



**LONDON BOROUGH OF CAMDEN
PENSION FUND ANNUAL REPORT**

2014/15

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SECTION 1: FOREWORDS

Report of the Chair, Pension Committee

Firstly, I would like to pay tribute to Cllr Peter Brayshaw who very sadly passed away in December. Councillor Brayshaw was a long serving Chair of this Committee whose knowledge on Pension Fund matters and the Camden Fund was comprehensive. His contribution was immeasurable and he will be dearly missed.

I would also like to welcome Cllr James Yarde as the new vice Chair, which I vacated after being appointed Chair. James has much to add to the Committee with an academic background in economics.

This year's Annual Report shows the Fund valued at £1.265 billion. Camden is the largest of the London Borough funds in terms of assets, with over 19,000 members and 34 "admitted bodies".

The newly constituted Pension Committee (previously the Audit and Corporate Governance (Pensions) Sub-Committee) has continued to take very seriously its stewardship responsibility, and has remained conscious that there remains an actuarial deficit, and that investment returns need to be maximised, with diversification to avoid adverse impacts of volatility in particular asset classes.

Aside from the replacement of leadership, committee membership has remained stable throughout 2014/15, with Cllr Harrison returning to the committee and no other changes taking place. The Report includes information on attendance, training, seminars, etc. for the Members

This has been the first year of the new scheme with changing benefits including a shift from final salary to career average and changes in the accrual rates. The Committee has monitored the impact of these changes, and has noted membership numbers have not deteriorated despite increasing employee contribution rates.

The Government has continued to consult on changes to Pension Fund management and consulted in May 2014 on 'Opportunities for collaboration, cost savings and efficiencies'. We responded to this setting out the work of our Fund in collaborating with the London Collective Investment Vehicle(CIV) and our response was considered at the June 2014 Committee.

The government introduced legislation in the year to introduce Pension Boards. These will act to ensure compliance with regulations, legislation and the Pensions Regulator who has new jurisdiction over the LGPS. The Committee considered how best to set up the Pension Board and also reviewed its own terms of reference. Council approved both the Pension Board arrangements and the new terms of reference for the Pension Committee. These are more explicit about the role that the Committee discharges.

During the year the Fund conducted a search for a new equity manager and appointed Harris associates, funding them in May 2015. The Committee considered carefully how to Fund the Harris mandate, and in the end decided to disinvest partially from

investment manager Aberdeen, in order to diversify equity risk. The Committee also considered how well the two new equity managers would work alongside one another.

This report sets out the results of the mid-point Triennial Valuation in September 2014, showing our funding position estimated at approximately 76.8%. Whilst this is an estimate, it is an improvement on the funding at the last valuation of 75.6% (March 2013). In cash terms the estimate of the deficit is still c£360m and the funding strategy is constructed in order to eliminate this.

During the year we considered options to appoint to the private equity allocation. The Fund is currently undertaking a search to appoint to this mandate and we will consider this through the CIV.

Our investment activity has seen a continuation of the direction of travel of an overall strategy of maximisation of investment returns, diversification of return and a smoothing of investment returns. In February 2015 the Fund considered how best to contain (hedge) risks associated with inflation, interest rates and longevity. This is important as the liabilities of the fund are all impacted by these things. Committee resolved to continue to examine opportunities in this area (also known as Liability driven investment) and further work will follow.

Finally, we continue to believe that shareholder value, and therefore fund assets, can be protected or enhanced by corporate engagement activity. We continue to play an active role in the Local Authority Pension Fund Forum (LAPFF). The Forum continues to grow in membership and influence, and provides an increasingly effective channel for dialogue at Board level with the major corporate entities in which the LGPS (including Camden) are invested. This has included sometimes speaking at company AGMs, filing resolutions etc. but more often is based on continuing dialogue with company chairmen or senior Non-Executive Directors.

I would like to thank our in house team of officers, Mike O'Donnell, Jon Rowney, Nigel Mascarenhas, Peter Taylor, Tom Broughton and Colette Hollands, our independent adviser Karen Shackleton, our advisors Aon Hewitt, our actuaries Hymans Robertson, and all members of the Committee for their work in what have been, and may well remain, challenging times.

Cllr Rishi Madlani
Chair of the Pension Committee

Report of Director of Finance

During the year the Pension Fund received the interim valuation report from the fund actuary. This took into account movements in market conditions experienced, actual fund returns and estimated cash flows since the full valuation in March 2013, but excluded the effect of changes in the membership. The estimated funding level increased to 76.8% (increasing from 75.6% in 2013). This is as a result of real bond yields remaining at historically low levels and assets increasing in line with the expected investment return. However as both assets and liabilities have increased by similar margins the fund deficit has reduced marginally to £361m.

Funding an increased pension fund deficit inevitably requires higher contributions from the employers in the Fund at a time when financial resources are stretched, and managing this requirement is a challenge which employers must address.

The value of Fund assets increased by 8.7% in the 2014/15 financial year to £1.27bn, as set out in the accounts. Camden's investment manager performances was mixed, highlighting the need for pension funds to build a diversified investment strategy. In particular, Aberdeen continued to struggle and were 12% behind their target. The Fund continues to monitor them very closely and shortly after the year end, in May, the Fund decided to disinvest £140m from them and award this to a new fund Manager, Harris. This reduces the concentration risk with Aberdeen and offers the Fund a more diversified approach to active equity investment.

Regional equity returns ranged from +27% in Japan to +7% in the UK (FTSE all share), and while UK property markets rose +18%, Commodities fell -33%. Camden's investment strategy has been designed with input from professional investment consultants and our independent investment advisor to maximise its risk: return ratio over the long term.

Changes were made to the benefit structure of the LGPS scheme with effect from 1st April 2014, following Lord Hutton's review of all public pensions. The new LGPS 2014 scheme continues to provide a defined benefit retirement pension; however the pension value is based on career average earnings, rather than final salary. There have also been changes to the tiered employee contribution rates as part of a range of measures to address the affordability of the scheme. Other changes include a new accrual rate of 1/49th, revised from 1/60th, and linking the normal retirement age to the State Pension Age, which will intermittently be reviewed by government.

Over recent years attention has been drawn to the efficiency of Local Government Pension Schemes and questions remain on Central Government's desire to create larger pools of assets and drive further collaboration between funds. The Camden Fund is supportive of common investment vehicles, and has provided start-up funding for the establishment of a London fund, which is expected to provide benefits such as improving access to investments and delivering efficiencies in fees. We await further the DCLG response on active and passive investment and the investment regulations at large.

Mike O'Donnell
Director of Finance

SECTION 2: OVERVIEW

The Pension Fund Annual Report

The Pension Fund Annual report pulls together many of the reports and statements which the Fund produces into a single, annual document. Scheme members and other interested parties should find the single publication a good source of information on key matters about the Fund.

The Report comprises a number of sections and appendices, in order to comply with the many regulatory requirements laid out in the Local Government Pension Scheme (Administration) Regulations 2008 and (subsequently) 2013.

The body of the report contains sections on:

Scheme Management – Reports including the management of risks within the fund; the preparation of the accounts; responsibilities of the Director of Finance; and report of scheme administration.

Scheme Governance – Reports on the governance structure and terms of reference of the Pension Committee, together with attendance and training.

Investment Policy & Performance – Investment market review with performance of the investment managers; detail of the Fund investments and asset allocation; and the corporate engagement undertaken on behalf of the Fund.

Actuarial Report – A summary report based on the most recent triennial valuation conducted by the fund actuary.

The sections thereafter introduce the main statements, which are included as appendices to the report, namely:

- 2014/15 Statements of Account
- Governance Compliance Statement
- Funding Strategy Statement
- Statement of Investment Principles
- Communications Policy Statement

The Local Government Pension Scheme (LGPS)

The London Borough of Camden Pension Fund is a statutory funded scheme, governed by the Local Government Pension Scheme Regulations 2013 and subsequent amendments. It is a defined benefit scheme now based on career average revalued earnings (from 1 April 2014, previously final salary) which provides pension benefits to employees of the Council and other bodies which are set out in law. Employees have complete discretion on whether to be members of the scheme.

The Council is the administering authority and responsible for all aspects of the Fund's operations. The Finance Director is responsible for administration and preparation of the Fund's Statement of Accounts in accordance with the Pension Statement of Recommended Practice (SORP). The costs of administration and payment of pensions and benefits are chargeable to the Fund.

The scheme is required to be either fully funded or have a strategy to become so within a period defined by the Actuary. It is financed by contributions from employers and employees and investment income. Funds not immediately required to finance pensions and other benefits are invested in a selection of financial assets. These assets must be sufficient to meet the future pension entitlements of both past and present employees. This is achieved by adjusting the level of employers' contributions every three years following an actuarial review by an actuary, currently Hymans Robertson.

Contributions & Benefits

Legislation requires actuarial valuations of local authority pension funds to be undertaken every three years to calculate the funding level and determine the annual contributions to be made by the employing bodies. The valuation on which the employers' contributions for 2013/14 were based was carried out as at 31 March 2010, and applies to the three financial years from 1 April 2011. A subsequent valuation has been carried out as at 31 March 2013, with the resultant employer contributions from that valuation taking effect in 2014/15.

Under the scheme regulations, employees contribute to the scheme according to set tiered contribution rates, based on pensionable pay. From 1 April 2014 – 31 March 2015 these rates were as follows:

<i>Band</i>	<i>Range</i>	<i>Contribution Rate</i>
1	Up to £13,500	5.50%
2	£13,501 to £21,000	5.80%
3	£21,001 to £34,000	6.50%
4	£34,001 to £43,000	6.80%
5	£43,001 to £60,000	8.50%
6	£60,001 to £85,000	9.90%
7	£85,001 to £100,000	10.50%
8	£100,001 to £150,000	11.40%
9	More than £150,001	12.50%

The LGPS is a defined benefit "career average" scheme. For each year of membership, a pension equal to a 49th of an employee's pensionable pay in that year will be accrued. Inflationary increases are added in subsequent years to ensure that the pension keeps up with the cost of living.

The administering authority is also required to make provision to enable employees to make additional voluntary contributions (AVC's) to purchase enhanced pension benefits. The AVC providers for the Camden Pension Fund are Phoenix Life and Prudential Assurance.

SECTION 3: SCHEME MANAGEMENT

Scheme Management and Advisers

The roles, names and addresses of officials responsible for the management and advice given to Fund can be found in **Appendix 4A**, as part of the Statement of Investment Principles.

Risk Management

The Camden Pension Fund has a Funding Strategy Statement which is a summary of the Fund's approach to funding its liabilities. The FSS is reviewed in detail at least every three years in line with the triennial valuations. The Fund has recently reviewed its Funding Strategy as part of the 2013 triennial valuation process, which was agreed in March 2014.

The Administering Authority has an active risk management programme in place and presents a Risk Register to the Pension Committee on an annual basis, and was last reviewed in June 2015. The measures that the Administering Authority has in place to control key risks are summarised under the following headings:

- financial;
- demographic;
- regulatory;
- governance; and
- administrative

More information on risk can be found in the FSS under Appendix 3C, and Camden's Risk Register is reported in Appendix 4D of the SIP.

Internal Audit

Internal Audit undertook a comprehensive audit of the pensions administration and investments functions in 2009/10, and undertook a follow up in 2011.

The 2009/10 Internal Audit report stated that the Council can take Substantial Assurance (The 2nd highest assurance level available) that the controls upon which the organisation relies to manage this area are operating effectively. The 2011 follow up concluded that all recommendations from the 2009/10 audit report had been implemented.

Internal Audit undertook a key financial systems review of the Pensions Shared Service in April 2014; this review attracted a moderate assurance rating indicating that an adequate control framework was in place; with no high priority findings identified.

A follow up audit was conducted in April 2015; indicating a good level of implementation of audit recommendations.

The Pensions Shared Service has also implemented the Council's new risk management framework; introduced in 2014/15; culminating in a risk register for the pensions and treasury service and proactive management of risks and opportunities.

External Audit

Camden have appointed KPMG to carry out the external audit on the Statement of Accounts for both the Council and Pension Fund. KPMG began auditing the Pension Fund Accounts last year (on the 2012/13 Statements) taking over from the Audit Commission. Their report on the 2014/15 Statement can be found immediately following the Accounts on page 65.

Management of third party risks

All of our fund managers and our custodian have external verification of their internal controls by their own external auditors. External auditors comment on whether the controls were suitably designed and operated effectively throughout the reporting period.

