

***Annual Report and
Statement of Accounts
2016-17***

Contents

	Page
Introduction	3
Statement of responsibilities	4
Chairman's foreword	5
Scheme framework	7
Scheme management and advisers	11
Risk management	15
Financial performance	19
Administrative management performance	22
Investment policy and performance report	31
Scheme administration report	44
Actuarial report on funds	47
Governance policy and compliance statement	52
Pensions administration strategy	54
Funding strategy statement	55
Investment strategy statement	56
Communication strategy statement	57
Any other appropriate material	58
Auditor's report	59
Fund account, net assets statement and notes	61
Glossary of terms	103
	Appendices
Governance policy & compliance statement	A
Funding strategy statement	B
Investment strategy statement	C
Joint administration strategy & joint communication strategy	D

INTRODUCTION

This Annual Report and Statement of Accounts sets out the arrangements by which the Local Government Pension Scheme operates, reports changes which have taken place and reviews the investment activity and performance of the Cambridgeshire County Council Pension Fund ("Fund") during the year.

The Statement of Accounts has been prepared in accordance with the *CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom 2016-17*.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after year end. The actuarial position of the Fund which takes into account these obligations is available on the Cambridgeshire Fund's County Council website, <http://cambridgeshire.gov.uk>.



Mr C Malyon

Chief Finance Officer
(Section 151 Officer)

Dated 25 October 2017

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this statement of accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

Certificate of Accounts

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Pension Fund at 31 March 2017 and of its income and expenditure for the year 2016-17, and authorise the accounts for issue.



Mr C Malyon
Chief Finance Officer
(Section 151 Officer)

Dated 25 October 2017

CHAIRMAN'S FOREWORD

It is my pleasure, as Chairman of the Pension Fund Committee to introduce the Cambridgeshire County Council Pension Fund Annual Report and Statement of Accounts for 2016-17.

2016-17 was another year of significant change and challenge for the Fund with the completion of the 2016 triennial valuation and continued development of asset pooling in particular.

During 2016-17 there has been a steady growth of members in the Fund to 77,323, whilst the number of employers at 31 March 2017 of 182 has remained broadly stable.

At 31 March 2017 the Fund was valued at £2.854bn, a significant increase from the £2.276bn of 31 March 2016, reflecting the Funds asset return of 24.5% for the year, which outperformed both the Fund's benchmark return (23.7%) and the average Local Authority Pension Fund (21.4%). (*Source PIRC Ltd Local Authority Universe*). Additionally the Cambridgeshire Fund was ranked 3rd percentile in the Local Authority Universe for investment performance over the last 12 months.

The Fund's investment strategy remains focused on growth assets which are expected to earn more attractive returns over the longer term than lower risk investments.

Over the year, the funding level for the Fund has increased from 78% to 81%. This is principally due to the strong returns on investments. The results of the 2016 triennial valuation published in April 2017 showed a funding level of 78% compared to 72% at the 2013 valuation. The improvement in funding position between 2013 and 2016 is mainly due to strong investment performance over the inter-valuation period, coupled with the positive impact of pay and benefit growth being lower than expected.

Since 2010, Cambridgeshire County Council and Northamptonshire County Council have operated under a joint partnership, LGSS, to provide back office shared services including pension's administration. This arrangement provides efficient converged processes, sharing of resources and economies of scale to both funds.

Following the Autumn Statement on 25 November 2015, the Department for Communities and Local Government (DCLG) published its criteria for Local Government Pension Scheme (LGPS) investment pooling, focusing on 4 criteria: scale, strong governance, reduced costs and improved capacity to invest in infrastructure.

To deliver this agenda the Fund joined up with 10 other pension funds to form the ACCESS Asset Pool, with a Shadow Joint Governance Committee (SJGC) steering the development of the pool from April 2016.

The initial work of the SJGC was to establish how ACCESS would meet the 4 pooling criteria. A detailed proposal was submitted to Government on the 15th July 2016.

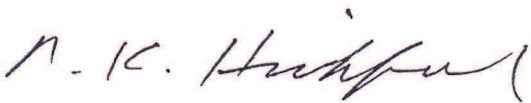
Work then focussed on determining the most appropriate structure for the ACCESS pool, principally whether to own or rent the operator. The renting solution was agreed unanimously at the SJGC meeting of the 2nd September 2016 and subsequently ratified by all the constituent Councils by November 2016

The Administering Authorities of the ACCESS pool have agreed to enter into an Inter Authority Agreement (IAA) in order to establish and delegate responsibilities to a formal Joint Governance Committee (JGC). The IAA's and subsequent constitutional changes for each local authority have since been agreed by the respective Full Councils, during February and March 2017.

The first formal ACCESS investment initiative is a passive procurement arrangement expected to be available to the constituent funds by August 2017. This is a significant procurement valued at £11bn, with expectations to deliver in excess of £4m fee savings to the ACCESS funds.

I consider that it has been a successful year for the Fund as a result of the hard work invested by the members of the Pension Fund Committee and Investment Sub Committee, members of the Local Pension Board, the Chief Finance Officer, the Head of Pensions and all staff involved in the administration and investment management of the Fund.

I am confident that LGSS Pension Services will continue to provide high standards of service delivery and meet new and existing challenges into 2017-18 and beyond.

A handwritten signature in black ink, appearing to read 'R. K. Hickford', written in a cursive style.

Councillor Roger Hickford
Chairman of Cambridgeshire County Council Pension Fund

SCHEME FRAMEWORK

The Local Government Pension Scheme is a statutory funded pension scheme. It is “contracted-out” of the state scheme and is termed a defined benefit scheme. The operation of the Cambridgeshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) which have been made within the context of the primary legislation of the Public Service Pensions Act 2013. The scheme covers eligible employees of the County Council, the Police Authority, Police and Crime Commissioner, Unitary, District and Borough Councils and Academies within the county area other than teaching staff, police officers and fire-fighters for whom separate statutory arrangements exist. A number of other bodies are also members of the scheme.

Employers’ 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. The last valuation took place as at 31 March 2016. The results of the valuation were a funding level of 78% and an average primary employer contribution rate of 18.1%. The primary rate includes an allowance of 0.6% of the pensionable pay for the Fund’s expenses. The average employee contribution rate is 6.3% of pensionable pay. At the previous formal valuation at 31 March 2013 a different regulatory regime was in force and therefore contribution rates that are directly comparable to the rates given above are not available.

On 1 April 2014, the new Local Government Pension Scheme 2014 came into effect, allowing more flexibility around paying into the scheme and drawing benefits. Normal pension age is linked to the state pension age but benefits can be drawn earlier or later, between age 55 and 75. The normal retirement age is the age a member can access their pension in full; if it is accessed before that date benefits will usually be reduced and if accessed after normal retirement age benefits may increase. All service built up to 31 March 2014 in the LGPS is fully protected and will continue to be based on a member’s final year’s pay when the individual leaves the LGPS.

Benefits built up before April 2014 also retain their protected Normal Pension Age, which for most members is 65, although certain members have a retirement age of 60 for all or part of their membership. There is an additional protection known as the ‘underpin’ for members who were active on 31 March 2012 and were within ten years of their Protected Normal Pension Age on 1 April 2012. These members will get a pension at least equal to the pension they would have received in the LGPS had it not changed on 1 April 2014, subject to meeting certain criteria.

The below table compares the 2008 and 2014 Schemes.

	LGPS 2008	LGPS 2014
Basis of Pension	Final Salary	Career Average Revaluated Earnings (CARE)
Accrual Rate	1/60th	1/49th
Revaluation Rate	Based on Final Salary	Consumer Prices Index (CPI)
Pensionable Pay	Pay excluding non contractual overtime and non pensionable additional hours	Pay including non-contractual overtime and additional hours
Employee Contribution rates	Between 5.5% and 7.5%	Between 5.5% and 12.5%
Contribution Flexibility	No	Option to pay 50% contributions for 50% of pension benefit
Normal Pension Age	65	Equal to individuals state pension age
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160 th accrual based on Tier 1 ill health pension enhancement	1/160 th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65) Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age (65) Tier 3 – Temporary payment of pension for up to 3 years	Tier 1 – Immediate payment with service enhanced to Normal Pension Age Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 – Temporary payment of pension for up to 3 years
Indexation of Pension in Payment	CPI (RPI for pre-2011 increases)	CPI
Vesting Period	3 months	2 years

Active Employers (182)

Note: Academy Trusts are classified as one employer, marked with *, with members of each trust listed in italics.

Scheduled Bodies (59)

Abbey College Academy
Active Learning Trust*
Active Learning Trust HQ
Burrowmoor Primary Academy
Chesterton Academy
Highfield Academy
Isle of Ely Academy
Kingsfield Primary School Academy
Neale Wade Academy
Alderman Jacobs Academy
All Saints Inter Church Academy
Anglian Learning Trust*
Bassingbourn Village College Academy
Bottisham Village College Academy
Netherhall School Academy
Sawston Village College Academy
Arthur Mellows Voluntary Controlled Academy
Aspire Learning Trust*
New Road Primary School
Park Lane Primary & Nursery School
Sir Harry Smith Community College
Bourn Church of England Primary School Academy
Buckden Church of England Primary Academy
CAM Academy Trust*
Cambourne Village College
Comberton Academy Trust
Comberton Village College
Gamlingay First School Academy
Melbourn Village College Academy
St Peter's School HD Academy
The Voyager Academy
Cambridge City Council
Cambridge Meridian Academies Trust*
Cambridge Meridian Academy Trust
Ely College
Nene Park Academy
North Cambridge Academy
Sawtry Junior Academy
Sawtry Community College Academy

Swavesey Village College Academy
West Town Primary Academy
Cambridge Primary Education Trust*
Hatton Park School
Histon and Impington Infants School
Histon and Impington Junior Academy
Cambridge Regional College
Cambridgeshire & Peterborough Fire Authority
Cambridgeshire Constabulary
Cambridgeshire County Council
Cambridgeshire Police and Crime Commissioner
Chilford Hundred Education Trust*
Linton Village College Academy
Meadow Primary School
City College Peterborough
Cromwell Academy
Cromwell Community College
Crosshall Infants Academy
Crosshall Juniors Academy
East Cambridgeshire District Council
Elliot Foundation Trust*
Elm Road Primary Sch. Academy
Eyrescroft Primary School Academy
Highlees Primary Academy
Millfield Primary School Academy
Nene Infants Academy
Ramnoth Primary Academy
Ramsey Junior
Ramsey Spinning Infants
Fenland District Council
Fulbridge Academy
Godmanchester Community Education Trust*
Godmanchester Community Primary Academy
Greater Peterborough UTC
Greenwood Academies Trust*
Bishop Creighton Academy
City of Peterborough Academy Special School (MAT)
City of Peterborough Academy Special School
Dogsthorpe Academy
Newark Hill Primary Academy
Stanground Academy

Welland Primary School
Hampton Academies Trust*
Hampton College Academy
Hills Road Sixth Form College
Hinchingsbrooke School
Huntingdon District Council
Huntingdonshire Regional College
Long Road Sixth Form College
Magna Learning Trust*
Leverington Primary Academy
Murrow Primary School
Morris Education Trust*
Impington Village College Academy
Witchford Village College
Ormiston Bushfield Academy Trust*
Ormiston Meadows Academy
Parkside Federation Academies*
Parkside Federation Academies
Peterborough City Council
Peterborough Regional College
South Cambridgeshire District Council
Spring Common Academy
St Bedes Inter Church School
St Ivo School Academy
St John's Academy
St Neots Learning Trust*
Ernulf Academy
Longsands Academy
Staploe Education Trust*
Kennett Community School
Shade Primary School
Soham Village College Academy
TDA Education Trust*
Thomas Deacon Academy
The Brooke Weston Trust*
Peckover Primary Academy
Thomas Clarkson Community College Academy
The Diamond Learning Partnership Trust*
Glebelands Primary
Great Staughton Academy
Kimbolton Primary Academy
Middlefield Community Primary Academy
Round House Community Primary Academy
Thomas Eaton
Winhills Primary School

The Diocese of Ely Multi-Academy Trust*
Bury Church of England Primary School
Ermine Street Church Academy
Guilden Morden CofE Primary Academy
Mepal & Wicham CofE Primary Academy
St Andrew's CofE Academy
St Mary's CofE Junior Academy
St Marys St Neots Academy
St Peters CofE Academy
Stanground St John's Academy
William De Yaxley CofE Academy
Wisbech St Mary CofE Primary
 The Kings School Academy
 University of Cambridge Primary School
 United Learning Trust
 UTC Cambridge
 William Law CofE Primary Academy

Designated Bodies (44)

Bar Hill Parish Council
 Bretton Parish Council
 Burnt Fen Internal Drainage Board
 Burwell Parish Council
 Cambourne Parish Council
 Chatteris Town Council
 City of Ely Council
 Eye Parish Council
 Farcet Parish Council
 Feldale Internal Drainage Board
 Gamlingay Parish Council
 Haddenham Level Drainage Commissioners
 Haddenham Parish Council
 Histon and Impington Parish Council
 Holmewood and District Internal Drainage Board
 Huntingdon Town Council
 LGSS Law Ltd
 Linton Parish Council
 Little Downham Parish Council
 Little Paxton Parish Council
 Littleport and Downham Internal Drainage Board
 Middle Fen and Mere Internal Drainage Board
 Middle Level Commissioners
 Newborough Parish Council
 Orton Warerville Parish Council
 Sawston Parish Council

Sawtry Parish Council
 Soham Town Council
 Sommersham Parish Council
 St Ives Town Council
 St Neots Town Council
 Sutton Parish Council
 Swaffham Internal Drainage Board
 Swavesey Parish Council
 Thorney Parish Council
 Tydd St Giles Parish Council
 Waterbeach Level Internal Drainage Board
 Waterbeach Parish Council
 Whittlesey Internal Drainage Board
 Whittlesey Town Council
 Wimblington Parish Council
 Wisbech Town Council
 Witcham Parish Council
Yaxley Parish Council

Admitted Bodies (79)

ABM Catering Ltd (Morley Memorial)
 Action for Children
 Action for Children (London Road)
 ADeC
 Advanced Cleaning Services
 Advanced Cleaning Services (Burwell & Netherhall)
 Alliance in Partnership
 Aspens Services Ltd
 Aspens Services Ltd (Fen Drayton)
 Aspens Services Ltd (Hemingford Grey)
 Aspens Services Ltd (Huntingdon Primary)
 Aspens Services Ltd (Staploe Ed Trust)
 Aspens Services Ltd (Staploe MAT)
 Aspens Services Ltd (Swavesey)
 Avocet Cleaning Services
 Balfour Beatty
 Cambridge LIVE
 Cambridgeshire & Peterborough CCG
 Care Quality Commission
 Carers Trust
 Cater Link Ltd
 Cater Link Ltd (Diamond Learning Partnership Trust)
 Chartwells Catering (Netherhall)
 Churchill Contract Services
 Circle Anglia Ltd
 Collections Trust
 Compass Contract Services

Compass Contract Services
 Chartwells
 Coram Cambridgeshire Adoption Limited
 CPFT
 CRCC - Cambridge Rape Crisis Centre
 Cross Keys Homes Ltd
 Cucina Ltd
 Drinksense (prev C.A.A.S)
 East of England Local Government Association (EEDA/EERA)
 Easy Clean Ltd (Eastfield Infants)
 Easy Clean Ltd (Godmanchester)
 Easy Clean Ltd (Kings Hedges)
 Ecovert FM Ltd
 Edmund Trust
 Elinor UK
 Enterprise Managed Services
 Etheldred House
 Excelcare (now Aliwal Healthcare Ltd)
 Friends Therapeutic Community
 Greenwich Leisure Ltd
 Home Close Ltd
 Homerton College
 Inclusion
 Innovate Services Ltd
 Kealey HR Ltd
 Kelsey Kerridge Sports Hall
 Luminus Group Limited
 Lunchtime UK Ltd
 Lunchtime UK Ltd (Waterbeach)
 Mears Ltd
 Mears Ltd (SCDC)
 Mitie PFI Limited
 Mountain Healthcare Ltd
 NPS Property Consultants Ltd
 Oxford Archaeology
 Pabulum Catering (Sawtry College)
 Pabulum Catering Ltd
 Pabulum Catering Ltd (Cottenham)
 Peterborough Womens Aid
 Radis Community Care
 Roddons Housing Association
 Sanctuary Group
 Serco Limited
 Serco Limited (PCC)
 Skanska
 Sport and Leisure Management
 St Columba Centre (Group Therapy)
 Stephen Perse Foundation
 TSG Building Services Ltd
 VISIT Cambridge and Beyond
 Vivacity
 Wisbech and Fenland Museum
 Wisbech Grammar School

SCHEME MANAGEMENT AND ADVISERS

Registered Pension Scheme Number: 10038487

Administering Authority

Cambridgeshire County Council
Shire Hall
Castle Hill
Cambridgeshire
CB3 0AP

Administrator

Mr C Malyon
Chief Finance Officer
S151 Officer Cambridgeshire County Council

Pension Fund Committee and Investment Sub-Committee

County Council Members

Cllr Roger Hickford - Chairman
Cllr Terry Rogers – Vice Chairman (from May 2017)
Cllr Maurice Leeke – Vice Chairman (until May 2017)
Cllr Peter Ashcroft (until May 2017)
Cllr Peter Downes (from May 2017)
Cllr Anne Hay (from May 2017)
Cllr Noel Kavanagh (until May 2017)
Cllr Gail Kenney (until May 2017)
Cllr Joshua Schumann
Cllr Mike Shellens (from May 2017)

All other Local Authorities, Police and Fire (Unitary Representative)

Cllr David Seaton (Peterborough City Council)

All other Local Authorities, Police and Fire (Borough and District Representatives)

Cllr Andrew Fraser (South Cambridgeshire District Council)

Other Employers' Representatives

Tracy Roden (from 5 June 2017)
Gareth Deeble (until 31 March 2017)

Member Representatives

John Walker
Matthew Pink

Local Pension Board Members

Employer representatives

Cllr Simon King (appointed May 2017)
Cllr Ian Manning (appointed May 2017)
Cllr Mac McGuire (until May 2017)
Cllr Peter Downes (appointed October 2016 until May 2017)
Cllr Lucy Nethsingha (resigned October 2016)
Denis Payne (appointed February 2017)
Ian Dewar (resigned November 2016)

Scheme member representatives

Barry O'Sullivan (Chairman)
John Stokes
David Brooks

Key Officers supporting the Fund

Head of Pensions	Mark Whitby
Investment & Fund Accounting Manager	Paul Tysoe
Operations Manager	Akhtar Pepper
Employer and Systems Team Manager	Cory Blose
Governance & Regulations Manager	Joanne Walton
Fund Financial Managers	Richard Perry (Investment) Tracy Pegram (Investment) Ben Barlow (Fund)
Investment Advisers	Mercer Investment Consulting Belvedere 12 Booth Street Manchester M2 4AW
Investment Managers	Adams Street Partners 4th Floor 75 Davies Street London W1K 5JN Dodge & Cox Worldwide Investments Ltd 6 Duke Street St. James's London SW1Y 6BN Equitix Limited

Welken House,
10-11 Charterhouse Square
London EC1M 6EH

J O Hambro Capital Management Limited
Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB

HarbourVest Partners (UK) Ltd
3rd Floor
33 Jermyn Street
London SW1Y 6DN

M & G Group
Governor's House
Laurence Pountney Hill
London EC4R 0HH

Partners Group (UK) Ltd
14th Floor
Heron Tower
110 Bishopsgate
London EC2N 4AY

Schroders Investment Management Ltd
31 Gresham Street
London EC2V 7QA

Skagen Funds
High Holborn House
52-54 High Holborn
London WC1V 6RL

State Street Global Advisors Ltd
20 Churchill Place
Canary Wharf
London E14 5HJ

UBS Global Asset Management (UK) Ltd
5 Broadgate,
London EC2M 2QS

Custodian

Northern Trust
50 Bank Street
Canary Wharf
London E14 5NT

AVC Provider	Equitable Life PO Box 177 Walton Street Aylesbury, Bucks HP21 7YH
	Prudential Assurance Co Ltd Laurence Pountney Hill London EC4R 0HH
Fund Actuary	Hymans Robertson LLP 20 Waterloo Street Glasgow G2 6DB
Auditor	BDO LLP 16 The Havens Ransomes Europark Ipswich, Suffolk IP3 9SJ
Legal Advisor	LGSS Law Limited Shire Hall Castle Hill Cambridge CB3 0AP
Performance reporting	Mercer Investment Consulting Belvedere 12 Booth Street Manchester M2 4AW
Banker	Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5HP

Further information regarding the accounts and investments can be obtained from:

Paul Tysoe,
Investment and Fund Accounting Manager
ptysoe@northamptonshire.gov.uk
Tel: 01604 368671

Enquiries relating to benefits and administration should be directed to:

Mark Whitby,
Head of Pensions, LGSS
MWhitby@northamptonshire.gov.uk
Tel: 01604 368502

RISK MANAGEMENT

Cambridgeshire County Council, the Administering Authority to the Cambridgeshire Pension Fund, has a process in place to identify, evaluate, mitigate and monitor risks associated with the activities that the Fund carries out. The arrangements in place which provide for the management of risk are described below.

A Risk Strategy was formally agreed in 2015-16 and subsequently the risk register was formally agreed in October 2016.

The risk strategy can be found at - <http://pensions.northamptonshire.gov.uk/wp-content/uploads/2016/04/Risk-Strategy.pdf>

The risk register can be found at - <http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>

Managing decision making

Cambridgeshire County Council has established a Pension Fund Committee (PFC) and Investment Sub-Committee (ISC) having strategic and operational investment decision making powers, respectively.

Membership of both bodies consist of elected members, and non-elected employer and scheme member representatives. All members of the ISC sit on the PFC.

The PFC's business covers all Fund matters with the exception of non-strategic investment issues, which are delegated to the ISC. Officers across the administration, investment, accounting and governance functions support the PFC and ISC as required. All meetings of the PFC and ISC are duly minuted.

PFC members and ISC members are required to attain a desired level of skills and knowledge, to ensure decisions being made on behalf of Cambridgeshire County Council Pension Fund are made with full understanding of the impact and therefore mitigating the risk of unfounded decisions.

The Committee members must at all times be conscious of their accountability to stakeholders. The PFC is responsible for determining the nature and extent of any significant risks taken on by the Administering Authority in the pursuit of its strategic objectives. Risk management should be dynamic and comprehensive, considering operational, reputational and environmental, social and governance (ESG) risks in addition to financial risks.

In April 2017, the Cambridgeshire Full Council acknowledged the establishment of the ACCESS Joint Governance Committee (AJGC) delegating powers to this body in response to the Government's pooling agenda. The Chairman and Vice Chairman of the PFC will act as representatives of the Fund on the AJGC, supported by Fund officers working in the ACCESS Officers Working Group (AOWG).

The Local Pension Board (LPB) was established on 1 April 2015, providing an additional layer of governance for the Fund. The LPB is non-decision making but has the responsibility of assisting the Administering Authority to:

- secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- ensure the effective and efficient governance and administration of the LGPS.

The LPB has provided a separate annual report of its activities to Council for this financial year.

Managing investment risks

The Cambridgeshire Pension Fund has over £2.8 billion of assets under management as well as even larger long-term liabilities. It is essential that the Fund's assets are managed appropriately to ensure the Fund can meet the payment of its current and future liabilities.

The Fund currently has fifteen investment mandates with eleven fund managers. The Fund is also joint owner of Cambridge and Counties Bank.

An Investment Management Agreement or Subscription Agreement is in place for each fund manager, setting out the relevant benchmark, performance target, asset allocation ranges and any statutory restrictions or other restrictions determined by the Pension Fund Committee and/or Investment Sub-Committee as appropriate.

The constant monitoring of performance relative to a performance target constrains fund managers from deviating significantly from the intended approach, whilst permitting flexibility to manage mandates in such a way as to enhance returns. The appointment of more than one fund manager provides diversification of manager risk and investment style.

Fund managers will bias their portfolios towards stocks which are expected to out-perform in rising or falling markets and are required to operate in such a way that the possibility of underperformance against the target is kept within acceptable risk tolerances.

The Fund uses third party providers for investment management and custodian services. The risk of misstatement or error in the processes operated by the third parties is mitigated by reviewing the ISAE3402 service auditors' assurance reports provided by the investment managers and the Custodian.

The Fund's investment performance is reviewed by the Investment Sub-Committee and should remedial action be required the Sub-Committee will determine and undertake appropriate implementation.

Annually the PFC reviews the work of the ISC in July in addition to receiving the Fund's Annual Report and Statement of Accounts. The focus of this review meeting is the annual and longer term view of the Fund's investment strategy from the Fund's Investment Consultant in addition to reports on the Local Authority Universe, and the performance of the Fund's third party providers.

Managing funding risks

The fundamental objective of the Fund is to ensure that all future liabilities can be met from the Fund's assets. Asset Liability Studies are undertaken to help the Pension Fund Committee and Investment Sub-Committee determine appropriate asset allocation ranges. The aim of these is to ensure that the Fund's assets are prudently spread across a range of asset types and markets. As the Fund's liabilities are based in sterling, the majority of the Fund's assets are likely to be sterling denominated. The asset allocation is formally reviewed following publication of each triennial valuation, and at other times as required.

To minimise risk a broadly based portfolio of stocks is held, spread across different countries and different industrial sectors.

At present the Fund has a positive cash flow and is forecast to remain positive for a number of years. However the Fund is acutely aware of significant potential pressures such as members opting out of the scheme, financial pressures on employers, and the general economic climate. The Fund is actively monitoring these pressures to ensure it can act quickly should the need arise. The Fund does sell investments from time to time as part of normal investment management activities.

Managing scheme employer related risks

At 31 March 2017 there were 310 scheme employers in the Cambridgeshire Pension Fund, of which 182 were active, all of which have different risks associated with their financial positions. Therefore it is important that close monitoring processes are in place to ensure the Fund and its stakeholders are protected from these risks.

The Fund is aware that it is possible for an increase in the employer contribution rate to become unaffordable for both existing scheme employers and to potential admissions of new employers to the scheme. In these instances the Fund would seek feedback and evidence from employers on their scope to absorb short-term contribution rises. It is also possible to mitigate the impact through deficit spreading and phasing in of contribution increases where this is possible and where this does not negatively impact the Fund. Another possible option is the "phasing" of contribution increases over a number of valuation periods. Whichever option is considered, it is essential that decisions are well informed through actuarial advice and account for current and future asset and liability expectations.

It is essential for the Fund to actively manage employers exiting the Fund, including those that prematurely cease to exist, particularly those with insufficient funding or bonds in place to meet the liabilities that they leave behind. In some cases the liabilities will pass back to the ceding employer, or where this is not an option, the liabilities will be spread across the remaining employers within the Fund. The Fund has in place a comprehensive Admissions Policy which clearly sets out where a guarantee or bond is required in order for a new employer to secure admission to the Fund.

Scheme employers can also present the Fund with risks by submitting poor quality data. Inaccurate data can lead to the miscalculation of pension benefits which can lead to the misstatement of the benefits to which a member is entitled. Any inaccuracy of data could have a detrimental effect on the size of the employer's liabilities which may result in a higher and potentially unaffordable employer contribution rate at the next valuation. The Fund has and will

continue to actively engage with scheme employers to provide training, tools and support to so improve the accuracy of data. The Fund also monitors employer performance in the form of key performance indicators which are regularly fed back to employers.

