental, or governance considerations when selecting, retaining, and realising any of its investments. However, the overriding objective for the Pensions Committee will be to discharge its fiduciary duty in managing the Fund's investments in the best interests of the scheme's beneficiaries.

The Fund's investment managers can exercise their discretion not to vote in accordance with best practice. Where this discretion is exercised, the rationale for this decision is reported to the Pensions Committee on a quarterly basis.

The exercise of any other rights attaching to a particular investment will be considered on a case by case basis.

In general, the Fund's engagement activities will be based on the importance of the issue, the materiality of the Fund's exposure to companies affected by the issue, and an assessment of the likelihood of success in the event of engagement.

The Pensions Committee reviews the Fund's corporate governance and voting activity and discusses the reasons for engagement, or lack of it, with its investment managers on a quarterly basis.

In addition, the Fund publishes summary details of corporate governance and voting activity in its Annual Report and Accounts.

Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publically disclosed.

East Riding of Yorkshire Council, the administering authority of the East Riding Pension Fund, maintains and monitors a Register of Interests which is completed both by Members of the Pensions Committee and by the individual employees of the internal investment manager. These are published on the Council's website and updated on a regular basis.

In addition, Pension Committee members are required to make any declarations of interest prior to Committee meetings. These interests are disclosed in the Pension Fund's Annual Report and Accounts.

In accordance with the Fund's Compliance Manual, individual employees of the internal investment manager require permission from the Head of Investments or, in the Head of Investments case, the Head of Finance prior to investing in any applicable investments on a personal basis. Individual employees are also required to disclose their personal investments on an annual basis. The Fund's Compliance Manual is an internal control document and it is not considered appropriate to disclose this publicly.

The interests and investments of the Fund's independent advisor are disclosed to the Pensions Committee on a quarterly basis.

The external investment manager's policy on conflict of interests is disclosed in its Statement of Compliance with the UK Stewardship Code.

Principle 3 – Institutional Investors should monitor their investee companies.

The Pensions Committee delegates responsibility for managing the Fund's assets to the Investment Managers, who are expected to monitor companies and intervene where necessary.

The Fund subscribes to the Pension Investment Research Consultants (PIRC) voting and advisory service which provides voting recommendations based on industry best practice and receives an "Alerts" service from the LAPFF which highlights corporate governance issues of concern at investee companies. However, the Fund's investment managers are not bound to exercise their vote in accordance with these recommendations.

Issues on which the Fund has chosen to engage on in the recent past include:

- Directors' remuneration.
- Separation of the roles of Chairman and Chief Executive.
- Independence of non-executive directors.
- Supply chain management.
- Environmental factors including carbon risk.
- Labour relations.
- Auditor rotation.

The Fund is of the opinion that its corporate governance activities are significantly more effective if they are part of a larger group of like-minded investors, such as the LAPFF. The Fund is a supporter of the LAPFF's work but is unable to commit resources to take a more active role in LAPFF's engagement over and above its current membership role.

The external investment manager discharges its corporate governance responsibilities in accordance with its Investment and Corporate Governance Policy, which is also based on industry best practice.

The Fund's investment managers present reports on their voting activity on a quarterly basis to the Pensions Committee which are then subject to challenge and debate. The Pensions Committee also receives regular reports summarising the issues being raised by LAPFF and its current areas of focus, with companies in which the Fund has current ownership specifically highlighted, which further informs this process.

The Fund's investment managers can exercise their discretion not to vote in accordance with industry best practice. Where this discretion is exercised, the rationale for this decision is reported to the Pensions Committee on a quarterly basis.

The Fund's investment managers may choose to be made insiders in a particular company for a short period of time. In these instances, no transactions are permitted to be made from the point of disclosure until the information has been disclosed to the wider market. The specific restrictions are disclosed in the Fund's investment managers' compliance documents. As stated above, the Fund's internal investment manager's Compliance Manual is considered to be a private document that will not be disclosed publicly.

Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

As highlighted above, responsibility for day-to-day interaction with companies is delegated to the Fund's Investment Managers, including the escalation of engagement when necessary.

Where special situations arise which are not covered by the Fund's corporate governance strategy or where the policy is unclear, the Investment Managers will consult with the Director of Corporate Resources.

Although willing to act alone, as the Fund typically holds a very small percentage of equity in individual companies, there are strong reasons to collaborate with other asset owners in order to present a stronger case. The Fund utilises its membership of the LAPFF, which co-ordinates collaborative engagement with companies, regulators and policymakers to protect and enhance shareholder value, in order to maximise its influence.

If deemed appropriate, the Fund will participate in shareholder litigation.

Any such actions and subsequent outcomes are reported to the Pensions Committee in order to monitor activity and assess effectiveness.

Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate.

Collaborative engagement is a key part of a responsible investment strategy and the Fund will seek to work collectively with other institutional shareholders in order to maximise the influence it can have on individual companies.

The Fund seeks to achieve this through membership of the LAPFF, which engages with companies over environmental, social and governance issues on behalf of its members, and also its relationship with the external investment manager.

The Fund will also consider collaborating with other investors if it is considered to be appropriate and interested parties should contact the Fund's Head of Investments, Mark Lyon if they would like to discuss this further.

The external investment manager's policy on collaborative engagement is disclosed in its Statement of Compliance with the UK Stewardship Code.

Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activity.

The Fund views its voting rights as a valuable instrument to:

- protect shareholder rights;
- minimise risk to companies from corporate governance failure;
- enhance long term value; and
- encourage corporate social responsibility.

As such, the Fund seeks to exercise all voting rights attaching to its investments, where practical.

Whilst it is the Fund's intention to follow the principles of UK corporate governance best practice, the Fund will interpret the application of these principles according to its own views of best practice. There are also other issues outside of these principles on which the Fund will take a view.

As a general rule, the Fund will vote in favour of resolutions which are in line with the UK Corporate Governance Code or comply with best practice. The Fund will vote against resolutions which do not meet these guidelines, or which represent a serious breach of best practice, or which will have a negative impact on shareholders rights. The Fund may abstain on resolutions which may have an adverse impact on shareholder rights, or represent a less significant breach of these guidelines, or where the issue is being raised for the first time with a company. The specific voting outcome will depend on the particular circumstances of the company and the types of resolution on the meeting agenda.

The external investment manager is responsible for the exercise of voting rights attaching to investments that are managed by them on behalf of the Fund. The external investment manager will vote in accordance with its "Investment and Corporate Governance" policy which is available at www.schroders.com.

Reports summarising the Fund's voting activity are presented to the Pensions Committee on a quarterly basis, and the Fund publishes summary details of voting activity in its Annual Report and Accounts. The Fund has chosen not to disclose its full voting record as it does not consider that this will add any value to an external party's understanding of its corporate governance and voting policy and practices. However, the Fund is required to respond to a formal request for information via the Freedom of Information Act 2000.

The Fund engages in stock lending and seeks to recall stock on loan prior to a shareholder vote if it is deemed to be cost effective, suitable and practical. Examples of this will include resolutions that are not considered to be in accordance with the UK Corporate Governance Code or where the Fund has a material holding and could potentially influence the outcome of the vote.

Principle 7 – Institutional investors should report periodically on their stewardship and voting activities.

The Pensions Committee reviews a detailed corporate governance and voting report, which includes the voting activity of both the internal and external investment managers, on a quarterly basis. In addition:

- The Administering Authority publishes the agendas and minutes of Pension Committee Meetings on its website – **www.erpf.org.uk.**
- The Fund publishes details of its stewardship and voting activities in its Annual Report and Accounts. This includes summary details of voting activity, and activity undertaken through the LAPFF as well as other collaborative engagement.

Myners' Principles

The Myners' Principles are a set of principles for good investment governance, originally created in 2001 and subsequently updated in 2008. The Local Government Pension Scheme (Investment and Management of Funds) Regulations 2009 required local government pension funds to produce a statement in their annual report regarding compliance with these Principles on a "comply or explain" basis. Although this is no longer required under the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2016 it is still considered best practice.

Principle 1: Effective Decision-Making

- Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice, and resources necessary to take them effectively and monitor their implementation.
- Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Principle 2: Clear Objectives

- Trustees should set out an overall investment objective for the scheme that takes account of the scheme's liabilities, the strength of the sponsor covenant, and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Principle 3: Risk and Liabilities

- In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include sponsor covenant strength, the risk of sponsor default, and longevity risk.

Principle 4: Performance Assessment

- Trustees should arrange for the formal measurement of the performance of investments.
- Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report this to scheme members.

Principle 5: Responsible ownership

- Trustees should adopt or ensure their investment managers adopt the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.
- A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles.
- Trustees should periodically report to members on the discharge of such responsibilities.

Principle 6: Transparency and Reporting

- Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against objectives.
- Trustees should provide regular communication to members in the form they consider most appropriate.

The Pension Fund's compliance with the Myners' Principles is shown in the following table:

Principle	Evidence of compliance
Effective Decision Making	The Pensions Committee meets on a quarterly basis to discuss current issues, future policy, and tactical asset allocation. Working Groups are formed when an issue requires particular attention. A Working Group was set up in November 2016 to consider the Pension Fund's strategic asset allocation following the initial results of the latest triennial actuarial valuation. The Committee have appointed suitably qualified investment managers to manage the investments of the Fund on their behalf. The Fund takes advice from its independent advisor and external investment manager, both of whom attend the quarterly Pensions Committee meetings. This is in addition to the advice received from the Director of Corporate Resources and the Fund's actuary. A formal training programme, in accordance with the requirements of the CIPFA Knowledge and Skills Framework, has been implemented.
Clear Objectives	The overall Fund objective is directly linked to the risks and returns outlined in the Actuary's report, with the expected return on investments contained within the Statement of Investment Principles. The Fund's strategic asset allocation is specifically designed to achieve the fund objective, with tactical asset allocation reviewed at the quarterly meetings. Specific asset allocation weightings are detailed in the Statement of Investment Principles. In determining the Fund's asset allocation, the Committee consider all asset classes in terms of their suitability and diversification benefits.
Risk and Liabilities	The Administering Authority has an active risk management programme in place including a Pension Fund-specific risk register and risk management schedule. The Pension Fund's risk register identifies the key risks inherent in the Pension Fund, an estimate of the severity of each risk, a summary of current control measures, and the identification of additional control measures. A description of the risk assessment framework used for potential and existing investments is included in the Statement of Investment Principles under "Risk and diversification of investments". The Committee reviews the Pension Fund's risk management schedule on a quarterly basis and the risk register on a semi-annual basis.
Performance Assessment	The performance of the Fund's investment managers is assessed on a regular basis, using data provided by WM Company, a specialist performance measurement organisation. Investments made by the Fund's investment managers are reviewed by the Committee on a quarterly basis. The internal and external fund managers have Fund-specific performance benchmarks that are reviewed on a regular basis. Peer group benchmarks are used for comparison purposes only.
Responsible Ownership	The Committee's policies on corporate governance, socially responsible investment, and shareholder voting are outlined in the Statement of Investment Principles.
Transparency and Reporting	The following core documents are published on the Pension Fund's website: - Pension Fund Annual Report and Accounts. - Statement of Investment Principles. - Investment Strategy Statement. - Governance Compliance Statement. - Funding Strategy Statement. - Corporate Governance and Voting Policy. - Pension Committee Agendas and Minutes.

scheme administration report

Administration

The main administration event for all Local Government Pension Scheme (LGPS) funds during 2016/17 was the triennial actuarial valuation exercise. Workshops were held during January 2016 for Scheme employers participating in the East Riding Pension Fund ("the Fund") to increase their awareness of the timescales for providing accurate data to the Fund for both the 2016 actuarial valuation and the issue of annual benefit statements.

The commitment of the Scheme employers to make improvements to the quality of data was demonstrated by the majority of the employers providing accurate year end data to the Fund by 19 April 2016. This enabled the Fund to validate all the data received, load the data to all member records and investigate all errors and warnings ahead of the timescales required for the actuarial valuation exercise and the issue of annual benefit statements to all active members.

As a consequence, 27,912 annual benefit statements were issued to active members by the Fund ahead of the statutory deadline of 31 August 2016 for all Scheme employers who submitted a year end return by 17 June 2016. This was a significant improvement on the previous year when only 60% of the Scheme employers had provided year end data on time.

For the 2016 actuarial valuation exercise, the Fund provided data from the Scheme employers to Hymans Robertson, the Fund's actuary, ahead of schedule so that the actuary was able to issue initial draft whole Fund results to the Fund by November 2016. Individual Formal Valuation Draft Results schedules were issued by the Fund to all Scheme employers during the first week of December 2016, which was a month earlier than the previous valuation in 2013. The schedules set out the proposed individual employer contribution rates from 1 April 2017 to 31 March 2020 as well as each employer's own funding position as at 31 March 2016.

An employer forum was held on 15 December 2016 to enable Scheme employers to discuss their Results schedule with the Fund's actuary. A number of Scheme employers requested additional information regarding their individual employer contribution rates and further discussions took place between individual employers, the Fund and the Fund's actuary up until March 2017. The Fund issued the 2016 Actuarial Valuation Report to all Scheme employers on 31 March 2017.

The Fund is a partner of the Tell Us Once service and submits data to the Local Government Association National Insurance Database on a monthly basis. The Tell Us Once service makes sure that the Fund is informed when a death is registered for a Scheme member, therefore allowing staff to update and process the necessary calculations more quickly and accurately.

The Pensions section provides the administration function for the Fund and 257 Scheme employers and is made up of the following four teams:

- The Member Maintenance team is responsible for the setting up, monitoring and maintaining of all members records, including calculating benefit entitlement for members leaving the scheme before retirement and dealing with incoming and outgoing transfer payments. They also deal with annual and ad-hoc projects, for example loading and checking year end returns for all active Scheme members and liaising with the Scheme employers to ensure accurate data is received and recorded.
- The Systems and Web team is responsible for the development of the Universal Pensions Management (UPM) system, providing technical IT support to the section as well as liaising with all Scheme employers. The team is working towards web based communication with Scheme employers and Scheme members including developing on line self service facilities.
- The Financial Control team undertake routine and non-routine tasks and deal with monthly, quarterly, annual and triennial events. They also monitor, collect and reconcile payments required from Scheme employers in respect of employee and employer pension contributions, and rechargeable amounts due to the Fund. The team has responsibility for the payment of all the East Riding Pension Fund pensioners.
- The Retirement, Estimate and Death team pay benefits to retiring, early leaver members and in respect of deceased

members. They provide a comprehensive training role for the whole section and provide education, advice on the interpretation of the LGPS Regulations.

Staffing numbers in the Pensions section

There are 47 full time equivalent (FTE) posts in the Pensions section with 33 staff responsible for pensions administration work. This equates to a staff to fund-member ratio of one FTE employee to 3,324 members, based on the total fund membership of 109,685.

Throughout 2016/17 all staff have received comprehensive training to ensure they are fully conversant with the UPM system and to meet the deadlines for cleansing data for the 2016/17 year end returns to generate the data for the 2016 actuarial valuation, the 2016 annual benefit statements and annual allowance checks. This has allowed the Pensions section to develop new ways of working to maximise the efficiencies of the UPM system and to minimise the risk of errors with all work procedures auditable at each step of the process.

Communications

The Systems and Web team has developed the ERPF Online services for Scheme employers to monitor their own outstanding work, submit data and update Fund records for their own members. Following a successful pilot exercise with Hull City Council during November and December 2016, a further 14 employers have attended a demonstration of the ERPF Online services and will be live on the system by September 2017. The 15 Scheme employers represent 80% of the active membership within the Fund. The remaining Scheme employers will be signed up by 31 March 2018.

Eleven ERPF Employer Bulletins were issued to Scheme employers during 2016/17 and covered a number of key areas including:

- revised guidance notes on completing pensions administration documentation;
- a factsheet providing information and guidance on outsourcing a function of an organisation to a contractor;
- pre-retirement workshops;
- advice on responding to queries arising from the 2016 year end exercise; and
- timetable for the submission of year end returns in 2017.

Audit

The administration of pensions is regarded as one of the Council’s major financial systems and is reviewed on an annual basis. The latest Audit review concluded that there was significant assurance on the control framework, the overall control effectiveness is considered significant, and the exposure to risk is considered moderate.

Internal Dispute Resolution Procedure

The Internal Dispute Resolution Procedure (IDRP) is a way of dealing with complaints from active, deferred or pensioner members of the Local Government Pension Scheme (LGPS) about decisions relating to their pension benefits made by either their employer or by East Riding of Yorkshire Council (“the Council”), as the administering authority for the Fund.

IDRP is a two stage process:

- Scheme employers and the Council as administering authority have to make decisions about a member’s benefits under the rules of the LGPS. If for any reason a member is not happy about a decision that has been made, or not been made, about their LGPS membership or benefits, then members are encouraged to contact the Assistant Pensions Manager at the Fund who will seek to clarify or correct any misunderstandings or inaccuracies. If the member is still not happy, they can apply to the Fund to have their complaint reviewed under stage 1 of the IDRP. For complaints against the administering authority, the review under stage 1 is undertaken by another administering authority specified by the Council. This ensures that the stage 1 decision is independent of the Council. The member must apply for a review under stage 1 within 6 months of the date of the notification of the decision the member wishes to make a complaint about.
- If the member is dissatisfied with the stage 1 decision, they must move to stage 2 of the IDRP within 6 months of the stage 1 decision and this is reviewed by the Pensions Manager who will not have had any previous involvement in the complaint.

If the member is still dissatisfied, they can contact The Pensions Advisory Service (TPAS) and ask for their assistance. Where the complaint or dispute cannot be resolved after the intervention of TPAS, the member has three years in which to apply to the Pensions Ombudsman (TPO) for adjudication.

TPO can investigate any type of complaint about a member's pension, but the member must have been through stages 1 and 2 above of the IDRP before they contact TPO.

In 2016/17, there were no complaints which went to stage 2 against decisions made by the administering authority. There were four complaints which went to stage 2 against decisions made by Scheme employers under stage 1. Three complaints were dismissed by the Pensions Manager at stage 2 and one complaint was upheld and referred back to the Scheme employer for reconsideration.

Compliments

The Fund received 48 compliments from members and Scheme employers expressing their satisfaction with the level of service, expertise and quality of information provided by the Pensions section.

report of the actuary

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2013.

Description of Funding Policy

The funding policy is set out in the East Riding of Yorkshire Council Funding Strategy Statement (FSS) dated March 2017. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members / dependents benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- 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.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £3,714 million, were sufficient to meet 88% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £512 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

A change in regulatory regime and guidance on contribution rates means that the Fund 'Common Contribution Rate' has been replaced by the 'Whole Fund Primary and Secondary Rates' for the 2016 valuation. The primary rate is the employer contribution required to pay for ongoing accrual of active members' benefits and is the payroll weighted average of the underlying individual employer primary rates. The secondary rates for 2017 to 2020 represent the shortfall of an employer's asset share to their funding target and the figures below are the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions).

Primary Rate %	Secondary Rate £000		
1 April 2017 to 31 March 2020	2017/18	2018/19	2019/20
16.7	44,210	43,199	42,367

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report, available on the Fund's website.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2013	31 March 2016
Discount rate	%	%
Return on long - dated gilts	3.0	2.2
Asset Outperformace assumption	1.6**	1.8**
Discount rate Assumption	4.6	4.0
Benefit Increases	%	%
Retail Price Inflation (RPI)	3.3	3.2
Assumed RPI/CPI* gap	-0.8**	-1.0**
Benefit Increase Assumption	2.5	2.1
Salary Increases	%	%
Retail Price Inflation (RPI)	3.3	3.2
Increases in excess of RPI	0.5**	-0.8**
Salary Increase Assumption	3.8	2.3

* Consumer Prices Index ** Arithmetic addition *** Geometric addition

The main demographic assumption to which the valuation results are most sensitive is that relating to the longevity of the Fund's members. Based on the assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7 years	24.2 Years
Future Pensioners*	23.7 years	26.4 years

*Currently aged 45

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from East Riding of Yorkshire Council, the administering authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. The effect of this has been broadly offset by the strong asset returns. Both events have roughly cancelled each other out in terms of the impact on the funding position as at 31 March 2017.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Douglas Green FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
8 May 2017

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

actuarial valuation

Legislation requires an actuarial valuation of the Fund every three years. The purpose of the valuation is to establish that the Fund is able to meet its liabilities to past and present contributors.