(a) Fund Managers

For fund managers, auditors typically issue a report of the Statement on Standards for Attestation Engagements (SSAE 16) in North America, or Audit & Assurance Faculty (AAF 01/06) in the UK. The International Auditing & Assurance Standards Board (IAASB) has also developed the International Standard on Assurance Engagements (ISAE 3402) as a global standard of reporting, for use from 2012. These reports describe internal controls in operation, and tests of operating effectiveness in the third party's control environment. The statement also provides information on third party controls that may be relevant to the internal controls of clients.

Camden has obtained the following control reports, the most recent available for each fund manager. Some reports have been written to comply with more than one set of control standards, to cover a mixed client base.

Investment Company	Report Type	Reporting year to	Auditors
Aberdeen Asset Management Plc	ISAE 3402 / AAF 01/06	30th June 2014	PricewaterhouseCoopers
Barings Asset Management Ltd	ISAE 3402 / AAF 01/06	30th September 2014	KMPG
BlueCrest Management (UK) LLP	ISAE 3402	30 th September 2014	Ernst & Young
Brevan Howard Capital Management Ltd	SSAE 16 / ISAE 3402	31 st December 2014	KMPG
CBRE Global Investors Global Investment Partners	ISAE 3402	30th September 2014	Ernst & Young
Insight Investment Management Ltd	AAF 01/06 / ISAE 3402	31st December 2014	KMPG
Legal & General Investment Management (Holdings) Ltd	AAF 01/06 / ISAE 3402	31st December 2014	PricewaterhouseCoopers
Partners Group Holding AG	ISAE 3402	31 st December 2014	PricewaterhouseCoopers

(b) Custodian

JP Morgan serves as the Fund custodian. The control report for JP Morgan for the year to 31 March 2015 was prepared by PwC in accordance with Statements on Standards for Attestation Engagements (SSAE) 16, and International Standard on Assurance Engagements (ISAE) 3402.

In each case the auditor assessed the internal control procedures as written in the report, and concluded that

- The report description fairly presents the investment management activities that were designed and implemented throughout the period;
- The controls related to the control objectives were suitably designed to provide reasonable assurance that the control objectives would be achieved if those procedures were complied with; and
- The control procedures that were tested were operating with sufficient effectiveness to provide reasonable assurance that the control objectives were achieved in the period.

These reports of internal controls have also been reviewed by our external auditors KPMG.

Statement of Accounts for 2014/15

The Statement of Accounts for the financial year to 31 March 2015 have been compiled by Officers of the Fund and submitted to the external auditors KPMG. The statements and notes relating to the Pension Fund can be found in **Appendix 1** starting on page 39.

Responsibilities of the Director of Finance

The Director of Finance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing the Statement of Accounts, the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice on Local Authority Accounting.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Review of Administration

Arrangements for Scheme Member & Pensioner Administration

The Local Government Pension Scheme regulations requires employing and administering authorities to work together to ensure the effective running of the scheme. The administering authority is responsible for pension fund investments, the calculation and payment of benefits and for maintaining scheme member records and computerised administration systems. The employing authority is responsible for applications to join or leave the scheme, assigning employees to the correct contribution band, deciding when to pay retirement benefits and providing relevant employee data to the administering authority.

LB Camden is both an administering and employing authority. The pensions administration function of the administering authority is carried out by the Pensions Administration Shared Service, set up between Camden and Wandsworth, and now also covering Merton and Richmond. The employing authority role falls to Camden's Human Resources service although some employing authority functions (such as the calculation of final pay) are performed by the Pensions Administration Shared Service.

There are a number of Scheme employers within the Camden fund comprising of 30 admission bodies, two free schools, one academy and one scheduled body not including LB Camden itself. For members in these arrangements it is their employer that carries out the employing authority functions.

There is another group of members who work in Camden's schools who are employed by Camden but are not paid through Camden's payroll system. The Pensions Team do not have direct access to contractual information relating to the scheme members. The Pensions Team has to rely on the schools, admitted bodies and scheduled bodies to provide information on starters, leavers and amendments. Approximately one in six scheme members work in this group. High levels of the Shared Service's resources are taken by this group of staff as they are more onerous to administer than staff on Camden's payroll system. The Shared Service works with these bodies in an effort to improve the quality and timeliness of this data.

Administration of the pension payments is undertaken by the Shared Service and the payroll is run on the Council's ORACLE system. The service provides for twelve monthly payments a year with a payslip posted to home addresses in March, April and May and also when the net pension differs by more than £1 from the previous month.

Internal Dispute Resolution Procedure (IDRP)

IDRP is a two stage system with Stage 1 being considered by the Pensions Manager. A notification of the right to access IDRP is included with any notification of decisions made by the Pensions Team such as benefit notices. Experience indicates members are not inclined to accept the decision of the first stage and are generally referred to Stage 2. This stage is heard by the Borough Solicitor. In 2014/15 there was one IDRP complaint at Stage 1 (not upheld) and none at Stage 2.

Key Uses of Technology

The Pensions Team has direct access to the payroll records of the majority of the scheme's active members through the Payroll/HR module of the Council's main information system ORACLE. There are monthly interfaces from Oracle to the pensions administration system ALTAIR. The interfaces allow transfer of data for new starters, contractual changes such as changes in hours and personal changes such as home addresses. There is also an annual interface for posting pension contributions. For members that are not paid through ORACLE, such as staff working in schools or for external bodies that have an admission agreement with the Council, the Pensions Team has to rely on outside bodies to provide the data.

The Pensions Team has the document imaging module of the ALTAIR system meaning that documents received are imaged and linked to the individual ALTAIR record so that they are instantly available to caseworkers with no need to retain and find paper files when needed which also fits in well with the Council's minimising paper policy.

There is also a range of Pensions information available on the internet. Details of this information, and where it can be found, are contained within **Appendix 5: Camden Pension Fund Communications Policy Statement** on page 156.

Scheme Administration Costs

The cost of administration in 2014/15, including actuarial fees, was £485,625; this is equivalent to £24.79 per member. This is a reduction from 2013/14 (£552k).

Colette Hollands
Pensions Manager

Administration Performance

Camden constantly monitors the performance of the administration shared service, who pay out Pension Fund benefits, against targets using a computerised workflow management system. The results achieved in 2014/15 are set out in the table below.

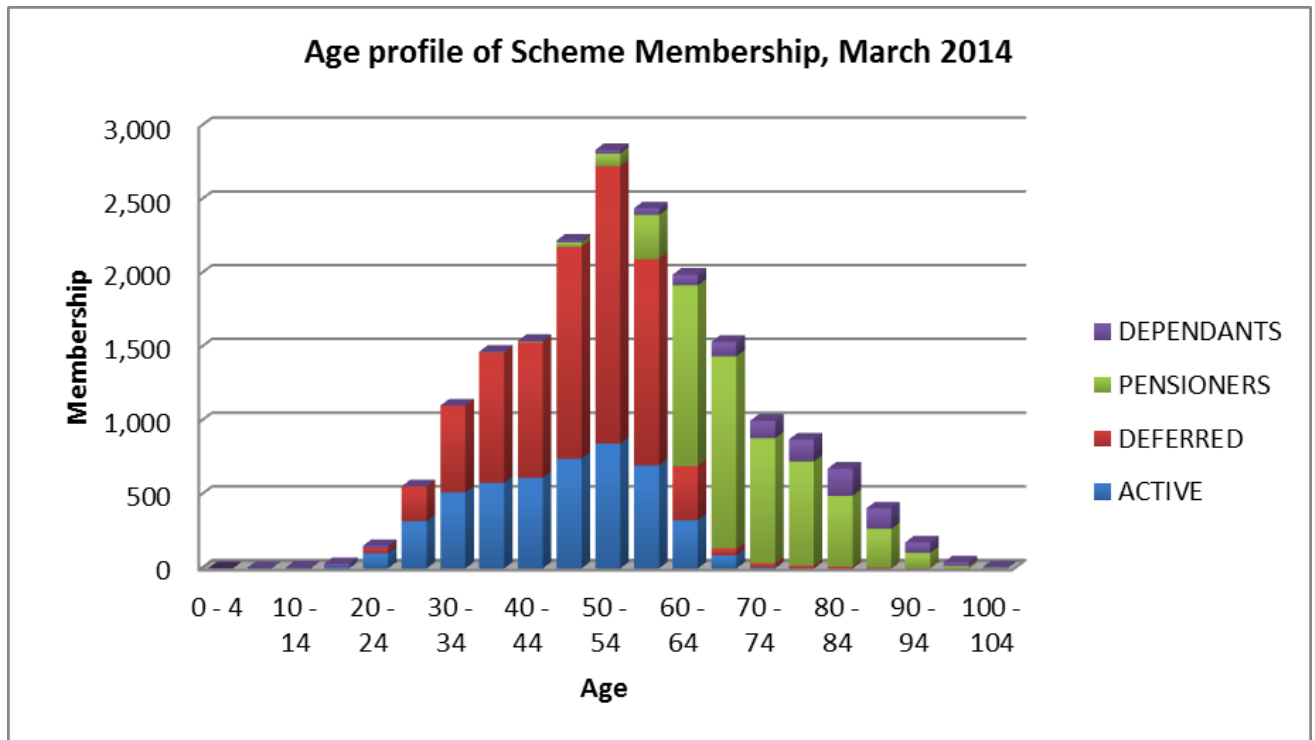
Work Area	Target (working days)	No. of Cases 2014/2015	Within Target 2014/2015
Turn Round Correspondence	10	354	87%
Calculate Actual Retirement Benefits	5	278	90%
Calculate Estimated Retirement Benefits	10	142	78%
Pay Retiring Allowance	5	179	87%
Calculate Death Benefits	5	139	65%
Pay Death Grant	5	11	91%
Process Refunds	10	71	65%
Calculate Transfer In	10	88	51%
Calculate Transfer Out: Local Government	15	62	87%
Calculate Transfer Out: Non Local Government	15	59	69%
Pay Transfer Out	12	52	48%

Cost of Service	2010/11	2011/12	2012/13	2013/14	2014/15
Cost per member	£28.23	£28.96	£34.33	£28.99	£24.79

The costs are those purely attributable to the cost of administration (staff costs, overheads and administration systems £472k, and Actuaries costs £14k). These were higher in 2012/13 (£495k and £57k respectively) as the Fund incurred transition and upgrade costs in setting up the Shared Service, and increased actuarial costs leading into the triennial valuation work. Investment costs are excluded from these figures.

Membership of the Fund

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Actives	5,343	4,786	4,648	4,886	5,054
Deferreds	7,049	7,385	7,623	7,811	8,070
Pensioners	5,809	6,018	6,139	6,358	6,466
Total	18,201	18,189	18,410	19,055	19,590



Pensioners with Enhanced Benefits

Year Ending 31st March	Ill Health	Early Retirement / Voluntary Redundancy	Total
2015	905	1,090	1,995
2014	901	1,116	2,017
2013	914	1,184	2,098
2012	939	1,236	2,175
2011	946	1,269	2,215

SECTION 4: SCHEME GOVERNANCE

Introduction

The Local Government Pension Scheme (Administration) Regulations 2008 require administering authorities to prepare and maintain a separate written statement on governance policy on pension fund matters. The department for Communities and Local Government (DCLG) has published draft regulations requiring pension funds to report on their governance arrangements against a set of best practice principles. Where a pension fund's compliance does not meet the required standards there is a requirement to explain, within the governance compliance statement, the reasons for not complying

The compliance principles are not mandatory but are considered best practice.

The London Borough of Camden Pension Fund's Governance Compliance Statement is attached as **Appendix 2** of this report. Additional compliance information is included in the Statement of Investment Principles in **Appendix 4**.