Managing demographic risks

The increasing life expectancy of scheme members over the years has increased the value of the Fund's liabilities which has resulted in a decrease in the funding position. Employer contribution rates have been increased at each triennial valuation to ensure that the funding position does not continue to deteriorate. The Fund also uses analysis of changing life expectancy trends which is fed into the Fund's valuation process to ensure that employer contribution rates are calculated based on the most accurate data available.

FINANCIAL PERFORMANCE

The following tables provide details regarding the management of the Fund's income and expenditure.

Three year forecast of income and expenditure

	2016-17 Estimated Outturn	2016-17 Final Outturn	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
	£000	£000	£000	£000	£000
Contributions ¹	111,082	125,448	123,500	135,000	137,000
Transfers in from other pension funds	5,370	3,292	5,400	5,400	5,400
Total Income	116,452	128,740	128,900	140,400	142,400
Benefits payable	(92,784)	(98,387)	(98,300)	(100,000)	(101,700)
Payments to and on account of leavers.	(5,370)	(10,421)	(5,400)	(5,400)	(5,400)
Total Benefits	(98,154)	(108,808)	(103,700)	(105,400)	(107,100)
Surplus of contributions over benefits	18,298	19,932	25,200	35,000	35,300
Management Expenses ²	(7,855)	(15,163)	(15,640)	(15,653)	(15,818)
Total Income less Expenses	10,443	4,769	9,560	19,347	19,482
Investment Income	28,000	30,147	29,000	30,000	31,000
Taxes on income	-	-	-	-	-
Profit and losses on disposal of investments and changes in the market value of investments ^{2,3}	73,000	542,371	82,484	84,561	86,634
Net return on investments	101,000	572,518	111,484	114,561	117,634
Net increase/(decrease) in the net assets available for benefits during the year	111,443	577,287	121,044	133,908	137,116

¹ The estimated contributions for 2018-19 increase, reflecting the assumption that changes arising from the 2016 triennial valuation would take effect from 1 April 2018 for stabilised employers.

² Note: In 2016-17 there has been a change in presentation of investment manager expenses to include (i) manager fees deducted from pooled funds, and (ii) transaction costs on segregated funds, both of which were previously reported as a reduction in the profit and losses on disposal of investments. These have contributed to the variance to estimate on Management Expenses of £6,902,000 and £508,000, respectively with an off-setting adjustment to profit and losses on disposal of investments. Future year's estimates have been amended for consistency. In addition, the level of investment manager fees was higher than expected as they were based upon higher than expected asset valuations arising from the strong performance of investments over the period.

³ Returns on investments during the year were significantly higher than estimated, as both risk and defensive asset classes posted strongly positive returns, adding 24.5 %, exceeding the benchmark return by 0.8%.

Performance against budget – net operational expenses

The following table shows the Fund's forecast for total management expenses for 2016-17 compared with the outturn.

	2016-17 Forecast	2016-17 Outturn	Variance
	£'000	£'000	£'000
Administrative costs	2,249	2,218	(31)
Investment management expenses	5,178	12,526	7,348
Oversight and Governance costs	428	419	(9)
Total Management Expenses²	7,855	15,163	7,308

² See Note above on page 19.

Timeliness of contributions

The following table shows the amount of regular employee and employer contributions paid during 2016-17 and the value and percentage of which were paid both on time and after the deadline of the 19th day of the month following deduction.

	Total Paid in 2016-17 £	Total Paid On Time £	% Paid On Time	Total Paid Late £	% Paid Late
Employer Contributions	91,141,982	88,818,793	97%	2,323,189	3%
Employee Contributions	24,624,394	23,953,466	97%	670,928	3%
Total	115,766,376	112,772,259	97%	2,994,117	3%

Late payments are reported quarterly to the PFC and where necessary to the Pensions Regulator.

Movement in assets & liabilities

The table below shows the forecast against the outturn on the Fund's cash flows and asset values in respect of 2016-17.

	2016-17 Estimated Outturn	2016-17 Final Outturn
	£'000	£'000
Cash flows		
Fund surplus / (deficit) cash from dealings with members	18,298	19,932
Management expenses (see ² on page 19)	(7,855)	(15,163)
Returns on investments (see ^{2,3} on page 19)	101,000	572,518
Net increase /(decrease) in the net assets available for benefits during the year	111,443	577,287
Assets held		
Index-linked securities	64,137	74,590
Equities – directly held	279,265	357,733
Pooled investments	1,555,548	1,898,748
Pooled property investments	195,686	192,549
Private equity/infrastructure	216,891	246,179
Cash deposits	33,398	41,910
Other	1,892	1,577
Net investment assets	2,346,817	2,813,286

Recovery of overpayments of pension

The following tables show the analysis of pension overpayments that occurred during the last three years. A full 5 year record is not available but data will become so over time.

Financial Year	Overpayment	Recovered	Written Off
2014-15	£56,474	£15,133	£15,597
2015-16	£28,593	£8,782	£12,539
2016-17	£55,519	£21,033	£14,542

The Fund participates in the National Fraud Initiative which is a biennial process undertaken in conjunction with the Audit Commission. The necessary recoveries arising from identified overpayments are being pursued.

Annual Pensioner Payroll (excluding additional pension awarded by the employer)	£70,176,884
Total write off amount	£14,541.97
Write offs as a % of payroll	0.02%
Number of cases written off	171
Number of cases in the process of recovery	35
Number of cases recovered	27

The average write off amount per individual is £85.04 (2015-16: £49.56).

Cambridgeshire Pension Fund has an Overpayment of Pension Policy which details how overpayments should be managed once identified.

The Policy can be found at -

<http://pensions.northamptonshire.gov.uk/wp-content/uploads/2015/11/Overpayments-of-Pension-Policy.pdf>

ADMINISTRATIVE MANAGEMENT PERFORMANCE

Key administration performance indicators

The below table shows the number and trend of the top 10 types of scheme administration cases.

Case Type	Target (working days)	Number Received	Number within target	Target	% within target
Confirm transfer-in payment and service credited to scheme member	10	148	128	90%	86%
Provide employer with requested estimate of benefits	10	741	668	90%	90%
Provide a maximum of one estimate to employees per request per year	10	1,209	954	90%	79%
Provide a maximum of one cash equivalent transfer to employees per year on request	10	696	592	90%	85%
Notify employees retiring from active membership of benefit award	5	1,000	987	95%	99%
Acknowledge death of active/deferred/pensioner member	5	770	768	100%	99%
Change of address	2	3,512	3,321	100%	95%
Expression of Wish form received	2	2,086	2,078	100%	99%
Opt out form received	2	810	806	100%	99%
Personal change update	2	445	442	100%	99%

The Fund has developed a number of KPIs to monitor service delivery, these KPIs are reviewed internally on a monthly basis to monitor and inform where delivery is met or remedial action is required. The Pension Fund Committee receives quarterly performance updates within a Business Plan update.

Performance is a partnership between the administration team and the constituent employers of the Fund and the targets shown are well in excess of statutory guidance, therefore representing stretch targets. Where there is material shortfall on the stretch targets we are working with scheme employers to improve timeliness and quality of data received to improve delivery as well as addressing any internal inefficiencies in business processes.

Financial indicators of administrative efficiency

The table below shows the unit costs per member of administering the Fund.

	Cambridgeshire Pension Fund	Benchmark
Unit costs per member excluding investment management expenses	£ 20.31 (2015-16)*	£18.55 CIPFA Benchmarking average 2015-16 *
Unit costs per member including investment manager expenses	£14,756,000/73,802 members = £199.94 (2015-16)*	N/A
*Results from the 2016-17 CIPFA Benchmarking exercise will be published on the LGSS Pensions website once released by CIPFA.		

Key staffing indicators

In 2016-17, the average staff to member ratio was one full-time member of staff to 2,382 members (2015-16: 1:2,693) and the number of cases per full time member of staff was 907 (2015-16: 896).

5 Year analysis of Fund membership as at year ending 31 March

	2013	2014	2015	2016	2017
Active Members	22,844	24,854	25,345	26,744	26,785
Deferred Beneficiaries	22,910	25,793	28,255	30,889	33,235
Pensions in Payment	14,288	15,091	15,658	16,169	17,303
Total	60,042	65,738	69,258	73,802	77,323

Age Profile of Fund membership at 31 March 2017

Age Band Years	Member Type			
	Actives	Deferred	Pensioners*	Total
<20	248	50	83	381
20 - 24	1,172	634	25	1,831
25 - 29	1,766	2,157	3	3,926
30 - 34	2,251	2,930	6	5,187
35 - 39	3,056	3,697	16	6,769
40 - 44	3,676	4,412	19	8,107
45 - 49	4,583	5,819	56	10,458
50 - 54	4,504	6,101	139	10,744
55 - 59	3,356	4,980	539	8,875
60 - 64	1,751	2,130	3,078	6,959
65 - 69	343	245	4,832	5,420
70 - 74	73	70	3,678	3,821
75 - 79	6	10	2,137	2,153
80 - 84			1,394	1,394
85 - 89			840	840
90 - 94			372	372
95 - 99			80	80
100 - 104			5	5
105 - 109			1	1
Total	26,785	33,235	17,303	77,323

*Note: Pensioners aged 54 and below reflect benefits payable on early and ill health retirements and to dependants.

Employee and employer contributions 2016-17

The following table shows the contributions paid by the active employers in the Fund during 2016-17.

	Employee (£000)	Employer (£000)	Total (£000)
Abbey College Academy	70	280	350
Abbey Meadows Academy	11	43	54
Abbey Meadows Primary School	26	98	124
ABM Catering Ltd (Morley Memorial)	1	6	7
Accent Catering Service Ltd	1	6	7
Action for Children	5	-	5
Action for Children (London Road)	16	38	54
Active Learning Trust HQ	27	74	101
ADEC	3	15	18
Advance Cleaning Services	1	2	3
Alderman Jacobs School Academy	27	110	137
All Saints Inter Church VA Primary School (Academy)	13	53	66
Alliance in Partnership Ltd	1	3	4
Arthur Mellows Village College Academy	81	306	387
Aspens (Hemingford Grey)	1	2	3
Aspens (Huntingdon Primary)	-	2	2
Aspens Services Ltd (CPF)	-	2	2
Aspens Services Ltd (Fen Drayton)	1	3	4
Aspens Services Ltd (Swavesey)	1	3	4
Avocet Cleaning Services Ltd	-	1	1
Balfour Beatty	3	18	21
Bar Hill Parish Council	3	11	14
Bassingbourn Village College Academy	27	327	354
Bishop Creighton Academy	12	52	64
Bottisham Village Academy	54	186	240
Bourn Primary School Academy	12	43	55
Bretton Parish Council	2	10	12
Buckden CE School Academy	16	64	80
Burnt Fen IDB	2	7	9
Burrowmoor Primary Academy	34	139	173
Burwell Parish Council	1	7	8
Bury CE School	7	27	34
Caldecot Parish Council	-	2	2
Cambourne Parish Council	20	64	84
Cambourne Village College Academy	27	70	97
Cambridge & Peterborough NHS Foundation Trust	20	89	109
Cambridge AP Academy	14	125	139
Cambridge Live	51	130	181
Cambridge Meridian Academy	59	185	244
Cambridge Regional College	403	1,792	2,195

Cambridgeshire County Council Pension Fund Annual Report and Accounts 2016-17

	Employee (£000)	Employer (£000)	Total (£000)
Cambridgeshire County Council	8,524	31,070	39,594
Cambs & Ptboro Clinical Commissioning Group	9	36	45
Cambs Careers Guidance Ltd	22	-	22
Cambs Chief Constable	1,621	6,295	7,916
Cambs Coun On Alcohol	3	15	18
Cambs Fire Authority	307	1,384	1,691
Cambs Police Authority	16	-	16
Cambs Soc M H Children	1	55	56
Carers Trust	6	20	26
Cater Link Ltd	6	25	31
Chatteris Town Council	3	13	16
Chesterton Community College Academy	63	224	287
Chesterton Primary Academy	7	18	25
Churchill Contract Services	22	87	109
Circle Anglia Limited	4	14	18
City Of Cambridge	1,596	6,716	8,312
City Of Ely Council	13	67	80
City of Peterborough Academy	13	54	67
City of Peterborough Special School (Academy)	28	113	141
Colville Primary	20	78	98
Comberton Academy Trust HQ	23	68	91
Comberton Village College Academy	189	720	909
Compass Contract Services	4	15	19
Conservators R Cam	10	54	64
Coram Cambridge Adoption Ltd	20	68	88
Cottenham Village College Academy	59	228	287
Cromwell Community College (Academy)	57	217	274
Cromwell Primary Academy	10	41	51
Cross Keys Housing Association	18	271	289
Crosshall Infant School Academy Trust	33	129	162
Crosshall Junior School Academy Trust	25	101	126
Cucina Ltd	1	2	3
Dell (Cromwell)	1	3	4
Dell (Sir Harry Smith)	1	4	5
Dogsthorpe Academy	34	131	165
E&Ess&Herts Prov CIs	59	166	225
East Cambs District	238	924	1,162
Eastern Arts Assoc	13	-	13
Easy Clean (Godmanchester Primary)	-	2	2
EasyClean (Kings Hedges)	1	2	3
ECOVERT	6	25	31
Elior UK	1	2	3
Elm Road Primary School (Academy)	12	50	62
Ely College	66	266	332

	Employee (£000)	Employer (£000)	Total (£000)
Enterprise Management Services Limited	213	972	1,185
Ermine Street Church Academy	3	11	14
Ernulf Academy	43	178	221
Etheldred House	1	14	15
Everone Active	2	6	8
Eye Parish Council	1	3	4
Eyrescroft Primary School (Academy)	33	119	152
Farcet Parish Council	1	3	4
Fenland District	495	2,040	2,535
Friends Therapeutic Community	74	327	401
Fulbridge Academy	78	300	378
Gamlingay First School Academy	11	47	58
Gamlingay Parish Council	4	22	26
Gamlingay School	(2)	(9)	(11)
Glebelands Primary Academy	4	14	18
Godmanchester Primary School (Academy)	21	86	107
Greater Peterborough UTC	3	9	12
Greenwich Leisure	11	97	108
Gt Staughton Academy	3	11	14
Guilden Morden C of E Primary Academy	2	6	8
Haddenham IDB	2	8	10
Haddenham Parish Council	2	8	10
Hampton College Academy	70	258	328
Hatton Park (MAT)	9	37	46
Hemingford Grey Primary	11	42	53
Highfield School	65	257	322
Highlees Primary Academy	24	97	121
Hills Road 6th Form College	37	402	439
Hinchingbrooke School Academy	97	360	457
Histon & Impington Infant School (MAT)	13	54	67
Histon & Impington Junior School (MAT)	13	55	68
Histon & Impington PC	6	32	38
Holmewood IDB	-	1	1
Home Close	2	76	78
Homerton College Cambridge	134	371	505
Huntingdon & Godmanchester	26	127	153
Huntingdon District	1,101	4,411	5,512
Huntingdon Primary (CCC)	25	97	122
Huntingdonshire College	147	581	728
Impington Village College	94	329	423
Innovate Services Ltd	-	1	1
Isle of Ely Academy	6	12	18
Kealey HR Ltd	1	4	5
Kelsey Kerridge	16	83	99

	Employee (£000)	Employer (£000)	Total (£000)
Ken Stimpson (PCC)	44	175	219
Kennett Primary School (Academy)	4	15	19
Kimbolton Primary Academy	4	15	19
Kimbolton School	53	251	304
Kings Hedges Pension	45	167	212
Kings School Academy	74	290	364
Kingsfield Primary Academy	30	114	144
Leverington Primary Academy	20	80	100
LGSS Law Ltd (CCC)	120	443	563
Linton Heights Junior Academy	3	11	14
Linton Parish Council	1	21	22
Linton Village College Academy	55	194	249
Little Downham Parish Council	2	10	12
Little Paxton Parish Council	2	11	13
Littleport & Downham IDB	7	32	39
Long Road 6th Form College	123	500	623
Longsands College Academy	74	287	361
Luminus Group	123	852	975
Lunchtime (Abbey Meadow)	-	2	2
Lunchtime UK (Thorndown)	-	1	1
Lunchtime UK (Waterbeach)	1	4	5
Lunchtime UK Ltd	5	18	23
Matley Primary Academy	26	101	127
Mears Group	50	12	62
Mears Ltd (SCDC)	15	51	66
Melbourn Village College Academy	29	113	142
Mepal & Witcham C of E Primary Academy	4	16	20
Middle Fen & Mere IDB	13	54	67
Middle Level Commissioners	69	335	404
Middlefield Primary School (Academy)	13	53	66
Millfield Primary School Academy	15	57	72
MITIE Facilities Management	2	8	10
Mountain Healthcare Ltd	3	7	10
Museum Doc Assn	3	17	20
NCSC	7	42	49
Neale Wade Community College	86	318	404
Nene Infants Academy	26	104	130
Nene Park Academy	50	191	241
New Road Primary Academy	7	27	34
Newark Hill Primary Academy	24	98	122
Newborough Parish Council	1	4	5
North Cambridge Academy	26	90	116
North Level Commissioners	35	158	193
NPS Property Consultants Ltd	12	44	56

	Employee (£000)	Employer (£000)	Total (£000)
Ormiston Bushfield Academy	68	260	328
Orton Waterville Parish Council	1	5	6
Oxford Archaeology(East)	61	128	189
Pabulum Catering Ltd (Cottenham)	1	3	4
Pabulum Limited	4	13	17
Park Lane Primary Academy & Nursery	22	90	112
Parkside Federation Academy	81	292	373
Peckover Primary School (Academy)	21	89	110
Pensions Fund General	-	1	1
Perse Schl For Girls	26	101	127
Peterborough College of Adult Education (PCAE)	140	539	679
Peterborough Cultural and Leisure Trust	77	228	305
Peterborough District	3,915	14,207	18,122
Peterborough Regional College	352	1,105	1,457
Peterborough Womens Aid	2	7	9
Police & Crime Commissioners	67	208	275
Radis Community Care	20	86	106
Ramnoth Junior Academy	16	64	80
Roddons Housing Association	41	249	290
Round House Primary School	16	59	75
Sanctuary Housing	81	444	525
Sawston Parish Council	5	14	19
Sawston Village College Academy	73	274	347
Sawtry Community College Academy	47	189	236
Sawtry Junior Academy	3	14	17
Sawtry Parish Council	5	23	28
Serco	215	503	718
Serco Limited	44	27	71
Shade Primary School	9	30	39
Sir Harry Smith Community College (Academy)	58	233	291
Skanska PCC (Highways)	17	59	76
Soham Parish Council	2	15	17
Soham Village College Academy	55	220	275
Somersham Parish Council	3	14	17
South Cambs District	702	3,151	3,853
Spring Common Primary School Academy	74	292	366
Spurgeons	3	-	3
St Andrews C of E Primary Academy	26	101	127
St Bedes School (Academy)	34	406	440
St Columba Centre	3	13	16
St Ives Town Council	22	79	101
St Ivo School Academy	80	298	378
St John Fisher School	47	176	223
St John's Academy (Stanground)	16	64	80

	Employee (£000)	Employer (£000)	Total (£000)
St Marys C of E Junior (Ely)	21	86	107
St Marys Primary Academy(St Neots)	11	44	55
St Neots Museum Ltd	-	45	45
St Neots Town Council	27	140	167
St Peters C of E Junior Academy	17	71	88
St Peters School Academy	53	197	250
Stanground Academy	50	214	264
Staploe Education Trust HQ	11	44	55
Sutton Parish Council	3	13	16
Swaffham IDB	2	9	11
Swavesey Parish Council	1	6	7
Swavesey Village College Academy	53	208	261
The Centre School Academy	1	4	5
The Netherhall School	33	129	162
The Spinney Primary School (CCC)	10	40	50
The Voyager Academy	156	487	643
Thomas Clarkson Community College Academy	60	228	288
Thomas Deacon Academy	127	479	606
Thomas Eaton Community Primary Academy	1	3	4
Thorney Parish Council	2	9	11
TSG Building Services	12	113	125
University of Cambridge Primary Academy	5	20	25
University Technical College Academy	17	53	70
VISIT Cambridge and Beyond	20	56	76
Waterbeach Level IDB	2	9	11
Waterbeach Parish Council	3	13	16
Welland Primary Academy	22	80	102
West Town Primary Academy	16	64	80
Whittlesey I D B	2	6	8
Whittlesey Town Council	2	7	9
William de Yaxley C of E Junior Academy	12	49	61
William Law Primary Academy	43	173	216
Wimblington P C	-	2	2
Winhills Primary School (Academy)	27	108	135
Wisbech & Fenlnd Museum	3	15	18
Wisbech Grammar	-	5	5
Wisbech St Mary's C of E Primary Academy	4	15	19
Wisbech Town Council	4	20	24
Witcham Parish Council	-	1	1
Witchford Village College Academy	54	178	232
Yaxley Parish Council	6	238	244
Fund Account Contributions	25,874	99,574	125,448

INVESTMENT POLICY AND PERFORMANCE REPORT

The investment management of the Fund is governed by the provisions of the Local Government Pension Scheme – (Management and Investment of Funds) Regulations 2016 (“the 2016 Regulations”) which came into force on 1 November 2016. These seek to ensure that the Fund:

- has formulated an appropriate Investment Strategy;
- in formulating its Investment Strategy has considered and documented its approach to:
 - risk assessment and risk management,
 - pooling investments,
 - how environmental, social and governance issues are taken into account in investment selection,
 - having suitably diversified investments;
- has taken appropriate advice;
- has an appropriate number of investment managers who invest fund monies on its behalf;
- has relevant investment limits which are not exceeded;
- regularly monitors and reviews investments and investment arrangements;
- understands the restrictions on its powers to borrow; and
- operates a separate bank account.

The 2016 Regulations also set out the circumstances under which the Secretary of State would issue a direction to intervene in the management of the Fund’s investments.

Investment Asset Allocation

Asset allocation is determined by the Pension Fund Committee upon recommendation from the Investment Sub-Committee, who are supported by officers and professional investment advisers on the categories of investment in which the Fund could invest.

The Fund monitors its asset allocation on an annual basis and conducts a comprehensive review following each triennial valuation.

A full review conducted in 2013-14 following the 2013 triennial valuation recommended no immediate change to the asset allocation. The triennial valuation indicated that the Fund expects to remain cash flow positive for many years to come

Following the appointment of Mercer Limited as investment consultant in October 2014, the investment strategy was reviewed by the Investment Sub-Committee and a revised strategy was approved by the Pension Fund Committee on 18 December 2014.

As a result the strategy for global equities was re-focussed on high conviction mandates with a preference for global rather than regional mandates, with the consequence that during the 2014-15 financial year the Fund performed a selection process to appoint managers to deliver this strategy. Transition to the new managers was completed early in 2015-16 and the final asset strategy confirmed as 64.5% equities, 21% alternatives and 14.5% bonds.

Following the issue of the 2016 Regulations the investment strategy was reviewed and documented in the Investment Strategy Statement (“ISS”) which was approved by the Pension Fund Committee in March 2017 and published on the Fund’s website before the statutory deadline of 1 April 2017. As part of this review the asset allocation percentages were simplified as follows: equities 65%, alternatives 23% and bonds 12%.

As the performance and therefore relative value of each investment asset class will vary over time, the Pension Fund Committee has approved tolerance levels around the target asset allocation percentages by which actual values can vary from the target allocation for each investment asset class.

During the 2016-17 financial year the Fund received training on investing in Alternative Asset classes and agreed to commit to a further investment within its Real Estate allocation to the UK Residential Private Rental Sector and to continue its rolling programme of investments in Private Equity by agreeing to commit additional funds to its existing Private Equity managers.

The overall asset allocation strategy will be reviewed in mid-2017 when reviewing the outcome of the March 2016 actuarial valuation.

Role of Investment Managers

The Investment Sub-Committee manages the appointment, retention and replacement of external investment fund managers. Managers are responsible for all “day to day” investment decisions, providing them with the flexibility to manage the Fund in such a way as to enhance returns and achieve the performance objectives for the funds. The Fund monitors manager performance and ensures manager compliance with the constraints of their Investment Management Agreement (IMA).

The IMA for each investment manager will include:

- the specific class or classes in which they are permitted to invest, in line with the Fund’s asset allocation, allowing little or no flexibility between asset classes;
- the value of the mandate under their management to invest. The Fund’s allocation to a specific asset class may be divided between more than one manager to minimise disruption should the need arise to replace the manager;
- the relevant performance target above benchmark to reflect the intensity of their specific specialist investment brief; and
- any geographic or other constraints.

With the exception of one passive UK Equity and one passive Global Equity mandate and a buy and hold strategy for index-linked bonds, all investment managers have been given “active” briefs to outperform agreed specific benchmarks.

During the year the Multi Asset mandate with Schroders was formally dismantled into separate mandates for UK Equity and Bonds and fee arrangements revised to remove the performance-related element.

In February 2017, the Fund committed to a new investment with M & G Real Estate in their UK Residential Property Fund. No cash has been called by 31 March 2017.

There were no other new manager appointments or terminations effective during the year.

Pooling of investments

Investment pooling is intended to provide the scale that will enable LGPS funds to access lower investment manager fees and to deliver cost savings. In the pooled investment structure individual funds will remain responsible for their own investment strategy and asset allocation decisions. The pool will be responsible for selecting suitable investment managers in order to meet the requirements of all of the funds' investment strategies, although the ISC will retain some responsibilities as the asset pool evolves.

Cambridgeshire is a member of the ACCESS pool along with the following ten other pension funds: East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex.

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed an Inter Authority Agreement to underpin their partnership. ACCESS is working to a project plan in order to create the appropriate means to pool investments. The first investments to be pooled in 2017-18 will be passively managed investments.

The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in July 2016, which is available on ACCESS's website <http://www.accesspool.org/>

All eleven ACCESS funds are working in the expectation that, over time, all investments will be pooled apart from a minority of investments where there is a no value for money benefit to pooling a specific investment as identified and agreed by an individual fund.

Cambridgeshire will not be pooling an allocation to local alternatives currently consisting of the Cambridge & Counties Bank.

In addition Cambridgeshire will not pool cash held for the efficient administration of the scheme, which is needed to manage cash flow to meet statutory liabilities including monthly pension payroll payments.

The Fund recognises that the more liquid, publically-traded asset classes, primarily equities, will be the first to be managed by the asset pool in 2017-18 and 2018-19. Manager appointments for these assets will become the responsibility of the ACCESS pool.

Investment Manager Profiles and performance targets for 2016-17

The target asset and manager allocation, associated benchmarks and performance targets at 31 March 2017 is shown below.

2016-17	Weighting (%)	Market Benchmark Adopted	Target above benchmark (%)
UK Equity	21.0		
Schroders	10.0	Composite benchmark	1
State Street	11.0	FTSE All-Share index	n/a
Global Equity	44.0		
Dodge & Cox	12.5	MSCI World	3
JO Hambro	12.5	MSCI AC WI NR Index	3
Skagen	7.0	MSCI Emerging Markets	2
State Street	12.0	FTSE All World	n/a
TOTAL EQUITIES	65.0		
Bonds	12.0		
Schroders	12.0	Composite benchmark	1
TOTAL BONDS	12.0		
Private Equity	5.0		
Adams Street	2.0	MSCI World	n/a
HarbourVest	2.0	MSCI World	n/a
Cambridge and Counties Bank	1.0	MSCI World	n/a
Infrastructure	5.0		
Equitix	Blended	MSCI World	n/a
Partners Group		MSCI World	n/a
UBS		MSCI World	n/a
Secured loans	3.0		
M&G	3.0	3m Libor +4%	n/a
Property	10.0		
Schroders	10.0	IPD UK All Balanced Property Fund Index	0.75
TOTAL ALTERNATIVES	23.0		
Total	100.0		+1.1*

* Overall Fund Target – the overall performance target is calculated taking into account the weightings for each manager.