The valuation is carried out in accordance with Regulation 62 of the Local Government Pension Scheme 2013 and the most recent valuation was carried out as at 31 March 2016 and resulted in a funding level of 88.0% (2013 : 78.2%). The next triennial valuation is due as at 31 March 2019 and any change in employers' contribution rates as a result of that valuation will take effect from 1 April 2020.

The results of the 2013 and 2016 valuations are set out in the tables below:

	2013	2016
	£m	£m
Past Service Liabilities		
Employees	1,559	1,538
Deferred Pensioners	739	835
Pensioners	1,640	1,853
Total Past Service Liabilities	3,938	4,226
Assets	3,078	3,714
Deficit	-860	-512

The past service adjustment assumes that the deficit will be funded over a 20 year period.

The improvement in the funding position in the three years to 31 March 2016 is mainly due to strong investment performance over the period. The liabilities have also increased due to a reduction in the future expected investment return, although this has been partially offset by lower than expected pay and benefit growth.

governance

Governance Policy Statement

East Riding of Yorkshire Council, as Administering Authority (and Scheme Manager) for the Local Government Pension Scheme is required by statute to publish a governance policy statement. The function of the Administering Authority is delegated to the Pensions Committee in accordance with the Constitution of the Council.

The Pensions Committee consists of ten Members of the East Riding of Yorkshire Council. In addition, a Member from each of the other three unitary Councils in the East Riding Pension Fund, and four trade union representatives attend Committee meetings to ensure that views of other interested parties are properly considered by the Committee. Only the ten Members of the East Riding of Yorkshire Council have voting rights but all Members have equal access to relevant committee papers, documents and advice. In addition, the Members' training programme is designed to help in evaluating expert advice.

The Committee normally meets eight times a year, with at least four meetings devoted principally to investment business. The Committee does not establish any secondary committees or panels.

There are no representatives of admitted bodies on the Committee, so the Committee holds an Annual Meeting to which all employers are invited. This provides them with the opportunity to raise any concerns they may have directly with the Committee, which then ensures they can be properly considered by the Committee.

The Committee formally consults all employers on the Funding Strategy Statement every three years. There is no specific representation for deferred or pensioner members, but with the wide representation, including four trade union representatives, it is considered that their interests will be taken into account.

The Statement of Investment Principles sets out how the Pension Fund will be invested, while the Annual Report, which is submitted to the Annual Meeting of the Fund, completes the cycle of accountability.

East Riding Pension Fund Local Pension Board

The East Riding Pension Fund Pension Board is established under the provisions of Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

The role of the Board includes:

- securing compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS;
- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and,
- such other matters as the LGPS Regulations may specify.

The terms of the Board reference are attached as Appendix 1.

The Board meets three times a year and is made up of six members, three employer representatives and three scheme member representatives.

This governance policy statement complies with Regulation 55 of the Local Government Pension Scheme Regulations 2013 and the guidance issued by the Secretary of State in 'Governance Compliance Statements Statutory Guidance – November 2008'.

The Governance Policy Statement was approved by the Pensions Committee on 18 March 2016, took effect from 1 April 2016, and is reviewed on an annual basis.

East Riding Pension Fund Pension Board - Appendix 1

Terms Of Reference

1. Introduction

The purpose of this document is to set out the Terms of Reference for the Pension Board (the Board) of the East Riding Pension Fund.

2. Responsibility and Role of the Board

The responsibility of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (East Riding of Yorkshire Council) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

- securing compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS;
- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and,
- such other matters as the LGPS Regulations may specify.

The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility and secure compliance with any requirements imposed by the Pensions Regulator.

In its role, the Board will have oversight of the administration and governance of the Fund including:

- the effectiveness of the decision making process;
- the direction of the Fund and its overall objectives;
- the level of transparency in the conduct of the Fund's activities; and,
- the administration of benefits and contributions.
- Subject to further details, the activity of the Board will include:
- reviewing the Fund's governance and policy documents;
- reviewing compliance with the Fund's governance and policy documents;
- reviewing the administrative and investment performance of the Fund;
- reviewing shareholder voting and engagement arrangements;
- reviewing the Fund's Risk Register;
- reviewing Audit and Assurance reports; and
- reviewing the Fund's website.

3. Membership

The Board shall consist of six voting members and be constituted as follows:

- three Employer Representatives – Administering Authority (1), other scheme employers (i.e. organisations other than the Administering Authority who, under the Regulations, can participate in the LGPS) (2); and
- three Scheme Member Representatives – active members (1), pensioner members (1), active/pensioner or deferred member (1).
- Elected Members and Officers involved in the management and administration of the Fund are not permitted to become Board members.
- Members of the Board will serve for a term of three years following which they may either retire from the Board or seek nomination for an additional term. The term of office may otherwise come to an end:

- for Scheme Member Representatives if they cease to be a member of the relevant group; and
- for Employer Representatives who are councillors if they cease to hold office as a Councillor.

The Chair of the Board will be elected by the Board at its first meeting and will serve for a period of three years.

The Board may, with the approval of the Administering Authority, co-opt persons to advise and support them. Co-optees are not Board members and do not have voting rights. Due to the specialist knowledge and understanding required, Members will not be permitted to send substitutes to meetings when they are unable to attend themselves.

4. Appointment of Board Members

Three Employer Representatives:

- one Employer Representative will be a Councillor from East Riding of Yorkshire Council who is not a member of the Pensions Committee and will be selected by the Council having taken account of their relevant experience, their capacity to represent other scheme employers and their knowledge and understanding of the LGPS; and
- two Employer Representatives to be nominated by the employer's forum – having demonstrated their relevant experience, their capacity to represent other scheme employers and their knowledge and understanding of the LGPS. In the event of there being more than two nominations, the Scheme Manager will carry out a selection process.
- Three Scheme Member Representatives:

  To be identified as follows: the Administering Authority shall contact all Scheme Members including unions and professional associations affiliated to the Authority advising them of the role, the necessary knowledge and understanding required and the process applying toward becoming a Board Member; individual Scheme Members may put themselves forward; there will then be a selection process carried out by the Scheme Manager to assess relevant experience, their capacity to represent scheme members and their knowledge and understanding of the LGPS.

Members in all categories will only be appointed to the Pension Board by the Administering Authority if they either meet the knowledge and skills requirements set out in the relevant regulations and guidance (see Section 9) or commit to do so within three months of the appointment date.

5. Meetings

The Board shall meet twice a year, at the Council's Offices in Goole during working hours.

An extraordinary meeting will be called when the Chair considers this necessary and/or in circumstances where the Chair receives a request in writing by 50% of the voting membership of the Board.

6. Quorum

A quorum will comprise three of the six members of which at least one shall be an Employer Representative and one a Scheme Member Representative.

7. Decision Making

Each Member of the Board will have an individual voting right but it is expected that the Board will, as far as possible, reach a consensus.

8. Standards of Conduct and Conflicts of Interest

The principles included in the East Riding of Yorkshire Council's Code of Conduct for Members will apply to all Members of the Board. The Code is set out in the Council's Constitution **http://www2.eastriding.gov.uk/council/committees/the-council/council-constitution-political-control-and-councillor-information/**. In accordance with s5(5) of the Public Service Pensions Act 2013, a Board Member must not have a financial or other interest that could prejudice them in carrying out their Board duties. Conflicts of interest shall be managed taking into account both the regulations set out in East Riding of Yorkshire Council's Constitution and the advice provided by the Pensions Regulator. This does not include a financial or other interest arising merely by virtue of being a member of the LGPS.

9. Knowledge and Skills

Following appointment, each Member of the Board should be conversant with:

- the legislation and associated guidance of the LGPS; and
- any document recording policy about the administration of the LGPS which is for the time being adopted by the Fund.

The Administering Authority will provide a training programme which all Board Members will be required to attend.

10. Accountability

The Board will refer all relevant recommendations and decisions to the Pensions Committee of the Administering Authority and, where appropriate to Full Council. It will present a report on its work each year within the Pension Fund's Annual Report and Accounts.

11. Publication of Pension Board Information

The Administering Authority will publish up to date information on the Council's website including:

- the names of the Board Member;
- the Board's Terms of Reference; and
- papers, agendas and minutes of Board meetings.

12. Data Protection

The Administering Authority is and remains the data controller responsible for Data Protection Act compliance.

13. Expense Reimbursement

Board Members will be reimbursed travel and subsistence costs in line with the Administering Authority's Members Allowance Scheme.

Pensions Committee as at 31 March 2017

Members	Number of meetings attended (max 6)
Councillor E Aird	6
Councillor I Billinger	4
Councillor B Birmingham (from May 2016)	3
Councillor D Healy (from October 2016)	3
Councillor J Holtby	6
Councillor R Meredith	4
Councillor C Mole	4
Councillor S Steel (from May 2016)	3
Councillor A Strangeway	5
Councillor N Wilkinson (from May 2016)	3
Unitary Councillor Representatives	
Councillor M Patrick (North East Lincolnshire)	5
Councillor I Glover (North Lincolnshire)	3
Councillor P Webster (Hull City)	0
Trade Union Observers	
R Weightman (UNITE)	4
D Hardman (Unison) (from October 2016)	2
F Hart (Unison) (from October 2016)	1
A Bentley (GMB)	0

Report of the Pensions Committee

The Pensions Committee is responsible for the administration of the East Riding Pension Fund in accordance with Statutory Regulations, under delegation contained in the Constitution of East Riding of Yorkshire Council. During the past year the Committee consisted of ten Members of East Riding of Yorkshire Council. In addition, a Member from each of the other three unitary Councils and four trade union representatives attend Committee meetings to ensure that the views of the other major employers and individual members of the scheme are taken into account. A list of those who served on the Committee, and their attendance at Pensions Committee meetings, is on page 62.

The Committee met quarterly to consider investment reports from the Director of Corporate Resources, the external manager, and the independent advisor. The Committee also met on a further two occasions to consider pension administration issues and to receive training as part of the member training programme. In addition, the Pension Fund Working Group, consisting of a small group of Members, Officers, and Advisors, met on two occasions to consider the strategic asset allocation of the Fund, following the latest triennial actuarial valuation, and to make recommendations to the Pensions Committee:

- Approved the Investment Strategy Statement (ISS) which sets out in detail how the Fund is managed (pages 125 to 135) and the Governance Policy Statement, which sets out in detail how the Fund is governed (pages 59 to 62);
- Approved the Funding Strategy Statement (FSS) which was revised following the latest actuarial valuation (pages 92 to 119);
- Approved the proposed amendments to the Fund’s Communication Policy (pages 136 to 138);
- Approved the extension of the contract for the Fund’s Global Custodian;
- Approved the appointment of the contract for the Fund’s Actuarial Services;
- Approved the Annual Report and Accounts 2015 – 16;
- Reviewed the management of the Fund and analysed the performance of the Fund and individual investment managers;
- Reviewed and approved the recommendations of the Pension Fund Working Group with regards to the strategic asset allocation review;
- Reviewed the current status of the Fund’s outstanding UK and Overseas Withholding Tax reclaims;
- Reviewed the Fund’s Treasury Management policy and treasury activity during the year;
- Reviewed the Fund’s corporate governance and voting activity;
- Reviewed the audit and assurance reports of the Fund’s investment managers and the global custodian;
- Reviewed the Fund’s expenditure against budget for the 2015 – 16 financial year and approved the budget for the 2016 – 17 financial year;
- Reviewed the Fund’s strategic risk register;
- Reviewed a number of the Fund’s pension administration policies;
- Reviewed the preliminary and final results of the Fund’s triennial actuarial valuation;
- Reviewed the Government Actuary Department’s (GAD) Section 13 report with regards to the 2013 actuarial valuation;
- Received training as part of the Member training programme (more details on page 64 and 65);
- Approved the submission in response to the Government’s consultation regarding pooling in the LGPS;
- Received a number of reports on the development of the Border to Coast Pension Partnership (BCPP), the pool selected by the Pension Fund to meet its requirements of the Government’s LGPS reform process; and
- Approved the legal documentation relating to the creation of the Border to Coast Pension Partnership (BCPP).

For the year ended 31 March 2017, the Fund generated a return of 21.1%, compared to the strategic benchmark return of 20.1%, and the Retail Price Index, which was 3.1% over the period. Significant capital appreciation in the majority of equity markets, the positive impact of currency depreciation on the sterling returns from overseas investments, and strong stock selection from the Fund's investment managers in the majority of asset classes were the main contributors to performance.

Over the three years to 31 March 2017, the Fund has generated a return of 10.5% per annum, compared to the strategic benchmark return of 10.0% per annum, and the long term investment objective of 7.1% per annum. Strong stock selection from the Fund's investment managers has been the main contributor to performance over this period.

The Government issued a consultation document in November 2015 which required LGPS funds to enter into pooling arrangements with other LGPS funds in order to generate economies of scale and facilitate investment in infrastructure. The Pension Fund is actively participating in the Border to Coast Pension Partnership (BCPP), a pool of 12 LGPS funds with c. £43bn in assets. BCPP is currently developing the governance, investment and operational arrangements for the partnership and is expected to be operational by June 2018. It is important to note that this only relates to the pooling of assets and the associated management arrangements. The Pensions Committee will still be responsible for determining the Pension Fund's strategic and tactical asset allocation and pension administration responsibilities will remain with East Riding of Yorkshire Council.

It is anticipated that there will continue to be significant changes to the Local Government Pension Scheme in the next few years which will represent a considerable challenge to the Pension Fund. The Pensions Committee will strive to ensure the long term sustainability of the Pension Fund in the light of these proposed changes, and ensure members are made aware of the potential impact.

Councillor John Holtby
Chairman
1 September 2017

Training and Development

As an administering authority of the Local Government Pension Scheme, East Riding of Yorkshire Council recognises the importance of ensuring that all officers and members charged with the financial management and decision making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge their duties and responsibilities. Training is provided for officers and members to enable them to acquire and maintain an appropriate level of experience, knowledge and skills.

The Pensions Committee has designated the Interim Director of Corporate Resources to be responsible for ensuring that the authority's training policies and strategies are implemented with respect to the Pensions Committee and officers managing the Pension Fund.

The Council has implemented a training programme for members which reflects the recommended knowledge and skill levels set out in the CIPFA Pensions Finance Knowledge and Skills Framework. The programme consists of:

- Dedicated training sessions delivered by senior officers or external providers at the quarterly Pensions (Administration) Committee and Local Pension Board meetings; and
- Dissemination of information relating to current investment themes by senior officers and the Pension Fund's external investment manager at the quarterly Pensions Committee meetings.

In addition, the Pensions Committee has an independent advisor whose knowledge and experience is used to assist the Committee in the development of the strategic asset allocation of the Pension Fund, and also to understand and challenge the tactical asset allocation recommendations of the investment managers.

The following training has been provided during the financial year:

- Current trends in asset allocation including Equities, Fixed Income, and Alternatives.
- Current trends in Equities including passive v. active, smart beta and style investing, and emerging markets.
- Current trends in Fixed Income including multi-asset credit, private debt, and alternative credit opportunities.
- Current opportunities in Alternative investments including infrastructure, private equity, and real estate.

- Current trends in global macroeconomics including economic growth, inflation, and interest rates.
- The impact of the potential changes to the Local Government Pension Scheme including changes to regulations and the move towards pooling of assets.
- Corporate governance issues including executive remuneration, board diversity, corporate taxation, accounting standards, merger and acquisition activity, auditor independence, employee rights, and environmental issues.
- Analysis of the Fund's investment performance.
- Overview of risks and risk management within the Pension Fund.
- Strategic and tactical asset allocation.
- Actuarial valuations.
- Pension administration.

The Fund has in place a robust recruitment and selection procedure to ensure it appoints officers who are both capable and experienced. Formal training programmes within the office and through external qualifications courses (e.g. Chartered Financial Analyst) are in place to develop the experiences and skills of officers. A dedicated training manager ensures pension administration staff remain up to date with all changes to regulations and procedures. Development needs are formally reviewed on a six monthly basis through the Council's Employee Development Review process.

In addition, officers maintain and develop their understanding and experience of investment and portfolio management as part of their career development. During the financial year this has included:

- Continual critical analysis of external research;
- Attendance at a number of conferences;
- Meetings with economists and investment managers;
- Active participation in internal investment strategy meetings; and
- Membership and attendance at regional networks and the CIPFA Pensions Network.

As the officer nominated by the Pensions Committee responsible for ensuring that the authority's training policies and strategies are implemented, the Interim Director of Corporate Resources can confirm that the officers and members charged with the financial management of, and decision making for, the pension scheme collectively possessed the requisite knowledge and skills necessary to discharge those duties and make the decisions required during the reporting period.

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 East Riding of Yorkshire 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 Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

b) The Head of Finance

The Head of Finance 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 Financial Reporting Standards (the Code).

In preparing these financial statements, the Head of Finance has:

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

The Head of Finance has also:

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

Certificate

I hereby certify that the following accounts give a true and fair view of the financial position of the East Riding Pension Fund as at 31 March 2017 and its income and expenditure for the financial year then ended.

Julian Neilson

Head of Finance and Section 151 Officer
East Riding Pension Fund
1 September 2017

fund account, net assets statement and notes

Fund Account

2015/16	Note	Dealings With Members and Employers	2016/17
£000			£000
166,286		Contributions	168,123
2,417		Augmentation	4,970
168,703	G	Contributions receivable	173,093
2,146		Individual transfer values receivable	2,103
524		Group transfer values receivable	524
171,373			175,720
-135,359	H	Benefits payable	-144,115
-9,253	I	Payments to and on account of leavers	-6,309
26,761		Net additions/reductions (-) from dealings with Members	25,296
		Returns on investments	
119,370	K	Investment income	141,798
-570	L	Taxes on income	-627
-104,076	M	Profit and losses (-) on disposal of investments and changes in the market value of investments	659,609
-4,757	J	Management Expenses	-5,573
9,967		Net Return on Investments	795,207
36,728		Net increase in the net assets available for benefits during the year	820,503
		Net Assets of the Fund	
3,677,391		Opening assets as at 1 April	3,714,119
36,728		Surplus on the pension fund for the year	820,503
3,714,119		Closing net assets as at 31 March	4,534,622

NET ASSETS STATEMENT

2015/16	Note		2016/17
£000			
	M	**INVESTMENT ASSETS**	
		Fixed Interest Securities	
102,083		UK - Public Sector	122,066
59,620		UK - Other Quoted	54,113
73,073		Overseas - Public Sector	74,990
27,061		Overseas - Corporate Fixed Interest	45,198
35,836		Global High Yield - Quoted	45,235
52,370		Global High Yield - Unquoted	88,676
19,968		Emerging Market Government	14,259
370,011			444,537
		Equities	
1,172,291		United Kingdom	1,421,788
366,748		Overseas	473,485
1,539,039			1,895,273
		Index Linked Securities	
10,053		UK - Public Sector	18,580
4,392		UK - Corporate Bonds	4,865
9,472		Overseas - Public Sector	11,032
23,917			34,477
		Pooled Investment Assets	
667,007		Managed Funds	848,194
90,102		Property - Quoted	109,546
332,358		Property - Unquoted	389,921
77,497		Private Equity - Quoted	97,921
96,896		Private Equity - Unquoted	106,207
37,196		Infrastructure - Quoted	42,178
78,689		Infrastructure - Unquoted	122,987
75,584		Other Investments - Quoted	81,536
164,907		Other Investments - Unquoted	202,831
1,620,236			2,001,321
	M	**Cash**	
118,020		Fixed Term Deposits	122,629
2,372		Internal Manager	190
12,601		External Manager	6,375
132,993			129,194
		Other Investment Balances	
212		Accrued interest on temporary investments	327
1,281		Unsettled sales	1,798
1,946		Income held by Custodian	1,561
9,984		Accrued dividends	11,364
13,423			15,050
3,699,619		TOTAL INVESTMENT ASSETS	4,519,852
		INVESTMENT LIABILITIES	
-329		Cash with internal manager	-33
-589		Unsettled purchases	-2,748
-9		Tax on accrued dividends	-56
-36		Liabilities with Custodian	-97
-963		TOTAL INVESTMENT LIABILITIES	-2,934
17,403	N	CURRENT ASSETS	20,736
-1,940	O	LESS CURRENT LIABILITIES	-3,032
15,463		NET CURRENT ASSETS	17,704
3,714,119		NET INVESTMENT ASSETS	4,534,622

The Accounts summarise the transactions and deals with the net assets of the Fund and do not take into account liabilities to pay pensions and other benefits in the future.