Governance Structure

The London Borough of Camden, in its role as administering authority, has executive responsibility for the Fund. The Pension Committee consider all matters relating to the management and administration of the Fund. The revised terms of reference were agreed at full council on 2nd March that the Audit and Corporate Governance (Pensions) Sub-Committee be established as a committee in its own right – the Pension Committee. Effective from the start of the 2015/16 municipal year

PENSION COMMITTEE TERMS OF REFERENCE

General

- To act as Trustees of the Councils Pension Fund within the terms of the Superannuation Act 1972 and to administer all matters concerning the Council's pension investments in accordance with any applicable law and policy
- To make arrangement for the appointment of and appoint suitably qualified investment managers and custodians and to periodically review those arrangements
- To ensure that appropriate and sufficient training has been undertaken by all members of the Committee in order to discharge their functions
- To take proper advice from officers, investment consultants, independent investment adviser, pension board and actuary

Investment

- Set and review Investment strategy for the Fund
- To formulate and publish a Statement of Investment Principles
- At least once every three months, to review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the investment managers

- To determine the strategic asset allocation policy, the mandates to be given to the investment managers, the performance measures to be set for them and review investment management performance against targets
- To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles
- Ensure the Fund's voting rights are exercised in line with the Fund's voting policy to ensure the best outcome for the Fund's investment purposes and ensure engagement supports the investment strategy and Fund's performance
- To receive and approve an Annual Report on the activities of the Fund prior to publication.
- To keep members of the Pension Fund informed of perform

Liabilities

- To review the risks inherent in the management of the Pension Fund
- To review the strength of admitted bodies and ability to honour their liabilities
- To agree and keep under review a Contribution Strategy and agree the Triennial Valuation
- Admit new and exit ceasing employers as and when these arise
- To monitor liabilities and ensure progress towards full funded status of all employers
- To understand the maturity of the Fund and keep cash flow considerations under review

The terms of reference of the Pensions Sub-Committee active in financial year 2014/15 (and now replaced with the above were)

- To administer all matters concerning the Council's pension investments in accordance with the law and Council policy.
- To establish a strategy for disposition of the pension investment portfolio.
- To determine the delegation of powers of management of the fund and to set boundaries for the manager's discretion.
- At least once every three months, to review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the investment managers.
- To consider policy matters in relation to the pension scheme and the Council's early retirement policy.
- To determine applications, from other bodies, for membership of the Council's pension scheme where the Director of Finance is minded to refuse

Membership and Voting Rights of the Committee

The membership of the Committee will consist of:

- 8 members (currently 6 from the majority party and 2 from the largest minority party) – one of these members will chair the Committee
- Officers of the Council (non-voting)
- Representatives of the unions (non-voting)
- A representative of the retired members (non-voting)

Decision Making Protocol

- The Committee should aim to reach consensus in decision-making. Where agreement cannot be reached a majority vote will apply. Voting rights are restricted to Members, with the Chair having the casting vote if required.
- For decisions to be valid at least three voting members of the Committee must be present.
- Committee members will receive training and guidance on all matters requiring a decision prior to meetings where these issues are on the agenda.

Members Code of Conduct

All members of the Pension Committee are bound by the members Code of Conduct set out in the Councils Constitution. Members are required to register disclosable pecuniary interests and, if any interest is not entered in the register, to disclose the existence and details of such interests to the meeting. Where such interests are relevant to matters being discussed at any meeting members are restricted in participating and voting at such meetings. In the interests of transparency, the Code of Conduct also requires the disclosure of non-pecuniary interests.

Pension Committee – 2014/15

The following table lists the membership of the Pension Committee during the year and their attendance at meetings. Following the sad loss of Councillor Peter Brayshaw in December 2014, Councillor Rishi Madlani acted up as interim Chair and was formally appointed Chair at Statutory Council on 20th May 2015.

Attendance at Pension Committee Meetings	26 June 2014	17 Sept 2014	26 Nov 2014	4 March 2015
Cllr Peter Brayshaw (Chair)	YES	YES	YES	
Cllr Rishi Madlani (Vice Chari from June 2014, Interim Chair from Feb 2015)	YES	YES	YES	YES
Cllr Abdul Quadir	YES	YES	YES	YES
Cllr Adam Harrison		YES		
Cllr Lorna Russell	YES	NO	YES	NO
Cllr Heather Johnson	NO	NO	YES	YES
Cllr Roger Freeman	YES	YES	YES	YES
Cllr James Yarde	YES	NO	YES	YES
Cllr Tom Currie	YES	NO	YES	NO

Training received by Pension Committee – 2014/15

The training needs of Members are covered at the quarterly Pension Committee meetings and biannual designated training sessions arranged by officers, with input from consultants and investment professionals, where the need arises. Members and officers may also be invited to attend conferences and seminars where appropriate by investment managers or other organisations.

Committee Meetings

June 2014

A report from the Director of Finance and presentation from Investment Consultant recapping recommendations on the investment strategy to allocate 5% of assets to Private Equity and 5% to Infrastructure.

A report from the Director of Finance updating the procurement process for Global Equity Managers.

A report from the Director of Finance and draft response to the DCLG's consultation on the future structure of the LGPS, and recommendations for savings.

September 2014

A report from the Director of Finance announcing the result of the procurement process for a second Global Equity Manager.

A report from the Director of Finance and presentation from Investment Consultant recapping recommendations on the investment strategy to allocate 5% of assets to Private Equity and 5% to Infrastructure.

Presentation from WM Company detailing the performance of the Fund over the year to 31 March 2014, as well as looking at longer term performance.

November 2014

A report from the Director of Finance updating the submission to DCLG consultation, the options for membership of Pension Board and providing revised draft Terms of Reference for the Pensions Sub Committee.

A report from the Director of Finance and presentation from Independent Investment Advisor on the stability of the Barings fund, and its recent performance.

A report from the Director of Finance and presentation from the Actuary updating the Employers Register.

March 2015

A report from the Director of Finance and Independent Investment Advisor updating funding recommendations for the procurement of a second Global Equity Manager.

Presentations from Investment Consultant considering the options for the fund in handling major risks linked to changes in inflation, interest rates and longevity.

Presentations from Corporate Governance advisors PIRC reviewing the proxy voting themes for the previous year, and setting the voting policy for the coming year.

Officer Arranged Training Sessions

June 2014	Actuarial Overview (Hymans) Investment Training (Aon Hewitt)
July 2014	Global Equity Member Panel Training (Aon Hewitt & Independent Investment Advisor)
February 2015	Liability Driven Investment training: Hedging interest, inflation and longevity risk (Aon Hewitt & Insight)

Investment Seminars and Conferences attended by Members

CIPFA Pensions: Future Structure of the LGPS
Aon Hewitt LGPS Conference 2014
PIRC Annual Corporate Governance Seminar
LAPFF Business Meeting & Round Table on LGPS
Barings Investment Seminar
Hymans Robertson DCLG Consultation Seminar
LGC Investment Seminar
Eversheds public sector pensions conference
London Pension Fund Forum
LAPFF Business Meeting
Local Government Pension Investment Forum
Local Government Pensions 2014 Conference

SECTION 5: INVESTMENT POLICY & PERFORMANCE

Report of the Performance Measurer

Investment Review to 31 March 2015

In the fiscal year 2014/15 the average Local Authority fund delivered an investment return of 13%. The Camden fund grew by only 8.4%, which was also below the Strategic benchmark return of 11.3%.

Over the last 12 months, there were strong returns from equity markets, though with marked differences across regions. UK equities returned 6.3% as investors were concerned about the political uncertainty surrounding the May 2015 general election and, structurally, because of its relatively high weightings of oil and mining stocks, which were diminished by the fall in oil prices during the year.

In the UK, the FTSE All Share index returned 6.6% for the fiscal year with active managers trailing the index by -0.3%. The Camden fund has a passive strategy within this region therefore the return was in line with the FTSE All Share index, surpassing the local authority average return of 6.3%.

There were positive results from all Overseas regions - the FTSE All World index (ex UK) returned 19.2% in aggregate (6.8% over the previous 12 months). Japan and North America provided the best returns in sterling terms. The strong performance in Japan was eroded marginally weakening Yen against sterling, still returning 27%. Pacific ex Japan and Emerging Markets returned 16% and 13% respectively whilst even Europe, which lagged behind the other markets, returned 9%. The Camden global equity return of 11.8% was well below the benchmark return of 19.0% and ranked in the 94th percentile within the LGPS universe.

UK bonds bounced back strongly after negative results in 2013/14, with government bonds returning 14.5%, corporates 13% and Index-linked gilts 20.2% for the latest year. Massive differences in return were experienced, depending on where a fund was invested on the yield curve. Camden return was notably behind benchmark of 4.7%, returning only 1.8% during the period. This ranked within the 95th percentile of the universe. Index-Linked gilts are managed on a passive basis, with the return of 21.1% in line with the FTSE A Index-linked gilts (over 5 years) index.

Alternative investments had a good year; private equity returned 15.7%, whilst hedge funds averaged only 8.6%. Pooled multi-asset (diversified growth) investments returned a strong 10% for the year. The Camden fund has 8.8% invested in both a Pooled Multi Asset strategy and a Hedge Fund strategy. The Camden Pooled Multi Asset portfolio returned 9.0%, significantly ahead of target benchmark to outperform the 3 Month LIBOR index plus 4%. The return from the Hedge Fund investments was 7.1%, which was below both the target to outperform the 3 Month LIBOR index plus 7.5%, and the local authority average return.

The average Property return was 15.8% for the year. Camden return of 11.0% was below the IPD All Balanced Property index return of 16.6%. This ranked within the 92nd percentile of the local authority universe.

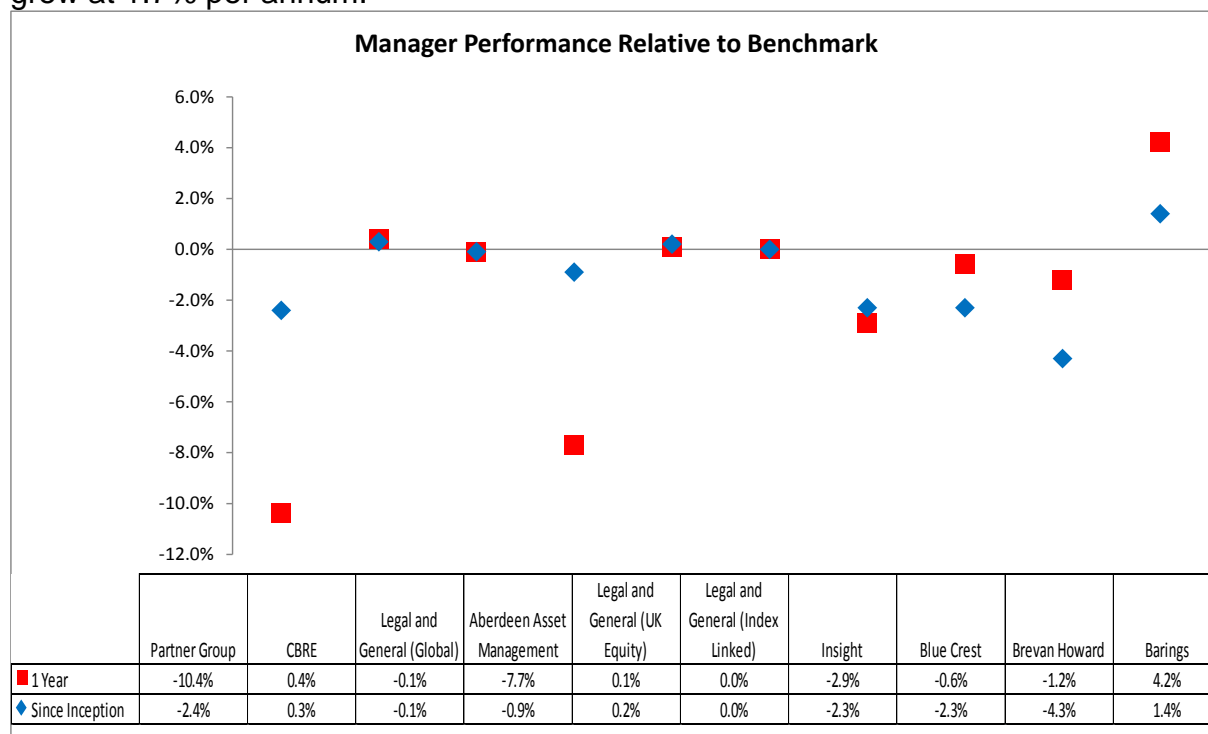
The Camden fund was 2.6% behind the benchmark and underperformed the local authority average by 4.2% in the fiscal year to end March 2015, ranking in the 97th percentile. This was due mainly to the below average returns in Global Equities and Bonds.

Long Term

Over the longer term, equities are expected to deliver better growth than bonds. This is an investment reward for accepting the higher degree of risk inherent in holding equities. Local Authority pension funds are long-term investors and as such expect to access these higher returns. The Fund has historically held a higher commitment to equities than the average Local Authority Fund, however now has a lower than average weighting in Equities and Bonds with above average commitment to Alternatives, Pooled Multi Asset and Property.