The target asset and manager allocation, associated benchmarks and performance targets at 31 March 2016 is shown below.

2015-16	Weighting (%)	Market Benchmark Adopted	Target above benchmark (%)
UK Equity	21.0		
Schroders – Multi Asset	10.0	Composite benchmark	1
State Street	11.0	FTSE All-Share index	n/a
Global Equity	43.5		
Dodge & Cox	12.5	MSCI World	3
JO Hambro	12.5	MSCI AC WI NR Index	3
Skagen	7.0	MSCI Emerging Markets	2
State Street	11.5	FTSE All World	n/a
Bonds	14.5		
Schroders	12.0	Composite benchmark	1
M&G	2.5	3m Libor +4%	n/a
Private Equity	5.0		
Adams Street	2.0	MSCI World	n/a
HarbourVest	2.0	MSCI World	n/a
Cambridge and Counties Bank	1.0	MSCI World	n/a
Infrastructure	5.0		
Equitix	Blended	MSCI World	n/a
Partners Group		MSCI World	n/a
UBS		MSCI World	n/a
Property	11.0		
Schroders	11.0	IPD UK All Balanced Property Fund Index	0.75
Total	100.0		+1.1*

* Overall Fund Target – the overall performance target is calculated taking into account the weightings for each manager.

The only change in target allocation between 2015-16 and 2016-17 is a rounding of the weighting by asset class as agreed by the Pension Fund Committee on 23 March 2017.

The values of actual manager allocations, the percentage of the Fund and variance from the target asset allocation at 31 March 2016 and 31 March 2017 are shown below:

31 March 2016					31 March 2017		
Market Value (£m)	Holding (%)	Above/ (below) target (%)	Asset Class	Manager	Market Value (£m)	Holding (%)	Above/ (below) target (%)
303.8	13.6	3.6	UK Equity	Schroders – Multi Asset	377.7	13.5	3.5
207.1	9.2	(1.8)		State Street	253.3	9.0	(2.0)
330.0	14.7	2.2	Global Equity	Dodge & Cox	482.1	17.1	4.6
253.0	11.3	(1.2)		JO Hambro	324.3	11.6	(0.9)
82.6	3.7	(3.3)		Skagen	115.9	4.1	(2.9)
318.7	14.2	2.7		State Street	423.8	15.1	3.6
0.1	0.0	0.0		Schroders – Multi Asset	0.1	0.0	
1,495.3	66.7	2.2	Total Equities		1977.2	70.4	5.9
122.4	5.5	0.5	Government Bonds	Schroders – Bonds & Index-linked	166.2	5.9	(1.1)
157.4	7.0	0.0	Non-Government Bonds	Schroders – Multi Asset	142.0	5.0	0.0
279.8	12.5	0.5	Total Bonds		308.2	10.9	(1.1)
191.6	8.5	(2.5)	Property	Schroders – Property	197.6	7.0	(4.0)
64.8	2.9	0.9	Private equity	Adams Street Partners	79.3	2.8	0.8
50.9	2.3	0.3		HarbourVest	59.1	2.1	0.1
43.0	1.9	0.9		Cambridge and Counties Bank (direct holding)	54.7	1.9	0.9
19.1	0.8	*	Infra-structure	UBS Infrastructure	22.2	0.8	*
25.4	1.1	*		Equitix	27.8	1.0	*
17.7	0.8	*		Partners Group	27.1	1.0	*
53.5	2.4	(0.1)	Secured loans	M&G	57.2	2.0	(0.5)
466.0	20.7	(1.8)	Total Alternatives		525.0	18.8	(2.7)
2.5	0.1	0.1	Cash		2.9	0.1	0.1
2,243.6	100.0		Total		2813.3	100.0	

* No target allocated by individual manager.

Performance monitoring

Investment manager performance is reviewed quarterly by the Investment Sub-Committee. The Committee review a comprehensive quarterly performance report that includes the performance of each manager measured against benchmark and target and the actual asset allocation compared to the Fund's target allocation. From 1 April 2016, performance reporting has been

provided by Mercer following the withdrawal of this service by The WM Company at the end of 2015-16.

At 31 March 2017, total value of equities slightly exceeded the agreed tolerance of 5% from the target allocation. This has been noted at the Investment Sub Committee and no remedial action is required as the variance has arisen due to the volatility of equity values, resulting in the strong return on equities relative to other asset classes during the year. However, this asset allocation is being continually monitored and action will be taken if the ISC determines.

Investment Manager Performance for periods ending 2016-17

Asset Class /Manager	1 Year (%)			3 Years (% pa)			10 Years (% pa)		
	Return	Bench-mark	Var-iance	Return	Bench-mark	Var-iance	Return	Bench-mark	Var-iance
UK Equity									
Schroders	24.0	21.9	2.1	7.8	7.7	0.1	7.6	5.4	2.2
State Street	22.1	22.0	0.1	7.8	7.7	0.1	n/a	n/a	n/a
Global Equity									
Dodge & Cox	46.1	31.9	14.2	n/a	n/a	n/a	n/a	n/a	n/a
JO Hambro	27.6	32.2	(4.6)	n/a	n/a	n/a	n/a	n/a	n/a
Skagen	39.2	34.7	4.5	8.7	11.4	(2.7)	n/a	n/a	n/a
State Street	32.8	33.1	(0.3)	16.2	16.4	(0.2)	n/a	n/a	n/a
Bonds									
Schroders – Bonds & Index-linked	15.8	22.0	(6.2)	n/a	n/a	n/a	n/a	n/a	n/a
Schroders – Non-Govt bonds	5.1	0.5	4.6	0.9	0.5	0.4	n/a	n/a	n/a
Alternatives									
Schroders – property	2.7	3.7	(1.0)	9.0	10.2	(1.2)	1.1	2.1	(1.0)
M&G - secured loans	6.8	4.5	2.3	4.9	4.5	0.4	n/a	n/a	n/a

Performance is reported net of investment manager fees.

n/a = Not invested for the full period therefore no meaningful performance measure is available.

Performance in comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of 60 Pension Funds. This scheme compares many aspects of Fund performance, the key areas of which are shown on the following pages.

The Fund participates in PIRC Ltd's benchmarking of local authority investment performance, which provides useful information on how well the Fund has performed in comparison with other local authorities. Prior to 2016-17 the Local Authority Universe was maintained by The WM Company Ltd.

In 2016-17 the Fund's performance was ranked 3rd out of the 60 Fund participating in the Local Authority Universe, returning 24.5%. The stand out performing managers in equities were Dodge & Cox Global Value and Skagen Emerging Markets Value, and in Bonds, Schroders non-Government bonds.

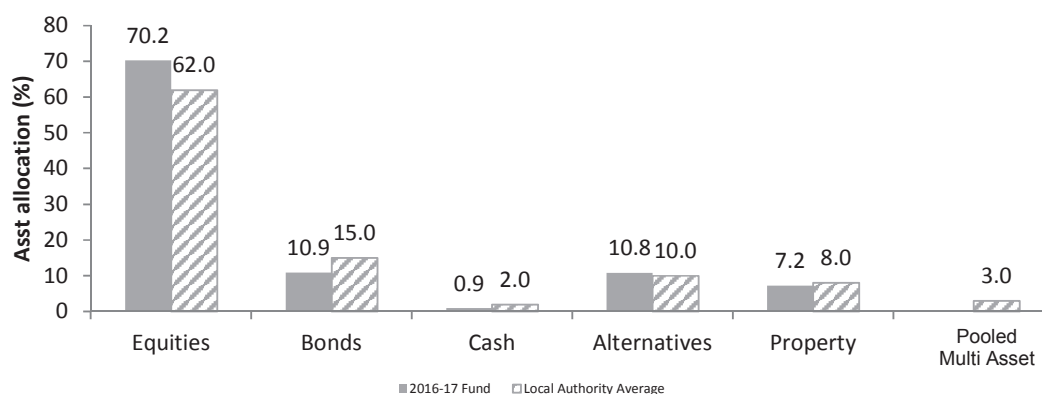
Investment Performance 2016-2017

Investment performance data comparing the Cambridgeshire County Council Pension Fund with other local authority funds and indices are shown in the table below.

% Returns per annum for the financial year ended 31 March 2017							
		The Fund	The Benchmark	Consumer Price Index	UK Average Weekly Earnings Index	Local Authority Average	Ranking in LA Universe Percentile
2016-2017	1 year	24.5	23.7	2.3	2.4	21.4	3 rd
2014-2017	3 years	10.9	12.0	0.9	2.9	11.2	53 rd
2012-2017	5 years	11.0	11.4	1.4	1.9	10.7	29 th
2007-2017	10 years	6.5	7.3	2.3	2.0	7.0	70 th

(Sources: Mercers, PIRC Ltd, Thomson Reuters Datastream).

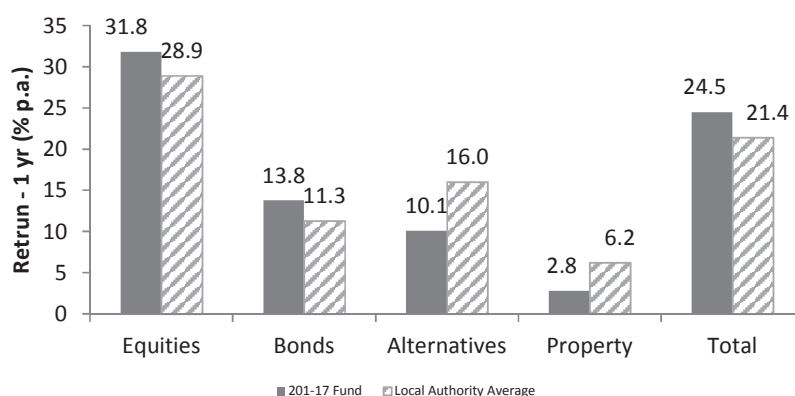
Asset Mix Compared to the Local Authority Universe



The graph shows that the Fund's asset mix is broadly comparable with the local authority Average, the main variances indicating the Fund's preference for equities compared to bonds.

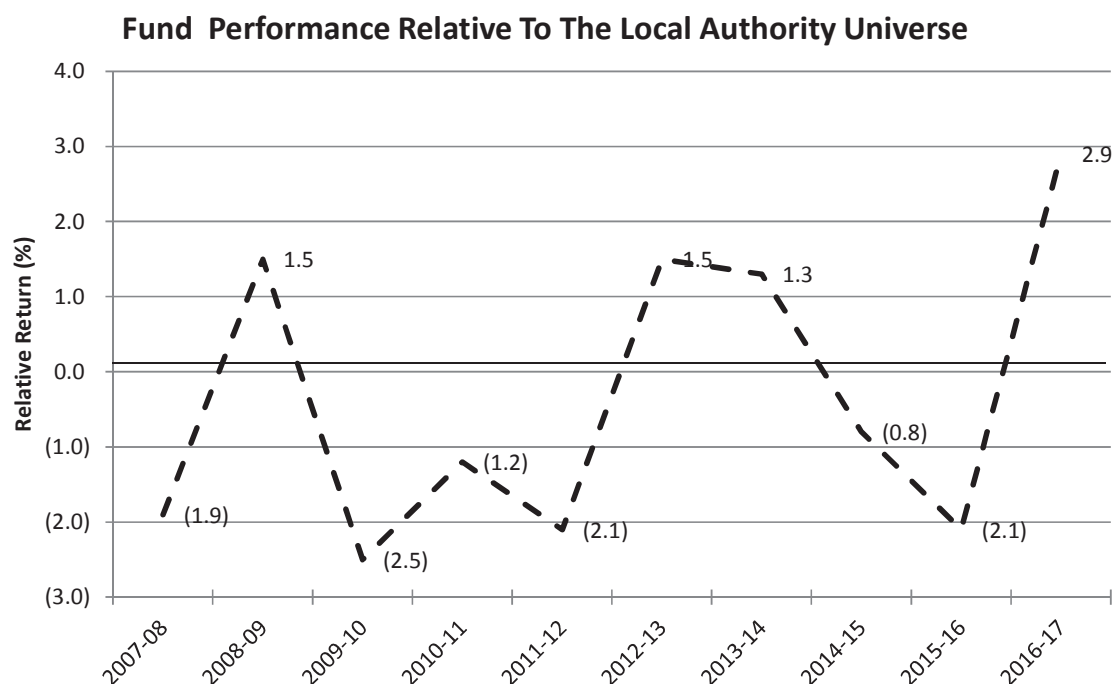
Investment Return Compared to Local Authority Universe

1 year return annualised



Year	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Annual Return (%)										
Total Fund	(4.7)	(18.8)	31.9	6.9	0.5	15.4	7.8	12.2	(1.9)	24.5
LA Universe	(2.8)	(19.9)	35.2	8.2	2.6	13.8	6.4	13.2	0.2	21.4

The table above compares the Fund's performance with the PIRC Ltd Local Authority Average for the ten years since 2007. The relative performance is shown graphically below.



The graph demonstrates the volatility of annual return comparisons of Fund performance against the Local Authority Universe.

Of the ten years shown, the Fund has outperformed the Local Authority Average on four occasions, underperformed on six occasions.

Responsible Investment Policy

The Fund defines “responsible investment” as the “integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices”.

The Fund recognises that effective management of ESG issues can enhance long-term financial performance of investments, and therefore ESG factors should be a feature of investment analysis and management. This aligns with the best interests of the Fund's beneficiaries and is consistent with fiduciary duty.

The Fund only invests with reputable investment managers who will have their own policies and procedures for considering ESG issues in day-to-day investment decisions as far as they are consistent with their primary obligation to meet performance targets. As well as responsibility to

manage day-to-day investments decisions to managers, the Fund has delegated voting rights on company resolutions to its investment managers. Managers regularly report on their ESG activities, voting record and direct engagement on ESG issues with companies.

The Fund supports the UK Stewardship Code and expects the Fund's investment managers to comply with it. The Fund has produced a Statement of Commitment to the UK Stewardship Code highlighting how the Fund is discharging its stewardship responsibilities.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). This initiative enables the Fund to work with other investors to understand the impacts of ESG considerations on financial performance.

The Fund supports the Myners' Principles for good investment governance and has policies in place and procedures in place to evidence compliance.

Custodian Services

Northern Trust have been the Global Custodian since 1 October 2014. The responsibilities of the Global Custodian are:

- arranging for the custody of the scheme's assets in compliance with the custody agreement;
- ensuring that all holdings have been registered as assets of the Fund;
- managing the settlement of all deals entered into by the fund managers, collect all dividends and coupons accruing to the Fund and to hold all cash; and
- providing the administering authority with monthly valuations of the scheme's assets and details of all transactions during the quarter.

Investment Consultants' Annual Investment Review 2016-17

Economic and Market Background

Over the 12 month period to 31 March 2017, both risk and defensive asset classes generally posted strongly positive returns as the ultra-accommodative monetary policy measures adopted by the world's major central banks continued to support financial markets. The strong returns posted by most asset classes came despite bouts of volatility following the surprise result of the UK's referendum in June 2016, where the electorate voted to leave the European Union and the unexpected victory for Donald Trump in the US Presidential Election in November 2016. The latter event in particular served to support equities in developed markets, as investors perceived Trump's fiscal policies as being supportive for corporate earnings.

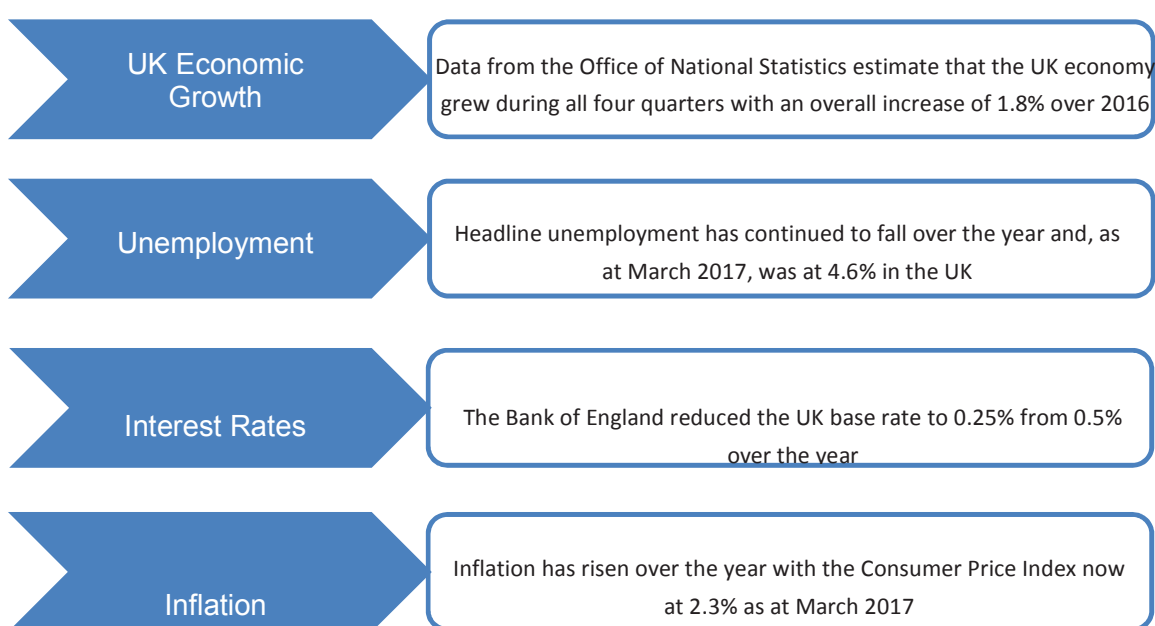
Sterling depreciated sharply against its major counterparts following the 'Brexit' vote and ended the year 13% weaker against the dollar compared to the prior year. This led to material gains for unhedged sterling investors in foreign assets. Meanwhile, subdued growth expectations in the UK culminated in further loosening of monetary policy by the Bank of England in August 2016, and led to a downward shift in government bond yields. This augmented strong returns for defensive assets, notably index-linked bonds, where returns were further amplified by increased inflation expectations in the UK in light of the depreciation of sterling.

Financial markets continue to be sensitive to the actions of the world's major central banks. In the US, the Federal Reserve Bank (the "Fed") matched investors' expectations by increasing its

target rate by 0.25% at its December 2016 meeting and then a further 0.25% at its March 2017 meeting. Elsewhere the European Central Bank (“ECB”) announced in December 2016 that its extended Quantitative Easing programme would continue until December 2017 at the earliest, albeit at a slightly reduced pace of asset purchases. The ECB subsequently confirmed in the first quarter of 2017 that further stimulus to this is unlikely to be needed in the near term. The Bank of Japan announced an explicit shift to yield curve targeting in September 2016.

While significant political and economic uncertainty remains following the referendum vote, economists now forecast UK Real GDP growth for 2017 to be 1.7% (a reduction from 2.1% from a forecast before the vote but an increase from 0.7% from the forecast just after) whereas inflation, as measured by the change in the Consumer Price Index, is expected to increase to 2.6% (from 1.6% before the vote) reflecting the depreciation of sterling.

Key Events during the Year



Growth Assets

In the UK, equities as measured by the FTSE All Share index returned 22.0%, with the bulk of the gains coming after the referendum in June and the subsequent fall in sterling.

At a global level, developed markets as measured by the FTSE World index, returned 32.9%. Meanwhile, a return of 35.6% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 27.9% as indicated by the FTSE World Europe ex UK index. The FTSE USA index returned 35.2% while the FTSE Japan index returned 32.8%.

All overseas equity market returns, as measured in sterling terms above, benefitted from the steep fall in sterling.

UK property investors continued to benefit from the improving property market. Over the 12 month period to 31 March 2017, the IPD UK All Property Index returned 3.8% in sterling terms.

Bond Markets

Returns on UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned 6.6%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of 12.3% over the year. The yield for the FTSE Gilts All Stocks index fell over the year from 1.9% p.a. to 1.4%p.a.

The FTSE All Stocks Index Linked Gilts index returned 19.9% with the corresponding over 15 year index exhibiting a return of 26.1%.

Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index returned 9.3%.

Currencies

Over the 12 month period to 31 March 2017, sterling fell by 13.0% against the dollar from \$1.437 to \$1.250. Sterling depreciated against the Euro by 7.3% from €1.26 to €1.17. Sterling depreciated 13.75% against the yen from ¥161.55 to ¥139.34 over the same period.

Fund Performance

Over the twelve month period, the Fund achieved a return of 24.5% (net of fees) versus a benchmark return of 23.7%. Most active managers outperformed their respective benchmarks over the period with the exception of the global equity manager, JO Hambro, and the bond and property mandates managed by Schroders.

In absolute terms, the global equity mandate with Dodge & Cox contributed the most towards the Fund's performance returning 46.1% over the last 12 months.

Outlook

We maintain a broadly neutral stance between growth and defensive assets from a tactical asset allocation perspective. Across growth assets, we continue to prefer equity to credit risk. Stronger global growth since mid-2016 has brought relief from a long period of downward pressure on inflation and corporate profit margins, and earnings surprises in developed markets have turned positive for the first time since 2011. The turnaround in corporate profit growth is providing support for equity valuations, as is the current environment of low but gradually rising inflation. Despite the risk of economic data disappointments in the short-term (as business sentiment and economic surprise indexes appear to have run well ahead of improving fundamentals), our base case is that the outlook for moderate global growth remains intact.

However, we also see material risks on both sides of our base case, which along with full valuations and pockets of investor exuberance leave us with a neutral overall allocation to equities. With the US now at full employment, and prospects of significant income tax cuts in 2018, there is a growing risk the US Federal Reserve may eventually be forced into a faster pace of policy tightening. Conversely, spreading geo-political tensions, along with the uncertain impact of policy tightening on China's credit-fuelled GDP growth, represent material downside risks.

Among the major equity sectors, we retain a preference for emerging markets ("EM"). After recent strong performance, valuations are now less attractive. Nevertheless, we see a further strengthening in earnings momentum, as export growth accelerates and as policy and financial settings move more pro-cyclical. Structural reforms in much of the EM over the past three years should also provide a cushion against the potential for rising US interest rates, and US protectionist rhetoric could well soften further.

Within fixed interest markets, we retain unattractive ratings on investment grade credit and high yield, noting historically low yields and the deteriorating quality of the major indices (through lengthening duration in the case of investment grade credit and as a result of extended balance sheet leverage in the high yield universe). In our economic base case, we envisage further (moderate) rises in global sovereign bond yields over the medium-term, but with running yield continuing to offset much of the expected capital losses. As such, we remain broadly neutral between global sovereigns and cash, expecting both to deliver moderate negative real returns over our 1-3 year horizon.

Emerging markets remain our preferred fixed income sector. With an index yield of 6.5%p.a., diminishing potential for further strong appreciation of the dollar, and improving structural and cyclical dynamics in much of the emerging world (including falling inflation), we expect local currency debt to deliver close to our longer-term return assumptions.

Investment Strategy

The Fund's strategic benchmark is allocated across a diverse range of asset classes expected in aggregate to generate a return above the growth in the Fund's liabilities over the long term. The Fund holds a large equity portfolio which is held with the expectation of generating strong real returns above that of the Fund's liabilities. The Fund also holds a defensive portfolio (made up of bond investments) and an alternatives portfolio which aims to achieve strong real returns whilst giving the Fund some diversification away from equity markets. The Fund's investment strategy is largely focused on equity markets with the view that equities will outperform over the long term and that this outperformance will improve the funding level over time.

During the year, the Committee continued to monitor its investment strategy relative to the funding level. Now that the 2016 actuarial valuation has been signed off, the Committee will shortly begin work on completing a full investment strategy review.

Joanne Holden
Mercer Limited
May 2017

SCHEME ADMINISTRATION REPORT

Cambridgeshire County Council is responsible for administering the Cambridgeshire Pension Fund. LGSS, which is a partnership between Cambridgeshire County Council and Northamptonshire County Council, provides shared services to the two Councils including pensions administration for each Council's respective Pension Fund. The primary objective of LGSS Pensions is to provide an efficient and effective pensions administration service to the stakeholders of both Funds utilising converged processes, shared resources and benefitting from economies of scale. LGSS delivers pensions services to 47,209 active members, 60,552 deferred members and 32,752 pensioner members.

Pension Fund Website

The LGSS Pensions website contains detailed information for all the Fund's stakeholders and has dedicated pages for both members and employers. The information is regularly updated to ensure the accuracy of the information being published. There is a comprehensive suite of forms and factsheets for members, prospective members and employers. Contact details are on the website so support can be sought in conjunction with the online information. See <http://pensions.cambridgeshire.gov.uk/index.php/contact-us/>.

Employer Self Service

Employer Self Service (ESS) gives employers access to the pensions database remotely and securely, allowing them to view, create and amend their employees' data, run reports and perform benefit calculations.

ESS continues to be promoted to employers to generate further efficiencies and has been embedded in to all training presentations, detailing the benefits associated with the system. ESS has been offered to all employers across the Cambridgeshire Pension Fund since January 2015.

ESS has also been promoted as the primary method for employers to obtain benefit estimates for their members. This provides efficiencies for both LGSS Pensions and our employers by reducing the number of enquiries received by LGSS Pensions by enabling employers to run their own estimates and obtain results immediately, when they need them.

We have delivered a number of training sessions to employers, showing them the benefits of ESS and how to use the systems. This has also included large payroll providers who are amongst our biggest data providers.

Member Self Service

Member Self Service (MSS), allows members to securely access their own records held on the pensions database to view and/or amend their personal information and perform benefit projections. It is also used to provide active and deferred members with their annual benefits statement.

We have promoted the use of MSS to our active members through individual letters, member newsletters, posters and promotion on our website. We have also encouraged employers to promote MSS to their members.

i-Connect

i-Connect allows employers to securely upload payroll data to the pensions database on a monthly basis, ensuring accurate and timely record maintenance and providing a solution to the demands of automatic enrolment. LGSS Pensions has been working with its largest employers to implement i-Connect. This will achieve significant efficiencies for both the Fund and scheme employers.

From 1st April, one of the largest payroll providers for schools and academies in Cambridgeshire and Peterborough, will use i-connect. This will significantly improve efficiency in the Local Authority maintained schools sector in regards to their pensions administration. It is planned to implement i-connect with our other large education sector data provider in 2018.

Internal Disputes Resolution Procedure

Safeguards for scheme members are contained within the LGPS Regulations, which contain comprehensive complaints and disputes procedures. Members are able to seek redress through the Internal Disputes Resolution Procedure which allows access to a two stage procedure in an attempt to bring a solution to any dispute. If the member or former member is still unhappy with the decision reached at stage two there is the right for the complainant to then lodge their grievance with the Pensions Ombudsman. At any stage a scheme member has the right to direct their complaint to The Pensions Advisory Service (TPAS).

The following formal disputes have arisen and/or been resolved during 2016-17:

- Two Stage 1 IDRPs applications relating to administering authority decisions remained outstanding at the end of 2015-16 and were dealt with in 2016-17. The complaints in both cases were not upheld and they related to:
 - i) AVC fund being less than anticipated due to date of processing benefit.
 - ii) Award at retirement being less than estimate.
- Three Stage 1 IDRPs applications relating to administering authority decisions arose and were dealt with in 2016-17. The subjects of the complaints and whether they were upheld are detailed below :
 - i) Deferred benefit award calculations. Complaint partially upheld as, whilst the award was correct based on information provided by the former employer, that information was incorrect.
 - ii) Decision over early payment of deferred benefit on ill health grounds. Complaint upheld; case to be referred to a further approved Independent Registered Medical Practitioner.
 - iii) Dispute over the receipt of a refund in 1974. Complaint not upheld.
- Three Stage 1 IDRPs applications relating to an administering authority decision arose in 2016-17, but remained outstanding at 31 March 2017.
- One Stage 2 IDRPs application relating to an employer decision remained outstanding at the end of 2015-16 and was dealt with in 2016-17. The complaint concerned refusal to grant payment of deferred benefits on ill health grounds and the appeal was not upheld.
- Three Stage 2 IDRPs applications relating to administering authority decisions arose and were dealt with in 2016-17. The complaints in all cases were not upheld and they related to:
 - i) AVC fund being less than anticipated due to date of processing benefit.