The above Net Assets Statement should be read in conjunction with the Actuarial Certificate and Funding Strategy Statement.

Notes to the Accounts

A Fund Status

The Fund is a funded defined benefits scheme.

B Audit of the East Riding Pension Fund Accounts

These accounts are subject to external audit

C Accounting Policies

1. General

These Accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 based on International Financial Reporting Standards, which requires that the Fund's Accounts comply with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations detailed in the Code.

The accounts do not take account of liabilities to pay pensions and other benefits in the future.

2. Changes in Accounting Policies

The 2016/2017 Code does not require any changes to accounting policies for 2016 - 2017, although some further disclosures are required. Also, the requirement to produce the accounts to an earlier deadline may require the introduction of estimation techniques for some areas of income and expenditure.

Previously, the Code has required the disclosure of the fair value hierarchy of an investment asset and this was shown within Note X Valuation Risk in the 2015 – 2016 accounts. The 2016/2017 Code requires additional disclosure for valuation risk including:

- a description of the valuation method for each asset class;
- details of transfers between the levels of fair value hierarchy during the year; and
- for level 3 investments only (those where there is no observable market data) details of any quantitative data on significant inputs, sensitivity analysis for investment valuations, a reconciliation of opening to closing balances, and analysis between realised and unrealised gains or losses in the Fund Account.

The 2016/2017 Code has aligned investment asset classification and descriptions with the Pensions SORP so 'fixed interest securities' are now described as 'bonds'.

The 2016/2017 Code requires the separate disclosure of members allowances, audit fees and taxation, where significant.

The 2016/2017 Code requires the disclosure of key management personnel compensation.

3. Income

a) Contributions income

Contributions receivable are included in the Accounts in the year to which they relate. Any amounts due but not received are shown in the Net Assets Statement as a current asset. Employers' pensions strain contributions are accounted for in the period in which liability arises. Employers' contributions are based on a percentage of employees' pensionable pay as recommended by the Actuary of the Fund in his valuation of 31 March 2016 effective from 1 April 2017. Further information regarding the Actuary's Report and Actuarial Valuation, as at 31 March 2016, effective from 1 April 2017, can be found on pages 55 to 58 of these accounts. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of scheme contributions set by the scheme Actuary or on receipt if earlier than the due date. Deficit funding payments are payable over a maximum of 20 years.

b) Transfer values receivable

Transfer values receivable relate to amounts received for members joining the Fund during the financial year and are accounted for in the year of receipt. Transfer values are disclosed as individual transfers and group transfers.

c) Investment income

i. Dividend income

Dividend income is accounted for on an accruals basis and any outstanding amount is included in the Net Assets Statement as an investment asset. Dividend income is recognised on the date the asset is quoted ex-dividend

ii. Interest income

Interest income is accounted for on an accruals basis using the effective interest rate of the financial instrument as at the date of origination. Accrued interest income is shown in the Net Assets Statement as an investment asset.

iii Stock Lending Income

Stock lending income is accounted for on an accruals basis and any outstanding amount is included in the Net Assets Statement as an investment asset

iv. Distributions from pooled investment assets

Distributions from pooled investment vehicles are recognised at the date of issue. Distribution income is accounted for on an accruals basis and any outstanding amount is included in the Net Assets Statement as an investment asset.

v. Movement in the net market value of investments

Changes in the net market value of investments, including all realised and unrealised profits/losses are shown as returns on investments.

4. Expenditure

a. Benefits payable

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

b. Transfer values payable

Transfer values payable relate to amounts paid relating to members leaving the Fund during the financial year and are accounted for in the year of payment.

5. Expenses

Expenses are accrued appropriately to ensure charges are incurred within the relevant accounting period.

6. Valuation of Assets

Investments are included in the Net Assets Statement at their market value at the date of the Statement, with the exception of unquoted investments, which are shown at their fair value.

Investments made through the UK Stock Exchanges are valued at bid market price at the close of business on 31 March 2017. Investments made on overseas stock exchanges are valued at bid price or last trade price.

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

Investments held in foreign currencies are translated in the Accounts by the application of the appropriate rate of exchange ruling at 31 March 2017. Note (T) lists the exchange rates applied to investments held as quoted in the Financial Times.

Unquoted investments are inherently difficult to value and rely, to a certain extent, on estimation techniques and non-market observable inputs; where market values are available at the date of the Statement these are used as above.

Fair value is calculated as the net asset value as at the date of the Statement in accordance with recognised valuation standards e.g. Royal Institution of Chartered Surveyors (RICS). Where the net asset value at the date of the Statement is not available, fair value is calculated based on the last available set of audited financial statements, adjusted for subsequent cash flows. Where there has been a material reduction in the valuation of the investment since the date of the last available set of audited statements, the Fund will consider writing down the value of the investment.

7. Future Liabilities

The Accounts summarise the transactions and net assets of the Fund and do not take into account liabilities to pay pensions and other benefits in the future. The adequacy of the Fund's investments and contributions in relation to its overall obligations is dealt with in the report by the Actuary on pages 55 to 58 of these accounts and should be read in conjunction with the report.

The Actuarial information disclosed on pages 55 to 58 complies with the accounting requirements of International Accounting Standard 19 Employee Benefits.

8. Taxation

The scheme is a Registered Pension Scheme in accordance with Paragraph 1 (1) of Schedule 36 to the Finance Act 2004 and for UK taxation purposes is wholly exempt from income tax and capital gains tax. 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.

9. Value Added Tax

The Fund is reimbursed VAT by HM Revenue and Customs and the accounts are shown exclusive of VAT.

10. Management Expenses

All pension administration expenses are accounted for on an accruals basis. All employee costs of the pension administration section are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

All investment management expenses are accounted for on an accruals basis. All employee costs of the investment section are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

The external manager's fee is based on the market value of funds under management at the end of each quarter and is calculated on a sliding scale, where percentage fee diminishes on marginal value.

Custody fees are agreed in the mandate for the provision of custodian services.

All oversight and governance costs are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management costs for the Fund's unquoted pooled investments are obtained using financial information from the relevant investment manager. However, it should be noted that the accounting period to which this relates may differ from the Fund's accounting period and, therefore, the costs incurred may not be directly comparable.

11. Currency Conversion Rates

Overseas investments have been converted at the exchange rate quoted in the Financial Times at close of business on 31 March 2017 to arrive at sterling values in the Net Asset Statement.

12. Additional Voluntary Contributions

An additional voluntary contribution (AVC) scheme is provided for the Fund by Prudential. Contributions are paid to Prudential by scheme members and are specifically for providing additional benefits for individual contributors. AVC's do not form part of the Fund accounts in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 see note U.

13. Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is based on the triennial valuation of the Fund by the Actuary, with liabilities at 31 March 2017 being projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The Fund has opted to disclose the actuarial present value of promised retirement benefits as a note to the accounts, see note W.

14. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The Fund liability is calculated every three years by the Fund's Actuary with the purpose of the valuation being to establish that the Fund is able to meet its liabilities to past and present contributors. The valuation is carried out in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 and complies with IAS 19. The principal actuarial assumptions and method used to value the liabilities are shown in the Report of the Actuary which can be found on pages 55 and 58.

Unquoted Investments

Unquoted investments are inherently difficult to value and rely, to a certain extent, on estimation techniques and non-market observable inputs; where market values are available at the date of the Statement these are used, otherwise unquoted investments are valued at fair value.

Fair value is calculated as the net asset value as at the date of the Statement in accordance with recognised valuation standards e.g. Royal Institution of Chartered Surveyors (RICS). Where the net asset value at the date of the Statement is not available, fair value is calculated based on the last available set of audited financial statements, adjusted for subsequent cash flows. Where there has been a material reduction in the valuation of the investment since the date of the last available set of audited financial statements, the Fund will consider writing down the value of the investment.

15. Assumptions Made About the Major Source of Estimation Uncertainty

The Statement of Accounts includes estimated figures that are based on assumptions and estimates, which take into account historical experience, current trends and other relevant factors. Therefore these estimated figures cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the Statement of Accounts for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Actuarial present value of promised retirement benefits

The calculation of the actuarial present value of promised retirement benefits is undertaken by the Actuary and is projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. Estimates and assumptions are made in a number of judgements including discount rate, salary increases, inflation, pensions increase rate, longevity of current and future pensioners, type of member in scheme and commutation sums.

Any variance in the estimates and assumptions in any of the elements used to calculate the actuarial present value of promised retirement benefits would impact on the quoted figure.

Unquoted Investments

By definition these investments are not publicly quoted and the valuation depends on estimation techniques and non-marketable observable inputs. Unquoted investments are stated at market value where available, otherwise fair value is used.

16. Policy for Funding the Promised Retirement Benefits

The funding policy is set out in the Funding Strategy Statement. Fund liabilities were assessed by the Actuary using an accrual benefits method which takes into account pensionable membership up to the valuation date and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership. A market-related approach was taken to valuing the liabilities for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2013	31 March 2016
Discount rate	%	%
Return on long - dated gilts	3.0	2.2
Asset Outperformace assumption	1.6**	1.8**
Discount rate Assumption	4.6	4.0
Benefit Increases	%	%
Retail Price Inflation (RPI)	3.3	3.2
Assumed RPI/CPI* gap	-0.8**	-1.0**
Benefit Increase Assumption	2.5	2.1
Salary Increases	%	%
Retail Price Inflation (RPI)	3.3	2.3
Increases in excess of RPI	0.5**	-0.8**
Salary Increase Assumption	3.8	2.3

* Consumer Prices Index ** Arithmetic addition *** Geometric addition

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7 years	24.2 Years
Future Pensioners*	23.7 years	26.4 years

*Currently aged 45

D Concentration of Investments

The Code requires disclosure where there is a concentration of investment which exceeds either 5% of the total values of the net assets of the scheme or of any class or type of security. One investment falls into this category as follows:

2015/16				2016/17		
Number of Units	Value £000	% of Net Assets		Number of Units	Value £000	% of Net Assets
28,986,702.366	285,773	7.7	Schroder North American Equity Fund	27,310,836.209	342,901	7.6

Investments which fall into the second category are as follows:

2015/16				2016/17		
Number of Shares	Value £000	% of Asset Type		Number of Shares	Value £000	% of Asset Type
			UK Bonds - Public Sector			
10,407,000	12,268	12.0	Treasury 4% 2022	10,407,000	12,233	10.0
10,600,000	11,146	10.9	Treasury 2.0% 2025	10,600,000	11,515	9.4
0	0	0.0	Treasury 1.75% 2037	10,000,000	10,014	8.2
9,250,000	9,214	9.0	Treasury 1.5% 2026	9,250,000	9,600	7.9
8,200,000	8,633	8.5	Treasury 2.0% 2020	8,200,000	8,676	7.1
6,000,000	8,041	7.9	Treasury 4.25% 2036	6,000,000	8,523	7.0
6,100,000	8,026	7.9	Treasury 4.25% 2032	6,100,000	8,376	6.9
0	0	0.0	Treasury 0.5% 2022	8,000,000	7,975	6.5
7,300,000	7,527	7.4	Treasury 1.5% 2021	7,300,000	7,626	6.2
5,000,000	6,899	6.8	Treasury 4.25% 2040	5,000,000	7,414	6.1
0	0	0.0	Treasury 1.25% 2027	7,250,000	7,274	6.0
6,100,000	6,794	6.7	Treasury 2.75% 2024	6,100,000	6,956	5.7
0	0	0.0	Treasury 3.25% 2044	5,000,000	6,554	5.4
4,000,000	5,809	5.7	Treasury 4.75% 2038	4,000,000	6,199	5.1
6,000,000	7,691	7.5	Treasury 4.25% 2027	0	0	0.0
			UK Bonds - Other			
5,000,000	4,558	7.6	Aviva 5.125% 2050	5,000,000	5,104	9.4
5,000,000	4,801	8.1	SSE PLC 3.875% 2049	5,000,000	5,088	9.4
0	0	0.0	NGG Finance 2.125% 2028	5,000,000	4,915	9.1
0	0	0.0	HSBC 2.625% 2028	5,000,000	4,869	9.0
0	0	0.0	Morrison (WM) Supermarkets Plc 3.5% 2026	4,500,000	4,791	8.9
4,200,000	4,169	7.0	Lloyds Bank 1.75% 2022	4,200,000	4,336	8.0
4,000,000	4,061	6.8	Nationwide Building Society 3.25% 2028	4,000,000	4,301	7.9
4,000,000	3,619	6.1	Centrica 5.25% 2075	4,000,000	4,276	7.9
0	0	0.0	Severn Trent Plc 2.75% 2031	4,000,000	4,199	7.8
0	0	0.0	Yorkshire Building Society Plc 3.5% 2026	3,900,000	4,147	7.7
7,000,000	6,634	11.1	Standard Chartered Bank 5.375% 2049	4,000,000	4,057	7.5
3,650,000	3,778	6.3	NGG Finance 5.625% 2073	3,650,000	4,032	7.5
5,000,000	5,675	9.5	Southern Water Services Finance Ltd 5.0% 2021	0	0	0.0
5,000,000	5,168	8.7	Pennon Group 6.75% 2049	0	0	0.0
4,000,000	4,343	7.3	SSE PLC 5.0% 2018	0	0	0.0
3,350,000	3,718	6.2	Network Rail Infrastructure Finance Plc 3.0% 2023	0	0	0.0
3,060,000	3,300	5.5	Tesco Plc 5.5% 2019	0	0	0.0
3,000,000	2,983	5.0	Nationwide Building Society 6.0% 2049	0	0	0.0
			Overseas Bonds - Public Sector			
700,000,000	4,906	6.7	Japan 1.1% 2033	1,072,000,000	8,521	11.4
1,000,000,000	6,551	9.0	Japan 0.6% 2023	1,000,000,000	7,498	10.0
8,800,000	6,213	8.5	US Treasury 1.75% 2023	8,800,000	6,887	9.2
8,000,000	5,761	7.9	US Treasury 2.0% 2021	8,000,000	6,428	8.6
7,000,000	5,639	7.7	France 0.5% 2025	7,000,000	5,893	7.9
7,200,000	5,123	7.0	US Treasury 2.0% 2025	7,200,000	5,634	7.5
5,900,000	4,873	6.7	Germany 0.5% 2025	5,900,000	5,242	7.0
6,750,000	4,698	6.4	US Treasury 1.625% 2026	6,750,000	5,077	6.8
			Overseas Corporate Securities			
5,100,000	6,662	24.6	European Investment Bank 5.5% 2025	5,100,000	6,718	14.9
5,000,000	4,787	17.7	RWE AG 7% 2049	5,000,000	5,285	11.7
0	0	0.0	General Electric 4.5% 2044	5,700,000	4,877	10.8
5,000,000	4,265	15.8	Electricite de France 5.875% 2049	5,000,000	4,805	10.6
0	0	0.0	Bank Nederlandse Gemeenten NV 1.625% 2021	6,000,000	4,695	10.4
0	0	0.0	Siemens 3.125% 2024	5,000,000	4,018	8.9
0	0	0.0	Procter & Gamble 2.45% 2026	5,000,000	3,823	8.5
0	0	0.0	Allianz 3.875% Perpetual	5,000,000	3,458	7.7
0	0	0.0	Johnson & Johnson 3.7% 2046	4,000,000	3,120	6.9
0	0	0.0	European Investment Bank 1% 2026	3,000,000	2,868	6.3
8,195,000	5,604	20.7	Temasek Financial Ltd 3.375% 2042	0	0	0.0
3,000,000	3,525	13.0	Temasek Financial Ltd 4.625% 2022	0	0	0.0
1,850,000	2,218	8.2	Bank Nederlandse Gemeenten NV 5.375% 2021	0	0	0.0

2015/16				2016/17		
Number of Shares	Value £000	% of Asset Type		Number of Shares	Value £000	% of Asset Type
			Global High Yield			
143,663.1374	23,626	26.8	Nomura US High Yield	143,663.1374	32,081	24.0
n/a	15,840	18.0	Oberon Credit Investment Fund 2	n/a	17,563	13.1
13,491,742	12,210	13.8	NB Global Floating Rate Income Fund	13,491,742	13,155	9.8
n/a	5,761	6.5	Permira Credit Solutions II	n/a	12,558	9.4
n/a	6,829	7.7	Rantum Capital Private Debt Fund 1	n/a	11,707	8.7
n/a	0	0	Barings Global Private Loan Fund	n/a	9,377	7.0
n/a	10,405	11.8	Oberon Credit Investment Fund 1	n/a	8,434	6.3
n/a	3,846	4.4	Bluebay Direct Lending UK Fund SLP	n/a	6,929	5.2
n/a	5,000	5.7	Permira Credit Solutions II (Clean Viking)	n/a	5,000	3.7
			Emerging Market Government			
45,237.05959	11,614	58.2	Pictet Global Emerging Debt 1	45,237.05959	14,259	100.0
82,000.82001	8,354	41.8	Pictet Institutional Emerging Debt 1	0	0	0.0
			UK Index Linked - Public Sector			
0	0	0.0	Treasury 0.125% 2036	5,000,000	7,343	39.5
4,550,000	5,365	53.4	Treasury 0.125% 2024	4,550,000	5,903	31.8
3,750,000	4,688	46.6	Treasury 0.125% 2029	3,750,000	5,334	28.7
			UK Index Linked - Corporate Bonds			
2,680,000	4,392	100.0	Network Rail Infrastructure Finance Plc 1.75% 2027	2,680,000	4,865	100.0
			Overseas Index Linked - Public Sector			
6,170,000	4,565	48.2	US Treasury 0.125% 2022	6,170,000	5,335	48.4
5,000,000	3,486	36.8	US Treasury 0.125% 2024	5,000,000	4,053	36.7
2,000,000	1,422	15.0	US Treasury 0.375% 2025	2,000,000	1,643	14.9
			Managed Funds			
28,986,702.366	285,773	42.8	Schroder North American Equity Fund	27,310,836.209	342,901	40.4
21,851,828.56	127,348	19.1	Schroder Institutional Pacific Fund	21,851,828.56	171,032	20.2
5,170,928.3978	117,820	17.7	Schroder Emerging Markets Fund	5,170,928.3978	161,548	19.0
2,084,293.4348	36,526	5.5	Schroder Institutional Developing Markets	2,084,293.4348	50,282	5.9
5,000,000	34,015	5.1	Schroder Institutional UK Smaller Co Fund	5,000,000	41,200	4.9
			Property			
27,347,333	36,755	8.7	Tritax Big Box REIT	26,742,545	38,643	7.7
418,806.85	31,849	7.5	Standard Life Property Pension Fund	418,806.85	30,136	6.0
24,756,828	27,047	6.4	Empiric Student Property	24,756,828	26,737	5.4
n/a	31,016	7.3	AEW UK South East Office Fund	n/a	26,282	5.3
n/a	0	0.0	Horizon Long Lease Housing LP	n/a	26,072	5.2
n/a	23,924	5.7	European Real Estate Debt Fund II	n/a	20,463	4.1
17,110.835	22,013	5.2	GB Strategic Land Fund	17,110.835	18,729	3.7
			Private Equity			
1,500,000	17,250	9.9	Pantheon International Participations Red Plc	1,375,000	20,900	10.2
1,190,000	14,685	8.4	Pantheon International Participations Ord Plc	1,165,000	20,038	9.8
n/a	11,807	6.8	Glenmont Clean Energy Fund A	n/a	12,773	6.3
1,210,000	8,823	5.1	NB Private Equity Partners Ltd Class A	1,150,000	12,139	5.9
809,993	9,404	5.4	HG Capital Trust Plc	760,000	11,924	5.8
			Infrastructure			
n/a	18,560	16.0	Equitix Fund I LP	n/a	18,809	11.4
n/a	12,393	10.7	Equitix Fund II LP	n/a	13,797	8.4
n/a	0	0.0	ISQ Global Infrastructure Fund	n/a	12,439	7.5
n/a	9,292	8.0	Innisfree PFI Secondary Fund	n/a	12,292	7.4
n/a	9,555	8.2	Innisfree PFI Continuation Fund	n/a	11,738	7.1
n/a	8,764	7.6	ICON Infrastructure Partners II	n/a	10,152	6.1
n/a	7,171	6.2	Macquarie European Infrastructure Fund IV LP	n/a	9,859	6.0
n/a	6,493	5.6	AMP Capital Infrastructure Debt Fund LP	n/a	8,887	5.4
5,600,000	6,754	5.8	John Laing Infrastructure Fund Ltd	5,760,362	7,713	4.7
4,350,000	6,925	6.0	HICL Infrastructure Company Ltd	4,500,000	7,605	4.6
7,226,228	7,356	6.3	The Renewables Infrastructure Group	7,000,000	7,525	4.6

2015/16				2016/17		
Number of Shares	Value £000	% of Asset Type		Number of Shares	Value £000	% of Asset Type
			Other Investments			
21,040,008	20,724	8.6	Doric Nimrod Air Three Ltd	21,040,008	21,671	7.6
n/a	13,915	5.8	Investec Aircraft Syndicate 1	n/a	18,220	6.4
n/a	12,866	5.3	Park Square Capital Credit Opportunities Fund II	n/a	17,575	6.2
n/a	14,349	6.0	Investec Air India	n/a	15,994	5.6
7,250,000	15,370	6.4	Doric Nimrod Air Two Ltd	7,250,000	15,660	5.5
n/a	8,675	3.6	Athyrium Opportunities Fund II (Non US) LP	n/a	14,994	5.3
12,500,000	13,219	5.5	Twentyfour Income Fund	12,500,000	14,781	5.2
n/a	12,986	5.4	CRC Capital Release Fund Ltd	n/a	12,017	4.2
			Cash			
n/a	0	0.0	Invesco Global Asset Management	n/a	15,000	12.2
n/a	15,000	12.7	Standard Life Sterling Fund	n/a	10,000	8.2
n/a	10,000	8.5	Bank of Scotland	n/a	10,000	8.2
n/a	10,000	8.5	Close Brothers	n/a	10,000	8.2
n/a	10,000	8.5	Leeds Building Society	n/a	10,000	8.2
n/a	0	0.0	Goldman Sachs International Bank	n/a	10,000	8.2
n/a	0	0.0	DBS	n/a	10,000	8.2
n/a	7,000	5.9	Nationwide Building Society	n/a	7,000	5.7
n/a	7,000	5.9	Sumitomo Mitsui Banking Corporation	n/a	3,000	2.4
n/a	9,748	8.3	Natwest	n/a	2,493	2.0
n/a	15,000	12.7	Federated Investors	n/a	2,000	1.6
n/a	8,652	7.3	State Street Global Services	n/a	1,456	1.2
n/a	15,000	12.7	Goldman Sachs	n/a	0	0.0
n/a	10,000	8.5	Insight Sterling Fund	n/a	0	0.0

E Stock Lending

State Street, the Fund’s Custodian, has authorisation to release stock to third parties as determined by the contract between State Street and the Fund.