For the ten years to the end of March, the Fund's return of 7.2% per annum was below the local authority average return of 7.9% per annum and 0.7% per annum behind the strategic benchmark return of 7.7% per annum. Inflation over the ten years was 3.0% per annum as measured by the Retail Prices Index and 2.9% per annum as measured by the National Average Weekly Earnings Index.

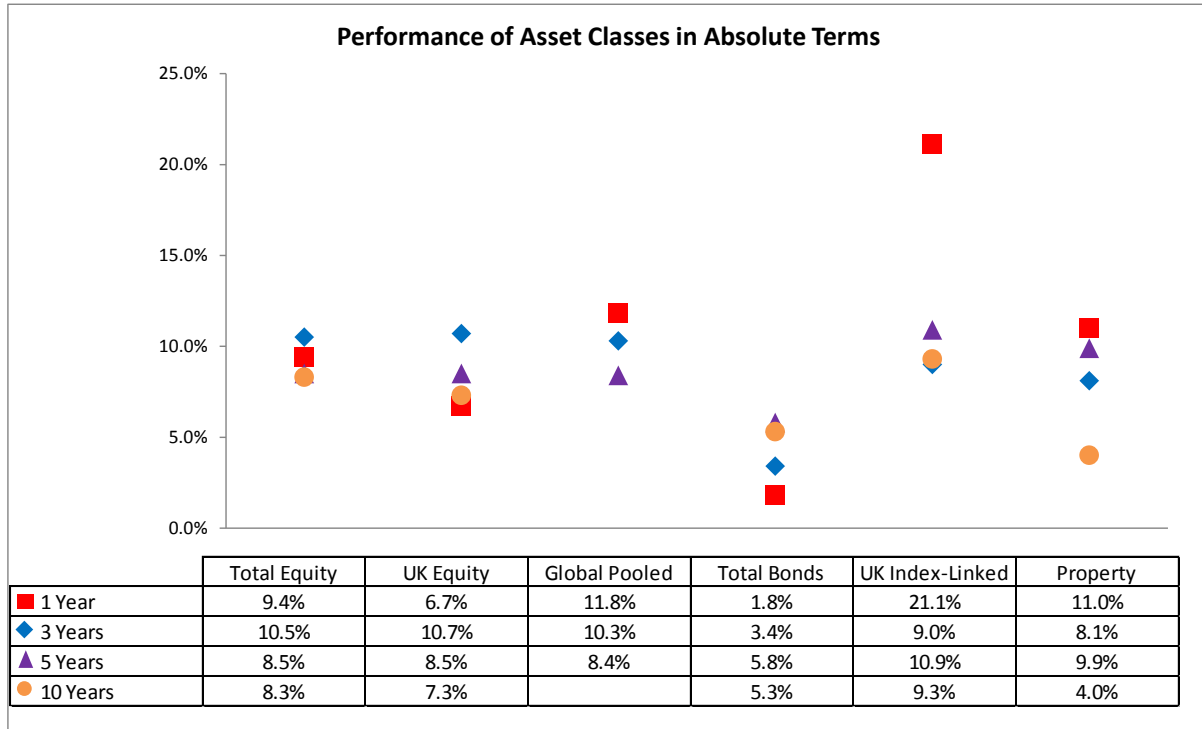
Over the last three years the Fund's return of 8.4% per annum is behind the strategic benchmark and the local authority average return of 10.1% per annum. Over this period the retail price index inflation was 2.2% per annum while average earnings grew at 1.7% per annum.



The manager performance relative to benchmark shows how each manager has performed against the industry average (benchmark) for that class of investment. The Partners Group benchmark against which it has been measured is a 15% per annum

absolute return rather than an industry average, in accordance with the terms of the investment, due to the lack of such an average for the Global Property sector.

Each manager will also have a performance target. For passive managers the target will be to meet the benchmark. For active managers the target will be to outperform the benchmark by a certain margin (or there may be an absolute return target, which is not based on a benchmark).



Information on the average Local Authority comes from the Global Services Performance Services survey of local authority pension funds.

Asset Allocation Strategy

The Fund's assets are invested in various different investment vehicles with the objective of both generating returns to improve the funding level and diversifying investments to reduce risk. Specialist fund managers have been appointed to invest in the different asset classes within investment parameters set by the Council in conjunction with the Fund's investment advisers. The following table details the fund managers, the mandate they operate, the value of their portfolio at 31 March 2015 and their holdings expressed as a percentage of total Fund investments.

Fund Manager	Mandate	Value at 31 March 2015 (£m)	% of Fund
Aberdeen	Equities - Global	365.03	28.8%
Legal & General	Equities - Global	57.11	4.5%
Legal & General	Equities - UK	351.04	27.7%
Legal & General	Index Linked Gilts	25.83	2.0%
Insight Investment	Absolute Return Bonds	124.66	9.9%
CBRE	Property - UK	65.68	5.2%
Partners Group	Property - Global	51.00	4.0%
BlueCrest	Fund of Hedge Funds	58.04	4.6%
Brevan Howard	Fund of Hedge Funds	54.28	4.3%
Barings	Diversified Growth Fund	111.42	8.8%
Others	Cash Holdings etc.	1.33	0.1%
Total		1,165.38	100.00%

The sum of £1.33 million classed as Others includes cash held at the Custodian of £1.75 million and residual holdings and accrued income from previous mandates of £0.01 million, less cash owed to the Council of £0.05 million, and a net creditor position of £0.38m.

The various performance figures for the fund are shown in the Pension Fund Accounts in **Appendix 1** starting on page 39.

The Fund's 10 Largest Holdings as at 31 March 2015

Name	Value at 31 March 2015 (£m)	% of Fund
Legal & General UK Equity Index pooled fund	345.55	27.3%
Insight Investment Bonds Plus 400 pooled fund	124.66	9.9%
Baring Dynamic Asset Allocation Fund	111.42	8.8%
BlueCrest AllBlue Fund of Hedge Funds	58.04	4.6%
Brevan Howard Multi Strategy Fund of Hedge Funds	54.28	4.3%
Partners Group Secondary Real Estate 2009 SICAR	41.34	3.3%
Legal & General Index-Linked Gilt pooled fund	31.33	2.5%

Legal & General North America pooled fund	31.02	2.5%
CVS Caremark	15.55	1.2%
Roche	13.50	1.1%

Top 20 Equity exposures as at 31 March 2015 (including pooled funds)

Company	Value at 31 March 2015 (£m)	% of Fund
Royal Dutch Shell	29.38	2.52%
HSBC	24.17	2.07%
British American Tobacco	20.78	1.78%
CVS Caremark	15.72	1.35%
Roche	13.78	1.18%
Vodafone	13.25	1.14%
BP	12.84	1.10%
BHP Billiton	12.76	1.09%
Novartis	12.75	1.09%
EOG Resources	12.32	1.06%
Taiwan Semiconductor	10.90	0.94%
Shinetsu	10.25	0.88%
Oracle	10.19	0.87%
Pepsico	9.61	0.82%
Johnson & Johnson	9.49	0.81%
Samsung	9.34	0.80%
Zurich Financial Services	9.30	0.80%
Astrazeneca	9.30	0.80%
Banco Bradesco	9.18	0.79%
Philip Morris	9.07	0.78%

Note that equity exposures above include both direct holdings and the proportional exposure from pooled funds.

Corporate Engagement and Socially Responsible Investment

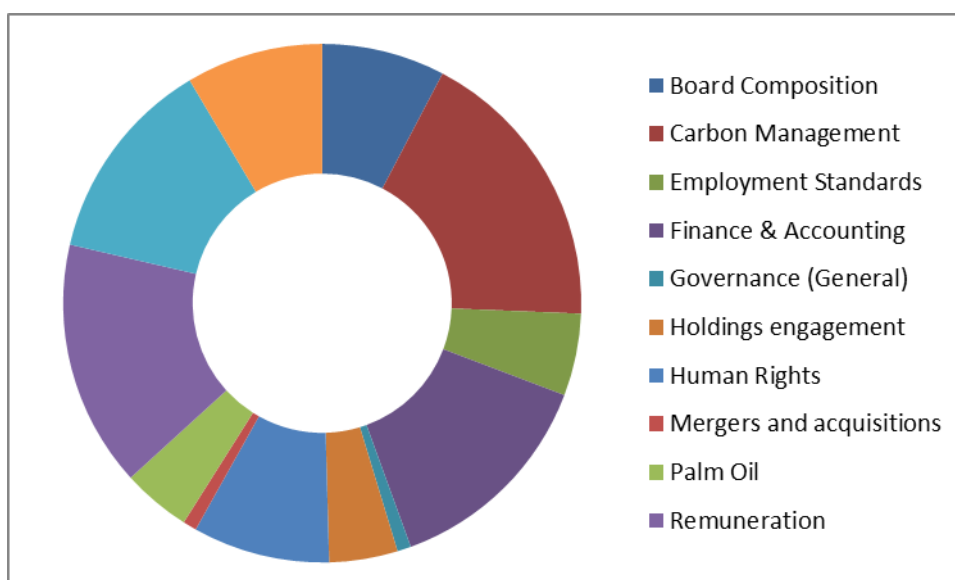
The Pension Fund is bound by law in respect of Socially Responsible Investment (SRI) policy. As stated in the Statement of Investment Principles, the Fund should, in all circumstances, act in the best financial interests of the members of the Fund. Where this primary consideration is not prejudiced, Investment Managers are expected to have active regard to the impact that SRI issues might have on the returns of companies in which they invest on the Fund's behalf.

The Fund believes that 'robust' engagement with companies is a better approach than placing restrictions on particular types of investment. It also believes that companies conforming to high ethical and social standards might be expected to produce shareholder returns that are at least comparable to those produced by other companies.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF was formed in 1990 and is a voluntary association of local authority pension funds based in the UK. It exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which its members invest. The Forum's members currently have combined assets of over £150 billion.

LAPFF has campaigned on a number of issues and the split of issues can be seen below. The graph is based on corporate engagement over the last year via letters, conference calls or meetings.

LAPFF ENGAGEMENT TOPICS



The 2014 LAPFF Annual Report, summarising activity and highlighting the organisation's achievements can be found via the following link:

LAPFF ANNUAL REPORT 2014

Voting Rights

The Fund believes in the role of proactive engagement as the most effective way of influencing companies in relation to social, environmental and business policies whilst at the same time achieving financial returns compatible with the Fund's longer term financial objectives. The fund therefore places great importance on the exercise of voting rights attached to the Fund's investments.

Camden has appointed PIRC to provide the services of Corporate Governance Advisor and proxy voting agent to the Fund. The aim of the advisors has been to research companies with which the Fund has voting rights, and to ensure that those voting rights are used in the most advantageous way. The Fund has agreed a bespoke voting policy and PIRC ensure that votes are cast in line with the Camden policy for all segregated company shares, as well as the proportion of shares held in pooled UK equity fund held by the Camden.

In the year 2014/15 voting took place as follows:

Resolution Type		
For	8,699	76%
Against	2,580	23%
Abstain	1	0%
Withhold	25	0%
Non-Voting Items	67	1%
Total	<u>11,372</u>	

The Camden Pension Fund voted shares at 807 separate company meetings during the year. Of the 11,372 votes cast by PIRC just over two thirds of these went along with the recommended decision from each firm's internal management.

Further Information

There are more details on how the Fund engages in responsible investment in Section 11 of the Statement of Investment Principles attached as **Appendix 4** of this report.

SECTION 6: ACTUARIAL REPORT FOR THE YEAR ENDED 31 MARCH 2015

Introduction

The Scheme regulations require that a full actuarial valuation is carried out every three years. The purpose of this is to establish that the London Borough of Camden Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to assess the adequacy of employer contribution rates. The last full actuarial valuation into the financial position of the Fund was carried out as at 31 March 2013, in accordance with regulation 77(1) of the Local Government Pension Scheme Regulations 1997. The contribution rates for the 2014/15 financial year are based on the March 2013 valuation.