- ii) The application of late retirement uplift to benefits.
 - iii) Dispute over the receipt of a refund in 1974.
- One Stage 2 IDR application relating to an administering authority decision arose in 2016-17, but remained outstanding at 31 March 2017.
 - One complaint relating to an employer decision not to grant early payment of deferred benefits that was referred to the Pensions Ombudsman in 2014-15 was finally decided in 2016-17. The complaint was not upheld.

ACTUARIAL REPORT ON FUNDS

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the administering authority's 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'/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 (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 below the theoretical rate required 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 demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still 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 £2,277 million, were sufficient to meet 78% 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 £625 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.

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.

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 2016 % p.a. Nominal
Discount rate	4.00%
Salary increase assumption	2.40%
Benefit increase assumption (CPI)	2.10%

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 Continuous Mortality Investigation 2013 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	22.4 years	24.4 years
Future Pensioners*	24.0 years	26.3 years

Aged 45 at the 2016 valuation.

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

Experience over the period since April 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 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.

A handwritten signature in black ink, appearing to read 'Douglas Green', with a stylized flourish at the end.

Douglas Green FFA

For and on behalf of Hymans Robertson LLP
28 April 2017
Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

Extract from the actuarial valuation report on the 2016 valuation dated 31 March 2017**Executive Summary**

We have carried out an actuarial valuation of the Cambridgeshire Pension Fund (the Fund) as at 31 March 2016. The results are presented in this report and are briefly summarised below.

Funding position

The table below summarises the financial position of the Fund at 31 March 2013 and 31 March 2016 in respect of benefits earned by members up to this date.

	31 March 2013	31 March 2016
Past Service Position	£m	£m
Past Service Liabilities	2,633	2,902
Market Value of Assets	1,905	2,277
Surplus/(Deficit)	(728)	(625)
Funding Level	72.4%	78.4%

The improvement in funding position between 2013 and 2016 is mainly due to strong investment performance over the inter-valuation period, coupled with the positive impact on the liabilities of actual pay and benefit growth being lower than expected.

Contribution rates

The table below summarises the whole fund Primary and Secondary Contribution rates at this triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate %		
1 April 2017 to 31 March 2020	2017/2018	2018/2019	2019/2020
18.1%	£26,039,000	£17,959,000	£18,355,000

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay.

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

The common contribution rate is a theoretical figure – an average across the whole Fund. In practice each employer that participates in the Fund has its own underlying funding position and circumstances, giving rise to its own contribution rate requirement. The minimum contributions to be paid by each employer from 1 April 2017 to 31 March 2020 are shown in the Rates and Adjustment Certificate.

The Fund does not undertake formal interim valuations. However, it receives quarterly funding updates based upon the latest triennial valuation funding data. This is reported to the Investment Sub Committee quarterly.

The key demographic assumptions are formally reviewed with the actuary at the start of each triennial valuation and any changes reflected in the valuation results. The assumptions used in the latest valuation are set out in Appendix E of the Funding Strategy Statement which can be found at Appendix B to the Annual Report.

GOVERNANCE POLICY AND COMPLIANCE STATEMENT

It is a requirement for the Administering Authority to publish a Governance Policy and Compliance Statement since the Local Government Pension Scheme (Administration) Regulations 2008 came into force. This remains the case following the enactment of the Local Government Pension Scheme Regulations 2013 the (under regulation 55).

The Governance Policy and Compliance Statement incorporates a statement on how compliant the Administering Authority is against a set of best practice principles issued by the Department of Communities and Local Government in 2008. The compliance statement is intended to ensure transparency, accountability and stakeholder involvement.

The current Governance Policy and Compliance Statement was last reviewed in June 2015 and has been published on the Funds website <http://pensions.cambridgeshire.gov.uk> and is in Appendix A of this report. The statement will be updated during 2017-18 to reflect changes in the Council's Constitution as a result of national asset pooling.

The activities of the Fund are controlled by the County Council's Pension Fund Committee. The Local Pension Board has the responsibility ensure the effective and efficient governance and administration of the LGPS.

The Pension Fund Committee consists of the following representatives:

Representing	No.
Cambridgeshire County Council (County Councillors)	6
All other Local Authorities, Police and Fire	2
All other employers	1
Active scheme members	1
Deferred and Pensioner scheme members	1
Total	11

Operational investment matters are dealt with by the Investment Sub-Committee which consists of the following representatives:

Representing	No.
Cambridgeshire County Council (County Councillors)	4
All other employers	2
Scheme members	1
Total	7

All members have equal voting rights.

The Pension Fund Committee meets 4 times a year and holds an Annual Meeting each July. The Investment Sub-Committee meets 4 times a year.

The following table shows the attendance of committee members at both the Pension Fund Committee and Investment Sub-Committee meetings during 2016-17.

		Attendance at Pension Fund Committee Meetings	Attendance at Investment Sub-Committee Meetings
County Council Members	Cllr R Hickford	5/5	4/4
	Cllr M Leeke	5/5	3/4
	Cllr P Ashcroft	5/5	4/4
	Cllr Schumann	2/5	1/4
	Cllr Kenney	2/5	
	Cllr Kavanagh	5/5	
District/Borough/ Police and Fire Representatives	Cllr A Fraser	1/5	
	Cllr D Seaton	1/5	1/4
All Other Employers' Representatives	Gareth Deeble	5/5	
Member Representatives	Matthew Pink	4/5	
	John Walker	2/5	4/4

The Local Pension Board consists of the following representatives:

Representing	No.
Scheme Employers	3
Scheme Members	3
Total	6

The Local Pension Board meets at least twice per year and reports its activities at the end of each financial year to full Council. It has no decision making ability and there are no substitute members.

The following table shows the attendance of Local Pension Board members during 2016-17.

		Attendance at Local Pension Board Meetings
Scheme Employers	Cllr M McGuire	1/4
	Cllr L Nethsingha until October 2016	2/2
	Cllr P Downes from October 2016	2/2
	Ian Dewar	0/4
Scheme Representatives	Barry O'Sullivan	4/4
	John Stokes	4/4
	David Brooks	4/4

PENSIONS ADMINISTRATION STRATEGY REPORT

The Fund's Pensions Administration Strategy is produced in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013. The Regulations provide that administering authorities may prepare, maintain and publish a written statement setting out their policy concerning administration matters, and the administering authority and its employing authorities must then have regard to that strategy when carrying out their functions.

The Regulations also require that the administering authority should consult with its employing authorities (and any other persons it considers appropriate) in preparing or reviewing its administration strategy.

In addition, regulation 70 of the Local Government Pension Scheme Regulations 2013 allows an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated. During 2016-17 the scheme did not exercise its powers to recover additional costs from scheme employers.

The current Pensions Administration Strategy was approved by the Pension Fund Committee in October 2014, followed by a 30 day consultation period with the scheme's employers. The Strategy has been reviewed and presented to the Local Pension Board for comment in March 2017. The Strategy is expected to be approved by the Pension Fund Committee in June 2017. The current strategy is published on the LGSS Pensions website and can be found in Appendix B of this report, this will be replaced by the approved Administration Strategy at the appropriate time during 2017/18.

To reinforce the importance of the Pensions Administration Strategy, regular employer forums are held to communicate the performance against agreed standards. Examples of the key performance indicators that are measured are detailed below:

Service Standard	Target (working days)
The provision of named pension contacts for the scheme employer	30 working days
Scheme employers must have published Employer Discretions, accessible to all employees and a copy provided to LGSS Pensions	Within 30 working days of approval
Accurate year end information must be provided for all scheme members	By 30 April

FUNDING STRATEGY STATEMENT

The Fund is required to ensure that sufficient funds are available not only to meet its current liabilities, but also to make advance provision of accruing future liabilities.

Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made, in addition to ensuring sufficient funds are available for its current liabilities.

Although the regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the administering authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement 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 requirement to maintain as nearly constant as possible employer contribution rates; and
- to take a prudent longer-term view of funding those liabilities.

This strategy is both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the administering authority to implement and maintain.

The Funding Strategy Statement has been reviewed as part of the 2016 valuation exercise to ensure that the strategy is appropriate and relevant.

In 2016-17, contribution increases were implemented in accordance with the Statement to the Rates and Adjustments Certificate attached to the 2013 valuation of the Fund. Changes in contribution rates as a result of the 2016 valuation will take effect from 1 April 2017.

New admitted bodies are admitted into the scheme in accordance with the Funding Strategy Statement and the Admission Bodies, Scheme Employers and Bulk Transfer Policy which was reviewed and updated in October 2015 - <http://pensions.northamptonshire.gov.uk/wp-content/uploads/2012/10/Cambridgeshire-Admitted-body-Scheme-employer-and-bulk-TV-policy-Final-20152.pdf> .

The Funding Strategy Statement was updated in March 2017 and can be found on the Cambridgeshire Pension Fund website, <http://pensions.cambridgeshire.gov.uk> and in Appendix B of this report.

INVESTMENT STRATEGY STATEMENT

The Local Government Pension Scheme (Management and Investment of Funds)

Regulations 2016 (“the 2016 Regulations”), which came into force on 1 November 2016, require an administering authority, after taking proper advice and consulting with such persons as it considers appropriate, to formulate and publish its investment strategy. The administering authority must have formulated and published its first Investment Strategy Statement (“ISS”) no later than 1 April 2017.

The Fund’s investment strategy was reviewed and the ISS approved by the Pension Fund Committee in March 2017 and published on the Fund’s website at: <http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>. A copy is attached in Appendix C to this report.

The investment strategy must be reviewed and if necessary revised by the administering authority from time to time, and at least every three years, and publish a statement of any revisions.

The purpose of this document is to satisfy the requirements of the 2016 Regulations. In addition, Local Government Pension Scheme (England and Wales) (Amendment) Regulations 2004 came into effect 1 April 2004, requiring administering authorities to publish a Funding Strategy Statement (FSS). The FSS must have regard to the Investment Strategy Statement. This document contains reference to the FSS for information.

Prior to the approval of the ISS, the Fund’s written statement of principles governing its decisions about the investment of pension scheme monies was documented in the Statement of Investment Principles (“SIP”) as required by the now superseded legislation The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The SIP that was in force in 2016-17 was reviewed and approved by the Pension Fund Committee in July 2015 and can be found on the Cambridgeshire Pension Fund website, <http://pensions.cambridgeshire.gov.uk>.

COMMUNICATION STRATEGY STATEMENT

The Communications Policy is guided by the standards set out in regulation 61 of the Local Government Pension Scheme Regulations 2013.

These Regulations require administering authorities to:

- prepare, maintain and publish a written statement setting out their policy concerning communications with:
 - scheme members
 - representatives of scheme members
 - prospective scheme members
 - employing authorities;
- set out their policy on:
 - the provision of information and publicity about the scheme to members, representatives of members and employing authorities
 - the format, frequency and method of distributing such information or publicity
 - the promotion of the scheme to prospective members and their employing authorities; and
- keep the statement under review and make such revisions as are appropriate following a material change in the policy on any of the matters mentioned below and, if revisions are made, publish a revised statement.

The current Communications Strategy was approved by the Pension Fund Committee in March 2017. This is due to be reviewed again during the 2017-18 financial year.

The policy is published on the LGSS Pensions website and can be found in Appendix D of this report.

In line with the Communications Strategy the Fund's website has dedicated sections that provide up to date and detailed information for members, prospective members, employers, and other stakeholders.

Communications with the scheme's employers take place on a regular basis through the use of newsletters and bulletins which cover subjects including changes to reporting procedures, changes to scheme rules and other pension matters relevant to employers and/or their members.

The Fund delivers training, webinars, and workshops for scheme employers on topics such as employers' responsibilities in the Fund, calculating pensionable pay, dealing with ill health retirements, pension considerations when outsourcing and other pension matters. For example, employer forums were conducted in November 2016 to inform employers of the impact of the 2016 triennial valuation on their organisation. The Fund also provides bespoke and targeted training to help improve employer performance.

Member presentations are also delivered at the request of the scheme employer and at the employer's establishment to allow ease of access for scheme members.

ANY OTHER APPROPRIATE MATERIAL

The table below shows a summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Scheduled body	59	29	88
Admitted body	79	77	156
Designated body	44	22	66
Total	182	128	310

The following table shows an analysis of the Fund's assets at 31 March 2017 by asset class, based upon manager mandates.

	UK	Non UK	Global	Total
	£000	£000	£000	£000
Equities	631,023	115,893	1,231,787	1,978,703
Bonds	141,971	57,230	166,176	365,377
Property - direct holdings	-	-	-	-
Alternatives	82,506	49,219	336,036	467,761
Cash and cash equivalents	1,445	-	-	1,445
Other	-	-	-	-
Total	856,945	222,342	1,733,999	2,813,286

The following table shows an analysis of investment income accrued during the reporting period by asset class.

	UK	Non UK	Global	Total
	£000	£000	£000	£000
Equities	12,130	-	3,745	15,875
Bonds	2,631	2,159	0	4,790
Property - direct holdings	-	-	-	-
Alternatives	392	1,331	6,895	8,618
Cash and cash equivalents	864	-	-	864
Other	-	-	-	-
Total	16,017	3,490	10,640	30,147

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2017, which comprise the Fund Account, the Net Assets Statement and the related notes.

Respective responsibilities of the Chief Financial Officer and the auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Cambridgeshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of the Introduction, Chairman's foreword, Scheme framework, Risk management, Financial performance, Administrative management performance, Investment policy and performance report, Scheme administration report, Actuarial report on funds, Governance policy and compliance statement, Pensions administration strategy, Funding strategy statement, Investment strategy statement, and Communication strategy statement.

We conducted our work in accordance with Auditor Guidance Note 07 Auditor Reporting issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Cambridgeshire County Council for the year ended 31 March 2017 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts (12 October 2017) and the date of this report.



David Eagles
For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

16 November 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

INTRODUCTION

- 1.1 The following comprises the Statement of Accounts for the Cambridgeshire County Council Pension Fund. The accounts cover the financial year from 1 April 2016 to 31 March 2017.
- 1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis. They do not take account of liabilities to pay pensions and other benefits in the future.
- 1.3 The accounts are set out in the following order:

Fund Account which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

Net Assets Statement which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

Notes to the Accounts which gives supporting accounting policies, detail and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

31-Mar-16 £000 (Restated)		Notes	31-Mar-17 £000
	Dealings with members, employers and others directly involved in the fund:		
118,843	Contributions	7	125,448
8,735	Transfers in from other pension funds	8	3,292
127,578			128,740
(92,374)	Benefits	9	(98,387)
(5,315)	Payments to and on account of leavers	10	(10,421)
(97,689)			(108,808)
29,889	Net additions/(withdrawals) from dealing with members		19,932
(14,756)	Management Expenses	11	(15,163)
15,133	Net additions/(withdrawals) including fund management expenses		4,769
	Returns on investments:		
31,599	Investment income	12	30,147
(31)	Taxes on income	13	-
(54,128)	Profit and losses on disposal of investments and changes in the market value of investments	14a, 17b	542,371
(22,560)	Net return on investments		572,518
(7,427)	Net increase/(decrease) in the net assets available for benefits during the year		577,287
2,283,718	Opening net assets of the scheme		2,276,291
2,276,291	Closing net assets of the scheme		2,853,578

Comparative figures for 2015-16 have been restated to show a revised classification of investment manager fees. See page 69.

Notes on pages 64 to 102 form part of the financial statements.

PENSION FUND NET ASSET STATEMENT

31-Mar-16 £000		Notes	31-Mar-17 £000
2,244,617	Investment assets		2,814,423
(1,006)	Investment liabilities		(1,137)
2,243,611	Total net investments	14	2,813,286
43,765	Current assets	21	46,173
(13,613)	Current liabilities	23	(7,777)
30,152	Net Current Assets		38,396
2,528	Non-current assets	22	1,896
2,276,291	Net assets of the Fund available to fund benefits at the end of the reporting period	16a, 17a	2,853,578

Notes on pages 64 to 102 form part of the financial statements.

Note: The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2016-17 on Pages 3 to 58 and the underlying statutory powers underpinning the scheme.

General

The Fund is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

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

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

The Fund is overseen by the Cambridgeshire Pension Fund Committee, which is a committee of Cambridgeshire County Council.

Membership

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

Organisations participating in the Cambridgeshire Pension Fund include:

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

NOTES TO THE PENSION FUND ACCOUNTS

As at 31 March 2017 there are 182 (2016: 191) active employer within the Cambridgeshire Pension Fund, including the County Council itself. Active employers include multiple academy trusts counted as a single employer. Looking through these multiple arrangements the total number of underlying organisations as at 31 March 2017 was 245 (2016: 243), an increase of 2. The Fund has over 77,000 individual members, as detailed below:

Cambridgeshire Fund	31-Mar-17	31-Mar-16
Number of employers with active members	182	191
Number of employees in scheme:		
County council	10,907	11,166
Other employers	15,878	15,578
Total	26,785	26,744
Number of Pensioners:		
County council	8,165	7,676
Other employers	9,138	8,493
Total	17,303	16,169
Deferred pensioners:		
County council	16,484	15,456
Other employers	16,751	15,433
Total	33,235	30,889
Total members	77,323	73,802

Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2017. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2016. Employers' contributions comprise a percentage rate on active payroll between 11% and 25.1% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

NOTES TO THE PENSION FUND ACCOUNTS

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 31 April 2008 to 31 March 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th or 1/98th for those members who have taken up the 50/50 option and pay proportionately lower contributions. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Cambridgeshire Pension Fund scheme handbook available from LGSS Pension Services based at One Angel Square, Angel Street, Northampton NN1 1ED or online at pensions.cambridgeshire.gov.uk.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2016-17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

NOTES TO THE PENSION FUND ACCOUNTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

Contribution income

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

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

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from other schemes

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

Individual transfers in/out are accounted for on an accruals basis when the associated liability is accepted by the receiving scheme.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8).

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

Investment income

i) *Interest income*

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

ii) *Dividend income*

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

NOTES TO THE PENSION FUND ACCOUNTS

- iii) *Distributions from pooled funds*
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- iv) *Movement in the net market value of investments*
Changes in the net market value of investments are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.
- v) *Stock lending*
Stock lending income is recognised in the Fund Account as it accrues. Stock lending income represents the transfer of securities by the Pension Fund to an approved counterparty (“Borrower”), against a receipt of collateral (non-cash), for a fee, subject to the obligation by that same counterparty to redeliver the same or similar securities back to the Lender at a future date. Securities on loan remain assets of the Fund and are recorded in the net assets statement at fair value.

Fund Account – expense items

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 disclosed in the Net Assets Statement as current liabilities and paid in the following month.

Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Management expenses

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

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension’s administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

NOTES TO THE PENSION FUND ACCOUNTS

Oversight and governance costs

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

Investment management expenses

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

In 2016-17 as a result of the Fund adopting the guidance in *CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016)*, there has been a change in presentation of investment manager expenses as follows:-

- (i) Management fees charged as a deduction from the net asset value of pooled funds are now reported as investment management expenses and the return on investments is grossed up accordingly;
- (ii) Transaction costs including brokerage fees and UK stamp duty incurred by segregated managers that had previously been reported within the cost of purchases or deducted from proceeds of sale of an investment are now reported within investment expenses and the cost of investment purchases or proceeds of sales are adjusted accordingly.

The comparator figures for 2015-16 have been restated due to the adoption of the CIPFA guidance. The impact in 2016-17 has been to increase Manager fees by £6.9m (2015-16: £5.0m) and transaction costs by £0.5m (2015-16: £1.0m) offset by an increase in the profit and losses on disposal of investments and changes in the market value of investments of £7.4m (2015-16: £6.0m).

Fees of the external Investment Managers and the Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

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

- JO Hambro Capital Management – Global Equities
- Skagen Asset Management - Emerging Market

The Fund also had a performance fee related agreement with Schroders Investment Management Limited in respect of the Multi Asset mandate which was replaced on 1 July 2016 with separate mandates for UK Equities and Strategic Bonds for which there is no performance related fee. No performance fee was payable for the period ended 30 June 2016.

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2016-17, £1.3m of fees are based upon such estimates (2015-16: £ 0.7m). In addition, manager fees deducted from pooled funds of £6.9m (2015-16: £5.0m) are estimated based upon information received from fund managers.

NOTES TO THE PENSION FUND ACCOUNTS

The cost of obtaining investment advice from external consultants is charged direct to the Fund. All staff costs associated with investment activity are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged to the Fund.

Net Assets Statement

Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised in the Fund Account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Foreign currency transactions

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

Derivatives

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

Cash and cash equivalents

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

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

Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date, except for loans and receivables. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

NOTES TO THE PENSION FUND ACCOUNTS

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential and Equitable Life as its AVC providers. AVCs are deducted from the individual member's pay and paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 24).

Contingent assets and liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of a narrative in the notes.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Pension fund liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term investment yield/return.

NOTES TO THE PENSION FUND ACCOUNTS

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement as 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £428m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £81m, and a one-year increase in assumed life expectancy would approximately increase the liability by between £125m and £201m.
Cambridge and Counties Bank	Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. For, the Pension Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.	The investment in the financial statements is £55m. There is a risk that this investment may be under, or overstated in the accounts.
Other private equity and infrastructure	All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.	Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £191m. There is a risk that this investment may be under or overstated in the accounts.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2017, and up to the date when these accounts were authorised that require any adjustments to these accounts.

NOTES TO THE PENSION FUND ACCOUNTS

7. CONTRIBUTIONS RECEIVABLE

By category

2015-16 £000		2016-17 £000
26,996	Employees' contributions	25,874
76,782	Employers' contributions:	84,909
15,065	Normal contributions	14,665
-	Deficit recovery contributions	-
-	Augmentation contributions	-
91,847	Total employers' contributions	99,574
118,843		125,448

Employees' contributions in 2016-17 are lower than in 2015-16 due to a reduction in employee special contributions of £1.1m. Normal employees' contributions are similar to 2015-16, reflecting a static number of active members, negligible pay increases in the year and the impact of a marginal increase in the uptake of the 50/50 option.

By authority

2015-16 £000		2016-17 £000
38,265	Administering Authority	39,594
67,966	Scheduled Bodies	77,666
2,709	Admitted Bodies	2,991
6,927	Community Admission Bodies	2,280
2,976	Transferee Admission Bodies	2,917
118,843		125,448

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2015-16 £000		2016-17 £000
5,773	Group transfers	-
2,962	Individual transfers	3,292
8,735		3,292

Group transfers relate to one-off events arising from the transfer of all or part of a business function from another local authority. The volume and value of individual transfers is dependent upon individual members' circumstances and will vary from year to year.

NOTES TO THE PENSION FUND ACCOUNTS

9. BENEFITS PAYABLE

By category

2015-16 £000		2016-17 £000
72,094	Pensions	76,011
18,856	Commutation and lump sum retirement benefits	20,003
1,424	Lump sum death benefits	2,373
92,374		98,387

By authority

2015-16 £000		2016-17 £000
37,268	Administering Authority	38,673
47,348	Scheduled Bodies	50,578
2,470	Admitted Bodies	2,979
3,211	Community Admission Bodies	3,884
1,207	Transferee Admission Bodies	1,121
870	Resolution Bodies	1,152
92,374		98,387

The increase in pensions payable during 2016-17 reflects the growth in the number of pensioners during the year.

The value of commutation and lump sum retirement benefits is dependent on volumes of retirements and the specific commutation decisions of retirees. Future trends will be dependent on employee decisions which will be influenced by commutation factors and the taxation environment.

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2015-16 £000		2016-17 £000
221	Refunds to members leaving service	306
-	Payments for members joining state scheme	-
-	Group transfers	670
5,094	Individual transfers	9,445
5,315		10,421

Individual transfers are dependent on individuals having an approved pension arrangement to transfer their LGPS benefits to after leaving the Cambridgeshire Fund and also the relative merits of that destination arrangement in comparison with the LGPS.

NOTES TO THE PENSION FUND ACCOUNTS

Refunds to members leaving service are extremely sensitive to fluctuations as a result of the small relative value.

11. MANAGEMENT EXPENSES

2015-16 £000 (re-stated)		2016-17 £000
2,091	Administrative costs	2,218
12,446	Investment management expenses (see note 11A)	12,526
219	Oversight and governance costs	419
14,756		15,163

Oversight and governance costs include actuarial fees which were higher in 2016-17 due to the fees incurred in respect of the triennial funding valuation.

11A. INVESTMENT MANAGEMENT EXPENSES

2015-16 £000 (re-stated)		2016-17 £000
8,190	Management fees	10,634
2,795	Performance related fees	508
-	Custody fees	-
1,224	Transaction costs	1,099
237	Other costs	285
12,446		12,526

In 2016-17 there has been a change in presentation of investment manager expenses as noted on page 69. The prior year comparatives have been restated for consistency.

The increase in management fees in 2016-17 reflects the increase in the value of assets under management due to the exceptionally strong fund return in the year.

Performance related fees in 2015-16 include £2.6m of fees paid to managers on performance related agreements that have been terminated or transferred to market value based fee arrangements.

Directly incurred transaction costs are incurred on the purchase and sale of investments by segregated managers. In 2016-17 directly incurred transaction costs have reduced due to the transition to pooled funds during 2015-16.

NOTES TO THE PENSION FUND ACCOUNTS

12. INVESTMENT INCOME

2015-16 £000		2016-17 £000
35	Income from bonds	405
15,681	Income from equities	11,967
9,500	Pooled investments – unit trusts and other managed funds	8,260
3,656	Pooled Property Investments	6,788
2,270	Private equity/infrastructure income	1,661
149	Interest on cash deposits	902
308	Other	164
31,599		30,147

13. TAXES ON INCOME

2015-16 £000		2016-17 £000
31	Withholding tax - equities	-
31		-

In 2015-16 taxes arose on a segregated global equities mandate since terminated. In 2016-17 any taxes arising on overseas investments held in pooled funds are deducted from the pooled fund.

NOTES TO THE PENSION FUND ACCOUNTS

14. INVESTMENTS

31-Mar-16 £000		31-Mar-17 £000
	Investment assets	
61,316	Bonds	74,590
266,984	Equities	357,733
1,487,140	Pooled investments	1,898,748
187,080	Pooled property investments	192,549
207,353	Private equity/infrastructure	246,179
	Derivatives	
-	• Futures	-
31,929	Cash deposits	41,910
2,580	Investment income due	2,714
235	Amounts receivable for sales	-
2,244,617	Total investment assets	2,814,423
	Investment liabilities	
	Derivative contracts:	
-	• Futures	-
-	• Forward currency contracts	-
(1,006)	Amounts payable for purchases	(1,137)
(1,006)	Total investment liabilities	(1,137)
2,243,611	Net investment assets	2,813,286

NOTES TO THE PENSION FUND ACCOUNTS

14(a) Reconciliation of movements in investments and derivatives

	Market value 31-Mar-16	Purchases during the year and derivative payments*	Sales during the year and derivative receipts*	Change in market value during the year	Market value 31-Mar-17
	£000	£000	£000	£000	£000
Bonds	61,316	378	-	12,896	74,590
Equities	266,984	90,034	(57,572)	58,287	357,733
Pooled investments	1,487,140	13,207	(28,951)	427,352	1,898,748
Pooled property investments	187,080	22,335	(16,391)	(475)	192,549
Private equity/infrastructure	207,353	23,130	(27,250)	42,946	246,179
	2,209,873	149,084	(130,164)	541,006	2,769,799
Derivative contracts:					
• Futures	-	-	-	-	-
• Forward Currency Contracts	-	-	(5)	5	-
	2,209,873	149,084	(130,169)	541,011	2,769,799
Other investment balances:					
• Cash deposits	31,929			1,360	41,910
• Amount receivable for sales	235				-
• Investment income due	2,580				2,714
• Amounts payable for purchases of investments	(1,006)				(1,137)
Net investment assets	2,243,611			542,371	2,813,286
				Note 17a	

*In 2016-17 the cost incurred in the purchase and sale of investments are reported as transaction costs (Note 11A) which is a change in presentation compared to prior years. Comparative figures in the table below have been restated for consistency. See page 69.