During the year to 31 March 2017 stock lending income of £0.422m (2016: £0.524m) was raised against expenditure for the activity of £0.127m (2016: £0.156m). At 31 March 2017 the total value of securities on loan was £185.9m (2016: £142.4m) and are analysed by asset class as follows:

31 March 2016		31 March 2017
£000		£000
41,641	**Equities - UK**	70,469
46,294	**UK Bonds - Public Sector**	84,664
46,466	**Equities - Overseas**	22,638
8,025	**Overseas Bonds - Public Sector**	8,168
142,426		185,939

Against the stock on loan the Fund held collateral at 31 March 2017 of £195.0m (2016: £149.0m) analysed by asset class as follows:

31 March 2016		31 March 2017
£000		£000
44,136	**Equities - UK**	75,298
47,691	**UK Bonds - Public Sector**	87,193
49,016	**Equities - Overseas**	24,138
8,181	**Overseas Bonds - Public Sector**	8,332
149,024		194,961

F Scheme Registration Number

The Fund’s scheme registration number with the Pensions Regulator is 10079121.

G Contributions Receivable

2015/16		2016/17
£000		£000
106,478	Employers - Primary	107,786
27,452	Employers - Additional	30,850
33,840	Employees - Primary	33,943
933	Employees - Additional	514
168,703		173,093
37,362	Administering Authority	38,012
124,334	Scheme Employers	127,734
7,007	Admitted Bodies	7,347
168,703		173,093

Contributions relating to deficit funding payments amounted to £38,176,193 (2016: £38,240,710).

H Benefits Payable

2015/16		2016/17
£000		£000
110,001	Pensions	114,214
21,941	Commutations, compounded and lump sum retirement benefits	26,412
3,417	Lump sum death benefits	3,489
135,359		144,115
22,936	Administering Authority	24,265
102,528	Scheme Employers	109,157
9,895	Admitted Bodies	10,693
135,359		144,115

I Payments to and on account of leavers

2015/16		2016/17
£000		£000
398	Refunds to members leaving service	375
8,415	Individual transfer values payable	5,481
440	Group transfer values payable	453
9,253		6,309

J Management Expenses

Administration expenses, including fees paid to advisers, are charged to the Fund, as provided in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Central, Finance and IT costs are apportioned to the Fund on the basis of time spent on Fund work by East Riding of Yorkshire Council staff.

The external manager's fee is based on the market value of funds under management at the end of each quarter and is calculated on a sliding scale, where percentage fee diminishes on marginal value. Internal management costs are based on actual costs.

2015/16		2016/17
£000		£000
1,511	Pension Administration Expenses	1,745
2,819	Investment Management Expenses	3,279
427	Oversight and Governance	549
4,757		5,573

Of the investment management expenses in 2016/17, a total of £0.065m was in respect of performance related fees paid to the Fund's internal investment manager (2015/16: £0.061m).

Of the Oversight and Governance expenses in 2016/17, a total of £0.033m was in respect of audit fees (2015/16: £0.029m).

For quoted equity investments worldwide, both internal and external managers pay a commission on the gross value of both purchases and sales in addition to bid offer spread. For certain investments, predominantaly fixed interest and and index-linked securities, the bid offer spread covers all the cost of investment. Investments purchased on the basis of Net Asset Value (NAV) include an element within the NAV for the cost of purchase.

Cash is administered by both the internal and external manager to achieve the best interest return. No commission is paid to any money broker for this activity.

	Investment Management		Commission Paid		Total Costs		Funds Under Management				Total Costs as % of FUM	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2015/16	2016/17	2016/17	2015/16	2016/17
	£000	£000	£000	£000	£000	£000	£m	%	£m	%	%	%
Internal fund	1,065	1,240	247	748	1,312	1,988	2,898,387	78.0	3,490,274	77.0	0.05	0.06
External fund	1,754	2,039	164	219	1,918	2,258	815,732	22.0	1,044,348	23.0	0.24	0.22
Total Fund	2,819	3,279	411	967	3,230	4,246	3,714,119	100.0	4,534,622	100.0	0.09	0.09

The CIPFA guidance ''Accounting for LGPS Management Costs'' recommends the disclosure of mangement fees for pooled investments that are not included in the investment management costs disclosed in the above table with a corresponding adjustment to the Fund Account and the Net Assets Statement. These management costs have been obtained using financial information available for each of the Fund's unquoted pooled investments and in 2016/17 amounted to £14.238m, split between management fees (£12.455m) and performance fees (£1.783m) (2015/16 £13.407m, split between management fees of £10.655m and performance fees of £2.752m). However, it should be noted that the accounting periods of these investments may differ from the Fund's accounting period and, therefore, the costs incurred may not be directly comparable. As a result, it has been deemed prudent to show these costs in a disclosure note rather than adjust the Fund Account and Net Assets Statement as per the recommended guidance.

Externally managed funds are managed by Schroder Investment Management Ltd.

It should be noted that the Net Assets Statement and any performance data disclosed in the Annual Report are disclosed net of all costs incurred.

K Investment Income

2015/16		2016/17
£000		£000
	Fixed Interest Securities	
2,665	United Kingdom	2,365
1,728	Overseas	1,782
1,561	Corporate Bonds	1,206
515	Global High Yield - quoted	546
1,110	Global High Yield - unquoted	4,703
7,579		10,602
	Index Linked	
43	United Kingdom	12
76	Overseas	14
38	Corporate Bonds	38
157		64
	Equities	
35,663	United Kingdom	39,992
8,432	Overseas	10,213
44,095		50,205
	Managed Funds	
25,851	Equities	28,535
4,276	Property - quoted	4,368
9,231	Property - unquoted	12,598
1,069	Private equity - quoted	1,487
987	Private equity - unquoted	121
1,905	Infrastructure - quoted	1,898
2,604	Infrastructure - unquoted	3,338
4,617	Other investments - quoted	4,485
7,895	Other investments - unquoted	8,829
9,984	**Accrued Interest on Ex-dividend Investments**	11,364
55,435		77,023
121	Underwriting	254
843	Currency Loss (-)/Gain	2,518
524	Stock Lending	422
632	Cash Deposits	708
0	Class Actions	2
119,370	TOTAL INVESTMENT INCOME	141,798

L Taxes on Income

2015/16		2016/17
£000		£000
	Withholding Tax	
570	Overseas Equities	627
570		627

M Reconciliation of Movements in Investments

2016/17	Value at 01/04/2016	Reclassified 01/04/16	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31/03/2017
Investment Assets	£000	£000	£000	£000	£000	£000
Fixed Interest Securities						
UK - Public Sector	102,083	0	30,807	-14,561	3,737	122,066
UK - Other Quoted	59,620	0	30,061	-38,882	3,314	54,113
Overseas - Public Sector	73,073	0	10,975	-15,851	6,793	74,990
Overseas - Corporate	27,061	0	27,445	-11,590	2,282	45,198
Global High Yield - quoted	35,836	0	0	0	9,399	45,235
Global High Yield - unquoted	52,370	0	34,094	-2,817	5,029	88,676
Emerging Market Government	19,968	0	0	-9,360	3,651	14,259
	370,011	0	133,382	-93,061	34,205	444,537
Equities						
UK	1,172,291	0	118,018	-93,844	225,323	1,421,788
Overseas	366,748	0	191,268	-183,401	98,870	473,485
	1,539,039	0	309,286	-277,245	324,193	1,895,273
Index-Linked Securities						
UK - Public Sector	10,053	0	6,659	0	1,868	18,580
UK Corporate	4,392	0	0	0	473	4,865
Overseas - Public Sector	9,472	0	0	0	1,560	11,032
	23,917	0	6,659	0	3,901	34,477
Pooled Investment Vehicles						
Managed Funds	667,007	0	19,089	-39,829	201,927	848,194
Property - Quoted	90,102	0	23,162	-8,339	4,621	109,546
Property - Unquoted	332,358	0	83,315	-23,643	-2,109	389,921
Private Equity - Quoted	77,497	0	652	-5,984	25,756	97,921
Private Equity - Unquoted	96,896	0	22,355	-22,939	9,895	106,207
Infrastructure - Quoted	37,196	0	2,306	-546	3,222	42,178
Infrastructure - Unquoted	78,689	0	40,219	-12,350	16,429	122,987
Other Investments - Quoted	75,584	0	38	-1,837	7,751	81,536
Other Investments - Unquoted	164,907	0	28,816	-20,684	29,792	202,831
	1,620,236	0	219,952	-136,151	297,284	2,001,321
	3,553,203	0	669,279	-506,457	659,583	4,375,608
Current Assets						
Sterling	109,643	0	878,239	-865,259	0	122,623
Euros	759	0	12,724	-13,471	-6	6
US Dollar	7,618	0	42,313	-49,963	32	0
	118,020	0	933,276	-928,693	26	122,629
	3,671,223	0	1,602,555	-1,435,150	659,609	4,498,237

2015/16	Value at 01/04/2015	Reclassified 01/04/15	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31/03/2016
Investment Assets	£000	£000	£000	£000	£000	£000
Fixed Interest Securities						
UK - Public Sector	99,824	0	40,317	-38,410	352	102,083
UK - Other Quoted	57,600	0	26,352	-22,048	-2,284	59,620
Overseas - Public Sector	62,300	0	21,782	-15,998	4,989	73,073
Overseas - Corporate	31,122	0	0	-2,334	-1,727	27,061
Global High Yield - quoted	26,049	0	9,809	-58	36	35,836
Global High Yield - unquoted	24,325	0	27,450	-2,639	3,234	52,370
Emerging Market Government	18,990	0	0	0	978	19,968
	320,210	0	125,710	-81,487	5,578	370,011
Equities						
UK	1,296,231	0	30,416	-59,334	-95,022	1,172,291
Overseas	373,911	2,311	111,183	-108,423	-12,234	366,748
	1,670,142	2,311	141,599	-167,757	-107,256	1,539,039
Index-Linked Securities						
UK - Public Sector	9,942	0	4,602	-4,577	86	10,053
UK Corporate Bonds	4,451	0	0	0	-59	4,392
Overseas - Public Sector	12,122	0	1,321	-4,651	680	9,472
	26,515	0	5,923	-9,228	707	23,917
Pooled Investment Vehicles						
Managed Funds	689,321	-2,311	16,835	0	-36,838	667,007
Property - Quoted	78,732	0	4,060	0	7,310	90,102
Property - Unquoted	251,436	0	86,372	-25,934	20,484	332,358
Private Equity - Quoted	77,668	0	5,026	-3,450	-1,747	77,497
Private Equity - Unquoted	101,252	0	13,299	-28,750	11,095	96,896
Infrastructure - Quoted	34,141	0	3,540	0	-485	37,196
Infrastructure - Unquoted	68,724	0	11,825	-6,540	4,680	78,689
Other Investments - Quoted	88,326	0	1,082	-2,835	-10,989	75,584
Other Investments - Unquoted	117,696	0	55,907	-12,313	3,617	164,907
	1,507,296	-2,311	197,946	-79,822	-2,873	1,620,236
	3,524,163	0	471,178	-338,294	-103,844	3,553,203
Current Assets						
Sterling	112,345	0	556,700	-559,402	0	109,643
Euros	332	0	11,112	-10,662	-23	759
US Dollar	2,102	0	38,190	-32,465	-209	7,618
	114,779	0	606,002	-602,529	-232	118,020
	3,638,942	0	1,077,180	-940,823	-104,076	3,671,223

N Current Assets

31 March 2016		31 March 2017
£000		£000
5,904	Contributions due - Employers	7,025
2,798	Contributions due - Employees	2,856
385	Recharge of Pensions increase and supplementary allowance	869
6,718	East Riding of Yorkshire Council	8,217
1,598	Other Debtors	1,769
17,403		20,736

31 March 2016		31 March 2017
£000		£000
15	Central government bodies	742
12,115	Other local authorities	14,297
0	NHS Bodies	33
0	Public corporations and trading funds	0
5,273	Bodies external to government	5,664
17,403		20,736

O Current Liabilities

31 March 2016		31 March 2017
£000		£000
1,035	East Riding of Yorkshire Council	1,194
272	Overclaim of Recharges	1,126
633	Other creditors	712
1,940		3,032

31 March 2016		31 March 2017
£000		£000
589	Central government bodies	1,290
1,292	Other local authorities	1,602
0	NHS Bodies	0
0	Public corporations and trading funds	0
59	Bodies external to government	140
1,940		3,032

P Managerial Arrangements of Assets

31 March 2016			31 March 2017	
£000	%		£000	%
2,898,387	78	Internally managed	3,490,274	77
815,732	22	Externally managed (Schroder Investment Management Limited)	1,044,348	23
3,714,119	100		4,534,622	100

Q Contingent Liabilities and Contractual Commitments

At 31 March 2017 the Fund had commitments to the purchase of investments of, £502,092,058 (2016: £406,136,878).

31 March 2016			31 March 2017	
Foreign Currency	£		Foreign Currency	£
0	200,714,188	**Sterling Denominated (£)**	0	220,361,004
197,594,438	137,476,127	**US Dollar Denominated ($)**	235,979,536	188,708,146
85,701,000	67,946,563	**Euro Denominated (€)**	108,753,082	93,022,908
	406,136,878			502,092,058

R Members Allowances

Following modernisation of the Committee structures, allowances are not paid to Members directly in respect of Pension Committee attendance. The Chairman of the Pensions Committee is paid a special responsibility allowance. However, allowances are not cumulative and only the highest allowance for any committee responsibility is paid to the Member. Payments to Members are disclosed in the Statement of Accounts of East Riding of Yorkshire Council.

S Related Party Transactions

In accordance with International Accounting Standard (IAS) 24 and International Public Sector Accounting Standard (IPSAS) 20 'Related Party Disclosures' material transactions with related parties not disclosed elsewhere are detailed below:

- The officer responsible for the proper administration of the financial affairs of the East Riding Pension Fund (the Section 151 officer) is also the Section 151 officer of the East Riding of Yorkshire Council.
- The East Riding Pension Fund is administered by East Riding of Yorkshire Council. During the financial year the Council incurred costs of £5.573m (2016: £4.757m) comprising pensions administration costs of £1.745m (2016: £1.511m), investment management costs of £3.279m (2016: £2.819m) and oversight and governance costs of £0.549m (2016: £0.427m). The Council was subsequently reimbursed by the Fund for these expenses. The Council is also the largest employer of members of the Pension Fund and, during the financial year, made contributions of £38.495m to the Fund (2016: £37.362m). £8.790m (2016: £8.657m) of this total is in respect of contributions paid by members of the Pension Fund. As at 31 March 2017 the Council was a net debtor to the Fund of £7.023m (2016: £5.683m).
- Under legislation introduced in 2003/04, Councillors were entitled to join the Pension Scheme. The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 removed this entitlement for Councillors from the later of 1 April 2014 or the end of their current term in office (or to age 75 if earlier). Councillor I Billinger, a member of the Pensions Committee during 2016/17, made contributions to the Fund during the financial year.
- No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.
- During the financial year the Head of Investments was a member of the Investment Advisory Committee for the Montanaro European MidCap Fund, an open ended investment company managed by Montanaro Asset Management Limited, for which he was paid a fee. The Pension Fund had the following investments in funds managed by Montanaro Asset Management Limited:

	Market Value at 31 March 2016	Purchases	Sales	Change in Market Value	Market Value at 31 March 2017
	£000	£000	£000	£000	£000
Montanaro UK Smaller Companies Investment Trust Plc	13,730	0	0	1,296	15,026
Montanaro Growth and Income Fund LP No. 3	11,193	67	0	1,717	12,977
Montanaro European Smaller Companies Investment Trust Plc	8,505	0	0	2,410	10,915
Montanaro European Smaller Companies Fund Plc	3,936	0	0	772	4,708
	37,364	67	0	6,195	43,626

In order to avoid a potential conflict of interest all transactions undertaken by the Fund in investments managed by Montanaro Asset Management Limited are approved by the Head of Finance.

T Currency Conversion Rates

Overseas investments have been converted at the exchange rates quoted in the Financial Times at close of business on 31 March 2017 to arrive at the sterling values in the Net Assets Statement.

The exchange rates used per £1 sterling were:

Australian Dollar	1.6392
Canadian Dollar	1.6677
Danish Krone	8.6941
Euro	1.1691
Japanese Yen	139.3380
New Zealand Dollar	1.7888
Norwegian Krona	10.7400
Swedish Krona	11.1644
Swiss Franc	1.2516
US Dollar	1.2505

U Additional Voluntary Contributions

The Fund's approved Additional Voluntary Contribution (AVC) provider is Prudential and during the year to 31 March 2017 scheme members made contributions to this facility of £1,677,963 (2016: £1,782,929). The total value of the funds invested by Prudential on behalf of members of the East Riding Pension Fund at 31 March 2017 is £20,312,216 (2016: £20,919,638). AVC's do not form part of the Pension Fund accounts in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

V Statement of Investment Principles

Please see pages 120 to 124.

W The Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits at 31 March 2017 was £6.127bn (31 March 2016: £5.278bn). Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

X Disclosures Relating to Financial Instruments

The items in the Net Asset Statement are made up of the following categories of financial instrument.