Actuarial Position

1. Rates of contribution paid by the participating Employers during 2014/15 corresponded to those stipulated in the actuarial valuation carried out as at 31 March 2013. The rates of contribution from the March 2013 valuation will cover the three financial years from 2014/15 up to 2016/17.
2. The valuation as at 31 March 2013 indicated a funding ratio of 75.6%, with the value of the Fund's assets (£1,124 million) representing 75.6% of the assessed liabilities (£1,487 million). The mid-cycle triennial valuation 2014 estimated the funding level increased to 76.8%, with assets and liabilities valued at £1,196 million and £1,557 million respectively, with a marginally reduced deficit of £361 million. The increase in the funding ratio is a result of assets increasing in line with the expected investment return while real bond yields remain consistent with the formal valuation in 2013. In addition to this the contributions paid have been offset by the interest on the deficit and cost of benefits accruing.
3. The valuation also calculated that the required level of contributions to be paid by the Fund by participating Employers (in aggregate) with effect from 1 April 2014 was as set out below:
 - 19.5% of pensionable pay to meet the liabilities arising from service accruing after the valuation date by current employees.
 - 15.6% of pensionable pay to recover the fund deficit over a period of 17 ½ years from 1 April 2014.
4. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile and the recovery period agreed with the Administering Authority.

The rates of contributions payable by each participating Employer over the period 1 April 2014 to 31 March 2017, with comparison to the rates of 2013/14, are set out in the rates and adjustments certificate, which is appended to the actuary's final valuation report, which can be found through the following link:

[Camden Pension Fund Actuarial Valuation Report 2013](#)

5. The contribution rates were calculated using the projected unit actuarial method and taking account of the Fund's funding strategy as described in the Funding Strategy Statement.
6. The main actuarial assumptions were as follows:

Financial Assumptions	31 March 2010 (% p.a.)	31 March 2013 (% p.a.)
Discount rate	6.1%	4.6%
Price inflation	3.8%	3.3%
Pay increases	5.3%	4.3%
Pension increases:	3.3%	2.5%
pension in excess of GMP	3.3%	2.5%
post-88 GMP	2.8%	2.5%
pre-88 GMP	0.0%	0.0%
Revaluation of deferred pension	3.3%	2.5%
Expenses	1.0%	0.6%

7. This report has been prepared using information from the Actuarial Valuation as at 31 March 2013 supplied by the Fund's actuaries Hymans Robertson LLP.

SECTION 7: FUNDING STRATEGY STATEMENT

Introduction

All LGPS funds are required to prepare and maintain a Funding Strategy Statement (FSS) in accordance with Regulation 35 of the Local Government Pension Scheme (Administration Regulations 2008).

The Funding Strategy Statement from February 2014 is attached as **Appendix 3** on page 74 of this report.

Implementation and Review

The FSS is reviewed formally at least every 3 years as part of the triennial actuarial valuation of the Fund. The valuation exercise establishes contributions for all employers contributing to the Fund for the following 3 years within the framework provided by the strategy.

The Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than part of the triennial valuation process), for example:

- if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy.
- if there have been significant changes to the Fund membership, or LGPS benefits.
- if there have been changes to the circumstances of any of the employers to such an extent that they impact on or warrant a change in the funding strategy.
- if there have been any significant special contributions into the Fund.

The authority carries out detailed monitoring of investment performance on a quarterly basis via its Pension Committee. This includes monitoring of investment performance relative to the growth in the liabilities by means of quarterly funding updates provided by the actuary.

Discussions take place at regular intervals with the Actuary as to whether any significant changes have arisen which require immediate action.

SECTION 8: STATEMENT OF INVESTMENT PRINCIPLES

The Statement of Investment Principles (SIP) details the policy which controls how a pension fund invests. Local Government Pension Schemes have been required by law to keep an up-to-date Statement of Investment Principles.

The Statement of Investment Principles must cover our policy on matters such as:

- The types of investments held
- The balance between different types of investments
- The expected return on investments
- The extent to which social, ethical or environmental considerations affect investments

The Statement of Investment Principles for the London Borough of Camden Pension Fund is attached at **Appendix 4** of this report.

Implementation of Statement of Investment Principles

- Strategy Review: changes were made to asset allocation during the year following review in June 2012, with strategic allocations made to Hedge Fund and Diversified Growth Fund managers, and planned allocations to Private Equity and Infrastructure to be implemented at a later stage.
- Engagement and Voting policies:
 - Votes are cast by the Corporate Governance advisers (PIRC)
 - Voting reports are included as part of the quarterly Engagement Report to the Pension Committee, and recorded on the Fund website
- Review of compliance with the six Myners' principles.

The Statement of Investment Principles was last reviewed by the Pensions Sub Committee as part of the 2013/14 Annual Report.

SECTION 9: COMMUNICATIONS POLICY STATEMENT

Since December 2010 pension fund information has been made available on the Camden website.

Some of the features of the website are:-

- ☐ Navigation – the pension pages can now be easily accessed by using the address www.camden.gov.uk/pensions in a web browser or by entering 'pensions' or 'pension fund' into the search facility from the Camden website homepage
- ☐ Finding information – we have adopted the principles of having a separate gateway from the pensions homepage to information and forms under a number of headings – active scheme member, deferred member, pensioner, Councillor, Pension Fund Investments and employers
- ☐ Updating the pages – members of the Pension team have been trained in web publishing and given responsibility to ensure the pages are maintained and regularly updated
- ☐ Raising the profile of the pension pages – whenever a scheme member requests information or form (e.g. a death grant nomination form/change of bank form/details for paying additional contributions) they are encouraged to self-serve using the web pages. Reference to the web pages will be made in all communication from the Pensions Administration Shared Service and all newsletters are available in the first instance online, unless a member does not have internet access in which case they will be provided with a hard copy.
- ☐ General information for scheme members will be available via links to external websites (DWP/HMRC etc.) to help set LGPS benefits in the wider context of state benefits and general taxation

The Camden Pension Fund Communications Policy Statement is attached at **Appendix 5**.

SECTION 10: FURTHER INFORMATION

Sources of help

The Pension Tracing Service

The Pension Tracing Service online holds details of pension schemes, including the LGPS, together with relevant contact addresses. It provides a tracing service for ex-members (and their dependents) with pension entitlements, who may have lost touch with earlier employers.

www.gov.uk/find-lost-pension

The Pensions Advisory Service (TPAS)

TPAS is available to help members and their beneficiaries with any pensions query, or to resolve any difficulties encountered that have not been resolved with the Council. Enquiries should be addressed to:

The Pensions Advisory Service
11 Belgrave Road
London SW1V 1RB

Tel: 0300 123 1047

www.pensionsadvisoryservice.org.uk/

The Pensions Regulator

The Pensions Regulator regulates pension schemes such as the LGPS and is able to intervene in the running of the scheme where managers, employers or professional advisers have failed in their statutory duties. The Regulator can be contacted at:

Napier House, Trafalgar Place
Brighton BN1 4DW

Tel: 0845 600 7060

www.pensionsregulator.gov.uk

The Pensions Ombudsman

If a complaint or dispute cannot be resolved, it can be passed to the Pensions Ombudsman for adjudication. The Ombudsman can investigate and determine any dispute of fact, law or maladministration involving occupational pension schemes.

This service is available to members and beneficiaries.

The Pensions Ombudsman can be contacted at the following address:

11 Belgrave Road
London SW1V 1RB

Tel: 020 7630 2200

www.pensions-ombudsman.org.uk

Department of Communities and Local Government

The LGPS is a statutory pension scheme with regulations laid down by Parliament by the Minister for Communities and Local Government.

The Minister can be contacted by writing to:

Minister for Communities and Local Government
Eland House, Bressenden Place
London SW1E 5DU

Tel: 0303 444 0000

www.gov.uk/government/organisations/department-for-communities-and-local-government

SECTION 11: GLOSSARY OF PENSION TERMS

Accrual

The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Active Management

A portfolio management strategy where the manager actively builds and repositions portfolios to take advantage of apparently favourable market opportunities. It results in portfolios which differ in terms of holdings or weightings from the structure of the manager's benchmark.

Actuary

An independent consultant who advises the Fund and reviews the financial position of the Fund every three years. The actuary then produces a report, known as the actuarial valuation report, which compares the Fund's assets with its liabilities and prescribes the rates at which the employing bodies must contribute.

Added years

Additional service that a member of the Fund can buy by paying extra contributions to the Fund providing that HM Revenue & Customs limits on pension and contributions are not exceeded.

Additional Voluntary Contributions (AVC's)

An option available to individual members to secure additional pension benefits by making regular payments to the Pension Fund's AVC provider.

Asset Allocation

The apportionment of a fund's assets between asset classes and/or world markets. The long-term strategic asset allocation of a fund will reflect the fund's investment objectives. In the short term, the fund manager can aim to add value through tactical asset allocation decisions.

Asset Class

A collective term for investments of a similar type. The main asset classes are equities (shares), bonds, cash and property.

Benchmark

A yardstick against which the investment policy of performance of a fund manager can be compared. Asset allocation benchmarks vary from peer group (e.g. the average fund as measured by one of the performance companies) to customized benchmarks tailored to a particular fund's requirements.

Career Average Revalued Earnings (CARE) Scheme

A pension scheme that provides a pension/lump sum or pension calculated as a proportion of a member's average pay throughout their membership, and dependent on the length of membership in the scheme.

Cash Transfer Values

The capital value of a benefit entitlement paid into or withdrawn from the Fund when an employee joins or leaves the scheme with a pension transfer.

Corporate Bond

Strictly speaking, corporate bonds are those issued by companies. Generally, however, the term is used to cover all bonds other than those issued by Governments in their own currencies. Therefore the credit sector, as it is often known, includes issues by companies, supranational organizations and Government agencies.

Custody

Administering of securities by a financial institution. The custodian keeps a record of a client's investments and may also collect income, process tax claims and provide other services, according to client instructions.

Deferred Pension

The pension benefit payable from Normal Retirement Age to a member of the Fund who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before retirement age.

Defined Benefit Scheme

A type of pension scheme where the pension that will ultimately be paid to the employee is fixed, usually as a percentage of final salary. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promise.

Diversification

The spreading of investment funds among different types of assets, markets and geographical areas in order to reduce risk.

Emerging Markets

Stock Markets in developing countries (as defined by the World Bank).

Equities

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

Final Pensionable Pay

Pensionable Pay earned in the last 12 months before retirement (or any one of the previous two years if annual earnings in either of these years are higher).

Final Salary Scheme

A pension scheme that provides a pension/lump sum or pension calculated as a proportion of a member's pay in their last year of membership depending on the length of membership in the scheme.

Fixed Interest

An income stream which remains constant during the life of the asset, such as income derived from bonds, annuities and preference shares.

Fixed Interest Securities

Investments, mainly in Government stocks, which guarantee a fixed rate of interest. Investments in Government stocks represent loans to Government which are repayable on a stated future date.

Index

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

Mandate

The agreement between a client and investment manager outlining how the fund is to be managed. May include performance targets by reference to a benchmark.

Passive Management

A portfolio management strategy where a portfolio is designed on a long-term basis to meet specific return parameters (e.g. achieving a target rate of return, matching a set of future liabilities, matching a benchmark return). A passive index fund, where most or all of a specified market index's constituent securities are owned in the same proportion as the index in order to match its return, is a common form of management.

Pensionable Pay

Basic pay excluding non-contractual overtime, bonus and shift payments.

Pooled Funds

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

Return

The value received (Income plus capital) annually from an investment, usually expressed as a percentage.

Unlisted Securities

Holdings in companies which do not form part of the main stock market. They may be developing companies or smaller companies whose shares are not frequently traded. Unlisted securities are usually less liquid than those traded in the main markets.

Valuation

A summary of an investment portfolio showing the holdings and their value as at a certain date.

Abbreviations

CIPFA Chartered Institute of Public Finance and Accountancy

DCLG Department for Communities and Local Government

LGPS Local Government Pension Scheme

SORP Statement of Recommended Practice

APPENDIX 1: FUND ACCOUNTS & NET ASSETS STATEMENT

PENSION FUND

Explanatory Foreword

Introduction

The Council is the administering authority for the Camden Pension Fund. The Fund is governed by the Superannuation Act 1972. The fund is administered in accordance with the following secondary legislation:

- The LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009
- The LGPS (Miscellaneous) Regulations 2012

The Accounts have been prepared in accordance with the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom, issued by CIPFA, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

All employees can become contributors on appointment with Camden or a scheduled or admitted body. The Fund's income is derived from employees, contributions from employing authorities and income from investments.

The Fund operates as a defined benefit scheme and provides retirement pensions and lump sum allowances, widows' and children's pensions and death gratuities.