NOTES TO THE PENSION FUND ACCOUNTS

	Market value 1-Apr-15 £000	Purchases during the year and derivative payments (restated*) £000	Sales during the year and derivative receipts (restated*) £000	Change in market value during the year (restated*) £000	Market value 31-Mar-16 £000
Index-linked securities	-	59,954	-	1,362	61,316
Equities	843,577	574,277	(1,125,875)	(24,995)	266,984
Pooled investments	1,044,265	615,001	(89,368)	(82,758)	1,487,140
Pooled property investments	162,593	19,910	(4,054)	8,631	187,080
Private equity/infrastructure	165,436	28,120	(28,951)	42,748	207,353
	2,215,871	1,297,262	(1,248,248)	(55,012)	2,209,873
• Derivative contracts:					
Futures	(7)	2	(88)	93	-
• Forward Currency Contracts	(157)	2,592	(2,291)	(144)	-
	2,215,707	1,299,856	(1,250,627)	(55,063)	2,209,873
Other investment balances:					
• Cash deposits	48,731			935	31,929
• Amount receivable for sales	88				235
• Investment income due	3,276				2,580
• Amounts payable for purchases of investments	(44)				(1,006)
Net investment assets	2,267,758			(54,128)	2,243,611

*Restated for revised presentation of transaction costs and pooled manager fees. See page 69.

Purchases and sales of derivatives are recognised in Note 14(a) above as follows:

- Futures – on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses and recognised as cash receipts or payments, depending on whether there is a gain or loss.
- Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

NOTES TO THE PENSION FUND ACCOUNTS

14(b). Analysis of Investments

31-Mar-16 £000		31-Mar-17 £000
	Bonds	
	UK	
61,316	Public sector quoted	74,590
61,316		74,590
	Equities	
	UK	
259,287	Quoted	344,537
	Overseas	
7,697	Quoted	13,296
266,984		357,833
	Pooled funds – additional analysis	
	UK	
60,920	Fixed income	67,173
544,320	Equity	677,130
	Overseas	
210,891	Fixed income	223,406
665,635	Equity	922,286
5,374	Cash Fund	8,753
1,487,140		1,898,748
187,080	Pooled property investments	192,549
207,353	Private equity/ infrastructure	246,179
-	Derivatives	-
394,433		438,728
31,929	Cash deposits	41,910
2,580	Investment income due	2,714
235	Amounts receivable for sales	-
34,744		44,624
2,244,617	Total investment assets	2,814,423
	Investment liabilities	
-	Derivatives	
(1,006)	Amounts payable for purchases	(1,137)
(1,006)	Total investment liabilities	(1,137)
2,243,611	Net investment assets	2,813,286

NOTES TO THE PENSION FUND ACCOUNTS

14(c). Investments analysed by fund manager

Market value 31-Mar-16 £000 % of net investment assets			Market value 31-Mar-17 £000 % of net investment assets	
775,346	34.6	Schroders Investment Management	883,627	31.4
525,754	23.4	State Street Global Asset Management	677,130	24.1
329,995	14.7	Dodge & Cox Worldwide Investments	482,112	17.1
253,038	11.3	JO Hambro Capital Management	324,281	11.6
82,602	3.7	Skagen Funds	115,893	4.1
64,751	2.9	Adams Street Partners	79,359	2.8
53,501	2.4	M&G Investments	57,230	2.0
50,919	2.3	HarbourVest Partners (UK)	59,077	2.1
43,000	1.9	Cambridge and Counties Bank (direct holding)	54,700	1.9
25,378	1.1	Equitix	27,806	1.0
19,055	0.8	UBS Infrastructure	22,167	0.8
17,749	0.8	Partners Group (UK)	27,052	1.0
2,523	0.1	Cash with custodian	2,852	0.1
2,243,611	100.0		2,813,286	100.0

All the above companies are registered in the United Kingdom.

The following investments represent more than 5% of the net assets of the scheme.

Security	Market value 31-Mar-16 £000	% of total fund %	Market value 31-Mar-17 £000	% of total fund %
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	329,995	14.5	482,112	16.9
State Street Managed Pension Fund All World Equity Index Sub-Fund	318,655	14.0	423,850	14.9
JO Hambro Capital Management Global Select Fund Sterling Z shares	253,038	11.1	324,281	11.4
State Street Managed Pension Fund UK Equity Index Sub-Fund	207,099	9.1	253,280	8.9
Schroders International Selection Fund – Strategic Bond	157,389	6.9	166,176	5.8

NOTES TO THE PENSION FUND ACCOUNTS

The table below lists individual investments that represent more than 5% of any class or type of investment shown in the reconciliation of movements in investment and derivatives reported in Note 14(a).

Security	Market value 31-Mar-16 £000	% of asset class %	Market value 31-Mar-17 £000	% of asset class %
Index-linked securities	61,316	100.00	74,590	100.00
1.25% Index-linked Treasury Gilt 2055	3,823	6.23	4,878	6.54
0.375% Index-linked Treasury Gilt 2062	3,370	5.50	4,539	6.09
0.125% Index-linked Treasury Gilt 2068	3,128	5.10	4,427	5.93
0.5% Index-linked Treasury Gilt 2050	3,135	5.11	3,989	5.35
1.125% Index-linked Treasury Gilt 2037	3,356	5.47	3,960	5.31
0.75% Index-linked Treasury Gilt 2047	3,125	5.10	3,950	5.30
0.625% Index-linked Treasury Gilt 2040	3,114	5.08	3,766	5.05
0.125% Index-linked Treasury Gilt 2040			3,733	5.00
1.25% Index-linked Treasury Gilt 2027	3,241	5.29	3,605	4.83
1.875% Index-linked Treasury Gilt 2022	3,244	5.29	3,483	4.67
2.5% Index-linked Treasury Stock 2024	3,139	5.12	3,380	4.53
Equities	266,984	100.00	357,733	100.00
HSBC Holdings PLC	n/a	n/a	21,827	6.10
Royal Bank of Scotland Group plc	14,903	5.58	20,994	5.87
BP plc	15,111	5.66	20,833	5.82
GlaxoSmithKline plc	17,700	6.63	19,337	5.41
Barclays PLC	n/a	n/a	19,283	5.39
Aviva plc	13,940	5.22	19,152	5.35
Pearson plc	n/a	n/a	18,208	5.09
Pooled investments	1,487,140	100.00	1,898,748	100.00
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	329,995	22.19	482,112	25.39
State Street Managed Pension Fund All World Equity Index Sub-Fund	318,655	21.43	423,849	22.32
JO Hambros Capital Management Global Select Fund Sterling Z shares	253,038	17.02	324,281	17.08
State Street Managed Pension Fund UK Equity Index Sub-Fund	207,099	13.93	253,280	13.34
Schroders International Selection Fund – Strategic Bond	157,390	10.58	166,177	8.75
Skagen Funds Skagen Kon-Tiki Fund	82,602	5.55	115,894	6.10
Pooled property investments	187,080	100.00	192,549	100.00
Blackrock UK Fund	23,218	12.41	23,228	12.06
Schroder Unit Trust UK Real Estate	20,670	11.05	21,226	11.02
Legal & General Property Fund Units	19,197	10.26	19,875	10.32
Mayfair Capital Property Units	17,977	9.61	19,010	9.87
Hermes Property Unit Trust	18,261	9.76	18,697	9.71
Standard Life Pooled Pension Property Fund	19,950	10.66	15,919	8.27
Schroder Real Estate Real Income Fund	13,974	7.47	15,404	8.00
Industrial Property Investment Fund	10,074	5.38	10,763	5.59
AVIVA Investors Pensions Ltd Property A	10,065	5.38	10,153	5.27
Private equity/infrastructure	207,353	100.00	246,179	100.00
Cambridge & Counties Bank	43,000	20.74	54,700	22.22
Equitix Fund II, LP	24,789	11.95	26,922	10.94
Partners Group Global Infrastructure 2012 LP	17,749	8.56	26,251	10.66
UBS International Infrastructure Fund	17,765	8.57	19,586	7.96

NOTES TO THE PENSION FUND ACCOUNTS

14(d). Stock Lending

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2017, the value of quoted equities on loan was £67.5m (31 March 2016: £36.3m). These equities continue to be recognised in the Fund's financial statements. Counterparty risk is managed through holding collateral at the Fund's custodian. At the year end the custodian held collateral at fair value of £72.9m (31 March 2016: £38.9m) representing 108% of stock lent. Collateral consists of acceptable securities and government debt.

15. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

a) Futures

The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund's investment managers enter into forward foreign currency contracts to take advantage of current exchange rates.

Futures

There were no outstanding exchange traded future contracts at 31 March 2017 or 31 March 2016.

Open forward currency contracts

There were no open forward currency contracts at 31 March 2017 or 31 March 2016.

16. FAIR VALUE

16a. Fair value hierarchy

Valuation Of Financial Instruments Carried At Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

NOTES TO THE PENSION FUND ACCOUNTS

Level 1

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

Level 2

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

Level 3

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

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2012, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	435,038	1,966,718	370,757	2,772,513
Loans and receivables	89,979	-	-	89,979
Total financial assets	525,017	1,966,718	370,757	2,862,492
Financial liabilities				
Financial liabilities at amortised cost	(8,914)	-	-	(8,914)
Total financial liabilities	(8,914)	-	-	(8,914)
Net financial assets	516,103	1,966,718	370,757	2,853,578

NOTES TO THE PENSION FUND ACCOUNTS

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2016 (re-presented – see below)	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	349,681	1,534,119	328,888	2,212,688
Loans and receivables	78,222	-	-	78,222
Total financial assets	427,903	1,534,119	328,888	2,290,910
Financial liabilities				
Financial liabilities at amortised cost	(14,619)	-	-	(14,619)
Total financial liabilities	(14,619)	-	-	(14,619)
Net financial assets	413,284	1,534,119	328,888	2,276,291

In 2016-17 the Fund has revisited its hierarchy classification by adopting guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016). This revised interpretation has resulted in a change of classification of the Fund's investments within the fair value hierarchy compared to 2015-16 and the 2015-16 comparative disclosures have been re-presented for consistency. The main impact of the revised interpretation has been to:

- 1 Increase Level 1 investments and decrease Level 2 investments by £61,316,000 with respect to UK Government bonds as prescribed in the revised guidelines. These were previously treated as valuations based upon observable inputs;
- 2 Decrease Level 1 investments and increase Level 2 investments by £837,668,000 to reflect the unlisted nature of pooled investment vehicles rather than the underlying listed investments in which they invest;
- 3 Increase Level 2 investments and decrease Level 3 investments by £82,602,000 to reflect the nature of the underlying investments in a pooled equity investment vehicle;
- 4 Decrease Level 2 investments and increase Level 3 investments by £77,988,000 following a review of the characteristics of primarily pooled property investment vehicles, for example, the tradeability and frequency of pricing of investments.

There has been no change in the valuation techniques used for individual investments during the year.

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. The fair valuation of each class of investment asset is set out below.

NOTES TO THE PENSION FUND ACCOUNTS

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Pooled investments – not exchange traded closed ended funds	Level 3	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and lack of liquidity.
Private equity and infrastructure-equity	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.

NOTES TO THE PENSION FUND ACCOUNTS

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private equity and infrastructure - other	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

Asset Type	Value as at 31-Mar-17 £000	Assessed valuation range (+/-) (% rounded)	Value on Increase £000	Value on Decrease £000
Property	124,578	14.2	142,268	106,888
Unquoted equity	246,179	26.1	310,432	181,926
Total Assets	370,757		452,700	288,814

16(b) Reconciliation of fair value measurements within Level 3

Period 2016-17	Market value -Apr- 2016 (see Note) £000	Transfers into level 3 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/ (losses) £000	Realised gains/ (losses) £000	Market value 31-Mar-2017 £000
Pooled property investments	121,535	-	20,153	(16,366)	(2,097)	1,353	124,578
Private equity and infrastructure - equity	43,000	-	500	-	11,200	-	54,700
Private equity and infrastructure - other	164,353	-	22,630	(27,250)	13,602	18,144	191,479
Total	328,888	-	43,283	(43,616)	22,705	19,497	370,757

NOTES TO THE PENSION FUND ACCOUNTS

Note: As noted above, following the publication of the PRAG/Investment Association Guidelines, the classification of financial instruments to Level 3 have been reviewed and balances at 1 April 2016 re-presented.

FINANCIAL INSTRUMENTS

17a. Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the year.

Designated as fair value through profit and loss £000	31-Mar-16 Loans and receivables £000	Financial liabilities at amortised cost £000	Designated as fair value through profit and loss £000	31-Mar-17 Loans and receivables £000	Financial liabilities at amortised cost £000
Financial assets					
61,316	-	-	74,590	-	-
266,984	-	-	357,733	-	-
1,487,140	-	-	1,898,748	-	-
187,080	-	-	192,549	-	-
207,353	-	-	246,179	-	-
-	-	-	-	-	-
-	60,172	-	-	73,775	-
2,815	-	-	2,714	-	-
-	18,050	-	-	16,204	-
2,212,688	78,222	-	2,772,513	89,979	-
Financial liabilities					
-	-	-	-	-	-
-	-	(1,006)	-	-	(1,137)
-	-	(13,613)	-	-	(7,777)
-	-	(14,619)	-	-	(8,914)
2,212,688	78,222	(14,619)	2,772,513	89,979	(8,914)
Total					
2,276,291			Grand total		
			2,853,578		

NOTES TO THE PENSION FUND ACCOUNTS

17b. Net Gains and Losses on Financial Instruments

2015-16 (Restated) £000		2016-17 £000
(55,013) 1,098	Financial assets: Fair value through profit and loss Loans and receivables	541,006 1,373
(51) (162) -	Financial liabilities: Fair Value through profit and loss Loans and Receivables Financial liabilities measured at amortised cost	5 (13) -
(54,128)	Total gains / (losses)	542,371

In 2016-17 investment manager expenses have been reclassified from gains and losses on financial instruments as noted on page 69. The prior year comparatives have been restated for consistency.

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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

Responsibility for the Fund's Risk Management Strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

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

The objective of the Fund's Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

NOTES TO THE PENSION FUND ACCOUNTS

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2016-17 reporting period. Due to the withdrawal of the Fund's previous provider of this data, the Fund has used an adviser in a joint arrangement with a number of its ACCESS pool colleagues. The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	15.8
Overseas equities	18.4
Global pooled equities	18.9
Index-linked bonds	9.0
Pooled fixed interest bonds	10.1
Property	14.2
Alternatives	26.1
Cash and Other investment balances	0.0

NOTES TO THE PENSION FUND ACCOUNTS

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

Asset Type	Value as at 31-Mar-17 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
UK equities	1,021,567	15.80	1,182,975	860,159
Overseas equities	13,296	18.40	15,742	10,850
Global pooled equities	922,286	18.90	1,096,598	747,974
Index-linked bonds	74,590	9.00	81,303	67,877
Pooled fixed interest bonds	290,579	10.10	319,927	261,231
Property	192,549	14.20	219,891	165,207
Alternatives	246,179	26.10	310,432	181,926
Cash and Other investment balances	52,240	0.00	52,240	52,240
Total Assets	2,813,286		3,279,108	2,347,464

Note that due to the diversification of investments across asset classes the volatility of the total fund may be lower than the total shown above for the aggregation of the individual asset classes.

Asset Type	Value as at 31-Mar-16 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
UK equities	803,607	11.00	892,044	715,210
Overseas equities	7,697	13.30	8,721	6,673
Global pooled equities	665,635	10.80	737,524	593,746
Index-linked bonds	61,316	9.47	67,123	55,509
Pooled fixed interest bonds	271,811	1.37	275,535	268,087
Property	187,080	1.84	190,522	183,638
Alternatives	207,353	4.01	215,668	199,038
Cash and Other investment balances	39,112	0.01	39,116	39,108
Total Assets	2,243,611		2,426,253	2,061,009

Interest rate risk

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

The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

NOTES TO THE PENSION FUND ACCOUNTS

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-16 £000	Asset Type	31-Mar-17 £000
31,929	Cash and cash equivalents	41,910
28,243	Cash balances	31,865
61,316	Index-linked securities	74,590
271,811	Fixed interest securities	290,579
393,299	Total	438,944

Assets exposed to interest rate risk	Value at 31-Mar-17 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	41,910	-	41,910	41,910
Cash balances	31,865	-	31,865	31,865
Index-linked securities	74,590	746	73,844	75,336
Fixed interest securities	290,579	2,906	287,673	293,485
Total change in assets available	438,944	3,652	435,292	442,596

Assets exposed to interest rate risk	Value at 31-Mar-16 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	31,929	-	31,929	31,929
Cash balances	28,243	-	28,243	28,243
Index-linked securities	61,316	613	60,703	61,929
Fixed interest securities	271,811	2,718	269,093	274,529
Total change in assets available	393,299	3,331	389,968	396,630

NOTES TO THE PENSION FUND ACCOUNTS

Income exposed to interest rate risk	Amount receivable in 2016-17 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits, cash and cash equivalents	902	9	893	911
Index-linked securities	405	4	401	409
Fixed interest securities	4,385	-	4,385	4,385
Total	5,692	13	5,679	5,705

Income exposed to interest rate risk	Amount receivable in 2015-16 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits, cash and cash equivalents	149	1	150	148
Index-linked securities	35	-	35	35
Fixed interest securities	6,325	-	6,325	6,325
Total	6,509	1	6,510	6,508

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

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

The Fund's currency rate risk is routinely monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 10% (the 1 year expected standard deviation).

A 10% (31 March 2016: 6.0%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period.

NOTES TO THE PENSION FUND ACCOUNTS

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at 31-Mar-17	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas Equities	935,582	93,558	1,029,140	842,024
Overseas Fixed Income	223,406	22,341	245,747	201,065
Overseas Cash Fund	8,753	875	9,628	7,878
Total	1,167,741	116,774	1,284,515	1,050,967

Assets exposed to currency risk	Value at 31-Mar-16	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas Equities	673,332	40,467	713,799	632,865
Overseas Fixed Income	210,891	12,675	223,566	198,216
Overseas Cash Fund	5,374	323	5,697	5,051
Total	889,597	53,465	943,062	836,132

b) Credit risk

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

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

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

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

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

NOTES TO THE PENSION FUND ACCOUNTS

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2017 was £73.8m (31 March 2016: £60.2m). This was held with the following institutions:-

	Rating	31-Mar-17 £000	31-Mar-16 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	41,125	29,934
UK Treasury Bills		-	-
Bank deposit account			
Barclays Bank	A	31,865	28,243
Bank current accounts			
Northern Trust custody accounts	P-1	785	1,995
Total		73,775	60,172

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2017 the value of illiquid assets was £438.7m, which represented 15.4% of the total Fund assets (31 March 2016: £394.4m, which represented 17.6% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2017 are due within one year.

d) Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

NOTES TO THE PENSION FUND ACCOUNTS

19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2016 actuarial valuation, the Fund was assessed as 78.4% funded (72.4% at the March 2013 valuation). This corresponded to a deficit of £625m (2013 valuation: £728m) at that time.

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates.

For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2016 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %		Secondary Rate %	
1 April 2017 to 31 March 2020	2017/2018	2018/2019	2019/2020
18.1%	£26,039,000	£17,959,000	£18,355,000

NOTES TO THE PENSION FUND ACCOUNTS

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay.

Full details of the contribution rates payable can be found in the 2016 actuarial valuation report and the funding strategy statement on the Fund's website.

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

Basis of valuation

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

Financial assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

Assumption	Description	31-Mar-16		31-Mar-13	
		Nominal	Real	Nominal	Real
Price inflation (RPI)		3.3%	-	3.3%	-
Price Inflation (CPI)/ Pension increases		2.1%	-	2.5%	-
Pay increases - 2016	RPI minus 0.7% p.a.*	2.4%	(0.7)%	n/a	n/a
Pay increases - 2013	RPI plus 1% p.a.*	n/a	n/a	4.3%	1.0%
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.8% p.a. (2013: 1.6% p.a).	4.0%	n/a	4.6%	n/a

*Plus an allowance for promotional pay increases.

Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	Female	Male	Female
2013 valuation	24.4	26.9	22.5	24.5
2016 valuation	24.0	26.9	22.5	24.5

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

NOTES TO THE PENSION FUND ACCOUNTS

Other demographic valuation assumptions:

a) Retirements in ill health

Allowance has been made for ill-health retirements before Normal Pension Age.

b) Withdrawals

Allowance has been made for withdrawals from service.

c) Family details

A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Husbands are assumed to be 3 years older than wives.

d) Commutation

Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 25% of HMRC limits for service to 31 March 2008 and 63% of HMRC limits for service from 1 April 2008.

e) 50:50 option

5.0% of members (uniformly distributed across the age, service and salary range) are assumed to choose the 50:50 option under which they pay 50% lower contributions and receive proportionately lower retirement benefits.

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31-Mar-16 £000		31-Mar-17 £000
(3,555)	Present value of promised retirement benefits	(4,175)
2,277	Fair value of scheme assets (bid value)	2,854
(1,278)	Net liability	(1,321)

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

NOTES TO THE PENSION FUND ACCOUNTS

Assumptions used

	31-Mar-17 % p.a.	31-Mar-16 % p.a.
Inflation/pension increase rate assumption	2.4	2.2
Salary increase rate	2.7	4.2
Discount rate	2.6	3.5

21. CURRENT ASSETS

31-Mar-16 £000		31-Mar-17 £000
	Debtors:	
2,048	Contributions due – members	861
6,544	Contributions due – employers	3,077
127	Transfer values receivable (joiners)	223
6,803	Sundry receivables	10,147
15,522		14,308
28,243	Cash balances	31,865
43,765		46,173

Analysis of debtors

31-Mar-16 £000		31-Mar-17 £000
3,785	Central government bodies	3,715
2,755	Other local authorities	6,825
4,079	NHS bodies	24
4,666	Public corporations and trading funds	3,333
237	Other entities and individuals	411
15,522		14,308

22. NON CURRENT ASSETS

With effect from 1 April 2005, 71 employees of the Cambridgeshire Magistrates' Courts transferred out of the Cambridgeshire Fund as part of a national transfer of the Magistrates' Courts out of Local Government schemes. However, the Cambridgeshire Fund has retained the liability for the Magistrates' pensioners and deferred pensioners. An assessment of the transfer by the scheme's actuary, which was agreed by the Government Actuary's Department in March 2011, has resulted in an annual amount of £0.632m to be paid by the Ministry of Justice (former Department for Constitutional Affairs) to the Fund as the valuation of the transfer out was less than the retained liability. Annual payments commenced in April 2011 for ten years. At 31 March 2017, a total of £2,528,000 was still due from the Ministry of Justice, with £632,000 being shown

NOTES TO THE PENSION FUND ACCOUNTS

in Current Assets and £1,896,000 being due after 31 March 2017 being shown in Non Current Assets.

23. CURRENT LIABILITIES

31-Mar-16 £000		31-Mar-17 £000
13,153	Sundry payables	4,126
94	Transfer values payable (leavers)	2,962
366	Benefits payable	689
13,613		7,777

Analysis of creditors

31-Mar-16 £000		31-Mar-17 £000
-	Central government bodies	-
12,943	Other local authorities	7,002
1	NHS bodies	-
93	Public corporations and trading funds	180
576	Other entities and individuals	595
13,613		7,777

24. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31-Mar-16 £000		Market value 31-Mar-17 £000
463	Equitable Life	418
7,182	Prudential	7,986
7,645		8,404

No contributions (2015-16: negligible contributions) were paid to Equitable Life during the year and total contributions of £1,026k were paid directly to Prudential during the year (2015-16: £940k). The value of the Equitable Life fund decreased during the year due to the payment of retirement benefits exceeding receipts from contributions and investment income. The Prudential fund increased during the year due to the performance of investments.

NOTES TO THE PENSION FUND ACCOUNTS

25. AGENCY SERVICES

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

2015-16 £000		2016-17 £000
2,005	Unfunded pensions	2,360
2,005		2,360

26. RELATED PARTY TRANSACTIONS

Cambridgeshire County Council

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

The Council incurred costs of £2.4m (2015-16: £2.2m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £31.1m to the Fund in 2016-17 (2015-16: £28.2m). At 31 March 2017 there was £1.3m (31 March 2016: £2.8m) due to the Fund by the Council.

Governance

The following Pension Fund Committee members declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme:-

- Councillor Steve Count
- Councillor Roger Hickford
- Councillor Maurice Leake
- Councillor Michael Shellens
- Matthew Pink
- John Walker

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pension Fund Board are required to declare their interests at each meeting.

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). The Council's Section 151 Officer is Non-executive Director on the Board of CCB for which CCB pays £40,000 p.a. to the Council.

NOTES TO THE PENSION FUND ACCOUNTS

26(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by LGSS which is a shared service arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Head of Pensions in the shared service unit reports directly to the LGSS Director of Finance whose costs are reported in the Northamptonshire County Council statement of accounts. The Director of Finance is remunerated for his services to the organisation as a whole and it is not possible to identify within the overhead charge from LGSS the proportion of his costs relating to services to the Fund.

27. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2017 totalled £162.5m (31 March 2016: £93.9m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between three and fifteen years from the date of each original commitment.

28. CONTINGENT ASSETS

Eighteen admitted body employers in the Cambridgeshire Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default, and usually only in the event of premature cessation.

29. IMPAIRMENT LOSSES

Impairment for bad and doubtful debts

During 2016-17 the Fund did not suffer any impairment loss (2015-16: Nil) for overpayment of pensions unable to be recovered due to reasons of estoppel.

NOTES TO THE PENSION FUND ACCOUNTS

GLOSSARY OF TERMS

ACCRUAL

An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

ACTUARIAL BASIS

Valuations performed by an actuary relating to a pension scheme's assets and liabilities.

ACTUARY

An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

ADMITTED BODIES

Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

ALL SHARE INDEX

Properly the FTSE All Share index which summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

AT BEST

An instruction to deal at the best price ruling in the market at the time, i.e. The highest price (selling) or lowest (buying).

AUTHORISED UNIT TRUSTS

A unit trust which is approved by the Financial Services Authority (FSA) to be sold to members of the public.

AVAILABLE FOR SALE FINANCIAL ASSETS

Assets that have a quoted market price and/or do not have fixed or determinable payments.

BENEFICIAL OWNER

The true owner of a security regardless of the name in which it is registered.

BID PRICE

The price at which securities are purchased by market makers.

BOND

Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured.

CASH EQUIVALENTS

Assets which are readily convertible into cash.

NOTES TO THE PENSION FUND ACCOUNTS

CLEAN PRICE

The price of a bond which is quoted without accrued interest.