31 March 2016		31 March 2017
£000		£000
	Financial Assets at fair value through profit or loss	
370,011	Fixed Interest Securities	444,537
1,539,039	Equities	1,895,273
23,917	Index-Linked Securities	34,477
1,620,236	Pooled Investment Vehicles	2,001,321
8,378	Foreign Currency	6
13,423	Other Investment Balances	15,050
3,575,004	**Total Financial Assets**	4,390,664
	Loans and Receivables	
124,615	Cash Deposits - Sterling	129,188
17,403	Current Assets	20,736
142,018	**Total Loans and Receivables**	149,924
	Financial Liabilities at fair value through profit or loss	
-963	Other Investment Balances	-2,934
	Financial Liabilities at Amortised Cost	
-1,940	Current liabilities	-3,032
3,714,119	**Net Financial Assets**	4,534,622

The methodology used for the valuation of investment assets is described in Note to the Accounts 6 Valuation of Assets.

The Fund's primary long term risk is that the Fund's assets do not meet its liabilities i.e. the benefits payable to members. Therefore, the aim of the Fund's investment management is to achieve the long term expected rate of return with an acceptable level of risk. The Fund achieves this by setting a strategic asset allocation on a triennial basis which is expected to achieve the target rate of return over the long term. The tactical asset allocation is determined by the Pensions Committee on a quarterly basis.

The Fund has a dedicated strategic risk register which identifies the key risks within the Pension Fund and the risk controls that are in place to mitigate these risks. The risk register is reviewed by the Pensions Committee on a semi-annual basis. In addition, an investment risk management schedule is reviewed by the Pensions Committee on a quarterly basis which considers issues such as performance; regulation and compliance; and personnel and structure.

The key risks inherent in the Pension Fund in relation to its financial assets are:

Market risk

Market risk is the risk that the value of an investment decreases as a result of changing market conditions. The risk is mitigated by:

- An appropriate strategic asset allocation is determined on a triennial basis in conjunction with the actuarial valuation exercise. This aims to meet the target long term rate of return with an acceptable level of risk and includes an appropriate diversification of asset classes. The allocation is agreed by the Pensions Committee and the Fund's advisers and investment managers.
- The strategic asset allocation is disclosed in the Fund's Investment Strategy Statement including the permitted asset classes, their allocations, and the permitted ranges.

- Tactical asset allocation is determined on a quarterly basis by the Pensions Committee in light of financial market conditions and following advice from the Fund's advisers and investment managers.
- The Pensions Committee regularly reviews the long term investment strategy to ensure that it remains appropriate.

The investment policy of the East Riding Pension Fund does not permit any employer related investment, either in the assets, stock, land or property of the Principal Employers or the assets, stock, land or property of any associated employers. The Pensions Committee considers that employer related investments pose too great a risk to the security of the Fund.

The Fund has adopted the CIPFA Code of Practice for Treasury Management in Public Services and maintains and operates a Treasury Management Policy comprising an overview of the principles and practices to which the activity will comply. The Treasury Management Policy is approved by the Pensions Committee on an annual basis and they also receive a half-yearly and annual report on treasury activity.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 state the following regarding the use and investment of Pension Fund monies:

- an administering authority must invest any fund money that is not needed immediately to make payments from the fund;
- they may vary their investments;
- their investment policy must be formulated with a view to the advisability of investing fund money in a wide variety of investments and to the suitability of particular investments and types of investments;
- an administering authority must obtain proper advice at reasonable intervals about their investments; and
- the authority must consider such advice in taking any steps about their investments.

Performance risk

Performance risk is the risk that the Fund's investment managers fail to deliver returns in line with the underlying asset classes. This risk is mitigated by:

- Investment management responsibilities are split between the internal and external investment managers.
- Each investment manager has a robust investment process including detailed research and analysis.
- Analysis of market performance and investment managers' performance relative to their index benchmark on a quarterly basis by an independent third party.
- Detailed analysis of investment managers' performance on an annual basis.

Valuation risk

This is the risk that the valuations disclosed in the financial statements are not reflective of the value that could be achieved on disposal.

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

- Level 1 – Level 1 valuations are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 include quoted equities.
- Level 2 – Level 2 valuations are those where quoted market prices are not available. Products classified as level 2 include property funds, fixed interest securities, index linked securities and unit trusts.
- Level 3 – Level 3 valuations are those where at least one input which could have a significant effect on an instruments valuation is not based on observable market data. Products classified as level 3 include unquoted investments.

31 March 2016					31 March 2017			
Level 1 £000	Level 2 £000	Level 3 £000	TOTAL £000		Level 1 £000	Level 2 £000	Level 3 £000	TOTAL £000
2,140,360	788,099	646,545	3,575,004	Financial Assets	2,275,050	1,285,356	830,258	4,390,664
142,018	0	0	142,018	Loans and Receivables	149,924	0	0	149,924
2,282,378	788,099	646,545	3,717,022	TOTAL	2,424,974	1,285,356	830,258	4,540,588
2,903	0	0	2,903	Financial Liabilities	5,966	0	0	5,966
2,279,475	788,099	646,545	3,714,119	TOTAL	2,419,008	1,285,356	830,258	4,534,622

Level 3 Analysis				
Value at 01/04/16 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31/03/17 £000
646,545	198,058	-76,574	62,229	830,258

Level 3 Analysis				
Value at 01/04/15 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31/03/16 £000
565,699	157,421	-107,745	31,170	646,545

The main characteristic of Level 3 assets is the absence of any observable market data. The inputs used to determine the fair value of Level 3 assets includes audited and unaudited financial information from the underlying investment managers.

No investment assets transferred between the levels of fair value hierarchy during the year.

Credit risk

This is the risk that the Fund's counterparties fail to pay amounts due. Appropriate credit limits have been established by the Fund for individual counterparties for Treasury Management purposes. The Pension Fund Treasury Management Policy specifies the following framework for credit limits for individual counterparties:

31 March 2016		31 March 2017	
Actual £000		Maximum Limit £000	Actual £000
0	UK Government	No Limit	0
15,000	Institutions or Funds with a minimum rating of AAA/A2	20,000	15,000
2,000	Institutions with a minimum rating of AA/A2	15,000	10,000
10,000	Institutions with a minimum rating of A/A2	10,000	10,000
1,000	Local Authorities	10,000	10,000
10,000	Building Societies - top 15 ranked by asset value	10,000	10,000

The investment balances at the end of the financial year were:

31 March 2016		31 March 2017
£000		£000
0	UK Government	0
63,561	Institutions or Funds with a minimum rating of AAA/A2	28,457
2,091	Institutions with a minimum rating of AA/A2	25,000
34,368	Institutions with a minimum rating of A/A2	35,172
1,000	Local Authorities	12,000
17,000	Building Societies - top 15 ranked by asset value	22,000
118,020		122,629

Treasury credit risk has been managed dynamically during the year, responding to national and international events in financial markets. Security of principal sums invested continues to be the prime objective. The duration of investments is limited to a maximum of twelve months to enable a reasonable exit strategy to be implemented if necessary. The Pension Fund makes use of Money Market Funds which are instant access funds whose objectives match those of the Pension Fund, being security of principal and diversification of investments. The present restrictions within the approved Treasury Management Policy will continue until economic and market conditions normalise.

Liquidity risk

Liquidity risk is the risk that the Pension Fund is not able to meet its financial obligations as they fall due or can do so only at an excessive cost. The Pension Fund's policy is to maintain sufficient funds in a liquid form at all times to ensure that it can cover all fluctuations in cash flow and meet its financial obligations. The accounts do not take into account liabilities to pay pensions and other benefits.

As at 31 March 2017	Not more than 3 months	3 - 12 months	1 - 5 years	More than 5 years	No specific maturity	Total
	£000	£000	£000	£000	£000	£000
Assets						
Cash	37,000	55,000	0	0	37,194	129,194
Investments	0	0	47,720	283,124	4,044,764	4,375,608
Other investment balances	15,050	0	0	0	0	15,050
Current assets	20,736	0	0	0	0	20,736
Total assets	72,786	55,000	47,720	283,124	4,081,958	4,540,588
Liabilities						
Other investment balances	2,934	0	0	0	0	2,934
Current liabilities	3,032	0	0	0	0	3,032
Total liabilities	5,966	0	0	0	0	5,966
Liquidity gap	66,820	55,000	47,720	283,124	4,081,958	4,534,622

As at 31 March 2016	Not more than 3 months	3 - 12 months	1 - 5 years	More than 5 years	No specific maturity	Total
	£000	£000	£000	£000	£000	£000
Assets						
Cash	38,757	10,000	0	0	84,236	132,993
Investments	0	2,715	42,341	240,700	3,267,447	3,553,203
Other investment balances	13,423	0	0	0	0	13,423
Current assets	17,403	0	0	0	0	17,403
Total assets	69,583	12,715	42,341	240,700	3,351,683	3,717,022
Liabilities						
Other investment balances	963	0	0	0	0	963
Current liabilities	1,940	0	0	0	0	1,940
Total liabilities	2,903	0	0	0	0	2,903
Liquidity gap	66,680	12,715	42,341	240,700	3,351,683	3,714,119

Interest rate risk

Interest rate risk is the risk that a change in interest rates will result in a change in the valuation of an investment. The Fund’s direct exposure to changes in interest rates is as follows:

31 March 2016		31 March 2017
£000		£000
	Asset Type	
84,236	Cash and cash equivalents	37,194
393,928	Fixed interest securities	479,014
478,164		516,208

Foreign exchange risk

Foreign exchange risk is the risk that an adverse movement in foreign exchange rates will impact on the value of the Fund's investments denominated in foreign currencies.

The following table summarises the Fund's currency exposure:

As at 31 March 2017	USD	EUR	JPY	CHF	SEK	DKK	NOK	AUD	CAD	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Bonds										
Overseas Public Sector	28,934	17,915	19,425	0	1,784	0	0	3,669	3,263	74,990
Global High Yield	32,081	56,682	0	0	0	0	0	0	0	88,763
Emerging Market Government	14,258	0	0	0	0	0	0	0	0	14,258
Overseas Corporate	25,522	0	0	0	0	0	0	0	0	25,522
Equities										
Overseas	0	216,340	173,830	51,715	12,779	13,293	5,528	0	0	473,485
Index-Linked Bonds										
Overseas Public Sector	11,032	0	0	0	0	0	0	0	0	11,032
Pooled Investment Vehicles										
Managed Funds	554,730	21,737	0	0	0	0	0	0	0	576,467
Property - unquoted	19,866	28,766	0	0	0	0	0	0	0	48,632
Private Equity - quoted	21,899	0	0	0	0	0	0	0	0	21,899
Private Equity - unquoted	34,220	49,785	0	0	0	0	0	0	0	84,005
Infrastructure - unquoted	21,326	34,375	0	0	0	0	0	0	0	55,701
Other investments - unquoted	146,321	41,165	0	0	0	0	0	0	0	187,486
Total	910,189	466,765	193,255	51,715	14,563	13,293	5,528	3,669	3,263	1,662,240

As at 31 March 2016	USD	EUR	JPY	CHF	SEK	DKK	NOK	AUD	CAD	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Bonds										
Overseas Public Sector	29,347	18,371	17,156	1,709	0	0	0	3,411	3,079	73,073
Global High Yield	23,626	38,834	0	0	0	0	0	0	0	62,460
Emerging Market Government	11,614	0	0	0	0	0	0	0	0	11,614
Equities										
Overseas	0	178,872	129,010	35,316	11,371	8,160	4,019	0	0	366,748
Index-Linked Bonds										
Overseas Public Sector	9,472	0	0	0	0	0	0	0	0	9,472
Pooled Investment Vehicles										
Managed Funds	440,119	17,333	0	0	0	0	0	0	0	457,452
Property - unquoted	17,660	21,152	0	0	0	0	0	0	0	38,812
Private Equity - quoted	16,591	0	0	0	0	0	0	0	0	16,591
Private Equity - unquoted	25,891	52,776	0	0	0	0	0	0	0	78,667
Infrastructure - unquoted	8,560	20,328	0	0	0	0	0	0	0	28,888
Other investments - unquoted	118,057	35,759	0	0	0	0	0	0	0	153,816
Total	700,937	383,425	146,166	37,025	11,371	8,160	4,019	3,411	3,079	1,297,593

Y Contingent Assets

As at 31 March 2017 the Fund had submitted claims totalling £8.10m relating to the reclaiming of UK and overseas withholding tax on investment income received, of which £1.10m has been received to date. Professional costs to date have totalled £0.65m.

Z Accounting standards that have been issued but not yet adopted

Accounting standards that have been issued before 1 January 2017 but not yet adopted by the Code relate to:

- Amendment to the reporting of pension fund scheme transaction costs - requirement of a new disclosure of investment management transaction costs.
- Amendment to the reporting of investment concentration - clarification on the approach to investment concentration disclosure.

The above will be of minimum impact to the 2017/18 pension fund accounts.

AA Post Balance Sheet Event

On 4 April 2017 three employers within the Fund used a discretion available in the 2013 LGPS Regulations to make a pre-paid single pension contribution lump sum payment to the Fund, totalling £136.9m, which discharges three years of pension payments until April 2020.

funding strategy statement

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the East Riding Pension Fund ("the Fund"), which is administered by East Riding of Yorkshire Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 1 April 2017.

1.2 What is the East Riding Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the East Riding Pension Fund, in effect the LGPS for public sector bodies in the East Riding of Yorkshire, North Lincolnshire, North East Lincolnshire and Kingston-upon-Hull areas, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions;
- transparency of processes;
- stability of employers' contributions; and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- actuarial factors for valuing individual transfers, early retirement costs and the capitalisation of added years contracts; and
- the Fund's Statement of Investment Principles and Investment Strategy Statement (see Section 4).

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: you will want to be sure the Fund is collecting and holding enough money for your benefits to be paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, and in what circumstances you might need to pay more. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: you will want to understand how your council seeks to strike the balance above, and also seeks to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, which are:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- 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.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. **the regulatory background, including how and when the FSS is reviewed,**

B. **who is responsible for what;**

C. **what issues the Fund needs to monitor, and how it manages its risks;**

D. **some more details about the actuarial calculations required;**

E. **the assumptions which the Fund actuary currently makes about the future; and**

F. **a glossary explaining the technical terms occasionally used here.**

If you have any other queries please contact Graham Ferry, Pensions Manager in the first instance at e-mail address graham.ferry@eastriding.gov.uk or on telephone number (01482) 394171.

2 Basic Funding issues *(More detailed and extensive descriptions are given in Appendix D).*

2.1 How does the actuary calculate a contribution rate?

In essence this is a three-step process in which the actuary:

1. **Calculates the ultimate funding target for that employer, i.e. the ideal amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;**
2. **Determines the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details; and**
3. **Calculates the employer contribution rate such that it has at least a given probability of achieving that funding target over that time horizon, allowing for different likelihoods of various possible economic outcomes over that time horizon. See 2.2 below, and the table in 3.3 Note (e) for more details.**

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) **the estimated cost of benefits being built up each year, after deducting the members' own contributions and including administration expenses. This is referred to as the "Primary rate", and is expressed as a percentage of members' pensionable pay; plus**

b) **an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary rate". In broad terms, payment of the Secondary rate will aim to return the employer to full funding over an appropriate period (the "time horizon"). The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.**

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant proportion of whom are new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the DCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the measured contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The funding target is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The time horizon required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and a longer period to lower contributions (all other things being equal). Employers may be given a shorter time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The probability of achieving the funding target over that time horizon will be dependent on the Fund's view of the

strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education;
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter an employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower probability of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter deficit recovery period relative to other employers, and/or a higher probability of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What probability is required to reach that funding target? This will always be less than 100% as we cannot be certain of future market movements. Higher probability "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority may, at its sole discretion, direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

On request from an employer, the Administering Authority may permit an employer to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required probability of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;

- lower contributions in the short term will be assumed to incur a greater loss of investment returns on the deficit. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies				Community Admission Bodies and closed Designating Employers		Transferee Admission Bodies
Sub-type	Local Authorities	Town Councils	Academies	Police, Fire, Colleges	Open to new members	Closed to new members	(all)
Funding Target Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)				Ongoing, but may move to "gilts basis" - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)						
Stabilised contributions?	Yes - see Note (b)	Yes - see Note (b)	Yes Note (b)	No	No	No	No
Maximum time horizon – Note (c)	20 years	20 years	20 years	Colleges - 15 Other – 20 yrs	20 years (or less if no guarantee)	20 years (or less if no guarantee)	Outstanding contract term
Secondary rate – Note (d)	Monetary amount	Monetary amount	% of payroll	Monetary amount			Monetary amount
Treatment of surplus	Covered by stabilisation arrangement			Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Admin. Authority			Reduce contributions by spreading the surplus over the remaining contract term. Surplus is not usually used to reduce the contributions where the contract length exceeds 4 years, however the Admin. Authority may consider this on request
Probability of achieving target – Note (e)	c.66%	70%	66%	75%	75%	80%	50%
Phasing of contribution changes	Covered by stabilisation arrangement			None	Not usually		None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations						Particularly reviewed in last 3 years of contract
New employer	n/a		Note (g)		Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).				Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

Note (a) (Basis for CABs and designating employers closed to new entrants)s

In the circumstances where:

- the employer is a designating employer, or an admission body but not a transferee admission body; and
- the employer has no guarantor; and

- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding.

the Administering Authority may set a higher funding target (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those designating employers and admission bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the designating employer alters its designation.

Note (b) Stabilisation

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

The stabilisation mechanism is only available to employers who have tax raising powers (unitary authorities, town and parish councils) or a government guarantee (academies).

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below); and
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2016 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Unitary Authorities *	Town and Parish Councils *	Academy ***
Starting rate**	Actual contribution in 2016-17, expressed as % of pay	Actual contribution in 2016-17, expressed as % of pay	Actual contribution in 2016-17, expressed as % of pay
Max cont increase from 2017-18 onwards**	1%	2%	2%
Max cont decrease**	1%	2%	2%

* The actuary analyses the position for all four Unitary Authorities, and will identify if any Council is in a materially more mature position (i.e. high liabilities relative to payroll). Any such "mature" Council will be required to increase contributions at a higher rate than standard, or else pay an additional contribution at the outset which broadly matches that excess increase.

** In practice, the required Council contributions will be split between percentage of pay and monetary lump sum. This table shows just % of pay for ease of summary and comparison.

The academy contribution rates are subject to a minimum of at least the Primary rate. The stabilisation criteria and limits will be reviewed at the 31 March 2019 valuation, to take effect from 1 April 2020. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2017 for the 2016 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

The requirement for a shorter recovery period for colleges is on the basis that colleges have neither tax raising powers nor a government guarantee.

Where stabilisation applies, the resulting employer contribution rate changes from year to year in line with the stabilisation mechanism, as opposed to being directly affected by the deficit recovery period.

Admission Bodies without a funding guarantee will have a maximum deficit recovery period of the expected future working lifetime of the remaining active scheme members, allowing for expected leavers.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary rate for each employer covering the three year period until the next valuation will typically be set in lump sum monetary terms.

The payment of Secondary rate contributions set in lump sum monetary terms must be paid in monthly instalments by employers. Transitional arrangements will be allowed in 2017/18 only at the Fund's discretion. Requests will only be considered from employers who paid by annual lump sum payment in 2016/17 and are not in arrears as at 31 March 2017.

For some employers, the Secondary rates are expressed as a percentage of payroll, as opposed to monetary lump sums, as follows:

- Academies (due to their anticipated continued payroll growth); and
- Employers within pools (see 3.4) where it would not be practical to split out each employer's deficit payment amount.

For other employers, the Administering Authority may in its discretion agree that Secondary rates can be a percentage of salaries instead of monetary lump sums. In those cases, the Administering Authority reserves the right between valuations to amend such rates and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary rate (e.g. above 15% of payroll); or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises; or
- the employer has closed the Fund to new entrants.

Note (e) (Probability of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum probability. A higher required probability bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different probabilities are set for different employers depending on their nature and circumstances: in broad terms, a higher probability will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers;

- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's initial contribution rate will be calculated using market conditions, the council funding position and, membership data, all as at the day prior to conversion.

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all admission bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee admission bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) below.

Community admission bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of admission bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate and does not pay any cessation deficit.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of an admission agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case;

- The insolvency, winding up or liquidation of an admission body;
- Any breach by an admission body of any of its obligations under the agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by an admission body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by an admission body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the admission body; where there is a surplus it should be noted that current legislation does not permit a refund payment to the admission body.

For non-transferee admission bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis", which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing basis as described in Appendix E.