The LGPS 2014 Reforms – Local Government Pension Scheme Regulations 2013, came into effect from 1st April 2014. These regulations change the scheme from one based on final pay to one based on average pay throughout an employee's career.

The following description of the fund is a summary only. For further detail, reference should be made to the [London Borough of Camden Pension Fund Annual Report 2014/15](#) and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

Fund Management

The day-to-day management of the Fund investments is carried out by the professional fund managers. As at 31 March 2015 there were 8 managers investing on behalf of the Fund:

Aberdeen Asset Managers Ltd
Insight Investment
Legal & General Investment Management Ltd
CB Richard Ellis Global Investment Partners Ltd
Partners Group Management II S.A.R.L.

BlueCrest Capital Management (UK) LLP
Brevan Howard Multi-Strategy Fund Ltd
Baring Asset Management Ltd

A ninth manager, Goldman Sachs Asset Management, was also active in 2013/14 with the Fund disinvesting during the year. Accrued income from three other previous fund managers Fidelity Investments Ltd, Schroder Investment Management Ltd and UBS Global Asset Management (UK) Ltd, was also transferred to current fund managers in 2013/14.

Each manager operates within mandated investment management agreements and targets originally determined by the Council's Audit and Corporate Governance (Pensions) Sub-Committee. There are a small number of assets that are held directly by the Council, which are managed under the delegation of the Director of Finance.

Overall investment strategy is the responsibility of the Pension Committee, which consists of eight councillors who receive advice from the Director of Finance and the Borough Solicitor, as well as the fund managers and the following professional consultants:

Hymans Robertson LLP (Actuarial & Benefit Services)
AON Hewitt (Investment Consultancy)
Karen Shackleton (Independent Investment Advisor)
PIRC (Corporate Governance Services)

Trade Union representatives, admitted bodies and retired members are also invited to attend the Committee as observers. Committee meetings are held on a quarterly basis. The details of the meetings, including agendas, minutes and regular reports on the Fund's performance, can be found through the Camden website:

www.democracy.camden.gov.uk/ieListMeetings.aspx?Committeeld=180

The market value of the assets (including cash & income receivable) held by the Fund Managers, the Custodian and the Council as at 31 March 2015 is as follows:

2013/14		Fund Managers	2014/15	
£000	%		£000	%
330,699	28%	Aberdeen Asset Managers Ltd	365,031	29%
102,221	9%	Baring Asset Management Ltd	111,417	9%
54,029	5%	BlueCrest Capital Management (UK) LLP	58,039	5%
50,822	4%	Brevan Howard Multi-Strategy Fund Ltd	54,276	4%
55,843	5%	CB Richard Ellis Global Investment Partners Ltd	65,683	5%
175	0%	Fidelity International	0	0%
49	0%	Goldman Sachs Asset Management	0	0%
122,345	11%	Insight Investment	124,656	10%
400,088	34%	Legal & General Investment Management Ltd	433,984	34%
43,913	4%	Partners Group Management II S.A.R.L.	50,957	4%
472	0%	Schroder Investment Management Ltd	0	0%

PENSION FUND ANNUAL REPORT 2014/15
APPENDIX 1: FUND ACCOUNTS & NET ASSETS STATEMENT

339	0%	UBS Global Asset Management (UK) Ltd	0	0%
4,413	0%	JPM Custodian Cash Account	1,746	0%
(1,433)	0%	Council	(412)	0%
1,163,975	100%		1,265,377	100%

The negative position shown on the Council assets is due to outstanding net creditors from invoices on the 31st March, and a negative cash position in 2014.

Actuarial Valuations

The Fund is subject to actuarial valuation every three years. The actuary is required to specify the employer's rate of contribution to the Fund necessary to ensure that present and future commitments can be met. The last completed actuarial valuation of the Fund was carried out as at 31 March 2013, the results of which take effect from 1 April 2014. The full valuation report can be read here:

www.camden.gov.uk/ccm/navigation/council-and-democracy/publications-and-finance/pensions/

The market value of the Fund's assets at the 2013 valuation date was £1.124bn. The actuarial value of the Fund's accrued liabilities, allowing for future pay increases, was £1.487bn; therefore there was a shortfall of £364m (24.4%).

The employers' contribution rates were calculated using the projected unit actuarial method and the main actuarial assumptions as follows:

CPI Price Inflation	2.5% per annum
Pay increases	4.3% per annum
Gilt-based discount rate	3.0% per annum
Funding basis discount rate	4.6% per annum

Assets were valued at the discounted value of future income assuming a 1.6% per annum average growth on income reinvested, known as the asset outperformance adjustment. This assumes that dividend income would be re-invested, and would share in the long-term growth in capital value of those investments.

At the prior actuarial valuation on 31 March 2010 the assets were valued as sufficient to meet 76% of the liabilities. The employer's contribution rate from 2011/12 to 2013/14 was calculated as 28.1% of pensionable pay. This is the average employer contribution rate required for the three years starting in 2011/12. The Council agreed a contribution strategy with a cap of 1% on increases (and decreases) to its Employer Contribution, following agreement with the Fund's actuary, meaning that in 2014/15 the contribution rate from the Administering Authority was 27.3%.

Fund Portfolio and Diversification

The Regulations require that the Members of the Pensions Committee and Fund Managers should pay regard to the need to diversify investments and also to the

suitability of particular investments. The Fund's Statement of Investment Principals and Funding Strategy Statement can be found within the Annual Report on the Pension Fund website:

www.camden.gov.uk/ccm/content/council-and-democracy/publications-and-finance/pensions/camdens-pension-fund

Admitted and Scheduled Bodies

The admitted bodies and scheduled bodies which made contributions to the Fund in 2014/15 were as follows:

Admitted Bodies

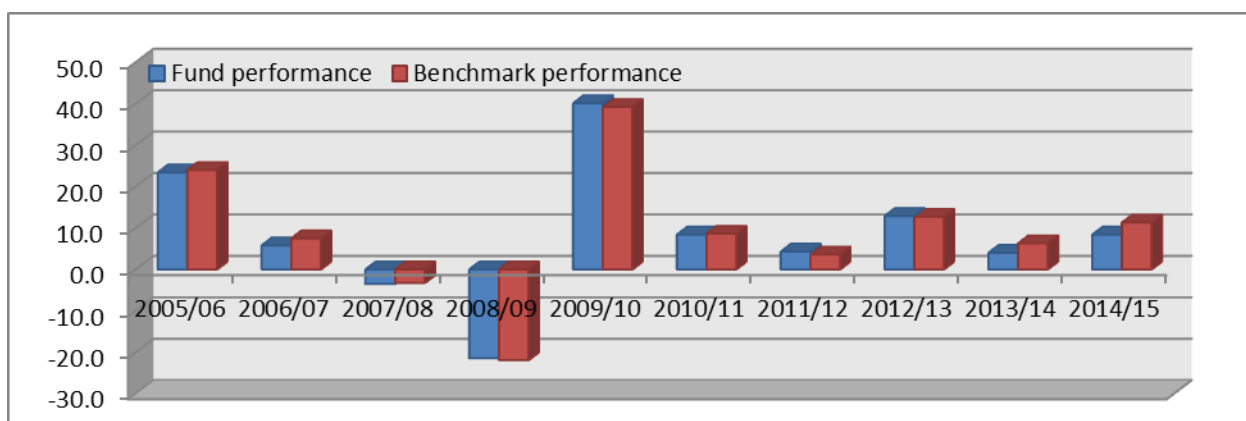
Abbey Road Housing Co-op
Agar Grove Housing Co-op
Age UK Camden
British Association for Adoption & Fostering
Busy Bee Cleaning Ltd
Camden Arts Centre
Camden Citizens Advice Bureau
Camden Community Nurseries Ltd
Camden Volunteer Bureau
Care UK Ltd
Caterlink Ltd
Chalk Farm Housing Group
Circle Care and Support Ltd
CIS Security Ltd
Coram Family
Creative Support Ltd
Greenwich Leisure Ltd
Holborn Community Association
Home Connections
Land Data CIC
Local Government Improvement & Development (now IDeA)
Local Government Information Unit
Mears Care Ltd
MiHomecare Ltd
MITIE PFI
National Association for Local Councils
NSL Ltd
RM Education Ltd
S&K Car Park Management Ltd
Voluntary Action Camden

Scheduled Bodies

Abacus Belsize School
Children's Hospital School
St Luke's School
UCL Academy

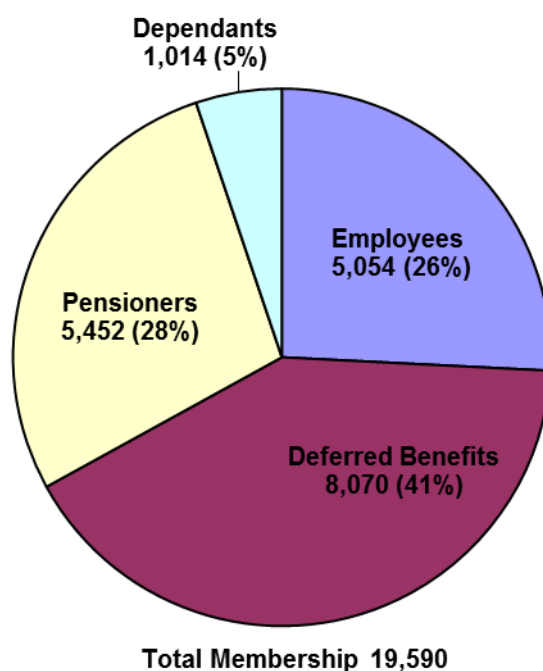
Returns

The overall value of the Fund has risen by 115% during the last ten years. The diagram below, based on figures prepared by the WM Company, provides a comparison between the performance of Camden's Fund and that of the average of other participating funds, including company pensions, for each year over this period. It shows the time-weighted return on investments for each calendar year.



Membership

Total membership of the Fund at 31 March 2015 was 19,590 (19,055 in 2014). Within the totals shown in the pie chart below are 370 employees, 738 deferreds, 614 pensioners and 49 dependants attributable to admitted bodies and scheduled bodies.



	31-Mar-14	31-Mar-15
Employees	4,886	5,054
Deferred Benefits	7,811	8,070
Pensioners	5,364	5,452
Dependents	994	1,014
	19,055	19,590

Benefits

Pension Benefits under the LGPS are based on final pensionable pay and length of pensionable pay and length of pensionable service up until 31 March 2015, summarised below:

	Pension	Lump Sum
Service Pre 1 April 2008	Each year worked is worth 1/80 x final salary.	Automatic lump sum of 3 x salary. 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.
Service Post 31 March 2008 – 31st March 2014	Each year worked is worth 1/80 x final salary	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.
Service Post	Each year worked	Members of the LGPS before April 2008 have

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31 March 2014	is worth $1/49 \times$ pensionable earnings of that year. Benefits are held in a pension account and revalued each year in line with inflation.	built up benefits which will include an automatic lump sum. In the new scheme eligible members are still entitled to the aforementioned benefit but can also exchange some pension to get a tax-free cash lump sum. Every £1 of pension sacrificed is equivalent to £12 of tax-free lump sum (subject to HM Revenue & Customs limits).
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There are a range of other benefits provided under the scheme including early retirement, disability pension and death benefits. For more details, please refer to www.lgps2014.org.

Pension Fund Account **for the year ended 31 March 2015**

In compiling the 2014/15 Statement of Accounts the London Borough of Camden are using investment data from the custodian, JP Morgan.