COMMUNITY ADMISSION BODIES

Employers who may be admitted to the scheme if they meet the requirements of Regulation 5 and regulation 7 of the LGPS (Administration) Regulations 2008 (as amended). Typically these are bodies that provide a public service, e.g. charitable bodies, otherwise than for the purpose of gain and which have sufficient links to a local authority or other scheme employer to be regarded as having a community of interest.

COMMUTATION

Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

CONTINGENT ASSETS AND LIABILITIES

Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

CONTRACT NOTE

The documentary record of a trade which is sent from the broker to the investor.

CONVERTIBLE

Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts which convert into other government stock.

COUPON

The regular payment made on bonds.

CURRENT ASSETS

Short-term assets such as inventories, receivables and bank balances.

CURRENT LIABILITIES

Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

DEBENTURE

Fixed loan stock (bond) secured against the company's property, plant and equipment. First in the event of the company going into liquidation.

DEFERRED PENSION BENEFIT

A pension benefit which a member has accrued but is not yet entitled to receive.

DEFICIT

An outcome as a result of taking away all expenses from income.

DERIVATIVE

A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure

NOTES TO THE PENSION FUND ACCOUNTS

to price movements for speculation or getting access to otherwise hard to trade assets or markets.

DISTRIBUTION DATES

The date when interest or dividends are distributed to investors. Also called Payment Date.

DIVIDEND

The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

EARNINGS PER SHARE (EPS)

The net (after tax) profits of a company divided by the number of ordinary shares in issue. This is used as the 'E' term in the P/E ratio to value shares.

EQUITIES

Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

EXERCISE PRICE

The price at which the holder of an option or warrant can buy/sell the underlying asset.

FINANCIAL INSTRUMENTS

Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

FINANCIAL CONDUCT AUTHORITY (FCA)

The lead UK regulator. A designated agency which is not a government department.

FIXED INTEREST CORPORATE BOND

A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum.

FTSE-100 INDEX

The main UK index used to represent the approximate price movements of the top 100 shares.

FUTURES

Instruments which give a buyer the right to purchase a commodity at a future date.

GEARING

The amount of borrowing versus debt on a company's Balance Sheet (Net debt/Ordinary shareholders' funds). Warrants and options also exhibit gearing, i.e. a small move in the price of the underlying asset can be magnified in the move in the price of the option.

GILT

Similar to Corporate Bonds by way of interest and redemption but these are issued by Government and are a loan to the Government.

NOTES TO THE PENSION FUND ACCOUNTS

HEDGE

To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

HEDGE FUND

A limited partnership with very little restriction on the scope of its investment. Usually quoted in Luxembourg or Dublin. Hedge funds often use borrowing to gear up exposure to markets.

IMPAIRMENT

A reduction in the value of an asset from its previous value in the accounts.

IMRO

Investment Management Regulatory Organisation. Fund Manager Regulator.

INDEX LINKED

Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

INTEREST YIELD

The annual coupon on a bond divided by the clean price.

INFRASTRUCTURE ASSETS

Assets such as roads and bridges.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

LGSS

A partnership between Cambridgeshire and Northamptonshire County Councils to create a wholly owned public sector organisation to deliver professional and transactional support services.

LOAN STOCK

Unsecured bonds, which may be convertible if they have a warrant attached.

MARKET CAPITALISATION

For an individual stock it is the value of all shares held in the equity of the company. For a market or index it is the total of all the market caps of the constituent companies.

MEDIUMS

Medium-dated Gilts with time to maturity of 5-15 years.

NOMINEE

A firm which acts on behalf of the underlying beneficial owner of the securities and in whose name the securities are registered.

OFFER PRICE

The price at which market makers will sell stock.

ORDINARY SHARES

'A' Shares which confer full voting and dividend rights to the Owner.

NOTES TO THE PENSION FUND ACCOUNTS

PENSIONS STRAIN

Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

RELATED PARTY

A person or an organisation which has influence over another person or organisation.

RIGHTS ISSUE

A new issue of shares offered to existing shareholders in proportion to their existing holdings. Usually offered at a discount to entice take-up, which causes the existing shares to fall in value to the theoretical ex-rights price.

SCHEDULED BODIES

Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

STOCK

Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

SURPLUS

An outcome as a result of taking away all expenses from income.

TRANSFER VALUES

Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

TRANSFeree ADMISSION BODIES

Employers who may be admitted to the scheme if they meet the requirements of Regulation 6 and Regulation 7 of the LGPS (Administration) Regulations 2008 (as amended). Typically these are bodies that are formed when a service or function offered by a local authority or other scheduled body is contracted out to the private sector.

TREASURY MANAGEMENT

A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

TRUST

Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

UNDERWRITER

A firm which agrees to underwrite a new issue, for a fee, thereby guaranteeing the securities will be sold.

UNIT TRUST

An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Fund manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

NOTES TO THE PENSION FUND ACCOUNTS

WARRANTS

Long dated options warrants give the holder the right to buy/sell a specified quantity of a particular stock, or any other asset, at a fixed price on or before a specified date.

NOTES TO THE PENSION FUND ACCOUNTS

Appendix A – Governance Policy & Governance Compliance Statement

Appendix B – Funding Strategy Statement

Appendix C – Investment Strategy Statement

Appendix D – Joint administration strategy & joint communication strategy

GOVERNANCE POLICY & COMPLIANCE STATEMENT



***Governance Policy and
Compliance Statement (June
2015)***
Cambridgeshire Pension Fund

GOVERNANCE POLICY & COMPLIANCE STATEMENT**Cambridgeshire Local Government Pension Scheme (LGPS)****Governance Policy and Compliance Statement (May 2015)****Introduction**

This Policy and Compliance Statement details the governance arrangements for the Cambridgeshire Pension Fund, which is maintained by Cambridgeshire County Council, as required by Regulation 53 of the Local Government Pension Scheme Regulations 2013.

Under Regulation 55 of that provision all LGPS Funds are required to produce a Governance Compliance Statement which must be published and revised upon any material change in delegation arrangements.

The statement must set out -

- (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority:
- (b) if the authority does so –
 - (i) the terms, structure and operational procedures of the delegation,
 - (ii) the frequency of any committee or sub-committee meetings,
 - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights.
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- (d) details of the terms, structure and operational procedures relating to the local pension board established under Regulation 53(4)

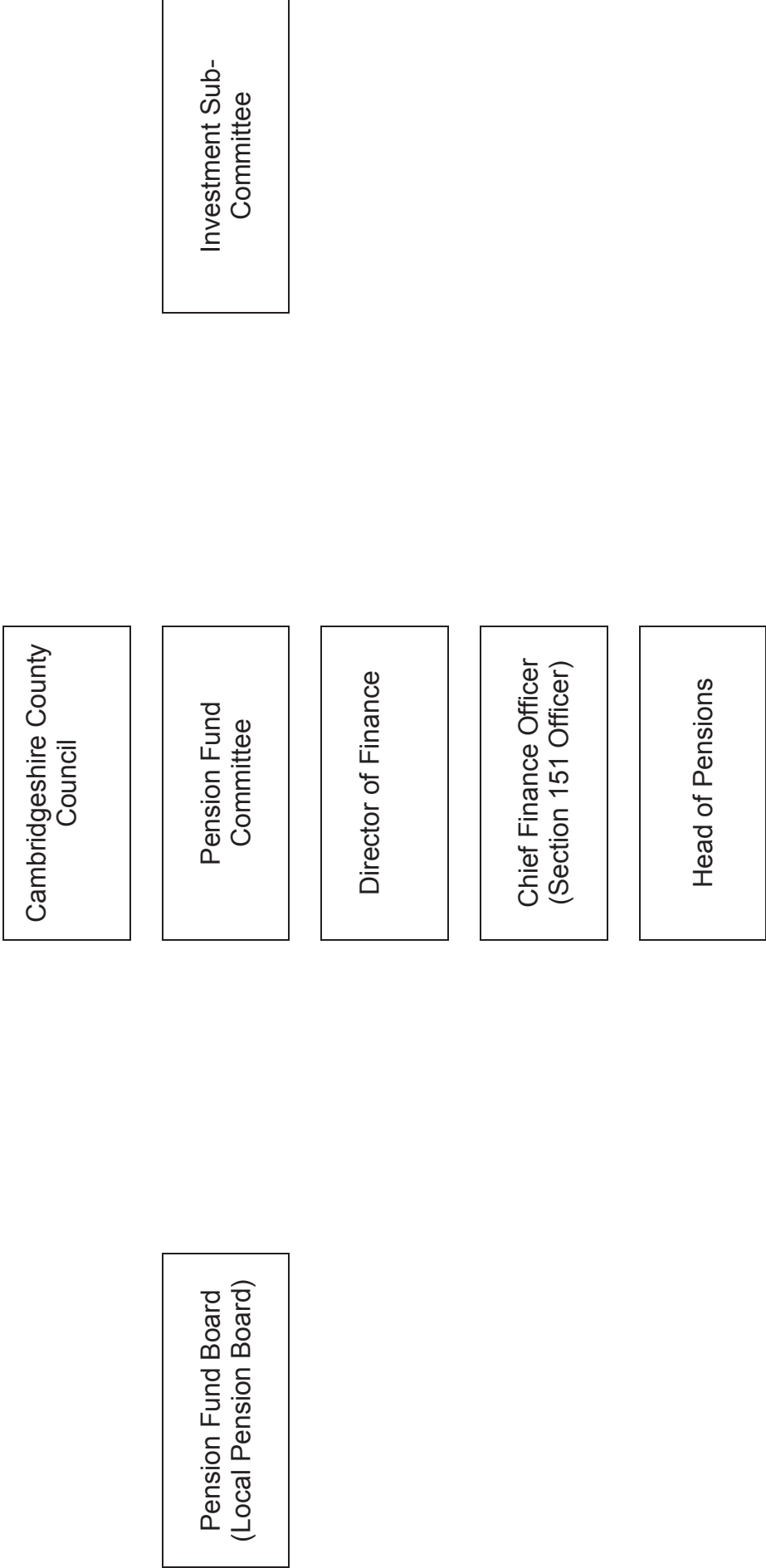
Each administering authority must –

- (a) keep the statement under review and make such revisions as are appropriate, following a material change,
- (b) in preparing and reviewing the statement, consult such persons as it considers appropriate,
- (c) publish its statement and any revised statement.

GOVERNANCE POLICY & COMPLIANCE STATEMENT

Governance Structure

The Cambridgeshire Pension Fund governance structure is shown below.



GOVERNANCE POLICY & COMPLIANCE STATEMENT

Scheme of Delegations for the Cambridgeshire Pension Fund

Cambridgeshire County Council has delegated its functions in relation to the maintenance of the Cambridgeshire Pension Fund to its Committees and Local Pension Board as follows:

Pension Fund Committee

Power to set the Pension Fund's objectives and determine and maintain appropriate strategies, policies and procedures with ongoing monitoring in the following areas:

- Funding Strategy – ongoing monitoring and management of the liabilities including ensuring appropriate funding plans are in place for all employers in the Fund. Overseeing the triennial valuation and interim valuations and working with the actuary in determining the appropriate level of employer contributions for each employer.
- Investment Strategy – to determine the Fund's investment objectives and to set and review the long term high level investment strategy to ensure these are aligned with the Fund's specific liability profile and risk appetite.
- Administration Strategy – the administration of the Fund including collecting payments due, calculating and paying benefits, gathering from and providing information to scheme members and employers.
- Communications Strategy – determining the methods of communications with the various stakeholders including scheme members and employers.
- Discretions – determining how the various administering authority discretions are operated for the Fund.
- Governance – the key governance arrangements for the Fund, including representation.
- Risk Management Strategy – to include regular monitoring of the Fund's key risks and agreeing how they are managed and/or mitigated.

Authority to approve and apply the policy on, and to take decisions relating to, employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.

Authority to agree the terms and payment of bulk transfers into and out of the Fund in consultation with the Section 151 Officer.

Authority to consider and agree business plans at least annually and monitor progress against them and to monitor compliance with the Myner's Principles on an annual basis.

Authority to develop and maintain a training policy for all Pension Fund Committee,

GOVERNANCE POLICY & COMPLIANCE STATEMENT

Investment Sub-Committee and Pension Fund Board members and for all officers of the Fund, including:

- Determining the Fund's knowledge and skills framework;
- Identifying training requirements;
- developing training plans; and
- monitoring attendance at training events.

Authority to select, appoint, monitor and where necessary terminate advisers to the Fund not solely relating to investment matters.

Authority to agree the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.

Authority to consider and determine where necessary, alternative investment strategies for participating employers.

Authority to oversee the work of the Investment Sub-Committee and consider any matters put to them by the Investment Sub-Committee.

Authority to set up sub-committees and task and finish groups including jointly with other LGPS Administering Authorities.

Authority to review and amend the Statement of Investment Principles on an annual basis, in consultation with the Section 151 Officer.

Authority to manage any other strategic or key matters pertaining to the Fund not specifically listed above.

Investment Sub-Committee

Authority to implement the Fund's investment strategy.

Authority to review and maintain the detailed asset allocation of the Fund within parameters agreed with the Pension Fund Committee.

Authority to appoint and terminate investment managers to the Fund and to monitor the performance of investment managers leading to review and decisions on termination where necessary.

Authority to appoint and monitor and where necessary terminate external advisors and service providers solely relating to investment matters, for example, the Fund Custodian, independent investment advisers, investment consultants and investment managers.

Authority to set benchmarks and targets for the Fund's investment managers.

Authority to monitor the risks inherent in the Fund's investment strategy in relation to the Fund's funding level.

GOVERNANCE POLICY & COMPLIANCE STATEMENT

Authority to determine operational matters such as rebalancing and the most appropriate methodology for asset transitions within parameters agreed by the Pension Fund Committee.

Authority to monitor and review:

- Legislative, financial and economic changes relating to investments and their potential impact on the Fund;
- The investment management fees paid by the Fund and to implement any actions deemed necessary;
- The transactions costs incurred by the Fund across its investment mandates and raise relevant issues and concerns with the investment managers as necessary;
- The investment managers' adoption of socially responsible investment considerations, on an annual basis, including corporate governance matters and a review of compliance; and
- with the UK Stewardship Code.

Authority to receive reports on Interim Manager meetings and other operational meetings.

Authority to undertake any task as delegated by the Pension Fund Committee.

Authority to refer any matter to the Pension Fund Committee as they consider appropriate.

Authority to provide minutes and such other information to the Pension Fund Committee as they may request from time to time.

Pension Fund Board (Local Pension Board)

Authority to assisting the Administering Authority to secure compliance with:

- the Principal 2013 Regulations;
- other legislation relating to the governance and administration of the LGPS; and
- the requirements imposed by the Pensions Regulator in relation to the LGPS

Authority to assist the Administering Authority in ensuring effective and efficient governance and administration of the LGPS (including funding and investments).

Director of Finance

Responsibility for the operational management of the Shared Services within the

GOVERNANCE POLICY & COMPLIANCE STATEMENT

remit of the Pensions Service and in accordance with the requirements of the Pension Fund Committee and Investment Sub-Committee, including authority to determine the number, grade, title and nature of staff deployed and all other terms and conditions.

Chief Finance Officer (Section 151 Officer)

To determine all future applications to join CCC's superannuation fund as an admitted body after consultation with the Chairman/woman of the Pension Fund Committee.

To determine any applications to CCC for recommencement of the payment of a widow's pension.

To determine future applications to CCC for the early payment of deferred pension rights.

To exercise discretion as to whom any lump sum death grant should be paid from the CCC Pension Fund.

The granting of applications to CCC for early payment of benefits on or after age 50 and before age 60.

Detailed implementation of the investment strategy as determined by the Pension Fund Committee and the issuing of any instructions to investment managers consistent with the strategy or required as a matter of urgency to safeguard CCC's/the Fund's position.

To agree any whole fund parameters and assumptions used by the Actuary for the triennial valuation and the phasing of any changes to employer contribution rates after consultation with the Chairman/woman of the Pension Fund Committee.

GOVERNANCE POLICY & COMPLIANCE STATEMENT

The Pension Fund Committee

The Pension Fund Committee is composed as follows:

Representing	No.	Term of Office	Method of appointment
Cambridgeshire County Council	6	4 years from County Council elections	Determined by Cambridgeshire County Council Full Council.
All other Local Authorities, Police and Fire	2	4 years	Nominations determined by a leaders/chief executives group. Selection will be linked to the election cycle. Details of the process to be agreed by the Chairman/woman.
All other employers	1	4 years	Nominations to be determined by eligible employers. Details of the process to be agreed by the Chairman/woman.
Active Scheme Members	1	4 years	Determined by Unison. Where Unison fails to nominate a representative for any period of 6 months or more, nominations will be requested from all eligible active members and a representative will be picked following interviews. Details of process to be agreed by the Chairman/woman.
Deferred and Pensioner Scheme Members	1	4 years	Determined by Unison. Where Unison fails to nominate a representative for any period of 6 months or more, nominations will be requested from all eligible deferred and pensioner members and a representative will be picked following interviews. Details of process to be agreed by the Chairman/woman.
Total	11		

The Chairman/woman and Vice Chairman/woman of the Pension Fund Committee shall be elected by the Pension Fund Committee.

Full Council may appoint substitute members to the Pension Fund Committee in accordance with the scheme of substitution. Similarly, substitutes for the representatives of all other employers and of Scheme members may be appointed by eligible employers and Unison respectively.

All members and representatives have equal voting rights.

GOVERNANCE POLICY & COMPLIANCE STATEMENT

The Pension Fund Committee is supported in the execution of its responsibilities by staff from LGSS Pensions (a shared service formed from the joint partnership of Cambridgeshire County Council and Northamptonshire County Council). The Committee is also supported by professional advisers such e.g. the Fund Actuary.

The Board meets four times a year with an additional Annual General Meeting in July. Additional Task and Finish Groups can meet as necessary to consider and report on matters that require further consideration.

The Investment Sub-Committee

The Investment Sub-Committee is composed as follows:

Representing	No.	Term of Office	Method of appointment
Cambridgeshire County Council	4	4 years from County Council elections	Determined by Cambridgeshire County Council Full Council. Details of process to be agreed by the Chairman/woman.
All other employers	2	Up to term of office ceasing in accordance with Board membership or six years, whichever is later	Determined by non-Cambridgeshire County Council employer representatives on the Committee. Details of process to be agreed by the Chairman/woman.
Scheme members	1	Up to term of office ceasing in accordance with Board membership or six years, whichever is later	By agreement between active and deferred pensioner representatives on the Committee. Details of the process to be agreed by the Chairman/woman.
Total	7		

All Investment Sub-Committee members shall be drawn from Pension Fund Committee membership. The Chairman/woman and Vice Chairman/woman of the Investment Sub-Committee shall be the Chairman/woman and Vice Chairman/woman of the Pension Fund Committee respectively.

All members and representatives have equal voting rights.

The Pension Fund Committee may appoint substitute members to the Investment Sub-Committee in accordance with the scheme of substitution. Similarly, substitutes

GOVERNANCE POLICY & COMPLIANCE STATEMENT

for the representatives of all other employers and of Scheme members may be appointed by eligible employers and Unison respectively.

The Investment Sub-Committee is supported in the execution of its responsibilities by an institutional investment adviser.

The Investment Sub-Committee meets four times a year.

In addition special meetings of the Investment Sub-Committee are held when required for the discharge of its functions in regard to such matters as the selection and appointment of investment managers.

The Pension Fund Board (Local Pension Board)

The Pension Fund Board is composed as follows:

Representing	No.	Term of Office	Method of Appointment
Scheme Employers	3	4 years or until qualification for membership ceases	At least two representatives to be appointed by Cambridgeshire County Council Full Council. One representative appointed via an open and transparent selection process.
Scheme Members	3	4 years or until qualification for membership ceases	To be appointed via an open and transparent selection process.
Total	6		

The Pension Fund Board has no decision making ability.

The Chairman/woman and Vice Chairman/woman of the Board shall be elected

There are no substitute members.

The Pension Fund Board meets at least twice per year.

The Pension Fund Board reports its activities at the end of each financial year to full Council.

GOVERNANCE POLICY & COMPLIANCE STATEMENT

Governance Compliance Statement

This section sets out the extent to which Cambridgeshire Pension Fund governance arrangements are compliant with the latest guidance issued by the Secretary of State for Communities and Local Government;

Principle	Not Compliant	Partially Compliant	Fully Compliant
A. Structure			
(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.			✓
(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.			✓
(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.			✓
(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.			✓
B. Representation			
(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include;			✓
(i) employing authorities (including non-scheme employers (e.g. admitted bodies)			✓
(ii) scheme members (including deferred and pensioner scheme members)			✓
(iii) independent professional observers			✓
(iv) expert advisers			✓
(b) that where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.			✓
C. Selection and role of lay members			
(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee			✓
(b) that at the start of any meeting, committee members are invited to declare any financial			✓

GOVERNANCE POLICY & COMPLIANCE STATEMENT

or pecuniary interest related to specific matters on the agenda.				
D. Voting				
(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.				✓
E. Training/Facility time/Expenses				
(a) that in relation to they way in which statutory and related decisions are taken by the Administering Authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.				✓
(b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form or secondary forum.				✓
F. Meetings (frequency/quorum)				
(a) that the Administering Authority's main committee or committees meet at least quarterly.				✓
(b) that an Administering Authority's secondary committee of panel meet at least twice a year and is synchronised with the dates when the main committee sits.				✓
(c) that Administering Authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders be represented.				N/A
G. Access				
(a) that subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.				✓
H. Scope				
(a) that administering authorities have taken steps to bring the wider scheme issues within the scope of their governance arrangements.				✓
I. Publicity				
(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.				✓

Funding Strategy Statement 2016

Contents

Funding Strategy Statement	Page
Introduction	1
Basic Funding issues	4
Calculating contributions for individual Employers	9
Funding strategy and links to investment strategy	22
Statutory reporting and comparison to other LGPS Funds	24

Appendices

Appendix A – Regulatory framework	246
Appendix B – Responsibilities of key parties	28
Appendix C – Key risks and controls	30
Appendix D – The calculation of Employer contributions	35
Appendix E – Actuarial assumptions	39
Appendix F – Glossary	42

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Cambridgeshire Pension Fund (“the Fund”), which is administered by Cambridgeshire County 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 29 March 2017.

1.2 What is the Cambridgeshire 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 Cambridgeshire Fund, in effect the LGPS for the Cambridgeshire area, 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;
- the Fund's policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles / 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: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always 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: your council seeks to strike the balance above, and also 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, such as:

- 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,
- F. a [glossary](#) explaining the technical terms occasionally used here.

If you have any other queries please contact the Employer Services and Systems Team Manager in the first instance at e-mail address penemployers@Cambridgeshire.gov.uk or on telephone number 01604 364621.

2 Basic Funding issues

(More detailed and extensive descriptions are given in [Appendix D](#)).

2.1 How does the actuary measure the required contribution rate?

In essence this is a three-step process:

1. Calculate 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. Determine 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;
3. Calculate 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 [2.3](#) 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 paid 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 part of this being due to 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 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 **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 is a deficit (or surplus) calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see [Appendix D](#), section [D5](#), for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the deficit/surplus and funding level are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, deficits and funding levels are short term measures, whereas contribution-setting is a longer term issue.

2.6 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; and

- 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 at a reasonable cost.

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 the 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 perhaps 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

In limited circumstances the Administering Authority may permit employers 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 Designating Employers			Transferee Admission Bodies
Sub-type	Local Authorities, Police and Fire	Colleges	Academies	Individual, open to new entrants	Individual, closed to new entrants	Pooled	(all)
Funding Target Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to “gilt basis” – see Note (a)			Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)						
Stabilised contribution rate?	Yes – see Note (b)	No	Yes - see Note (b)	No	No	No	No
Maximum time horizon – Note (c)	20 years	20 years	20 years	Average expected future working lifetime	Average expected future working lifetime	15 years	Outstanding contract term (or average expected future working lifetime if less)
Secondary rate – Note (d)	Monetary amount	Monetary amount	% of payroll	Monetary amount	Monetary amount	% of payroll	Monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Reduce contributions by spreading the surplus over 20 years	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
Probability of achieving target – Note (e)	66%	75%	66%	80%	80%	75%	70%
Phasing of contribution changes	Covered by stabilisation arrangement	3 years	Covered by stabilisation arrangement	3 years	3 years	3 years	3 years (or outstanding contract term if less)
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			Reviewed annually by request in last 3 years of contract			
New employer	n/a	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 (i) .			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.

As indicated in section 3.1, the Administering Authority may, if it considers the circumstances appropriate, direct the actuary to take alternative approaches for assessing contributions for specific employers.

Note (a) (Basis for CABs and Designating Employers closed to new entrants)

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.

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	Council, Police, Fire	Academy
Base cont rate	Actual 2016-17 rate	23.0%
2017-18 rate	Same as 2016-17*	Reduction of 1% of pay (if calculated rate below base)***
2018-19 & 2019-20	Increases each year of either nil or 0.5% of pay**	Further reductions each year of 1% of pay (if calculated rate below base)***
Thereafter:		
Max cont increase	1% of pay	1% of pay
Max cont decrease	1% of pay	1% of pay

*The split in total contribution rate between Primary and Secondary elements may change from 1 April 2017, compared to the split between percentage and monetary amounts in 2016-17, in accordance with new LGPS Regulatory requirements. On the basis of the pensionable payroll in 2015/16, the total contribution would be unaffected.

**The modelling carried out in 2016 has determined whether each given employer requires 0.5% increases or not, and this has been discussed with the employers.

***In line with the stabilisation previously enjoyed by academies (where contribution rate increases were limited to 1% of pay each year), any reduction in contribution from 2017 is similarly limited to 1% of pay each year. Any reduction in contribution is limited such that the contribution paid is no lower than the calculated rate. However, if the academy's calculated rate exceeds the base contribution rate of 23.0%, the academy would still be able to pay this base rate instead if it wished.

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.

The Administering Authority has a policy of aiming to secure the stabilised rates for two years (as opposed to one year) after each future valuation date, to provide sufficient advance notice to such employers regarding possible changes in their contribution rates. This is subject to market conditions not making it unsafe to do so.

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.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the three year period until the next valuation will often be set as a monetary sum as opposed to a percentage of salaries. However, where a percentage of salaries approach is adopted, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution 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;
- v. As an alternative to (iv), the academy will have the option to elect to pay the base contribution rate outlined in [Note \(b\)](#) above. This has been calculated to be broadly in line with the ceding Local Authority. However, this election will not alter the academy's asset or liability allocation as per (ii) and (iii) above. Ultimately, all academies remain responsible for their own allocated deficit.

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) and (v) 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, or a Central Government department, 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 \(i\)](#).

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 the 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:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that 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 the Admission Body;
- Any breach by the 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 the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the 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 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).
- Town and Parish Councils (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).
- Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools.
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

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 additional contributions ('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.

Payment of non-ill health strain costs will be payable immediately; however, in exceptional circumstances, with the agreement of the Administering Authority the payment may be spread as follows:

Major Employing bodies	-up to 3 years
Community Admission Bodies and Designating Employers	-up to 3 years
Academies	-up to 3 years
Transferee Admission Bodies	-payable immediately.

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 a single lump sum, equal to the strain, paid by an external insurance policy (see [3.8](#) below).

3.8 External Ill health insurance

The Administering Authority has arranged a current external insurance policy covering ill health early retirement strains, for all employers in the Fund on a mandatory basis. The employer's contribution to the Fund each year includes its share of that year's insurance premium.

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:

- 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;
- 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.
- 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.