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund would spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit, and would carry out the cessation valuation on an ongoing basis: deficit recovery payments would be derived from this cessation debt. This approach would be monitored as part of each triennial valuation: the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members.

3.4 Pooled contributions

From time to time, with the advice of the Fund's actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. The current pools in place within the Fund are as follows:

- smaller CABs (as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service).
- Local authority maintained schools generally are also pooled with their relevant Unitary Authority. However there may be exceptions for specialist or independent schools.
- Academies within a Multi Academy Trust may be pooled for contribution setting purposes, at the MAT's request. However the position of each academy would continue to be tracked individually.
- Smaller transferee admission bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree. See 3.3 Note (i).

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2016 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community admission bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (NB the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay an immediate lump sum payment ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

3.7 Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see 3.8 below).

3.8 External Ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations; or

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

c) In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

There are a number of ceased employers whose assets and liabilities are covered by the four Unitary Authorities (as opposed to all Fund employers) in set proportions. The relevant liabilities are calculated at each valuation and the pro-rata asset share allocated to the Unitary Authorities.

3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (being replaced by an Investment Strategy Statement under new LGPS Regulations), which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa.

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate (see Appendix E3) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 How does this differ for a large stable employer?

The Fund's actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

- Prudence – the Fund should have a reasonable expectation of being fully funded in the long term;
- Affordability – how much can employers afford;
- Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position; and
- Stability – employers should not see significant moves in their contribution rates from one year to the next, to help provide a more stable budgeting environment.

The key problem is that the key objectives often conflict. For example, minimising the long term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore, a balance needs to be maintained between risk and reward, which has been considered by the use of Asset Liability Modelling: this is a set of calculation techniques applied by the Fund's actuary to model the range of potential future solvency levels and contribution rates.

The Fund's actuary was able to model the impact of these four key areas, for the purpose of setting a stabilisation approach (see 3.3 Note (b)). The modelling demonstrated that retaining the present investment strategy, coupled with constraining employer contribution rate changes as described in 3.3 Note (b), struck an appropriate balance between the above objectives. In particular the stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

Whilst the current stabilisation mechanism is to remain in place until 2020, it should be noted that this will need to be reviewed following the 2019 valuation.

4.5 Does the Fund monitor its overall funding position?

The Administering Authority monitors the solvency position annually and reports these to the regular Pensions Committee meetings. The changes are also reported in the annual report and accounts of the Fund and are presented at the Annual General Meeting.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the Department of Communities & Local Government (DCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional DCLG requirement may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, DCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under "relative considerations" above compares to the estimated future return being targeted by the Fund's current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

DCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS??

The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS is:

"to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;

to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and

to take a prudent longer-term view of funding those liabilities."

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers in December 2016 for comment;

b) Comments were requested within 30 days;

c) There was an Employers Forum on 15 December 2016 at which questions regarding the FSS could be raised and answered;

d) Following the end of the consultation period the FSS was updated where required and then published, in March 2017.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at erpf.eastriding.gov.uk;
- A copy sent by email to each participating employer in the Fund;
- A copy sent to union representatives;
- A full copy included in the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers; and
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2019.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications;
- amendments affecting only one class of employer would be consulted with those employers; and
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Statement of Investment Principles/Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at http://www.erpf.org.uk.

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations and guidance from the Pensions Regulator;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;

6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles/Investment Strategy Statement (SIP/ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and a SIP/ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary);
13. monitor all aspects of the fund's performance and funding and amend the FSS and SIP/ISS as necessary and appropriate; and
14. enable the Local Pension Board to review the valuation process as part of the Board's role to support the Administering Authority as set out in their terms of reference.

B2 The Individual Employer should:

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. comply with statutory obligations by providing the Fund with accurate and timely member data
4. have a policy on discretions and exercise these within the regulatory framework;
5. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain;
6. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding; and
7. pay any exit payments on ceasing participation of the Fund.

B3 The Fund Actuary should:

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:

1. investment advisers (either internal or external) should ensure the Fund's SIP/ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP/ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
5. the Department for Communities and Local Government (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements; and
6. the Pensions Regulator should work with the Fund to promote and improve understanding of, the good administration of work-based pension schemes such as the LGPS.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below. The Fund's Risk Register can be found on pages 10 to 20.

Risk	Summary of Control Mechanisms
Fund assets do not meet expected liabilities when they fall due.	Key mechanisms include strategic and tactical asset allocation.
Securities lending activities have an adverse impact on the Fund's assets	Indemnities provide full protection in the event of a borrower default.
Impact of Government policy on pooling investments across LGPS funds	The Fund has assumed a leading role in the creation of its selected pooling arrangement and has participated fully in consultation.
Changing patterns of pension payments	Assumptions are set at valuation and employers are charged strain costs.
Failure to carry out administrative duties	Quality checks, training and testing measures are all in place. Employers are informed of statutory responsibilities.
Failure to provide Local Pension Board and Committee members and officers with LGPS knowledge and understanding	Induction and training programmes in place.
Failure to establish and operate internal controls	IT systems are operated to ensure secure storage and safe transmission of data. Disaster recovery and business continuity plans in place.
Failure to report a breach of the law to the Pensions Regulator (TPR)	Procedure for reporting breaches in place and training for members and officers carried out.

Financial stability of an admitted body	Procedures in place including risk assessments, the requirement for a bond to be in place and cessation valuations reports.
Failure to recruit and retain staff	Responsible staff have undertaken training and follow procedures in line with ERYC requirements. Review of vacant posts and restructuring is considered as appropriate.
Significant reduction in individual scheme employer membership	Membership totals are monitored and material changes of membership are referred to the Fund actuary.

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

All three steps below are considered when setting contributions:

1. The funding target is based on a set of assumptions about the future, eg investment returns, inflation, pensioners' life expectancies. However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation of participation;
2. The time horizon required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and
3. The required probability of achieving the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's funding position and membership. The whole Fund position, including that used in reporting to DCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. DCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' future service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller developed by the Fund's actuary: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (by the end of the time horizon) is equal to the required probability.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary rate calculated?

The combined Primary and Secondary rates aim to achieve the employer's funding target, within the appropriate time horizon, with the relevant degree of probability.

For the funding target, the Fund actuary agrees the assumptions to be used with the Administering Authority – see Appendix E. These assumptions are used to calculate the present value of all benefit payments expected in the future, relating to that employer's current and former employees, based on pensionable service to the valuation date only (i.e. ignoring further benefits to be built up in the future).

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis, unless otherwise determined (see Section 3).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. within the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller developed by the Fund's actuary: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes with at least 100% solvency (by the end of the time horizon) is equal to the required probability.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities;
4. any different time horizons;

5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required probability of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not account for each employer's assets separately. Instead, the Fund's actuary is required to apportion the assets of the whole Fund between the employers, at each triennial valuation.

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus".

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events, including but not limited to:

1. the actual timing of employer contributions within any financial year; and
2. the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund.

The asset apportionment is capable of verification but not to audit standard. The Administering Authority recognises the limitations in the process, but it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities"). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

Changes in assumptions will affect the measured funding target. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The combination of all assumptions is described as the "basis". A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower funding targets and lower employer costs. A more prudent basis will give higher funding targets and higher employer costs.

E2 What basis is used by the Fund?

The Fund's standard funding basis is described as the "ongoing basis", which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see Note (a) to 3.3.

E3 What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund's investments. This "discount rate" assumption makes an Asset Out-performance Assumption ("AOA") of Fund returns relative to long term yields on UK Government bonds ("gilts"). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the purpose of the triennial funding valuation at 31 March 2016 and setting contribution rates effective from 1 April 2017, the Fund actuary has used a long term AOA of 1.8% per annum relative to long term gilt yields. In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this AOA is within a range that would be considered acceptable for the purposes of the funding valuation. This is a higher AOA than that used at the 2013 valuation (1.6%), which reduces the funding target all other things being equal.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2020. Although this "pay freeze" does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, and continued austerity measures, the salary increase assumption at the 2016 valuation has been set to be a blended rate combined of:

1. 1% p.a. until 31 March 2020, followed by

2. the retail prices index (RPI) per annum thereafter.

This is a change from the previous valuation, which assumed a flat assumption of RPI plus 0.5% per annum. The change has led to a reduction in the funding target (all other things being equal).

c) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the "formula effect" of the difference between RPI and CPI. At this valuation, we propose a reduction of 1.0% per annum. This is a larger reduction than at 2013, which will serve to reduce the funding target (all other things being equal). (Note that the reduction is applied in a geometric, not arithmetic, basis).

d) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with the 2013 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This is a similar allowance for future improvements than was made in 2013.

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

e) General

The same financial assumptions are adopted for most employers, in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Actuarial assumptions/ basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target. The main assumptions will relate to the discount rate, salary growth, pension increases and longevity. More prudent assumptions will give a higher target value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Discount rate	The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a funding target which is consistent with the present day value of the assets. A lower discount rate gives a higher target value, and vice versa. It is used in the calculation of the Primary and Secondary rates.
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation.
Funding target	The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit. It is calculated on a chosen set of actuarial assumptions.

Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary rate	The employer contribution rate required to pay for ongoing accrual of active members'benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary rate	The difference between the employer's actual and Primary rates. In broad terms, this relates to the shortfall of its asset share to its funding target. See Appendix D for further details.

Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.
Valuation	An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Funding Strategy Statement and new employers

During 2016/17, there were 29 new employers joining the Fund including 17 academies, three parish councils and one town council.

As part of the management of admitted bodies, risk assessments are carried out to ensure that there is a strong covenant in place and that a new employer has the ability to meet its long term Fund commitments.

There were eight new admitted bodies in the Fund and five of the bodies provided evidence of a strong covenant by having a guarantor agreement in place.

For the remaining three new admitted bodies, risk assessments were carried out and a bond was put in place for each admitted body.

statement of investment principles

The Fund's Statement of Investment Principles shown below was in effect during the financial year ended 31 March 2017. This was replaced by the Fund's Investment Strategy Statement, shown on pages 125 to 135, with effect from 1 April 2017.

Introduction

The East Riding Pension Fund is required to maintain a Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (LGPS) Regulations. The SIP for the East Riding Pension Fund is set out below, and complies with the Local Government Pension Scheme Regulations.

East Riding of Yorkshire Council is the administering authority for the East Riding Pension Fund. The Council has delegated all its functions as administering authority to the Pensions Committee. The Pensions Committee agreed this SIP at its meeting on 18 March 2016 and it took effect from 1 April 2016.

The East Riding Pension Fund is also required to maintain a Funding Strategy Statement (FSS) in accordance with the Local Government Pension Scheme (LGPS) Regulations. The FSS for the East Riding Pension Fund, which was in effect for the financial year ended 31 March 2017, took into account the results of the actuarial valuation effective 1 April 2014. The FSS, which was approved by the Pensions Committee at its meeting on 21 March 2014, complies with these Regulations.

In preparing the SIP and the FSS, the Pensions Committee has taken professional advice from its advisors and investment managers, whom it considers are suitably qualified and experienced in investment matters. The principal employers and trade unions are represented at the Pensions Committee, enabling their views to be taken into account.

Scheme Governance

The Pensions Committee consists of ten Members of the East Riding of Yorkshire Council. In addition, a Member from each of the other three unitary Councils and four trade union representatives attend Committee meetings to ensure that the views of other interested parties are properly considered by the Committee.

The Pensions Committee is assisted by the Local Pension Board, as required by the Local Government Pension Scheme (Amendment) Governance Regulations 2015.

The six principles set out in the CIPFA Pensions Panel "Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom – A Guide to the Application of the Myners' Principles" are complied with in the arrangements made for managing the investments of the Fund. The six principles, and the Pension Fund's evidence of compliance, can be viewed at erpf.eastriding.gov.uk.

The Council has a formal training programme in place to ensure that Members and Officers charged with the financial management and decision making with regard to the Pension Fund are fully equipped with the knowledge and skills to discharge their duties and responsibilities.

Pensions Committee's investment powers

The Pensions Committee's investment powers are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 as amended by the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2013. This SIP is consistent with these powers and does not restrict the Pensions Committee's investment powers.

Investment managers and advisor

The investment managers employed by the Pensions Committee to manage the assets of the East Riding Pension Fund are the Director of Corporate Resources and Schroder Investment Management. They are responsible for the day-to-day investment management of the Fund's assets. The external investment manager, Schroder Investment Management, is authorised by the Financial Conduct Authority (FCA) to conduct investment business under the terms of the Financial Services and Markets Act 2000.

In addition, Mrs. S. Bates is employed by the Pensions Committee to provide independent advice, and Hymans Robertson has been appointed as the Fund's actuary.

The East Riding of Yorkshire Council, as Administering Authority for the East Riding Pension Fund, has signed client agreements with the external investment manager and independent advisor.

The Pensions Committee regularly monitors the operations and performance of the investment managers acting for the East Riding Pension Fund in relation to their investment performance, value for money, best advice, and adherence to this SIP.

Sub-Delegation

The external investment manager may only delegate its duties to a third party with the prior permission of the Pensions Committee. Any third party employed by the investment manager must adhere to this SIP.

Types of investments to be held and the balance between these investments

Based on expert advice, the Pensions Committee has determined a benchmark mix of asset types, which are considered suitable for the Fund. The following guidelines are set for the Fund's asset allocation mix:

Asset Class	Allocation	Range	Benchmark
Equities	60%	+/- 10%	
UK	38%	+/- 5%	FTSE All Share
Overseas	22%	+/- 5%	
North America	6%		FTSE Developed North America
Europe ex-UK	6%		FTSE Developed Europe ex UK
Japan	3%		FTSE Japan
Pacific	2%		MSCI Pacific ex Japan
Emerging	5%		MSCI Emerging Markets
BONDS AND CASH	19%	+/- 5%	
UK Government	5%		FTSE UK Gilts All Stocks
UK Corporate	2%		iBoxx £ Corporate Bonds All Stocks
Overseas	4%		JP Morgan GBI ex UK
Emerging Markets	2.5%		JP Morgan GBI – Emerging Markets
Global High Yield	2.5%		JP Morgan Global High Yield Index
Cash	3%		LIBID 7 day
ALTERNATIVES	21%	+/- 5%	
Property	10%	+/- 3%	AREF/IPD UK Quarterly All Property Index
Other	11%	+/- 3%	
Private Equity	4%		FTSE All Share + 3%
Infrastructure	3%		UK Index-linked + 3%
Other	4%		3 month LIBOR +3%
Total	100%		

In exceptional circumstances, these limits can be allowed to vary by up to +/- 10% within each category. In the event that any asset class range is breached the Pensions Committee will be informed and the Fund's investment managers will endeavour to bring the asset allocation back within the range within an appropriate period of time.

The Pensions Committee believes that the Fund's portfolio is adequately diversified, and has taken professional advice to this effect from their investment managers and independent advisor.

Fund managers are required to maintain a proper balance between these different categories of investments at all times. This is to ensure that the Pensions Committee's policy towards risk is safeguarded.

The Pensions Committee reviews the tactical asset allocation of the Fund on a quarterly basis, following advice from the investment managers and independent advisor.

Risk and diversification of investments

It is the Pensions Committee's policy to invest the assets of the East Riding Pension Fund to spread the risk by ensuring a reasonable balance between different categories of investments. The Pensions Committee takes a long term approach to investment and invests in asset classes and individual investments that are expected to generate an attractive risk-adjusted return for the Pension Fund. The Pensions Committee reviews the asset allocation of the Pension Fund on a quarterly basis. The Pensions Committee's policy towards the kinds of investments that are held is explained under 'The suitability of investments' below.

To ensure that equity portfolios are sufficiently diversified, and to reduce the risk to members and beneficiaries of over investment in any single particular stock, the investment managers are not permitted to invest more than 10% of the Fund in the shares of any one company or investment.

The Pensions Committee has approved an increase in the lower limit set by the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2013 for investment through limited partnerships to the maximum 30%, for a period of 5 years, and the decision is to be reviewed annually as part of the consideration of the SIP. This increase in the limit is required to facilitate investment in the range of investments set out in 'Types of investments to be held and the balance between these investments' above, and, by allowing greater diversification, should reduce overall portfolio risk.

The investment policy of the East Riding Pension Fund does not permit any employer related investment, either in the assets, stock, land or property of the Principal Employers or the assets, stock, land or property of any associated employers. The Pensions Committee considers that employer related investments pose too great a risk to the security of the Fund.

An investment risk management schedule is reviewed by the Pensions Committee on a quarterly basis. The schedule considers issues such as performance; regulation and compliance; and personnel and structure.

The Pension Fund's risk register identifies the key risks inherent in the Pension Fund; an estimate of the severity of each risk; a summary of current control measures; and the identification of additional control measures. The risk register is reviewed by the Pensions Committee on a semi-annual basis.

The suitability of investments

The categories of investments described earlier are considered suitable for the Fund, subject to the specified limits, and the above restrictions. The investment managers may invest in these investments without prior consultation with the Pensions Committee.

Sub-underwriting is a satisfactory investment where the Fund holds, or intends to hold, the relevant issue. The use of derivatives for currency or other hedging purposes requires the approval of the Pensions Committee.

The expected return on investments

The Actuarial valuation, at 31 March 2013, was prepared on the basis of an expected real return on assets of 1.3% over the long term, a nominal return of 4.6% assuming inflation to be 3.3%.

The Pensions Committee has set the investment objective of producing a nominal long term return of 7.1% p.a. (3.8% p.a. real) assessed on a rolling three year basis. In order to achieve this, the strategic asset allocation approved by the Pensions Committee is:

Equities	60%
Bonds and Cash	19%
Alternative Investments	21%

In order to monitor the investment objective, the Pensions Committee requires the provision of detailed performance measurements of the Fund's investments. This is provided by an independent monitoring service, the WM Company, which presents its report to the Committee on an annual basis and provides quarterly performance data.

In addition, the Pensions Committee conducts a formal annual performance review of each of its investment managers.

Pensions Committee's policy on socially responsible investment

The Fund's investment managers have discretion as to the timing and amount of the realisation of investments.

Corporate Governance

As a responsible investor, the East Riding Pension Fund wishes to promote corporate social responsibility, high standards of corporate governance, good practice, and improved corporate performance amongst all companies in which it invests. As a result, the Fund has adopted the Principles of the Financial Reporting Council's (FRC) UK Stewardship Code. The Pension Fund's Statement of Compliance can be viewed at erpf.eastriding.gov.uk.

The Fund views stewardship as part of the responsibilities of share ownership, and, therefore, an integral part of the investment strategy. The Fund believes that active stewardship will help to deliver high standards of corporate governance which will contribute positively to business performance over time by:

- encouraging accountability between directors, shareholders, and other stakeholders;
- strengthening the integrity of relationships between these bodies; and
- improving transparency in the way companies are run.

In practice, the Fund's policy is to discharge its corporate governance responsibilities through engagement with investee companies, the utilisation of its voting rights, an interpretation of best practice guidelines, existing arrangements with its external investment manager, and through membership of the Local Authority Pension Fund Forum (LAPFF). Further details of LAPFF's guidance on environmental, social, and governance issues can be found on **www.lapfforum.org**.

Pensions Committee's policy on socially responsible investment

In addition to the above, the Fund will take into account the guidance issued by LAPFF, and any other appropriate guidance and information, in determining any relevant social, environmental, or governance considerations when selecting, retaining, and realising any of its investments. However, the overriding objective for the Pensions Committee will be to discharge its fiduciary duty in managing the Fund's investments in the best interests of the scheme's beneficiaries.

Pensions Committee's policy on shareholder voting

The Fund supports the principles underpinning the UK Corporate Governance Code and has adopted the Principles of the FRC UK Stewardship Code.

The Fund subscribes to the Pensions Investment Research Consultants (PIRC) advisory voting service which provides voting recommendations based on industry best practice. Further details of PIRC's voting guidance is shown in the "UK Shareowner Voting Guidelines 2016" guidance document which is available at **www.pirc.co.uk** .

The Fund also takes into account guidance and information from the LAPFF which highlights corporate governance issues at investee companies and recommends appropriate voting action.

However, the Fund will interpret the application of these principles according to its own views of best practice. There are also other issues outside of these principles on which the Fund will take a view.