2013/14		Notes	2014/15
£000			£000
	<i>Contributions receivable:</i>		
39,992	From Employers		42,640
9,580	From Members		10,664
936	Pension Strain	4	541
50,508		3	53,845
	<i>Transfers in from other pension funds:</i>		
5,261	Transfers in (individual)		5,003
	<i>Benefits payable:</i>		
(40,958)	Retirement pensions		(42,929)
(8,505)	Commutation of pensions and lump sum retirement benefits		(7,144)
(915)	Lump sum death benefits		(1,019)
(50,378)		3	(51,092)
	<i>Payments to and on account of leavers:</i>		
(5,279)	Transfers out (individual)		(3,823)
(9)	Refund of contributions		(53)
1	Contribution Equivalent Premiums	5	10
(5,287)			(3,866)
	<i>Other Payments:</i>		
(647)	Administration costs	7	(702)
(246)	Other expenditure	7	(203)
(893)			(905)
(789)	Net additions from dealing with members		2,985
	Returns on investments		
13,803	Investment income	8	14,718
(417)	Tax deducted from investment income		(67)
(6,291)	Management fees	9	(6,928)
34,033	Change in market value of investments	10	90,694
41,128	Net returns on investments		98,417
40,339	Net increase/(decrease) in the fund		101,402
1,123,636	Net assets at 1 April 2014		1,163,975
1,163,975	Net assets at 31 March 2015		1,265,377

Pension Fund Net Assets Statement as at 31 March 2015

31 March 2014 £000		Notes	31 March 2015 £000
	Investments at market value		
	<u>Pooled Investment Vehicles:</u>		
122,345	- Fixed Interest Securities	12,13	124,656
25,830	- Index Linked Securities	12,13	25,830
326,353	- UK Equities	12,13	351,045
47,905	- Overseas Equities	12,13	57,109
102,221	- Diversified Growth Fund	12,13	111,417
104,851	- Fund of Hedge Funds	12,13	112,315
729,505			782,372
36	Fixed Interest securities - Public Sector		11
58,293	UK Equities		53,522
266,929	Overseas Equities	12,13	303,664
93,995	Property	12,13	110,549
13,054	Cash deposits	12,13	14,888
3,632	Investment Income Receivable	12,13	794
1,165,444			1,265,800
	Other net assets		
(959)	Cash held by Camden	12,13	(48)
592	Current assets	15	555
(1,102)	Current liabilities	15	(930)
1,163,975	Total net assets		1,265,377

Both the 2014 and 2015 investment valuations above are drawn from the custodian reporting system.

The net asset statement includes all assets and liabilities of the fund at 31 March 2015, but excludes long-term liabilities to pay pensions and benefits in future years.

Note 1. Accounting Policies

i) 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. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 2 of these accounts.

ii) Investments are shown in the Net Assets Statement at market value. Market valuations are as provided by the Custodian and are based on bid values as at the Net Assets Statement date. Values of 3rd party assets for which the JPM Pricing team cannot source values are priced using the latest accounting reports provided by the investor manager, and if this valuation point differs to year end the Net Asset Value is adjusted for any further drawdown at cost. Prices in foreign currencies are translated at the closing rates of exchange as at 31st March.

iii) Assets and liabilities in overseas currencies are translated into sterling at the exchange rates prevailing at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates.

iv) The cost of administration is charged directly to the fund partly by the Administering Authority, London Borough of Camden, and partly by the Shared Service run by Camden, Wandsworth and Merton.

v) Income due from equities is accounted for on the date stocks are quoted ex-dividend.

vi) Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.

vii) Income from other investments is accounted for on an accruals basis.

viii) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.

ix) When foreign exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at year end. Income from overseas investments is translated into sterling at an average rate for the period.

x) Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.

xi) Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate, at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

xii) Under the rules of the scheme, members may receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

Note 2. Actuarial Valuation

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities every year, on an IAS 19 basis. For 2014/15 Hymans Robertson carried out this analysis, and their reported findings can be found in the accompanying report.

Pension Fund Actuarial Valuation Report

Note 3. Analysis of Contributions and Benefits

2013/14 £000		2014/15 £000
	Contributions receivable	
44,483	Administering Authority	47,219
130	Scheduled Bodies	210
5,895	Admitted Bodies	6,416
50,508		53,845
	Benefits payable	
(42,976)	Administering Authority	(44,416)
(261)	Scheduled Bodies	(264)
(7,141)	Admitted Bodies	(6,412)
(50,378)		(51,092)

Note 4. Pension Strain

This is a payment to the Pension Fund from departmental budgets to make up for the funding shortfall following early retirement or ill health retirement.

Note 5. Contributions Equivalent Premiums

This is a payment to the Contributions Agency to reinstate employees into the State Earnings Related Pension Scheme. This applies only to employees who have received a refund of contributions.

Note 6. Related Party Transactions

The Camden Pension Fund is administered by Camden Council, and consequently there is a strong relationship between the council and the pension fund.

In 2014/15 £113k was paid to the council for accountancy services (£112k in 2013/14), and £402k was paid to the Shared Service for pensions administration (£374k in 2013/14).

As at 31 March 2015, a cash balance of £48k relating to the Pension Fund was owed to the Council (£959k was owed to the council at 31 March 2014).

There were no other transactions with related parties other than those which are disclosed elsewhere within the accounts.

Note 7. Administrative Costs and Other Expenditure

Administrative Costs included the following items.

Regulations permit the Council to charge administration costs to the scheme. A proportion of relevant council officers' salaries, including on-costs, have been charged to the fund on the basis of actual time spent on scheme administration and investment related business.

2013/14		2014/15
£000		£000
374	Pensions Admin charge	402
121	Pensioner database	70
112	Officer's Salary	113
6	Legal fees	14
25	Collective Investment Vehicle	25
9	Other	78
647	Total	702

Other Expenditure included the following items:

2013/14		2014/15
£000		£000
67	Actuarial Advice	19
92	Investment Consultancy	91
21	Audit	21
25	Custodian	26
18	Corporate Governance	26
23	Statistical Services	20
246	Total	201

Note 8. Pension Fund Investment Income

A detailed breakdown of this figure is shown below:

2013/14		2014/15
£000		£000
2	Fixed interest securities	2
2,899	UK equities	2,709
7,252	Overseas equities	7,683
3,657	Property unit trusts	4,277
(7)	Interest on cash deposits	47
13,803	Total income	14,718

Note 9. Management Fees

The fees levied by the Fund Managers were as follows:

2013/14		2014/15
£000		£000
1,369	Aberdeen	1,486
458	Barings	474
1,784	BlueCrest	1,400
979	Brevan Howard	1,242
124	CB Richard Ellis	155
5	Fidelity	0
215	Goldman Sachs	(36)
0	Insight	875
198	Legal & General	208
1,159	Partners Group	1,124
6,291	Total	6,928

In 2014/15 the Fund invested in Insight to replace Goldman Sachs as absolute return bond manager. The negative amount for Goldman Sachs relates to an overestimation for management fees accrued from 2013/14.

Note 10. Change in Market Value of Investments for the year ended 31 March 2015

	Realised Gain £000	Unrealised Gain £000	Movement 2014/15 £000
Pooled Investment Vehicles:			
- Fixed Interest Securities	0	2,311	2,311
- Index Linked Securities	0	0	0
- UK Equities	1,352	25,840	27,192
- Overseas Equities	0	9,204	9,204
- Fund of Hedge Funds	0	7,464	7,464
- Diversified Growth Fund	0	9,092	9,092
	1,352	53,911	55,263
Fixed Interest securities - Public Sector	24	(14)	11
UK Equities	2,372	(6,085)	(3,713)
Overseas Equities	2,436	26,582	29,017
Property	870	5,323	6,193
Total Investments	7,054	79,717	86,771
Currency	(319)	(18)	(337)
Total	6,735	79,699	86,434
Gross up of Investment Manager Fees netted off fund value			4,260
2014/15 Movement on Investments			90,694

Note 11. Purchases & Sales

Pension Fund Purchases and Sales by Asset Type for the year ended 31 March 2015:

2013/14 £000		2014/15 £000
	Purchases	
	Pooled Investment Vehicles:	
121,300	- Fixed Interest Securities	0
0	- Index Linked Securities	0
0	- UK Equities	0
0	- Overseas Equities	0
0	- Fund of Hedge Funds	0
93	- Diversified Growth Fund	104
121,393		104
0	Fixed Interest securities - Public Sector	0
6,823	UK Equities	9,926
34,542	Overseas Equities	47,088
23,417	Property	10,352
186,175	Total Purchases	67,470

Sales		
<u>Pooled Investment Vehicles:</u>		
(121,349)	- Fixed Interest Securities	0
0	- Index Linked Securities	0
(13,000)	- UK Equities	(2,500)
0	- Overseas Equities	0
0	- Fund of Hedge Funds	0
0	- Diversified Growth Fund	0
(134,349)		(2,500)
0	Fixed Interest securities - Public Sector	(36)
(4,068)	UK Equities	(10,984)
(31,575)	Overseas Equities	(39,370)
(7,492)	Property	8
(13)	Venture Capital	0
(177,497)	Total Sales	(52,882)

The Fund has held pooled investments in fund of hedge funds and index linked securities throughout the year without addition or disposal.

Note 12. Pension Fund Analysis of Investments at Market Value

31 March 2014 £000		31 March 2015 £000
	Securities	
36	Government fixed interest UK	11
25,830	Pooled Vehicle - Government index linked UK	25,830
122,345	Pooled Vehicle - Fixed Interest Securities	124,656
148,211		150,497
	UK Equities	
58,293	Quoted	53,522
326,353	Pooled Vehicle - UK Equities	351,045
384,645		404,567
	Overseas Equities	
8,763	Argentina	7,544
4,171	Australia	0
0	Bermuda	3,410
20,497	Brazil	14,920
14,972	Canada	14,988
4,296	China	0
7,984	Curacao	7,673
4,213	France	4,143
0	Guernsey	3,405
9,070	Hong Kong	12,846
7,529	Italy	0

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13,972	Japan	27,749
6,632	Mexico	7,471
2,666	Singapore	2,742
5,160	South Africa	4,786
8,171	South Korea	9,056
13,450	Sweden	19,089
38,661	Switzerland	42,199
10,981	Taiwan	10,738
85,741	USA	110,905
47,905	Pooled Vehicle - L&G Global Equity Fund	57,109
314,834		360,773
	Property	
50,082	UK Property	59,592
43,913	Global Real Estate	50,957
93,995		110,549
	Hedge Funds	
104,851	Pooled Vehicles	112,315
104,851		112,315
	Diversified Growth Fund	
102,221	Pooled Vehicles	111,417
102,221		111,417
3,040	Investment Income Receivable	794
13,646	Cash Deposits	14,888
(959)	Cash at Authority	(48)
(510)	Net Debtors / Creditors at Authority	(375)
1,163,975	Total Asset Value	1,265,377

Note 13. Valuations by Fund Managers

2013/14 £000		2014/15 £000
	Aberdeen Asset Managers Ltd	
54,612	- UK equities	49,316
266,929	- Overseas equities	303,664
7,216	- Cash	10,257
1,942	- Income Receivable	1,794
	Baring Asset Management Ltd	
102,221	- Pooled investment vehicle	111,417
	BlueCrest Capital Management (UK) LLP	
54,029	- Pooled investment vehicle	58,039
	Brevan Howard Asset Management LLP	
50,822	- Pooled investment vehicle	54,276
	CB Richard Ellis Collective Investors Ltd	
3,681	- UK equities	4,206
30,472	- Pooled investment vehicle	35,728
19,610	- Property unit trusts	23,864
1,240	- Cash	1,694
840	- Income Receivable	191
	Fidelity International	
0	- UK equities	0
131	- Cash	0
44	- Income Receivable	0
	Goldman Sachs Asset Management	
0	- Pooled investment vehicle	0
49	- Cash	0
	Insight Investment	
122,345	- Pooled investment vehicle	124,656
	Legal & General Investment Management	
	Pooled investment vehicles	
25,830	- Index linked securities	25,830
326,353	- UK equities	351,045
47,905	- Overseas Equities	57,109
	Partners Group Real Estate	
39,669	- Property SICAR	41,339
4,244	- Pooled Investment Vehicle	9,618
	Schroder Investment Management Ltd	
5	- Cash	0
467	- Income Receivable	0
	UBS Ltd Fixed interest securities	
1	- Cash	0
338	- Income Receivable	0
	JPM Custodian Account	
4,412	- Cash	1,697
1	- Income Receivable	49

	Council	
36	- Public sector fixed interest securities	11
(959)	- Cash	(48)
(510)	- Net Debtors & Creditors	(375)
1,163,975	Total	1,265,377

The public sector fixed interest securities held directly by the Council are valued using the Debt Management Office gilt reference prices from the DMO website as of 31st March.