3.10 Policies on bulk transfers

The Fund has a separate written policy which covers bulk transfer payments into, out of and within the Fund. 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 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 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 relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to employers through Employers Forums.

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 oversight 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 published on the website at <http://pensions.cambridgeshire.gov.uk> in December 2016 for comment and employers were notified of its publication;
- b) Comments were requested within 30 days;
- c) There was an Employers Forum on 30 November 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 <http://pensions.cambridgeshire.gov.uk>;

A copy sent to member representatives;

A full copy linked from the annual report and accounts of the Fund;

Copies sent to independent advisers;

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,
- 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://pensions.cambridgeshire.gov.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;
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); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and SIP/ISS as necessary and appropriate.

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. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

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. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. 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;
6. 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.

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 under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	<p>Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context.</p> <p>Inter-valuation monitoring, as above.</p> <p>Some investment in bonds helps to mitigate this risk.</p>
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.

Risk	Summary of Control Mechanisms
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	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.
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).</p>

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.

Risk	Summary of Control Mechanisms
Deteriorating patterns of early retirements	<p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>
Reductions in payroll causing insufficient deficit recovery payments	<p>In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).</p> <p>For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.</p>

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The results of the most recent reforms were built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.</p>
Time, cost and/or reputational risks associated with any DCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.

Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>
---	--

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
An employer ceasing to exist with insufficient funding or adequacy of a bond.	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p>

Risk	Summary of Control Mechanisms
	<p>Seeking a funding guarantee from another scheme employer, or external body, wherever possible (see Notes (h) and (i) to 3.3).</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p> <p>Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).</p>

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 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, 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;
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 contribution 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 contribution 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 contribution 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 Hymans Robertson: 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 contribution 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 Actuary Hymans Robertson: 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;
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 allowance for an anticipated out-performance 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 assumed that future investment returns earned by the Fund over the long term will be 1.8% per annum greater than gilt yields at the time of the valuation (this is higher than the 1.6% used at the 2013 valuation, i.e. produces a lower funding target all other things being equal). In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

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. Increases in line with the retail prices index (RPI) each year thereafter.

This is a change from the previous valuation, which assumed a flat assumption of RPI plus 1.0% 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 have used a difference between RPI and CPI 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 to that 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 contribution 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 contribution rate	The difference between the employer's actual and Primary contribution 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.

Investment Strategy Statement (Published 1 April 2017)

Introduction and background

This is the Investment Strategy Statement ("ISS") of the Cambridgeshire County Council Pension Fund ("the Fund"), which is administered by Cambridgeshire County Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") and supersedes all previously published Statement of Investment Principles.

The ISS has been prepared by the Pension Fund Committee ("the Committee") having consulted on the contents of the Fund's investment strategy with such persons it considers appropriate. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Pension Committee on 23 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 Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement which can be found at

<http://pensions.northamptonshire.gov.uk/wp-content/uploads/2016/12/CambridgeshireFundingStrategyStatement2016.pdf> .

Objectives of the Fund

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. Pensions and benefits will be met by contributions, asset returns and income.

The Pension Fund Committee works to endeavour that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

The Fund is subject to an actuarial review every three years, in preparation for which the Fund, in conjunction with the Fund's Actuary and taking investment advice, prepares a Funding Strategy Statement (FSS) that sets out the strategy to ensure the long-term solvency of the Fund whilst recognising the need for a minimum (where possible and subject to a level of prudence) and, stable level of employer contributions.

Investment Beliefs

The strategy adopted by the Fund is based upon the following investment beliefs:

1. The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments and recognises that the Fund is a long-term, open scheme that has an obligation to pay benefits that are linked to inflation. The Committee also takes into account the covenant associated with the Fund's employers in deciding how much risk is appropriate.
2. Asset allocation and specifically the headline amounts invested in equities, fixed income and alternatives, will drive risk and return levels.
3. Investing over the long-term provides opportunities to improve returns.
 - a. Asset classes that return over a reasonably long duration are suitable for this Fund.
 - b. The Fund has a policy of holding managers over the longer-term to reduce the impact of transitions and believes in the benefits of compounded returns.
4. Equities are expected to generate returns above the growth of liabilities over the long-term and have an indirect link to inflation.
 - a. The Fund predominately holds equities due to the belief that they will provide returns above liabilities over the long-term and this helps to ensure that contributions remain affordable.
5. Inflation linked UK Government bonds provide a high degree of liability matching and a direct link to inflation.
 - a. Investments in government bonds are not held for return purposes but are held in order to mitigate the risk that contribution rates need to increase significantly should yields fall.
6. Non-Government bonds are expected to provide a return above governments bonds and can provide some interest rate protection relative to the liabilities.
7. Alternative assets are expected to generate returns above liabilities over the long-term, can have an inflation link, as well as providing diversification benefits.
8. Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
9. The Committee favours active management, where there are opportunities for active managers to add value, increasing overall expected return net of fees.
10. Passive strategies provide low cost access to market returns
11. Responsible Investment including Environmental, Social and Governance are important factors for the sustainability of longer term investment returns.
12. Value for money is defined as recognising net return over absolute cost.

INVESTMENT STRATEGY STATEMENT

Selecting a suitable strategy

The Pension Fund Committee is responsible for the Fund's asset allocation which is determined via a triennial strategy review as part of the valuation process, but is kept under regular review; noting that strategic changes are an evolutionary process.

The triennial review looks at both qualitative and quantitative analysis, covering:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit
- An analysis of the magnitude of the various risks facing the Fund is established in order that a priority for mitigation can be determined

The desire for diversification across asset class, region, sector, and type of security

The Committee utilises a wide range of professional support such as an investment consultant and the Fund's Actuary.

As noted above, the Fund's objective is to pay benefits as they fall due and this requires the build-up of sufficient reserves in advance. The Fund is currently assessed to have a deficit in terms of the reserves needed and so the asset strategy is focused on achieving returns in excess of inflation, without taking undue risk. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund's current investment strategy is set out below. It should be noted that the Fund is currently undergoing an investment strategy review and although an agreement in principle has been made to increase the allocation to illiquid alternatives, the review has not yet been completed. Set out below therefore is the current position that will likely evolve as part of the forthcoming review.

Asset class	Target allocation %	Tolerances%
UK equities	21.0%	
Overseas equities	44.0%	
Equities	65.0%	60.0% -70.0%
Government Bonds	5.0%	
Non-Government Bonds	7.0%	
Fixed Income	12.0%	9%-15%
Property	10.0%	
Private Equity	5.0%	
Infrastructure	5.0%	
Loans	3.0%	
Alternatives	23.0%	18.0% - 28.0%
Total target Allocation	100%	

The tolerance ranges allow for the long-term natural deviation from the strategic percentage allocation due to differential relative performance of each investment type. Exceeded tolerances will be reported in the quarterly performance report to the Investment Sub Committee.

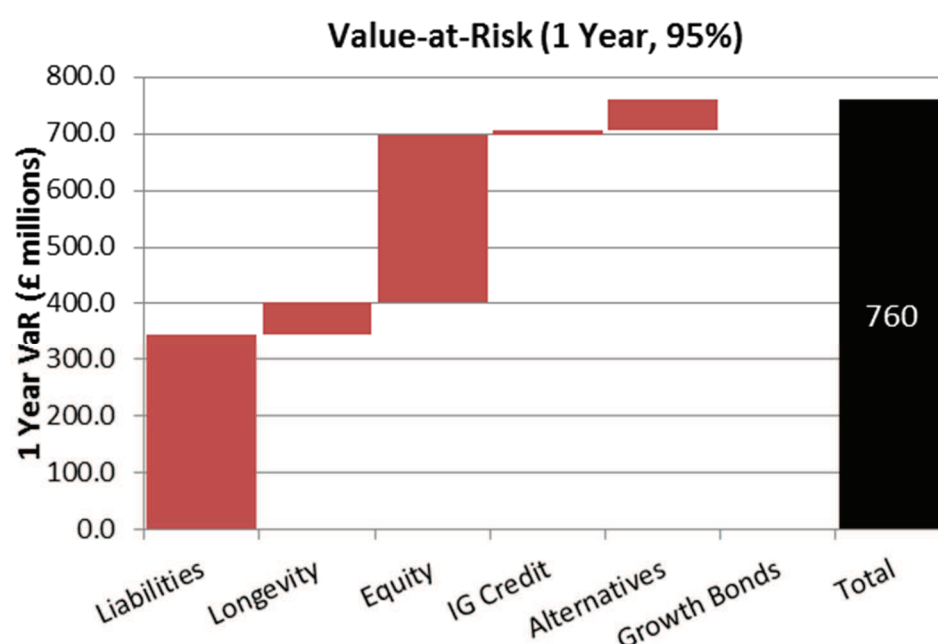
At 31 March 2016, the expected return of this portfolio was 4% per annum. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Risks

The Committee assesses risks both qualitatively and quantitatively, with the starting point being the triennial strategy review. Risks are considered, understood and then prioritised accordingly.

Investment Risks

The Committee uses Risk Attribution Analysis to determine the order of magnitude of the main investment risks the Fund is facing. The chart below shows the VaR (Value at Risk, essentially the losses that would occur in a 1-in-20 event) facing the Fund, split into major risk categories.



As an additional illustration of risk, the table below shows how a range of events could impact the Fund:

Event	Event movement	Impact on Deficit
Fall in equity markets	20% fall in equities	£376m
Active Manager underperformance	3% underperformance from all active managers	£61m

INVESTMENT STRATEGY STATEMENT

As shown in both the Value-at-Risk attribution chart and the table above, the most significant risk that the Fund is running is in relation to interest rates and inflation. It is important to stress that whilst not immaterial, the risks being run by the use of active management is far smaller.

Liabilities (interest rate and inflation) – The largest risk that the Fund faces is in relation to interest rates and inflation. The investment strategy recognises this and looks to increase the allocation to assets that provide protection against falling rates and rising inflation expectations when affordable to do so, which is considered appropriate in the context of the Fund's position as a long-term investor.

Equities – Should equity market conditions deteriorate significantly this will have a negative impact on the funding level. The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensates the level of risk equities bring to the Fund, but does believe in diversification, and looks to mitigate equity risk by investing significantly in bonds and alternatives.

Alternatives – The Fund has a significant amount of assets allocated to a range of alternatives, with allocations to property and private equity, amongst others. The risks that these investments bring at an individual level is not insignificant however the Committee believe that over the long-term alternatives will provide returns that compensate for the risks being run. Additionally the level of diversification the assets provide helps to reduce the Funds reliance on returns from equities. Illiquid assets such as property and private equity are also a valuable source of income.

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund by investing in a range of different investments can minimise the level of risk run to a degree.

Passive Manager Risk – This is the simplest style of investment which places monies purely to track indices with the associated risks of following the full effects of both positive and negative market movements benefiting from the most economic of fee rates. This contrasts to active management which is applied to smooth volatility and improve market returns albeit at higher fee rates, the assumption being that the net return after fees is greater than pure passive management.

Active Manager Risk – Active Investment Managers are appointed to manage the Fund's investments on its behalf in the expectation that they will outperform the market but also recognising that their mandates may underperform passive managers. This risk is small relative to other risks; however the Fund still addresses this risk. Extensive due diligence takes place before managers are appointed. The investment managers are also monitored regularly by the Investment Sub Committee, Officers and by the Fund's Advisors. There is a risk is that net performance underperforms a passive arrangement over the long-term.

Liquidity risk – It is recognised that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long-term investment horizon, the Committee believes that a

INVESTMENT STRATEGY STATEMENT

degree of liquidity risk is acceptable, given the potential for accessing higher returns. The majority of the Fund's assets are realisable at short notice.

Exchange rate risk – This risk arises from unhedged investment overseas. The Committee believes that a long-term investor can tolerate short term fluctuations in currency movements but this policy will be reviewed at the next investment strategy review; particularly with reference to the Fund's equity portfolio.

Demographic Risk

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as the pensioner liability increases. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that investments would need to be realised in order to pay benefits. The Fund is not in that situation at present as cash inflows from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

Cashflow Management Risks

The Fund is gradually becoming more mature and although it is cashflow positive after taking investment income, managing cashflow will become an increasingly important consideration in setting the investment strategy.

Governance Risks

The Fund believes that there is a benefit to the Fund to be gained from good governance in the form of either or both of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit.

Details of the Fund's governance structure can be found in the [Governance Compliance Statement](#).

ESG Risks

The Fund recognises that effective management of ESG issues can enhance long-term financial performance of investments, and therefore ESG factors should be a feature of investment analysis and management. This aligns with the best interests of the Fund's beneficiaries and is consistent with fiduciary duty.

The Committee believes that engagement is key in relation to strong corporate governance, which in turn will enhance returns. Details of the Fund's policies can be found later in this statement.

Investment of money in a wide variety of investments

The Fund will invest in a range of investments, diversified by type, class, geographical location and market exposure.

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including:

- Equities,

INVESTMENT STRATEGY STATEMENT

- Fixed interest and index linked bonds,
- Cash,
- Property and commodities, either directly or through pooled funds,
- Private Equity,
- Infrastructure,
- Debt,
- Insurance Instruments,
- Contracts for differences and other derivatives either directly or in pooled funds.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money 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".

Factor	Allocation	Inflation linkage	Interest rate sensitivity	Growth	Diversifier (from equities)	Liquidity	Liability Matching
Role	%	Liability management	Liability management	Deficit reduction & affordability	Risk mitigation	Cash flow management	Liability management
UK equities	21.0	Indirect link to inflation over the long-term	N	Y	N	Y	N
Global Equities	44.0	Indirect link to inflation over the long-term	N	Y	N	Y	N
Index Linked Gov't bonds	5.0	Y	Y	N	Y	Y	Y
Non-Gov't Bonds	7.0	N	Y	N	Y	Y	Y
Property	10.0	Indirect link to inflation over the long-term	N	Y	Y	N	N
Private Equity	5.0	Y	N	Y	Y	N	N
Infrastructure	5.0	Y	N	Y	Y	N	Y
Loans	3.0	N	Y	N	Y	Y	N
TOTAL	100.0						
Illiquidity Budget							
Inflation Sensitivity							

Asset Pooling

Cambridgeshire is a member of the ACCESS pool along with the following 10 other pension funds:

East Sussex
Essex
Hampshire
Hertfordshire
Isle of Wight
Kent
Norfolk
Northamptonshire
Suffolk
West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed a Memorandum of Understanding to underpin their partnership (will be updated for IAA). ACCESS is working to a project plan in order to create the appropriate means to pool investments. The first investments to be pooled in 2017 will be passively managed investments.

The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in July 2016, which is available on ACCESS's website <http://www.accesspool.org/>

All 11 ACCESS funds are working in the expectation that, over time, all investments will be pooled apart from a minority of investments where there is a no value for money benefit to pooling a specific investment as identified and agreed by an individual fund.

Investment pooling is intended to provide the scale that will enable LGPS funds to access lower investment Manager fees and to deliver cost savings. In the pooled investment structure individual funds will remain responsible for their own investment strategy and asset allocation decisions. The pool will be responsible for selecting a suitable number of Investment Managers in order to meet the requirements of all of the funds' investment strategies.

Cambridgeshire will not be pooling an allocation to local alternatives currently consisting of the Cambridge & Counties Bank.

In addition Cambridgeshire will not pool cash held for the efficient administration of the scheme, which is needed to manage cash flow to meet statutory liabilities including monthly pension payroll payments.

Environmental, Social and Governance policy

The Committee considers the financial impact arising from Environmental, Social and Governance ("ESG") risks to be a fiduciary responsibility and an integral part of the risk assessment of any investment. The Committee recognises that effective management of ESG issues can enhance long-term financial performance of investments and seeks to promote this through two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on the long-term prospects of investments.

- **Stewardship and governance** – Good governance can enhance the long-term performance of companies, and this is encouraged by the Fund through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee has directed investment managers to consider the effects of social, environmental and ethical issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund.

The Fund recognizes the benefits of working in collaboration with other investors to achieve its aims. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which is an initiative that enables the Fund to work with other investors to understand the impacts of ESG considerations on financial performance.

The Fund does not exclude investments in order to pursue boycotts, divestment or sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Voting rights

The Fund believes that good stewardship can enhance long-term portfolio performance, and is in the best interests of the Fund's beneficiaries and aligned with fiduciary duty. The Fund supports the principles of the UK Stewardship Code (the "Code").

The Committee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. Accordingly, the Fund's investment managers have produced written guidelines of their process and practice in this regard, which is considered as part of the appointment of an investment manager process.

For and on behalf of Cambridgeshire County Council Pension Fund Committee

JOINT ADMINISTRATION STRATEGY & JOINT COMMUNICATION STRATEGY

Cambridgeshire **Northamptonshire**
Pension Fund Pension Fund

CAMBRIDGESHIRE PENSION FUND &
NORTHAMPTONSHIRE PENSION FUND

JOINT ADMINISTRATION STRATEGY &
JOINT COMMUNICATION STRATEGY

January 2015

Contents	Page
1. Introduction	2
2. Administration Strategy	2
3. Further information	10
4. Appendices	11
Appendix A – Key performance standards	11
Appendix B – Whole Fund administration performance standards	13
Appendix C – Scheme employer performance standards	14
Appendix D – LGSS Pensions Service performance standards	16
Appendix E – Communications Strategy	2

1. Introduction

This document incorporates the joint Administration and Communication Strategies of Cambridgeshire Local Government Pension Fund and Northamptonshire Local Government Pension Fund, managed by Cambridgeshire County Council and Northamptonshire County Council respectively (the Administering Authorities). The administration of these Funds is carried out by LGSS, the shared service partnership between Cambridgeshire County Council and Northamptonshire County Council.

Together the two Funds have around 400 scheme employers with contributing members and a total membership of over 119,000 scheme members.

2. Administration Strategy

The Local Government Pension Scheme (LGPS) represents a significant benefit to scheme members. Much of the success in promoting the scheme amongst scheme members and ensuring a high quality service delivery depends upon the relationship between the administering authority and scheme employers in the day to day administration of the scheme. Good quality administration can also help in the overall promotion of the scheme and remind or alert employees to the value of the LGPS, thereby helping with recruitment, retention and motivation of employees.

Development of an administration strategy, as allowed for by the regulations governing the LGPS, is seen as one of the tools which can help in delivering a high quality administration service to the scheme member and other interested parties. Delivery of a high quality administration service is not the responsibility of one person or organisation, but is rather the joint working of a number of different parties.

This Administration Strategy has been developed following consultation with scheme employers in the Cambridgeshire and Northamptonshire Pension Funds.

The aim of this strategy statement is to set out the quality and performance standards expected of Cambridgeshire County Council and Northamptonshire County Council in their roles of administering authority and scheme employer, as well as all other scheme employers within the Funds. It seeks to promote good working relationships, improve efficiency and enforce quality amongst the scheme employers and the administering authority.

The efficient delivery of the benefits of the LGPS is dependent on sound administrative procedures being in place between a number of interested parties, including the administering authorities and scheme employers. This Strategy Statement sets out the expected levels of performance of the administering authorities and their scheme employers, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

This Administration Strategy is effective from the 1st April 2015. It will be reviewed annually to ensure the strategic objectives remain relevant.

A separate Business Plan including actions in relation to administration matters is published and reviewed annually. This outlines how the Funds intend to deliver this strategy, including how the Funds achieve their objectives, the measurements in place to monitor success and a timetable of events.

Regulatory framework

This document has been produced in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013. The Regulations provide that administering authorities may prepare, maintain and publish a written statement setting out their policy concerning administration matters, and the administering authority and its scheme employers must then have regard to that strategy when carrying out their functions.

The Regulations state that the strategy may include some of these areas:

- procedures for liaison and communication with its scheme employers;
- levels of performance which the administering authority and its scheme employers are expected to achieve in carrying out their Scheme functions such as:
 - the setting of performance targets;
 - the making of agreements about levels of performance and associated matters;
 - the use of such other means as the administering authority considers appropriate;
- procedures which aim to secure that the administering authority and its scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- procedures for improving the communication by the administering authority and its scheme employers to each other of information relating to those functions;
- the circumstances in which the administering authority may consider giving written notice to any of its scheme employers with regard to recovering additional costs on account of that scheme employer's unsatisfactory performance in carrying out its Scheme functions;
- the publication by the administering authority of annual reports dealing with:
 - the extent to which that authority and its scheme employers have achieved the levels of performance;
 - such other matters arising from its pension administration strategy as it considers appropriate; and
- such other matters as appear to the administering authority, after consulting its scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

The Regulations also require that the administering authority should consult with its scheme employers (and any other persons it considers appropriate) in preparing or reviewing its administration strategy.

In addition, regulation 70 of the Local Government Pension Scheme Regulations 2013 allows an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the

additional costs, together with the basis on which the amount has been calculated and the provisions of the Administration Strategy relevant to the decision.

Therefore, this Administration Strategy of the Cambridgeshire Pension Fund and Northamptonshire Pension Fund sets out the information as required by the Regulations mentioned above.

Current trends

This Administration Strategy is produced during a considerable period of change. Key issues currently around are:

- major changes impacting the LGPS and other public sector schemes which provide significant communication challenges;
- ongoing conversion of schools to academies which requires a considerable amount of employer liaison;
- increased governance and regulatory requirements to ensure the LGPS offers value for money;
- scheme employers outsourcing activity in a variety of ways which requires a considerable amount of employer liaison and also impacts the number of people eligible to be members of the LGPS;
- changes to scheme membership which will accelerate the maturity point of the LGPS (the point where annual expenditure exceeds annual income); and
- increasing awareness of the value of the LGPS among the membership and the consequent demands for relevant information.

Key objectives

The administration of Cambridgeshire Pension Fund and Northamptonshire Pension Fund will be delivered in line with these objectives. We aim to:

- provide a high quality, friendly and informative administration service to the Funds' stakeholders;
- administer the Funds in a cost effective and efficient manner utilising technology;
- ensure the Funds and their stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds;
- put in place standards for the Funds and their scheme employers and ensure these standards are monitored and developed as necessary;
- ensure the Funds and their stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment;
- ensure benefits are paid to, and income collected from, the right people at the right time in the right amount;

- maintain accurate records and ensure data is protected and has authorised use only; and
- understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.

Measurements are in place to determine if these objectives are being met which are published in the Administration Section of the Funds' Business Plans.

*References to the Funds refer to the staff employed by the Administering Authority to carry out the administration of the Funds.

Delivering the objectives

Method of delivery

There are a number of options to administering the Funds, including in-house administration, and third party administration.

The Funds' administration benefits from the efficiencies of joint delivery whilst retaining control within the two administering authorities in order to meet the objectives outlined above, e.g. in relation to a quality service and accurate record keeping. The Funds will be proactive in setting strategies to which the LGSS services should adhere, including this Administration Strategy.

At the time of writing, LGSS provides administration services to the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund, though it is envisaged further LGPS Funds will join LGSS in the future, which will benefit the Funds through increased efficiencies, particularly sharing of development costs between greater numbers of Funds. At that point LGSS will encourage those Funds to adopt this Administration Strategy so as to maximise the efficiency opportunities.

Procedures for liaison and communication with employers and other stakeholders

The delivery of a high quality administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the level of service in line with the Funds' objectives as well as ensuring that statutory requirements are met.

Agreements will be made with the Funds' key stakeholders so that service standards are explicit. Key stakeholders are:

- Scheme employers and their payroll and other providers;
- AVC providers;
- Fund Actuaries; and
- Approved Independent Registered Medical Practitioners

In particular, each administering authority relies on its scheme employers in providing them with the appropriate information to maintain accurate records and pay accurate benefits. The Funds acknowledge that this is a partnership arrangement:

- Each Fund is committed to providing a service in line with the objectives outlined above. This will include:

JOINT ADMINISTRATION STRATEGY & JOINT COMMUNICATION STRATEGY

- providing a named contact (and deputy) at the Fund for all employer communications and queries;
 - providing clear instructions and forms/interfaces to allow seamless transfer of information by employers;
 - aim to provide information and services within the performance standards outlined in this Strategy;
 - ensure all information provided is correct by having appropriate quality review in place; and
 - be helpful and courteous when dealing with all employers.
- In return, the employers within each Fund are expected to:
 - provide a named contact (and deputy) at the employer for all Fund communications and queries. Where multiple contacts are provided (for different duties) name one person who is ultimately responsible for ensuring the employer carries out their roles and responsibilities;
 - provide information to the Fund as outlined in instructions using the Fund's approved forms and/or interfaces;
 - aim to provide information within the performance standards outlined in this Strategy;
 - ensure all information provided is correct by having appropriate quality review in place;
 - be helpful and courteous when dealing with the Fund; and
 - provide feedback to the Fund on an ad-hoc basis, at performance review meetings or as part of consultations, e.g. around how services are delivered or about changes to the funding strategy.

Full details of the procedures for liaison and communication between the Funds and their stakeholders are included within the Funds' Communication Strategy – see Appendix E. .

Performance standards

The LGPS prescribes that certain decisions be taken by either the administering authority or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet the Funds' administration objectives as outlined above, and also to comply with overriding disclosure requirements, the Funds must ensure that appropriate standards are in place and being measured. These standards fall into two distinct areas; quality and timeliness.

Quality

The Funds will ensure that all functions/tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with relevant regulations including the Local Government Pension Scheme Regulations, Pensions Acts, etc;

JOINT ADMINISTRATION STRATEGY & JOINT COMMUNICATION STRATEGY

- aiming to achieve the Funds' agreed objectives and compliance with all Fund agreed strategies, policies and procedural guides;
- ensuring appropriate checking of work by an appropriately qualified member of staff, in particular calculations of benefits; and
- all payments information provided to be authorised by an agreed signatory and other designated duties to be carried out in line with internal Schemes of Delegation.

Timeliness

Overriding legislation dictates minimum timescales that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. The scheme itself sets out a number of requirements for the administering authority or scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. Locally agreed performance standards have been agreed which cover all aspects of the administration of the scheme, where appropriate going beyond the overriding legislative requirements. Standards for the Funds are set out in Appendix B. Headline standards for scheme employers are set out in Appendix C.

Procedures for ensuring compliance with statutory requirements and measuring levels of performance

Various means will be employed, as determined from time to time, to assist in monitoring compliance with this Administration Strategy. More detailed methods may be included in the individual employer SLA.

Methods may include:

Audit

The Funds will be subject to regular audits of their processes and internal controls. Fund auditors may require employer auditors to carry out relevant checks e.g. of employee contribution collection.

Performance monitoring

The Funds will monitor their timeliness performance against specific tasks as outlined in Appendix D. In addition, they may monitor employers against the employer requirements outlined in Appendix C and Service Level Agreements.

The Funds will monitor performance regularly by benchmarking with other administering authorities by using the CIPFA Pensions Benchmarking Club.

The Funds may also put in place other measurements to determine how, or if, they are achieving the objectives of this Administration Strategy.

Employer liaison

Employer liaison will take place as follows:

- key performance information will be shared annually with each scheme employer;

JOINT ADMINISTRATION STRATEGY & JOINT COMMUNICATION STRATEGY

- the opportunity for a biennial review meeting between a representative of the administering authority and the scheme employer to monitor and review performance against targets, the quality of information exchange and ensure compliance with statutory obligations and review the SLA for the period until the next review meeting;
- where an employer is not delivering in accordance with an SLA a performance improvement plan will be agreed with appropriate liaison arrangements. This may be initiated outside of the biennial reviews where necessary;
- the administering authority will run seminars and training sessions;
- Employer Pension Forums will be held, at least on an annual basis; and
- the administering authority will ensure an employer liaison helpdesk is available from 9 am to 5 pm during normal working days to answer one-off queries by telephone or email. The helpdesk may be available outside these hours.