As a general rule, the Fund will vote in favour of resolutions which are in line with the UK Corporate Governance Code or comply with best practice. The Fund will vote against resolutions which do not meet these guidelines, or which represent a serious breach of best practice, or which will have a negative impact on shareholders rights. The Fund may abstain on resolutions which may have an adverse impact on shareholder rights, or represent a less significant breach of these guidelines, or where the issue is being raised for the first time with a company. The specific voting outcome will depend on the particular circumstances of the company and the types of resolution on the meeting agenda.

The external investment manager will vote in accordance with its "Investment and Corporate Governance" policy which is available at **www.schroders.com.**

The Fund's investment managers can exercise their discretion not to vote in accordance with best practice. Where this discretion is exercised, the rationale for this decision is reported to the Pensions Committee.

The exercise of any other rights attaching to a particular investment will be considered on a case by case basis.

The Pensions Committee reviews the Fund's corporate governance and voting activity on a quarterly basis and the Fund publishes summary details of corporate governance and voting activity in its Annual Report and Accounts.

Stock Lending

The Fund engages in stock lending, via its custodian, State Street Global Services, in order to generate additional income. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the securities that are transferred under stock lending arrangements do not exceed 25% of the total value of the investment portfolio. The Fund will seek to recall stock on loan prior to a shareholder vote if it is deemed to be suitable and practical. Examples of this will include resolutions that are not considered to be in accordance with the UK Corporate Governance Code or where the Fund has a material holding and could potentially influence the outcome of the vote.

Compliance and Monitoring of the SIP

The investment managers are required to adhere to the principles set out in this Statement of Investment Principles. The Pensions Committee will require an annual written statement from the investment managers that they have adhered to the principles set out in this statement.

The Statement of Investment Principles of the East Riding Pension Fund is revised by the Pensions Committee on an annual basis.

investment strategy statement

Introduction

The East Riding Pension Fund ("the Fund"), which is administered by the East Riding of Yorkshire Council ("the Administering Authority"), is required to maintain an Investment Strategy Statement ("ISS") in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016.

The Administering Authority has delegated all its functions as administering authority to the Pensions Committee ("the Committee"). The ISS has been prepared by the Committee having taken advice from the Director of Corporate Resources.

The ISS, which was approved by the Committee on 17 March 2017, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Fund is also required to maintain a Funding Strategy Statement ("FSS") in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended). The FSS for the Fund has been revised to take into account the results of the actuarial valuation, effective 1 April 2017. The FSS, which was approved by the Pensions Committee on 17 March 2017, complies with these Regulations.

Investment Strategy

The primary investment objective is to ensure that the Fund will have sufficient assets to meet all pension liabilities as they fall due. In order to meet this overall objective, the Fund's investment strategy is to:

- Maximise the return from investments whilst maintaining risk within acceptable levels with a current long term nominal return objective of 6% p.a.;
- Maintain and improve the future funding level of the Fund with the aim of achieving a funding level of 100%; and
- Enable employer contributions to be kept as stable as possible.

In order to discharge its responsibilities, the Pensions Committee will take advice, where appropriate, from a wide range of sources including, but not limited to, the Director of Corporate Resources, the independent advisor, the Fund's investment managers, and the Council's S151 and Monitoring Officers.

Investment of money in a wide variety of investments

It is the Pensions Committee's policy to invest the assets of the East Riding Pension Fund to spread the risk by ensuring a reasonable balance between different categories of investments. The Pensions Committee takes a long term approach to investment and invests in asset classes and individual investments that are expected to generate an attractive risk-adjusted return for the Pension Fund.

The Fund may invest in a wide range of investments including quoted and unquoted assets in Equities, Fixed Income, Property and Alternatives either directly or through pooled investments. The Fund may also make use of derivatives, either directly or in pooled investments, for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.

The Fund's strategic asset allocation is set out below. The table also includes the ranges within which the asset allocation may vary without reference to the Pensions Committee, and the maximum percentage of total Fund value that can be invested in these asset classes. The asset allocation is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market risk and the nature of the Fund's liabilities.

Asset class	Strategic allocation	Range	Maximum
EQUITIES	**55%**	**+/- 10%**	**70%**
UK equities	33%	+/- 5%	40%
Overseas equities	22%	+/- 5%	30%
North America	6%		
Europe ex-UK	6%		
Japan	3%		
Pacific ex-Japan	2%		
Emerging Markets	5%		
BONDS AND CASH	**19%**	**+/- 5%**	**30%**
UK Government bonds	5%		
UK Corporate bonds	2%		
Overseas bonds	4%		
Multi-Asset Credit	5%		
Cash	3%		
ALTERNATIVES	**26%**	**+/- 5%**	**35%**
Property	11%		
Other	15%		
Private Equity	6%		
Infrastructure	4%		
Other Alternatives	5%		

The Regulations do not permit more than 5% of the Fund's value to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e). The investment policy of the Fund does not permit any employer-related investment, other than is necessary to meet the regulatory requirements with regards to pooling.

The Pensions Committee believes that the Fund's portfolio is adequately diversified, and has taken professional advice to this effect from their investment managers and independent advisor.

The strategic asset allocation includes ranges for each asset class within which the asset allocation can vary. In the event that any asset class range is breached, the Pensions Committee will be informed and the Fund's investment managers will endeavour to bring the asset allocation back within the range within an appropriate period of time. The asset allocation will not be permitted to exceed the stated maximum for each asset class.

The suitability of particular investments and types of investments

The Pensions Committee will review the suitability of the asset allocation of the Fund on a quarterly basis, following advice from the investment managers and independent advisor to ensure the returns risk and volatility are appropriately managed and meet the requirements of the overall investment strategy.

It is intended that the Fund's investment strategy will be reviewed at least every three years following the latest actuarial valuation of the Fund. The investment strategy takes due account of the maturity profile of the Fund and the current funding position.

The actuarial valuation, at 31 March 2016, was prepared on the basis of an expected real return on assets of 1.9% over the long term, a nominal return of 4.0% assuming inflation (CPI) to be 2.1%. The Pensions Committee has set the investment objective of producing a nominal long term return of 6% p.a. (3.9% p.a. real) assessed on a rolling three year basis.

The Committee used the following long term assumptions about investment returns (as at December 2016) when determining an appropriate investment strategy, following the results of the latest actuarial valuation and advice from its investment managers and independent advisor:

Asset class	Expected return (% p.a.)	Expected Volatility (%)
EQUITIES		
UK equities	6.8%	17.0%
Overseas equities		
North America	5.8%	18.0%
Europe ex-UK	6.0%	20.8%
Japan	3.9%	21.1%
Pacific ex-Japan	6.6%	24.2%
Emerging Markets	8.2%	29.0%
BONDS AND CASH		
UK Government bonds	2.9%	5.0%
UK Corporate bonds	3.8%	6.1%
Overseas bonds	2.7%	9.3%
Multi-Asset Credit	6.0%	9.0%
Cash	2.2%	0.2%
ALTERNATIVES		
Property	5.7%	11.9%
Other		
Private Equity	8.4%	20.7%
Infrastructure	5.6%	7.8%
Other Alternatives	6.4%	9.5%

At 31 December 2016, the expected return of this portfolio was 6% p.a. with an expected volatility of 11% p.a.

The Pensions Committee has set the following benchmarks against which performance of the Fund will be measured:

Asset class	Benchmark
EQUITIES	
UK equities	FTSE All Share
Overseas equities	
North America	FTSE Developed North America
Europe ex-UK	FTSE Developed Europe ex-UK
Japan	FTSE Japan
Pacific ex-Japan	MSCI Pacific ex-Japan
Emerging Markets	MSCI Emerging Markets
BONDS AND CASH	
UK Government bonds	FTSE UK Gilts All Stocks
UK Corporate bonds	iBoxx £ Corporate Bonds All Stocks
Overseas bonds	JP Morgan GBI ex-UK
Multi-Asset Credit	3 month LIBOR + 4%
Cash	LIBID 7 day
ALTERNATIVES	
Property	AREF/IPD UK Quarterly Property Fund Index
Other	

Private Equity	FTSE All Share + 3%
Infrastructure	UK Index-linked + 3%
Other Alternatives	3 month LIBOR + 5%

In order to monitor the investment objective, the Pensions Committee requires the provision of detailed performance measurements of the Fund's investments. This is provided by the Fund's custodian, State Street Global Services, on a quarterly basis. In addition, the Pensions Committee conducts a formal annual performance review of each of its investment managers.

The approach to risk

The Fund's primary long term risk is that the Fund's assets do not meet its liabilities i.e. the benefits payable to its members. Therefore, the aim of the Fund's investment management is to achieve the long term target rate of return with an acceptable level of risk. The Fund achieves this through setting the strategic asset allocation on a triennial basis, following the latest actuarial valuation, which is expected to achieve the target rate of return over the long term. The Fund's appetite for risk will vary depending on market conditions and the types of investments available to it but will be commensurate with meeting the long term target investment rate of return.

The Fund has a dedicated strategic risk register which identifies the key risks inherent in the Pension Fund, an estimate of the severity of each risk, and the risk controls that are in place to mitigate these risks. The risk register is reviewed by the Pensions Committee and the Local Pension Board on a semi-annual basis. In addition, a risk management schedule is reviewed by the Pensions Committee on a quarterly basis which considers issues such as performance, regulation and compliance, and personnel.

The key risks inherent in the Pension Fund, and how these risks are mitigated, are:

Risk	Description	Mitigants
Market	Value of an investment decreases as a result of changing market conditions.	Strategic asset allocation, with suitable diversification and appropriate ranges, determined on a triennial basis. Tactical asset allocation on a quarterly basis taking into account current market conditions. Derivatives may be used for portfolio management purposes or to hedge specific risks, in order to protect the value of the Fund's assets from risks that may materialise.
Performance	The Fund's investment managers fail to deliver returns in line with the underlying asset classes.	Analysis of market performance and investment managers' performance relative to their index benchmark on a quarterly basis. Detailed analysis of investment managers' performance on an annual basis.

Valuation	Valuations disclosed in the financial statements, particularly for unquoted investments, are not reflective of the value that could be achieved on disposal.	The valuation of investments is derived using a conservative valuation methodology and, where applicable, market observable data.
Credit	The Fund's counterparties or service providers e.g. custodian fail to pay amounts due.	Appropriate credit limits are established, and regularly reviewed, by the Fund for individual counterparties. Regular performance monitoring of service providers and indemnities secured where appropriate.
Liquidity	The Fund is not able to meet its financial obligations as they fall due or can do so only at an excessive cost.	The Fund maintains sufficient liquid funds at all times to ensure that it can meet its financial obligations.
Interest rate	A change in interest rates will result in a change in the valuation of the Fund's assets and liabilities.	The Fund regularly monitors its exposure to interest rates, and may consider hedging, through the use of derivatives, in order to protect the value of the Fund's assets from risks that may materialise.
Foreign exchange	An adverse movement in foreign exchange rates will impact on the value of the Fund's investments.	The Fund regularly monitors its foreign exchange exposure, and may consider hedging, through the use of derivatives, in order to protect the value of the Fund's assets from risks that may materialise.
Demographic	Changes, such as increased longevity or ill-health retirement, will increase the value of the Fund's liabilities.	Demographic assumptions are conservative, regularly monitored, and reviewed on a triennial basis.
Regulatory	Changes to regulations and guidance may increase the cost of administering the Fund or increase the value of the Fund's liabilities.	The Fund ensures that it is aware of any actual or potential changes to regulations and guidance and will participate in consultations where appropriate.
Governance	The administering authority is unaware of changes to the Fund's membership which increases the value of its liabilities.	The Fund regularly monitors membership information and communicates with employers.

Approach to pooling investments

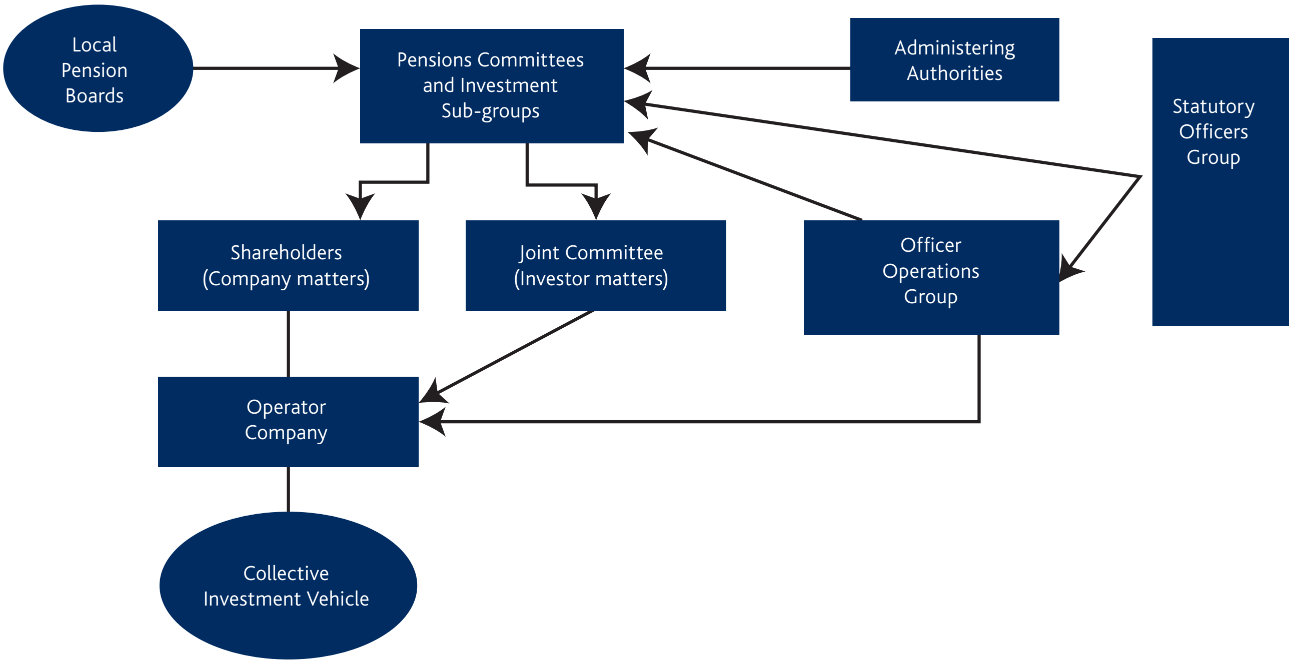
In order to satisfy the requirements of the "Local Government Pension Scheme: Investment Reform and Guidance" issued by the Department for Communities and Local Government ("DCLG") in November 2015 the Pension Fund has elected to become a shareholder in Border to Coast Pensions Partnership (BCPP) Limited. BCPP Limited will be an FCA-regulated Operator and Alternative Investment Fund Manager ("AIFM").

BCPP is a partnership of the following administering authorities:

- Bedfordshire Pension Fund
- Cumbria Pension Fund
- Durham Pension Fund
- East Riding Pension Fund
- Lincolnshire Pension Fund
- North Yorkshire Pension Fund
- Northumberland Pension Fund
- South Yorkshire Pension Fund
- South Yorkshire Passenger Transport Pension Fund
- Surrey Pension Fund
- Teesside Pension Fund
- Tyne and Wear Pension Fund
- Warwickshire Pension Fund

The partner Funds submitted their proposal to Government on 15th July 2016 and have received written confirmation from the Minister to confirm that the proposal meets the criteria laid down in the guidance issued in November 2015.

The proposed governance structure of BCPP is as follows:



The Fund will hold BCPP to account through the following mechanisms:

- A representative on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of BCPP Limited.
- A representative on the Joint Committee who will monitor and oversee the investment operations of BCPP Limited.

- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group

The Pension Fund will retain the decision making powers regarding asset allocation and will delegate the investment management function to BCPP Limited.

It is anticipated that a significant proportion of the Fund's investments will be made through BCPP Limited once it is fully operational. It is expected that BCPP Limited will be operational from April 2018 but assets will transfer into the pool on a phased basis. Where it is not practical or cost effective for assets to be transferred into the pool, they will continue to be managed at the Fund level. This is expected to predominantly include unquoted investments such as limited partnerships. Whilst these assets are unlikely to be transferred, it is expected that once these investments mature the proceeds will be reinvested into BCPP. At the current time, it is estimated that c. 70% of the Fund's assets will be invested in BCPP subject to it having suitable management arrangements in place.

The Fund will perform an annual review of assets that are determined to be held outside of BCPP to ensure that they continue to demonstrate value for money. Following this review, it will submit a report on the progress of asset transfers to the Scheme Advisory Board, in line with the guidance.

Approach to environmental, social and corporate governance (ESG) factors

Environmental, social and corporate governance factors relate to non-financial factors that can have a material impact on the value of a Fund's investments. They include factors such as carbon emissions, labour relations and shareholder rights.

The Pension Fund, and its investment managers, considers that ESG considerations can have a material impact on the value of its investments. As a result, the consideration of ESG factors are incorporated into its investment managers' investment processes.

The Fund will take into account the guidance issued by LAPFF, which highlights corporate governance issues at investee companies and recommends appropriate voting action, and any other appropriate guidance and information, in determining any relevant social, environmental, or governance considerations when selecting, retaining, and realising any of its investments. However, the overriding objective for the Pensions Committee will be to discharge its fiduciary duty in managing the Fund's investments in the best interests of the scheme's beneficiaries.

The Fund will take non-financial considerations, including ESG factors, into account in the selection, retention and realisation of investments but not where it is considered to have a detrimental financial impact.

The Fund has made, and will continue to make, "social investments" whereby an investment can have a positive social impact as well as generating a suitable financial return. However, the overriding consideration for any such investment is whether it generates an acceptable risk-adjusted return for the Fund.

The Fund has not excluded any investments on purely non-financial considerations and will continue to invest in accordance with the Regulations in this regard. The Fund does not pursue investment policies that are contrary to UK foreign policy or UK defence policy.

It is considered that the Pensions Committee, which receives advice from its investment managers and independent advisor, represents the views of the Fund membership and that the views of the Local Pension Board will be taken into account as part of their review of this document.

The exercise of rights attaching to investments

As a responsible investor, the East Riding Pension Fund wishes to promote corporate social responsibility, high standards of corporate governance, good practice, and improved corporate performance amongst all companies in which it invests. As a result, the Fund has adopted the Principles of the Financial Reporting Council's (FRC) UK Stewardship Code as shown below:

Principle 1 – Institutional investors should publically disclose their policy on how they will discharge their stewardship responsibilities.

The Fund takes its responsibilities as a shareholder seriously and seeks to adhere to the Principles of the Stewardship Code. It views stewardship as part of the responsibilities of share ownership, and, therefore, an integral part of the investment strategy. The Fund believes that active stewardship will help to deliver high standards of corporate governance which will contribute positively to business performance over time by:

- encouraging accountability between directors, shareholders, and other stakeholders;
- strengthening the integrity of relationships between these bodies; and
- improving transparency in the way companies are run.

In practice, the Fund's policy is to apply the Code through engagement with investee companies, the utilisation of its voting rights, an interpretation of best practice guidelines informed through the use of the Pensions Investment Research Consultants (PIRC) voting advisory service, existing arrangements with its external investment manager, and through membership of the Local Authority Pension Fund Forum (LAPFF).

Further details of PIRC's voting guidance is shown in the "UK Shareowner Voting Guidelines 2016" guidance document which is available at www.pirc.co.uk and further information regarding the engagement activities of the LAPFF is available at www.lapfforum.org.

The Pension Fund considers that social, environmental, and governance considerations can have a material impact on the value of its investments and should form part of its investment managers' investment processes.

Therefore, the Fund will take into account the guidance issued by LAPFF, which highlights corporate governance issues at investee companies and recommends appropriate voting action, and any other appropriate guidance and information, in determining any relevant social, environmental, or governance considerations when selecting, retaining, and realising any of its investments. However, the overriding objective for the Pensions Committee will be to discharge its fiduciary duty in managing the Fund's investments in the best interests of the scheme's beneficiaries.

The Fund's investment managers can exercise their discretion not to vote in accordance with best practice. Where this discretion is exercised, the rationale for this decision is reported to the Pensions Committee on a quarterly basis.

The exercise of any other rights attaching to a particular investment will be considered on a case by case basis.

In general, the Fund's engagement activities will be based on the importance of the issue, the materiality of the Fund's exposure to companies affected by the issue, and an assessment of the likelihood of success in the event of engagement.

The Pensions Committee reviews the Fund's corporate governance and voting activity and discusses the reasons for engagement, or lack of it, with its investment managers on a quarterly basis.