Improving administration

Using the means mentioned above, the Funds will monitor progress against this Administration Strategy. This information will from time to time be reported to the respective Funds' Pension Fund Board where any ongoing action will be agreed. In addition, key performance indicators relating to the Funds' performance will be reported in their respective Annual Report and Accounts.

Circumstances where the administering authority may levy costs associated with the scheme employer's poor performance

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from a scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that scheme employer. Where an administering authority wishes to recover any such additional costs they must give written notice stating:-

- the reasons in their opinion that the scheme employer's poor performance contributed to the additional cost;
- the amount of the additional cost incurred;
- the basis on how the additional cost was calculated; and
- the provisions of the pension administration strategy relevant to the decision to give notice.

In instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pensions Regulator, Pensions Ombudsman or other regulatory body, these costs will be recoverable immediately.

Circumstances where costs might be recovered

It is not the policy of either Cambridgeshire Pension Fund or Northamptonshire Pension Fund to move immediately to recovering additional costs incurred in the administration of the LGPS as a direct result of the poor performance of the administering authority, any scheme employer or third party service provider. Instead, the Funds will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance, provide the necessary training and development and put in place an improvement plan to improve the level of service delivery into the future.

Where persistent failure occurs and the improvement plan is not followed by a scheme employer additional administration costs will be recovered. In particular, this will only be pursued where the Fund has carried out the following steps:

- written to the scheme employer, setting out area(s) of poor performance;
- met with the scheme employer to discuss area(s) of poor performance, and how these can be addressed, and agreed an improvement plan, but no or little improvement has been demonstrated; and
- the appropriate Pension Fund Board has agreed to reclaim administration costs following a report to them on the circumstances. Before making a decision the Pension Fund Board shall offer the employer the opportunity to make representations in person to the Board, or in writing if the employer so chooses, and to facilitate this will provide 21 days before the meeting a copy of the report to be considered by the Board.

The circumstances where this might be necessary are:

- persistent failure to provide relevant information to the administering authority, scheme member or other interested party in accordance with specified performance targets (either as a result of timeliness of delivery or quality of information);
- failure to pass relevant information to the scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets;
- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales;

Where the respective Pension Fund Board agrees costs should be reclaimed, the following sets out the steps the Fund will take in dealing with poor performance by a scheme employer:

- issue formal written notice, where no improvement is demonstrated by the scheme employer/failure to take agreed action by the scheme employer, setting out the area(s) of poor performance that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed;
- clearly set out the calculations of any loss resulting to the Fund or administering authority, or additional cost, taking account of time and resources in resolving the specific area of poor performance, including any fines levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body resulting from the employer's poor performance; and
- make a claim against the scheme employer, setting out reasons for doing so, in accordance with the Regulations.

3. Further information

If you would like more information about the Scheme please contact us at the address below.

LGSS Pensions Service
PO Box 202
John Dryden House
8-10 The Lakes
Northampton
NN4 7YD

01604 366537

pensions@northamptonshire.gov.uk

<http://pensions.northamptonshire.gov.uk>

<http://pensions.cambridgeshire.gov.uk>

4. Appendices

Appendix A – Key performance standards

The following are the key performance indicators which will be published annually by LGSS Pensions. These key indicators also appear in the relevant Appendix B, C or D below, depending on whether they represent the performance of the whole Fund, the scheme employer only or the administering authority only.

Function / Task	Indicator	Target
Notify leavers of deferred benefit entitlements	Deferred award letter sent within 40 working days of last day of employment.	90%
Payment of retirement benefits from active employment	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%
Award dependant benefits	Issue award within 5 working days of receiving all necessary information.	95%
Arrange for the correct deduction of employee and employer contributions and pay contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority	Number of months in the year where contributions were in the Pension Fund by the 19 th calendar day of month after deduction and statement/schedule was received by the same date as payment	100%
Provide LGSS Pension Service with accurate year end information in prescribed format	Accurate year end information to be provided for all Scheme members by 30 April following contribution year end	100%
Provide LGSS Pensions Service with all necessary information regarding new starters and hours/weeks per year variations in a format acceptable to Administering Authority	Accurate information provided within 10 working days of the relevant calendar month end or within 30 days of commencement/change if earlier where employer automatic enrolment duties apply	95%

Function / Task	Indicator	Target
Notify the employer and scheme members of changes to the scheme rules	Within one month of the LGSS Pensions Services being informed of the change	95%
Issue annual benefit statements to active members as at 31 March each year	By the following 31 August (pending timely receipt of satisfactory year end data from the scheme employer)	100%
Provide a maximum of one estimate of benefits to active members per year on request	Estimate in agreed format provided within 10 working days from receipt of all information	90%
Provide transfer-in quote to scheme member	Letter issued within 10 working days of receipt of all appropriate information	95%

Appendix B – Whole Fund administration performance standards

The following are key indicators where the target can only be achieved by the administering authority and scheme employers both delivering high levels of administration.

Function / Task	Indicator	Target
Notify leavers of deferred benefit entitlements	Deferred award letter sent within 40 working days of last day of employment.	90%
Payment of retirement benefits from active employment	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%

Appendix C – Scheme employer performance standards

The following are the performance targets that the scheme employer will be expected to meet.

Function/Task	Indicator	Target
Confirm nominated representatives	Representative confirmed within 30 working days of employer joining and or change to nominated representative	100%
Arrange for the correct deduction of employee and employer contributions and pay contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority	Number of months in the year where contributions were in the Pension Fund by the 19 th calendar day of month after deduction and statement/schedule was received by the same date as payment	100%
Upon receipt of a notification from an Additional Voluntary Contribution (AVC) provider of an employee's election to pay, vary the amount or cease AVCs (or Shared Cost AVCs where applicable), to apply the notification accordingly and where applicable deduct from a member's pay the contributions as instructed by the AVC provider	Within 1 month of receipt of notification from the AVC provider	100%
Pay over to the specified AVC provider contributions deducted from a member's pay	Within 7 days of deduction from pay	100%
Upon receipt of a notification from the LGSS Pensions Service of an employee's election to pay Additional Pension Contributions (to buy additional pension), to apply the notification accordingly and where applicable deduct from a member's pay and pay over to the LGSS Pensions Service, the contributions as instructed by LGSS Pensions Service	Within 1 month of notification from LGSS Pensions Service	100%
Provide LGSS Pension Service with accurate year end information in prescribed format	Accurate year end information to be provided for all Scheme members by 30 April following	100%

JOINT ADMINISTRATION STRATEGY & JOINT COMMUNICATION STRATEGY

Function/Task	Indicator	Target
	contribution year end	
Respond to enquiries from LGSS Pensions Service in respect of retirements, estimates or any other query identified as urgent	Response received within 5 working days from receipt of enquiry.	100%
Respond to enquires from the LGSS Pensions Service in respect of those queries deemed as non urgent	Response received within 10 working days from receipt of enquiry.	95%
Provide new employees with scheme information	Within the automatic enrolment joining window.	100%
Determine appropriate rate of employee contributions for new scheme members in the LGPS	Decisions made by time of first salary payment.	100%
Provide LGSS Pensions Service with all necessary information regarding new starters and hours/weeks per year variations in a format acceptable to Administering Authority	Accurate information provided within 10 working days of the relevant calendar month end or within 30 days of commencement/change if earlier where employer automatic enrolment duties apply	95%
Determine reason for leaving and Final/Cumulative Pensionable Pay, issue leavers certificate to LGSS Pensions Services for leavers NOT entitled to immediate payment of pension	Certificate received within 15 working days of date of leaving	95%
Determine reason for leaving and Final/Cumulative Pensionable Pay, issue retirement pack to member and leavers certificate to LGSS Pensions Service for retirees entitled to immediate payment of pension	Certificate received at least 10 working days <u>before</u> date of leaving.	95%
Must have published Employer Discretions, accessible by all employees and copy provided to LGSS Pensions Service	Discretions published and provided to LGSS Pensions Service within 30 days of approval	100%
Discretions must be reviewed and amended as necessary	Any amendments to discretion must be confirmed in writing within 30 days from change	100%

Appendix D – LGSS Pensions Service performance standards

The following are the headline performance targets that LGSS Pensions Service will be expected to meet.

Function / Task	Indicator	Target
LIAISON AND COMMUNICATION		
Confirm nominated employer liaison officer	10 working days of employer joining fund or change to nominated officer	100%
Publish and keep under review the administration strategy	Within three months of decision to develop an administration strategy or one month of any changes being agreed with scheme employers	100%
Keep up to date the employer website, including procedural guides, scheme guide and all other documents and forms	20 working days from date of change/amendment	100%
Formulate and publish policies in relation to all areas where the Administering Authority may exercise a discretion within the scheme	Within 30 working days of policy being agreed by the Pension Fund Board	100%
Organise bespoke training sessions for Scheme employers, subject to fair use of training resource	Training date agreed with employer within one month of request	100%
Notify the employer and scheme members of changes to the scheme rules	Within one month of the LGSS Pensions Services being informed of the change	95%
Notify the employer of any issues relating to its poor performance (including arranging meeting if required)	Within 20 working days of performance issue becoming apparent	90%
Notify the employer of decisions to recover additional costs associated with their poor performance (including any interest that may be due)	Within 10 working days of the decision of the Pension Fund Board	100%
Issue annual benefit statements to active members as at 31 March each year	By the following 31 August (pending timely receipt of satisfactory year end data from the scheme employer)	100%

Function / Task	Indicator	Target
Issue annual benefit statements to deferred benefit members as at 31 March each year for those which we have an up to date address	By the following 30 June	100%
FUND ADMINISTRATION		
Issue formal valuation results (including individual employer details)	20 working days from receipt of results from Fund Actuary (but in any event no later than 31 March following the valuation date)	100%
Carry out cessation valuation exercise on cessation of admission agreements or employer ceasing participation in the Cambridgeshire Pension Fund or Northamptonshire Pension Fund	Initiated within 40 days with Fund Actuary plus results issued to employer within 2 months of clean data	100%
Publish, and keep under review, the Administering Authority's governance policy statement	Within 30 working days of policy being agreed by the relevant Pension Fund Board	100%
Publish and keep under review the Pension Fund's funding strategy statement	To be reviewed at each triennial valuation, following consultation with scheme employers and the Fund's Actuary. Revised statement to be issued with the final valuation report	100%
Publish the Pension Fund annual report and any report from the auditor	By 31 August following the year end	100%
Provide an FRS17/IAS19 report to employers for their chosen accounting date	Within one month of the 31 March, 31 July or 31 August accounting date, providing employer has returned required data to LGSS Pensions Service by the 1 st of the month in which the accounting date falls	100%
SCHEME ADMINISTRATION		
Provide transfer-in quote to scheme member	Letter issued within 10 working days of receipt of all appropriate information	95%

JOINT ADMINISTRATION STRATEGY & JOINT COMMUNICATION STRATEGY

Function / Task	Indicator	Target
Confirm transfer-in payment and service credited to scheme member	Letter issued within 10 working days of receipt of transfer payment by Pension Fund (or receipt of all information needed to complete calculations if later)	90%
Notify the employer of scheme member's election to pay or cease paying additional pension contributions (to buy additional pension) and other contracts, including all required information to enable deductions to commence or finish	Email sent within 5 working days of receipt of election from scheme member	95%
Calculate revised cost of additional regular/additional pension contributions, and notify scheme member	Letter sent within 10 working days of receipt of revised factors from DCLG	90%
Provide requested estimates of benefits to employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency	Estimate in agreed format provided within 10 working days from receipt of all information	90%
Provide a maximum of one estimate of benefits to employees per year on request	Estimate in agreed format provided within 10 working days from receipt of all information	90%
Provide a maximum of one cash equivalent transfer value (CETV) to employees per year on request	Provided within 10 working days from receipt of all information	90%
Provide a divorce quotation to employees on request	Provided within 10 working days from receipt of all information	90%
Notify leavers of deferred benefit entitlements or concurrent amalgamation	Notification issued within 15 working days of receiving all necessary information.	90%
Notify employees retiring from active membership of benefits award	Issue award within 5 working days after payable date or date of receiving all necessary information if later.	95%
Payment of ongoing pension (not including the first pension payment)	Eligible payments made on the publicised payment date.	100%

JOINT ADMINISTRATION STRATEGY & JOINT COMMUNICATION STRATEGY

Function / Task	Indicator	Target
Acknowledge death of active/deferred/pensioner member	Letter issued within 5 working days following notification of death	100%
Award dependant benefits	Issue award within 5 working days of receiving all necessary information.	95%
Provide responses to other enquiries from scheme members, scheme employers, personal representatives, dependants and other authorised persons	Full response within 5 working days from receipt of all information needed to respond to enquiry	90%
Where a full response will not be available within the published service standards send an acknowledgement and provide the expected timescale	Acknowledgement within 5 working days from receipt of initial enquiry	100%
Appoint stage 2 “adjudicator” for the purposes of the pension dispute process and notify all scheme employers of the appointment	Within 30 working days following the resignation of the current “adjudicator”	100%
Process all stage 2 pension dispute applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.	100%
Publish and keep under review the Pension Fund policy on the abatement of pension on re-employment	Notify scheme members and scheme employers within one month of any changes or revisions to the policy	100%

Appendix E – Communications Strategy

Cambridgeshire **Northamptonshire**
Pension Fund Pension Fund

CAMBRIDGESHIRE PENSION FUND &
NORTHAMPTONSHIRE PENSION FUND

JOINT COMMUNICATION STRATEGY

Contents	Page
1. Introduction	2
2. Communication Strategy	6
3. Further Information	17

1. Introduction

This is the joint Communications Strategy for the Cambridgeshire Local Government Pension Fund and the Northamptonshire Local Government Pension Fund managed by Cambridgeshire County Council and Northamptonshire County Council respectively (the Administering Authorities). The administration of these Funds is carried out by the LGSS Pensions Service, which incorporates administration for both the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund.

Together the Funds have around 400 employers with contributing members and a total membership of over 119,000 scheme members. These members are split into the following categories and with the following approximate numbers of members in each category:

Category	Cambridgeshire Pension Fund	Northamptonshire Pension Fund
Active scheme members	24,854	18,334
Deferred scheme members	25,793	20,887
Pensioner members	14,991	14,155

This document outlines our strategic approach to communications and is effective from 1 November 2014. It will be reviewed annually to ensure the key objectives remain relevant.

2. Communication Strategy

Regulatory framework

This Statement has been produced in accordance with Regulation 61 of the Local Government Pension Scheme Regulations 2013. The Regulation requires Administering Authorities to:

- Prepare, maintain and publish a written Statement setting out their policy concerning communications with:
 - Scheme members (active, deferred, retired and dependant)
 - representatives of scheme members
 - prospective scheme members
 - scheme employers
- Set out their policy on:
 - the provision of information and publicity about the Scheme
 - the format, frequency and method of distributing such information or publicity
 - the promotion of the Scheme to prospective scheme members and their employers.
- Keep the Statement under review and make such revisions as are appropriate following a material change in the policy on any of the matters included. If revisions are made, a revised statement must be published.

Key objectives

The communications of Cambridgeshire Pension Fund and Northamptonshire Pension Fund will be delivered in line with these objectives. We aim to:

- Provide clear information about the Scheme, including changes to the Scheme, to educate and engage with scheme members so that they can make informed decisions about their membership, contributions and benefits
- Deliver a clear and consistent message, that is engaging, factual and presented in plain language
- Promote the Scheme as a valuable benefit
- Seek and review regular feedback from all stakeholders about communications and shape future communications appropriately
- Look for efficiencies in delivering communications including through greater use of technology and partnership working

Measurements are in place to determine if these objectives are being met – see 'Implementation of Communication Key Objectives'.

Stakeholders of the Fund

There are several categories of stakeholder as detailed below.

- Active Scheme members
- Prospective Scheme members
- Deferred Scheme members
- Retired and Dependant Scheme members
- Scheme Employers
- Fund staff
- Pension Fund Committee
- External bodies
 - Trades Unions
 - Her Majesty's Revenue & Customs (HMRC)
 - Department for Communities and Local Government (DCLG)
 - The Pensions Regulator
 - National Fraud Initiative
 - Audit Commission

Brand Identity

The Funds recognise that our visual identification is one of our most powerful assets. It tells people who we are and influences how they remember and relate to us. Our branding increases our reputation whilst uniting us visually. When branding our communications it is important that:

- We have individual Fund identities that are distinct from each other and the County Council/LGSS identities.
- The look and feel of a communication should be identical where possible, but with separate Fund branding – e.g. newsletters should be identical where possible but would clearly display separate Fund branding on the front cover and only refer to the relevant Fund throughout the text.
- If it is unreasonable to produce different materials (e.g. cost difference, logistical challenges, etc) a joint brand is to be considered.
- Both Pension Fund Boards will be required to sign off high-level branding decisions.
- The brand will need to be adaptable to other funds that may become part of LGSS in the future

Confidentiality

The fund is registered under the Data Protection Act 1998 as part of Cambridgeshire County Council and Northamptonshire County Council. Information will be shared between Cambridgeshire County Council and Northamptonshire County Council for the purposes of pensions administration. Information regarding scheme members and organisations is treated with respect by all our staff.

Disclosure

Each Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC providers.

Equality

Our communications are tailored to the individual needs of our stakeholders. We will make every effort to provide communications to our stakeholders in their preferred language or format on request.

Freedom of information

This Communications Strategy identifies the classes of information that each Fund publishes or intends to publish in compliance with the Freedom of Information Act. Anyone has a right under the Freedom of Information Act to request any information held by the Fund which is not already made available. Requests should be made in writing to the Head of Pensions at the address at the end of this document.

A fee may be charged and the Funds reserves the right to refuse a request if the cost of providing the information is disproportionately high; if following prompting the request is unclear; and when the requests are vexatious or repeated.

Implementation of Communication Key Objectives

This table sets out the implementation of the delivery of the Funds key communication objectives.

The agreed objectives with measures for success that form the 'Communication Strategy' are:

Objective	Measures of success	Review process
Provide clear information about the Scheme, including changes to the Scheme, to educate and engage with scheme members so that they can make informed decisions about their benefits	Communication includes information and changes to the scheme that supports all stakeholder understanding	Surveys and polls (on websites and by post). Focus groups.
	Communication is delivered via the most appropriate media to the audience	Surveys and polls on websites. Focus groups. Monitor hits on website.
	Effective promotion of new media or change of processes to all stakeholders	Use appropriate media to convey relevant messages.
	Feedback from all stakeholders that they have understood the communication enough to make an informed decision	Surveys and polls on websites. Focus groups. Monitor incoming telephone call and email volumes.
Deliver a clear and consistent message, that is engaging, factual and presented in plain language	An effective implementation of the Communications Timetable to all audiences that is understood and timely.	Monitor enquiries from Stakeholders as to when events will take place. (Reduced enquiries mean effective delivery).
	Feedback from all audiences on the quality and language used in the communication sent.	Surveys and polls on websites. Focus groups.

	Feedback on the simplicity, relevance and impact of the communication sent.	Surveys and polls on websites. Focus groups.
Promote the Scheme as a valuable benefit	<p>Identify trends in opt outs. Communication to opt outs includes positive messaging and invites feedback.</p> <p>Positive feedback from all stakeholders</p> <p>All communications promote the scheme as a valuable benefit in a way that it understood by the audience</p>	<p>Monitor opt out rates and reasons, to identify trends.</p> <p>Surveys and polls on websites.</p> <p>Review scheme communications for effectiveness. Online rating of document usefulness.</p>
Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately	The Communications Strategy is reviewed and adapted where appropriate, as a result of feedback from stakeholders	<p>Regular feedback is actively sought by the most appropriate media</p> <p>Processes are reviewed and adapted where appropriate to ensure the effective delivery of communication to all stakeholders</p>
Look for efficiencies in delivering communications through greater use of technology and partnership working	<p>Appropriate media is used for all stakeholders while balancing cost efficiency</p> <p>Reduction in costs on printing through larger print runs covering both authorities</p> <p>Reduction in postage costs</p> <p>All processes that support the</p>	<p>Compare previous communication costs (postage, print and design) with new costs and seek continual improvements.</p> <p>Year on year comparisons.</p> <p>Continual review of processes and communications.</p>

	<p>communication delivery are efficient</p> <p>More efficient communications through sharing of knowledge, resources and practice through regional communication working parties</p>	<p>Year or year comparisons of cost and quality</p>
--	--	---

Methods of Communication and Key Messages/Objectives for Stakeholders

The Funds aim to use the most appropriate method of communication when dealing with stakeholders. This may involve more than one communication method. We have recently obtained two new and improved ways of communicating with our stakeholders:

The Pensions Website

In 2012 the LGSS Pensions Service implemented a new website:

- <http://pensions.cambridgeshire.gov.uk>
- <http://pensions.northamptonshire.gov.uk>

Both domain names lead to the same site, which has joint Fund branding ensuring the identity of each Fund is respected.

Whilst the Funds aim to use the most appropriate communication medium for the audience receiving the information we hope that our website will be the first port of call for all stakeholders where appropriate. For the immediate future the Funds will continue to use paper based communications as our main means of communicating with our stakeholders, for example by sending letters and paper copies of Newsletters and Annual Benefit Statements. However, we are committed to using technology to enhance our service and reduce costs, where appropriate, and will therefore continue to explore and develop the use of electronic communications through our website, emails and Self Service.

Self Service

Member and Employer Self Service is an internet based application that allows the individual access to information held by the Pensions Service.

Employer Self Service has been implemented and employers are now able to update their member's records and carry out benefit calculations.

Access to Member Self Service has been offered to the active membership of each Fund. It gives the individual controlled access to their own details, allowing them to update their personal information and carry out benefit calculations.

One of the many benefits of self service for both scheme employers and scheme members is the increased communication and engagement it allows – whilst in its infancy now this is an avenue we will be exploring more thoroughly in the future.

[Table Showing our Methods of Communication and Key Message/Objective for Stakeholders](#)

The table below shows the Funds main methods of communicating with the different stakeholder groups, other than the 'usual' day to day communications, plus the key messages and objectives we hope to achieve:

Stakeholder	Communication	Key message/Objective
Active Scheme members	<p>Annual Newsletter</p> <p>Annual Benefit Statements</p> <p>Calculations and costings (e.g. estimates)</p> <p>'Short guide to LGPS'</p> <p>'Full guide to LGPS'</p> <p>Website (in particular 'Latest News' page)</p> <p>Member Self Service</p> <p>External training sessions as requested by employer</p> <p>LGSS Welcome Events</p> <p>LGSS training events</p> <p>Roadshows</p>	<p>Key Messages:</p> <ul style="list-style-type: none"> • Your pension is a valuable benefit • You need to make sure you're saving enough for retirement <p>Objectives:</p> <ul style="list-style-type: none"> • To improve understanding of how the LGPS works • To inform scheme members of their rights and benefits • For queries and complaints to be reduced • To make pensions information more readily available
Scheme employers	<p>Pension Bulletins</p> <p>Ad hoc email alerts</p> <p>Biannual forums</p> <p>Website (in particular 'Latest News' page)</p> <p>Seminars/workshops</p> <p>Bespoke ad hoc training</p>	<p>Key Messages:</p> <ul style="list-style-type: none"> • You need to be aware of your responsibilities regarding the LGPS • The Fund is a valuable benefit for scheme members and is a good tool for retention of staff <p>Objectives:</p> <ul style="list-style-type: none"> • To increase understanding of how the Fund works and the effects on

	sessions Welcome/Joiner information	<p>scheme members of any legislation changes</p> <ul style="list-style-type: none"> • To improve relationships • Continue to improve the accuracy of data being provided to us • To make pensions information more readily available
Prospective Scheme members And Opt-Outs	Information on website Scheme Information Leaflets LGSS Welcome Event LGSS training events	<p>Key Messages:</p> <ul style="list-style-type: none"> • The pension benefits are a valuable part of your reward package • The LGPS is still one of the best pension arrangements available <p>Objectives:</p> <ul style="list-style-type: none"> • To improve take up of the LGPS • To decrease opt out rate and increase understanding of contribution flexibility i.e. 50/50 option • To increase understanding of how the Scheme works and what benefits are provided • To make pensions information more readily available
Deferred Scheme members	Annual Benefit Statements Calculations and costings (e.g. estimates)	<p>Key Messages:</p> <ul style="list-style-type: none"> • It is important to keep in touch with the LGSS Pensions Service e.g. provide us with address changes

	Scheme Information Leaflets Retirement Packs Website	<ul style="list-style-type: none"> The LGPS is still a valuable part of your retirement package <p>Objective:</p> <ul style="list-style-type: none"> To improve understanding of how the LGPS works To make pensions information more readily available
Retired/Dependant Scheme members	Annual Newsletter Payslips (when criteria is met) P60 Lifetime Allowance Calculations and costings (e.g. estimates)	<p>Key Messages:</p> <ul style="list-style-type: none"> It is important to keep in touch with the LGSS Pensions Service e.g. provide us with address changes The LGPS is still a valuable part of your retirement package <p>Objectives:</p> <ul style="list-style-type: none"> To improve understanding of how the LGPS works To make pensions information more readily available
Fund staff	Monthly service meetings Team meetings Ad hoc meetings Consultations 1:1 / Appraisals Training & Development	<p>Objectives:</p> <ul style="list-style-type: none"> To ensure staff are kept up to date with important information regarding the Service, the Employing Authority and the wider world of pensions as a whole For staff to feel a fully integrated member of the team For management to feedback to staff regarding their individual progress

			<ul style="list-style-type: none"> To give staff a chance to feedback their views and suggestions
Pension Fund Boards and Investment Sub Committees	Committee Papers Presentations Consultations Agendas Minutes	Objectives: <ul style="list-style-type: none"> To update on the implementation of a policy To monitor success against the agreed measures 	
External authorities <ul style="list-style-type: none"> Trade Unions Her Majesty's Revenue & Customs (HMRC) Department for Communities and Local Government (DCLG) Pensions Regulator Audit Commission 	Response to enquiries and consultations. Response to changes in legislation.	Objectives: <ul style="list-style-type: none"> To response to enquiries/statutory requirements. 	

Communication Timetable

MONTH	ACTIVITY							
	Active Scheme members	Scheme employers	Prospective Scheme members	Opt - outs	Deferred Scheme members	Retired Scheme members	Dependant Scheme members	Fund staff
JAN								Monthly team meeting Service meeting
FEB								Monthly team meeting Service meeting
MAR						Newsletter incorporating Pensions Increase notification, plus pay dates and other relevant information to be sent out with payslip.	Newsletter incorporating Pensions Increase notification, plus pay dates and other relevant information to be sent out with payslip.	Monthly team meeting Service meeting
APR						Payslip	Payslip	Monthly team meeting

[illegible]

NOV									Monthly team meeting Service meeting
DEC	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts Monthly team meeting Service meeting
Ad hoc Comms	LGSS Training Days Website	Procedures training – road shows. Pension Bulletins Website Valuation Report (every 3 yrs)	LGSS Welcome Events Posters Website	Website	Website	Website	Website	Annual review of entitlement – May/June. Website	Regional Pension Officer Groups Website Pension Managers Annual Conference Pension Committee Valuation Report (every 3 yrs) CLASS User Group/AGM

* Must be an active scheme member as at 31st March in the financial year that the statement relates.

3. Further information

If you have any enquiries in relation to this Communications Strategy please do not hesitate to contact us.

LGSS Pensions Service
PO Box 202
John Dryden House
8-10 The Lakes
Northampton
NN4 7YD

01604 366537

pensions@northamptonshire.gov.uk

<http://pensions.northamptonshire.gov.uk>

<http://pensions.cambridgeshire.gov.uk>