In addition, the Fund publishes summary details of corporate governance and voting activity in its Annual Report and Accounts.

Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publically disclosed.

East Riding of Yorkshire Council, the administering authority of the East Riding Pension Fund, maintains and monitors a Register of Interests which is completed both by Members of the Pensions Committee and by the individual employees of the internal investment manager. These are published on the Council's website and updated on a regular basis.

In addition, Pension Committee members are required to make any declarations of interest prior to Committee meetings. These interests are disclosed in the Pension Fund's Annual Report and Accounts.

In accordance with the Fund's Compliance Manual, individual employees of the internal investment manager require permission from the Head of Investments or, in the Head of Investments case, the Head of Finance prior to investing in any applicable investments on a personal basis. Individual employees are also required to disclose their personal investments on an annual basis. The Fund's Compliance Manual is an internal control document and it is not considered appropriate to disclose this publicly.

The interests and investments of the Fund's independent advisor are disclosed to the Pensions Committee on a quarterly basis.

The external investment manager's policy on conflict of interests is disclosed in its Statement of Compliance with the UK

Stewardship Code.

Principle 3 – Institutional Investors should monitor their investee companies.

The Pensions Committee delegates responsibility for managing the Fund's assets to the Investment Managers, who are expected to monitor companies and intervene where necessary.

The Fund subscribes to the Pension Investment Research Consultants (PIRC) voting and advisory service which provides voting recommendations based on industry best practice and receives an "Alerts" service from the LAPFF which highlights corporate governance issues of concern at investee companies. However, the Fund's investment managers are not bound to exercise their vote in accordance with these recommendations.

Issues on which the Fund has chosen to engage on in the recent past include:

- Directors' remuneration.
- Separation of the roles of Chairman and Chief Executive.
- Independence of non-executive directors.
- Supply chain management.
- Environmental factors including carbon risk.
- Labour relations.
- Auditor rotation.

The Fund is of the opinion that its corporate governance activities are significantly more effective if they are part of a larger group of like-minded investors, such as the LAPFF. The Fund is a supporter of the LAPFF's work but is unable to commit resources to take a more active role in LAPFF's engagement over and above its current membership role.

The external investment manager discharges its corporate governance responsibilities in accordance with its Investment and Corporate Governance Policy, which is also based on industry best practice.

The Fund's investment managers present reports on their voting activity on a quarterly basis to the Pensions Committee which are then subject to challenge and debate. The Pensions Committee also receives regular reports summarising the issues being raised by LAPFF and its current areas of focus, with companies in which the Fund has current ownership specifically highlighted, which further informs this process.

The Fund's investment managers can exercise their discretion not to vote in accordance with industry best practice. Where this discretion is exercised, the rationale for this decision is reported to the Pensions Committee on a quarterly basis.

The Fund's investment managers may choose to be made insiders in a particular company for a short period of time. In these instances, no transactions are permitted to be made from the point of disclosure until the information has been disclosed to the wider market. The specific restrictions are disclosed in the Fund's investment managers' compliance documents. As stated above, the Fund's internal investment manager's Compliance Manual is considered to be a private document that will not be disclosed publicly.

Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

As highlighted above, responsibility for day-to-day interaction with companies is delegated to the Fund's Investment Managers, including the escalation of engagement when necessary.

Where special situations arise which are not covered by the Fund's corporate governance strategy or where the policy is unclear, the Investment Managers will consult with the Director of Corporate Resources.

Although willing to act alone, as the Fund typically holds a very small percentage of equity in individual companies, there are strong reasons to collaborate with other asset owners in order to present a stronger case. The Fund utilises its membership of the LAPFF, which co-ordinates collaborative engagement with companies, regulators and policymakers to protect and enhance shareholder value, in order to maximise its influence.

If deemed appropriate, the Fund will participate in shareholder litigation.

Any such actions and subsequent outcomes are reported to the Pensions Committee in order to monitor activity and assess effectiveness.

Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate.

Collaborative engagement is a key part of a responsible investment strategy and the Fund will seek to work collectively with other institutional shareholders in order to maximise the influence it can have on individual companies.

The Fund seeks to achieve this through membership of the LAPFF, which engages with companies over environmental, social and governance issues on behalf of its members, and also its relationship with the external investment manager.

The Fund will also consider collaborating with other investors if it is considered to be appropriate and interested parties should contact the Fund's Head of Investments, Mark Lyon if they would like to discuss this further.

The external investment manager's policy on collaborative engagement is disclosed in its Statement of Compliance with the UK Stewardship Code.

Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activity.

The Fund views its voting rights as a valuable instrument to:

- protect shareholder rights;
- minimise risk to companies from corporate governance failure;
- enhance long term value; and
- encourage corporate social responsibility.

As such, the Fund seeks to exercise all voting rights attaching to its investments, where practical.

Whilst it is the Fund's intention to follow the principles of UK corporate governance best practice, the Fund will interpret the application of these principles according to its own views of best practice. There are also other issues outside of these principles on which the Fund will take a view.

As a general rule, the Fund will vote in favour of resolutions which are in line with the UK Corporate Governance Code or comply with best practice. The Fund will vote against resolutions which do not meet these guidelines, or which represent a serious breach of best practice, or which will have a negative impact on shareholders rights. The Fund may abstain on resolutions which may have an adverse impact on shareholder rights, or represent a less significant breach of these guidelines, or where the issue is being raised for the first time with a company. The specific voting outcome will depend on the particular circumstances of the company and the types of resolution on the meeting agenda.

The external investment manager is responsible for the exercise of voting rights attaching to investments that are managed by them on behalf of the Fund. The external investment manager will vote in accordance with its "Investment and Corporate Governance" policy which is available at www.schroders.com.

Reports summarising the Fund's voting activity are presented to the Pensions Committee on a quarterly basis, and the Fund publishes summary details of voting activity in its Annual Report and Accounts. The Fund has chosen not to disclose its full voting record as it does not consider that this will add any value to an external party's understanding of its corporate governance and voting policy and practices. However, the Fund is required to respond to a formal request for information via the Freedom of Information Act 2000.

The Fund engages in stock lending and seeks to recall stock on loan prior to a shareholder vote if it is deemed to be cost effective, suitable and practical. Examples of this will include resolutions that are not considered to in accordance with the UK Corporate Governance Code or where the Fund has a material holding and could potentially influence the outcome of the vote.

Principle 7 – Institutional investors should report periodically on their stewardship and voting activities.

The Pensions Committee reviews a detailed corporate governance and voting report, which includes the voting activity of both the internal and external investment managers, on a quarterly basis. In addition:

- The Administering Authority publishes the agendas and minutes of Pension Committee Meetings on its website – www.erpf.org.uk.
- The Fund publishes details of its stewardship and voting activities in its Annual Report and Accounts. This includes summary details of voting activity, and activity undertaken through the LAPFF as well as other collaborative engagement.

Compliance and monitoring

The investment managers are required to adhere to the principles set out in this Investment Strategy Statement. The Pensions Committee will require an annual written statement from the investment managers that they have adhered to the principles set out in this statement.

The Investment Strategy Statement of the East Riding Pension Fund will be reviewed by the Pensions Committee at least every 3 years and more regularly if considered appropriate.

communications policy

Introduction

The East Riding Pension Fund (ERPF) communicates with more than 250 scheme employers and 109,685 scheme members in relation to the Local Government Pension Scheme (LGPS). These members are split into the following categories and the figures shown are as at 31 March 2016:

- 39,475 Active scheme members;
- 41,585 Deferred scheme members; and
- 28,625 Pensioner members.

Objectives

The ERPF aims to deliver a consistently high level of customer service and performance to our stakeholders and recognises that effective communication plays a vital role in driving efficiencies within the Fund. It is also important to acknowledge that different stakeholders require information delivered via different methods and wherever possible, we will look towards electronic communication for both members and employers.

All our communications aim to:

- provide clear, accurate and relevant information in a timely manner;
- cut out jargon;
- use a multi-channel approach to communication, ensuring a best fit for the stakeholder;
- ensure members are able to make informed decisions regarding their pension with the information made available;
- be compliant with all legislative requirements when communicating with members; and
- work towards having electronic communication at the centre of our policy.

Our stakeholders

When communicating with our members, our objectives are:

- Scheme members
- Representatives of members
- Prospective members
- Scheme employers
- Prospective scheme employers

How we communicate

The ERPF are increasingly using electronic methods to communicate. Our website (www.erpf.org) is a principal source of information for both scheme employers and members. We also communicate by email with our stakeholders. In addition to electronic methods, and where appropriate, we use paper based communication methods such as letters, Annual Benefit Statements (ABSs) and other scheme literature such as the New Member Welcome Pack.

Direct telephone numbers are quoted on all our letters which means our stakeholders can communicate verbally with the pension fund staff. In addition, scheme employers are provided with direct contact details for all pension fund staff on a regular basis.

Scheme members who require alternative formats (such as Braille or audio) can request this to ensure access to relevant information at all times.

For members with extenuating circumstances due to ill health we will, at the scheme employer's request, provide a visit to discuss options and implications.

Developments

Over the last 12 months, the ERPF have developed and piloted ERPF online services for scheme employers. The next 12 months will see these online services rolled out to all scheme employers. ERPF online services will move the ERPF to paperless administration and improve data quality and response times. It will also increase data security as information will be shared using a secure portal. It is our aim to have all scheme employers signed up and using ERPF online services by March 2018.

ERPF online services will also be supported by the introduction of monthly contributions postings from April 2018. Submitting information on a monthly basis instead of on an annual basis will provide more up to date member data and help identify discrepancies between the Fund and scheme employer records more quickly.

This will be vital for rolling out ERPF online services for scheme members as they will have access to the information that the ERPF holds for them. Online services will allow us to move more of our communications including ABS, payslips and P60s to electronic methods.

In line with our commitment to electronic communication, we are currently developing a new website for our scheme members and scheme employers which will be launched during 2017-18.

Communication events for scheme members

When communicating with scheme members, the ERPF's objectives are to:

- encourage and retain membership of the scheme;
- highlight the benefits of LGPS 2014;
- provide more opportunities for two-way communication;
- reduce the number of enquiries and complaints; and
- reassure stakeholders.

Resource	Audience	Delivered via	Frequency
Member website	Prospective scheme members/ active/deferred /pensioner	Dedicated area of www.erpf.org.uk with information designed specifically for members	Constant
Pension enquiries (via telephone or email)	Prospective scheme members/ active/deferred /pensioner	The direct telephone number or dedicated e-mail address	Monday to Thursday; 9.00 to 17.00. Friday; 9.00 to 16.30
Visits in person	Prospective scheme members/ active/deferred /pensioner	Scheme members are welcome to visit the pension fund offices and have a 1-1 discussion with a member of staff	Monday to Thursday; 9.00 to 17.00. Friday; 9.00 to 16.30
Scheme member guides	Prospective scheme members/ active/deferred /pensioner	Electronic -Available online at www.erpf.org.uk	Constant
Newsletters for active, deferred and pensioner	Active/deferred Members/pensioner	Post/Electronic	As and when required
Annual report & accounts	Prospective scheme members/ active/deferred/pensioner	Electronic	Available online at www.erpf.org.uk
Bespoke communications	Active/deferred /pensioner	Post/Electronic	As and when required – usually following regulatory change
Annual Benefit Statement for active and deferred members	Active/ deferred	Post	Annual

Pre-retirement presentations (in partnership with Affinity connect)	Active	Face to face presentation	A minimum of 10 sessions per year
Payslips for pensioner members	Pensioner	Post	April & May each year or where the monthly pension changes by more than £1
April & May each year or where the monthly pension changes by more than £1	Pensioner	Post	Annual

Communication events for scheme employers and prospective employers

When communicating with scheme employers, the ERPF objectives are to:

- improve relationships;
- help them understand costs/funding issues;
- work together to maintain accurate data;
- ensure the smooth transfer of staff;
- ensure they understand the benefits of being an LGPS employer; and
- assist them in making the most of the discretionary areas within the LGPS.

Resource	Delivered via	Frequency
Employer website	Dedicated section of www.erpf.org.uk includes information designed specifically for scheme employers	Constant
Employer bulletins	Email bulletins to scheme employers with important regulatory and procedural information	As and when required but at least six per year
New employer meetings	Designed for new scheme employers entering the fund or those taking back payroll/HR services in-house	As and when required
Employers guides	A set of employer guides that go through forms and processes needed to administer the LGPS	Available on www.erpf.org.uk Emailed on request
Employer workshops	An opportunity for employers to cover new and/or complex topics in a workshop environment	As and when required
Employers annual meeting	An annual round up of scheme events and a presentation from the actuary explaining the valuation results if a valuation year	Annual
Annual report & accounts	Electronic	Available online at www.erpf.org.uk

The policy

This policy is made under Regulation 61 of the LGPS Regulations 2013. The ERPF will revise this policy on an annual basis and following any material change in policy.

Feedback

The ERPF welcomes feedback on this policy and any communications. Please email us at comms@eastriding.gov.uk or contact us at:

Systems and Web Team, East Riding Pension Fund, Council Offices, Church Street , Goole DN14 5BG

Tel: (01482) 394039

report of the east riding pension fund local pension board

The Public Service Pensions Act 2013 required Local Pension Boards to be established to assist administering authorities with all aspects of governance and administration of the Local Government Pension Scheme (LGPS). The Terms of Reference for the East Riding Pension Fund Local Pension Board ("the Board") were approved by the Pensions Committee on 6 February 2015 for recommendation to Full Council and were adopted on 25 February 2015.

Recruitment to the Board

Under the Terms of Reference, the Board consists of six voting members constituted as follows:

- three Employer Representatives – Administering Authority (1), other scheme employers (ie organisations other than the Administering Authority who, under the Regulations, can participate in the LGPS) (2); and,
- three Scheme Member Representatives – active members (1), pensioner members (1), active/pensioner or deferred member (1).

During 2016/17, there was a new Employer representative selected as a result of one of the Employer representatives standing down. Peter Doherty was selected as replacement for Brendan Arnold who had left his position at Hull City Council.

Information on the key features of being an Employer or Scheme Member representative and the role of the Board can be found on the East Riding Pension Fund ("the Fund") website at http://www.erpf.org.uk/local-pension-board-information/job-description-and-person-specification.

Employer representatives during 2016/17

Councillor A Burton, East Riding of Yorkshire Council;

Natasha Halsall - Pensions Manager, University of Lincoln;

Brendan Arnold - Director of Finance, Infrastructure and Transformation, Kingston upon Hull City Council *(up to 1 July 2016)*; and

Peter Doherty - Executive Director of Finance and Corporate Services, North Lindsey College *(from 17 February 2017)*.

Scheme Member representatives

Caroline Bell – active member;

Julie Davey – active member; and

Martin Eaden – pensioner member.

Board Meetings

During 2016/17, the Board has met three times to consider reports from the Director of Corporate Resources on Investment and Pension administration issues and to receive training as part of the Board's training programme. At the meeting held on 4 November 2016, nominations were sought for the position of Chair following Brendan Arnold standing down having served as Chair of the Board since 2 October 2015. Councillor Burton agreed to act as Chair on a meeting by meeting basis.

The Board have:-

- reviewed the internal controls and procedures in place at:

  - Schroder Investment Management Limited (the Fund's external investment manager);
  - State Street Global Services (The Fund's global custodian);
  - the Investments section (the Fund's internal investment manager); and
  - the Pensions Administration section.
- reviewed the Fund's Statement of Investment Principles and the Governance Policy Statement for 2016-17;
- reviewed the Fund's Investment Strategy Statement and the Fund's Governance Policy Statement effective from 1 April 2017;
- reviewed the performance of the Pensions Administration section;
- reviewed the work of the Fund's actuary;
- received updates on the scheme employer year end return exercise 2015-16;
- agreed the annual report of the Board for 2015/16 for the Pension Fund Report and Accounts;
- reviewed the Board's Terms of Reference;
- agreed a programme of work and training for 2017;
- reviewed reports on Local Authority Pension Fund Forum meetings;
- reviewed the draft Pension Fund Annual Report and Accounts 2015-16;
- reviewed the Annual Performance Report and Review 2015-16;
- reviewed the formal funding basis for the 2016 valuation and received updates on the 2016 valuation results;
- reviewed the Funding Strategy Statement;
- reviewed the Fund's corporate governance and voting activity;
- reviewed minutes from the Pensions Committee;
- reviewed the Fund's Communications policy;
- reviewed the Fund's Risk Register including record of breaches; and
- received updates on the Border to Coast Pension Partnership (BCPP) and the requirement for asset pooling.

The Board are keen to ensure their work assists the Pensions Committee and attended the Pension Committee meeting on 4 November 2016 to gain a greater understanding of how the Committee carries out its delegated function of making arrangements for the investment and management of the Fund.

The attendance rates at the meetings were as follows:-

- 83% on 1 July 2016;
- 67% on 4 November 2016; and
- 100% on 17 February 2017.

Training

All Board members are required to complete self assessment training questionnaires to identify their level of knowledge and understanding. Based on an analysis of their training needs, a training programme is in place for members.

Training sessions take place before each meeting and the following training has been delivered:-

- Pensions administration – 1 July 2016 delivered by Tim Hazlewood (PENtag Limited);
- Investment performance and risk management – 1 July 2016 delivered by Stephen Lee (Investec Asset Management);
- Actuarial valuation 2016 – 4 November 2016 delivered by Hymans, the Fund's actuary; and
- Pensions governance - 17 February 2017 delivered by Tim Hazlewood (PENtag Limited).

The attendance rates at the training sessions were as follows:-

- 83% on 1 July 2016;
- 67% on 4 November 2016; and
- 100% on 17 February 2017.
- The training sessions were also attended by members of the Pensions Committee.

Individually, members have been requested to complete all the modules in The Pensions Regulator’s Public Service toolkit and five of the six members have provided copies of their Development record as evidence of completing the following modules:-

1. Conflicts of interest;
2. Managing risk and internal controls;
3. Maintaining accurate member data;
4. Maintaining member contributions;
5. Providing information to members and others;
6. Resolving internal disputes; and
7. Reporting breaches of the law.

Costs

The cost of the implementation and running of the Board has been minimal, having been included in existing officer workloads.

Work plan for 2017

Topics will include:-

- Review of internal controls assurance reports;
- Review and outcome of the procurement process for actuarial services;
- Actuarial Valuation as at 31 March 2016;
- Pension Fund Risk Register;
- Update on Service Level Agreements with Scheme Employers;
- Scheme Employer Year End Return exercise 2016/17;
- ISA 260 plus Annual Report and Accounts 2016/17;
- Fund Performance 2016/17; and
- Review of the Board’s Terms of Reference.

The challenges facing Scheme employers and the Fund are likely to increase in 2017/18 with the results of the 2016 Valuation effective from 1 April 2017. The Board will endeavour to assist the Fund to ensure that both members and employers continue to receive accurate and timely information of any changes.

Details of the Board activities including papers, agendas and minutes of Board meetings can be found at http://www.erpf.org.uk/local-pension-board-information.

East Riding Pension Fund Local Pension Board
July 2017

auditor report

Independent auditor's report to the members of East Riding of Yorkshire Council on the pension fund financial statements published with the Pension Fund Annual Report and Accounts

We have examined the pension fund financial statements for the year ended 31 March 2017 on pages 67 to 91.

Respective responsibilities of the Head of Finance and the auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance 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 2016/17.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report and Accounts with the pension fund financial statements included in the annual published statement of accounts of East Riding of Yorkshire Council, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

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

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of East Riding of Yorkshire Council for the year ended 31 March 2017 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

John Prentice
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
KPMG LLP
1 Sovereign Square, Sovereign Street,
Leeds, LS1 4DA

14 September 2017

contact points

Information relating to any pension matters including individual benefit or contribution enquiries should be addressed to the Pensions Section at the address below or by telephoning (01482) 394150

The Pensions Manager
East Riding Pension Fund
Pensions Section
PO Box 118
Church Street
Goole
East Riding of Yorkshire
DN14 5BG

Enquiries relating to investment matters should be addressed to the Investments Section at the address below or by telephoning (01482) 394135

The Head of Investments
East Riding Pension Fund
Investment Section
PO Box 164
Church Street
Goole
East Riding of Yorkshire
DN14 5YZ

General information can be found on the East Riding Pension Fund website www.erpf.org.uk