Note 14. Valuation by Reliability of Information

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

Level 1

Financial instruments 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. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments 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 and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments 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. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following table provides an analysis of the financial assets and liabilities of the pension fund, as held at the Custodian, 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 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets:				
Cash & Currencies	2,743	0	0	2,743
Cash Equivalents	0	12,145	0	12,145
Equities	352,981	0	45,545	398,526
Forward Currency Contract	0	0	0	0
Pooled Funds	0	851,582	0	851,582
Receivables	3,271	0	0	3,271
Total Financial Assets	358,995	863,727	45,545	1,268,267
Liabilities:				
Forward Currency Contract	0	0	0	0
Payables	(2,478)	0	0	(2,478)
Total Financial Liabilities	(2,478)	0	0	(2,478)
Grand Total	356,517	863,727	45,545	1,265,789

Financial assets classed at Level 3 include the SICAR property investment held by Partners Group, and one of the underlying CBRE property investments.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets:				
Cash & Currencies	3,306	0	0	3,306
Cash Equivalents	0	10,340	0	10,340
Equities	321,541	0	3,680	325,221
Forward Currency Contract	0	4	0	4
Pooled Funds	0	783,831	39,669	823,500
Receivables	4,005	0	0	4,005
Total Financial Assets	328,852	794,176	43,349	1,166,377
Liabilities:				
Forward Currency Contract	0	(2)	0	(2)
Payables	(967)	0	0	(967)
Total Financial Liabilities	(967)	(2)	0	(969)
Grand Total	327,885	794,173	43,349	1,165,408

Note 15. Analysis of Net Current Assets and Liabilities

2013/14 £000		2014/15 £000
	Assets	
592	Admitted Authorities payments receivable	555
592		555
	Liabilities	
(985)	Creditors	(671)
(117)	Unpaid Benefits	(259)
(1,102)		(930)
(510)	Net Total	(375)

Note 16. Direct Transaction Costs

The amount of direct transaction costs incurred by each Fund Manager was as follows:

2013/14 £		2014/15 £
130,347	Aberdeen	170,850
0	Barings	0
0	BlueCrest	0
0	Brevan Howard	0
19,870	CB Richard Ellis	5,128
0	Goldman Sachs	0
0	Insight	0
19,469	Legal & General	2,238
0	Partners Group	0
169,686	Total	178,216

Direct transaction costs on purchases and sales are only reported in segregated investment mandates, and above on purchases / sales of units in the L&G pooled equity vehicles. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within the other pooled investment vehicles.

Note 17. Additional Voluntary Contributions

Additional voluntary contributions are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998. The providers of Additional Voluntary

Contributions are Phoenix Life Ltd and Prudential Assurance Company Ltd (from 1 April 2009).

Phoenix operates two funds, the deposit fund and the managed fund and employees can contribute to either fund.

Prudential offer twelve funds, with the risk appetite ranging from minimal to higher risk. The employee has the option to choose a combination of these funds. Also the employee has the choice to invest in the default fund (with profits) or a lifestyle option, which commences with higher risk investments and is gradually switched to lower risk investments as the employee moves closer to retirement.

The value and transaction summary of the AVC funds are below. It should be noted that the Phoenix Life accounts are produced on a calendar year basis.

Prudential	2014/15	2013/14
	£	£
Value at 1 April	1,644,184	1,302,608
- Contributions and Transfers Received	456,651	447,313
- Investment Return	151,168	34,169
- Paid Out	(245,299)	(139,906)
Value at 31 March	2,006,704	1,644,184

Phoenix Life Ltd	2014	2013
	£	£
Value at 1 January	1,020,270	982,322
- Contributions and Transfers Received	24,285	31,205
- Investment Return	19,678	87,957
- Paid Out	(90,479)	(81,214)
Value at 31 December	973,754	1,020,270

Note 18. Reconciliation of Investments by Asset Class

	31 March 2014	Purchases	Sales	Change in Market Value	31 March 2015
	£000	£000	£000	£000	£000
Pooled Vehicles:					
- Fixed Interest securities	122,345	0	0	2,311	124,656
- Index Linked securities	25,830	0	0	0	25,830
- UK equities	326,353	0	(2,500)	27,192	351,045
- Overseas equities	47,905	0	0	9,204	57,109
- Fund of Hedge Funds	104,851	0	0	7,464	112,315
- Diversified Growth Fund	102,221	104	0	9,092	111,417
	729,505	104	(2,500)	55,263	782,372
Fixed Interest Securities	36	0	(36)	11	11
UK Equities	58,293	9,926	(10,984)	(3,713)	53,522
Overseas Equities	266,929	47,088	(39,370)	29,018	303,664
Property	93,995	10,352	8	6,194	110,549
Total Investments	1,148,758	67,470	(52,882)	86,773	1,250,118
Cash and net debtors	15,217			(337)	15,259
Total	1,163,975			86,436	1,265,377

	31 March 2013	Purchases	Sales	Change in Market Value	31 March 2014
	£000	£000	£000	£000	£000
Pooled Vehicles:					
- Fixed Interest securities	122,439	121,300	(121,349)	(46)	122,345
- Index Linked securities	27,009	0	0	(1,179)	25,830
- UK equities	311,448	0	(13,000)	27,905	326,353
- Overseas equities	44,905	0	0	3,000	47,905
- Fund of Hedge Funds	104,933	0	0	(83)	104,851
- Diversified Growth Fund	100,487	93	0	1,641	102,221
	711,223	121,393	(134,349)	31,238	729,505
Fixed Interest Securities	39	0	0	(3)	36
UK Equities	59,493	6,823	(4,068)	(3,956)	58,293
Overseas Equities	263,933	34,542	(31,575)	29	266,929
Property	75,930	23,417	(7,492)	2,141	93,995
Venture capital	11	0	(13)	2	0
Total Investments	1,110,629	186,175	(177,497)	29,451	1,148,758
Cash and net debtors	13,007			(61)	15,217
Total	1,123,636			29,390	1,163,975

Note 19. Nature & Extent of Risks Arising From Financial Instruments

Market risk

Market risk is the risk of a loss to the Fund due to fluctuations in the prices of the financial instruments it holds. The level of risk is managed through an acknowledgement of the risks associated with the different asset classes it holds, and by diversification between asset classes to control the level of risk whilst optimising return.

Sensitivity analysis can be carried out for potential price changes based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on funds' asset allocations.

The potential volatilities below (% change) are consistent with volatility of returns experienced over the past year, as provided by one of the Fund's managers Aberdeen. This can then be applied to the period end asset mix as follows:

Asset Type	Value (£000)	% Change	Value on Increase (£000)	Value on Decrease (£000)
UK Equities	404,567	13.7%	460,114	349,020
Global Equities	360,773	11.3%	401,649	319,897
Total Bonds	124,668	5.3%	131,213	118,123
UK Index Linked	25,830	11.9%	28,896	22,764
UK Property	59,592	1.2%	60,295	58,889
Global Property	50,957	2.9%	52,449	49,465
Fund of Hedge Funds	112,315	7.2%	120,357	104,273
Diversified Growth Funds	111,417	4.7%	116,609	106,225
Cash & Equivalents	15,258	4.9%	16,007	14,509
Total Assets*	1,265,377		1,387,589	1,143,165

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 £GBP.

To calculate currency risk the currency exchange rate volatility (% change relative to £GBP) of individual currencies is used, as provided by ratesfx.com. For pooled assets the benchmark currency exposure is used as proxy.

The following table summarises the Fund's currency exposure based on its holdings of overseas domiciled equities and property as at 31 March 2015.

Currency	Value (£000)	% Change	Value on Increase (£000)	Value on Decrease (£000)
Argentine Peso	7,544	5.7%	7,972	7,116
Bermudian Dollar	3,410	5.9%	3,611	3,209
Brazilian Real	14,920	12.3%	16,757	13,083
Canadian Dollar	14,988	7.5%	16,115	13,861
EURO	4,143	7.5%	4,454	3,832
Hong Kong Dollar	12,846	6.8%	13,720	11,972
Japanese Yen	27,749	7.8%	29,922	25,576
Mexican Peso	7,471	8.1%	8,075	6,867
Netherlands Antillean Guilder	7,673	5.9%	8,123	7,223
Singapore Dollar	2,742	6.1%	2,908	2,576
South African Rand	4,786	9.8%	5,256	4,316
South Korean Won	9,056	7.3%	9,714	8,398
Swedish Krona	19,089	7.3%	20,488	17,690
Swiss Franc	42,199	16.9%	49,318	35,080
Taiwan Dollar	10,738	7.1%	11,495	9,981
US Dollar	110,905	6.8%	118,458	103,352
Global Basket	57,109	4.3%	59,582	54,636
Total O/S Equity*	357,368		385,967	328,769
O/S Property (€)	41,338	7.5%	44,438	38,238
O/S Property (\$)	9,618	6.8%	10,273	8,963
TOTAL*	408,324		440,678	375,970

Credit Risk

Credit risk represents the risk that the counterparty to 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.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, however the selection of high quality counterparties and financial institutions, and legal due diligence carried out on all managers and the custodian, minimises the credit risk that may occur through the failure to settle a transaction.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council takes steps to ensure that the Fund has adequate cash resources to meet its commitments through periodic reviews of the maturity of the Fund, and monitoring of the cash flows generated from dealing with members.

Single Investment Risk

The following single investments represent more than 5% of the net assets of the scheme, although each of the investments below is a pooled investment vehicle with a large number of underlying assets. None of the underlying assets represent more than 5% of the scheme.

Investment	Value 31/3/15 (£000)	% of total fund	Value 31/3/14 (£000)	% of total fund
Legal & General UK Equity Index Fund	351,045	27.7%	326,353	28.0%
Insight Investment Bonds Plus 400 Fund	124,656	9.8%	122,345	10.5%
Baring Dynamic Asset Allocation Fund	111,417	8.8%	102,221	8.8%

Note 20. Contingent Liabilities and Contractual Commitments

Real Estate

The fund has commitments in relation to its two Global Real Estate property funds, one Euro denominated Luxembourg SICAR and one US Dollar denominated Guernsey Limited Partnership. These commitments are drawn down in tranches over time as and when the managers request them. The Euro fund had £3.240m of commitments outstanding as at 31 March 2015 (£7.525m as at 31 March 2014); the US Dollar fund had £39.659m of commitments outstanding as at 31 March 2015 (£38.574m as at March 2014). These are not required to be included in the Pension Fund accounts.

Independent auditor's report to the members of London Borough of Camden

This is blank until the auditors performance is received in September 2015.

APPENDIX 2: GOVERNANCE COMPLIANCE STATEMENT

GOVERNANCE COMPLIANCE STATEMENT

Principle A – Structure

August 2015

	Not Compliant *				Fully Compliant
(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)			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)					Where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

	Not Compliant *				Fully Compliant
(d)					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

The Council does not comply with Principle A – Structure (b) in so far as there are no representatives of the participating admitted bodies on the Pension Committee. However, admitted bodies are advised of meeting agendas and reports, and encouraged to attend each committee meeting.

The majority of our admitted bodies have very small scheme membership and their individual circumstances vary very significantly with the result that it is difficult to identify a representative body from amongst them. Neither would the level of employer contributions for these bodies be significantly affected by the investment activity of the Fund as a whole.

There is representation for both active and retired members through the attendance of Trade Unions who have non-voting observer status. However there is no representation for deferred members.

B – Representation

	Not Compliant *				Fully Compliant
(a)	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 pensioner scheme members)
(iii)			where appropriate independent professional observers,		
(iv)					expert advisors (on an ad-hoc basis)

	Not Compliant *			Fully Compliant	
(b)				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	

The Council does not comply with Principle B – Representation (a)(iii)

The Pension Committee does not include membership in respect of such independent professional observers, although the Fund has appointed an independent investment advisor and also hears from other industry experts as required on specific topics from time to time.

The Council partially complies with Principle B – Representation (b) on this aspect in so far as lay-members have equal access to all non-confidential papers and meetings. The observer status granted enables them to contribute to the decision making process. Equally such lay-members have access to training items included within Committee agendas although they are not automatically entitled to attend external training events where payment is required.

C – Selection and role of lay members

	Not Compliant *				Fully Compliant
(a)					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 or interest related to specific matters on the agenda

Information is given via the Council's Constitution, Committee Terms of Reference, and advice from suitably qualified officers.

D – Voting

	Not Compliant *				Fully Compliant
(a)					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.

All elected members sitting on LGPS Committees have voting rights as a matter of course. It is a policy of the Pension Committee that voting rights are not to be conferred on others attending the Pension Committee meetings as they are not members of the administering authority which has the responsibility in law to administer the Scheme.

E – Training/Facility time/Expenses

	Not Compliant *			Fully Compliant	
(a)				In relation to the 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)			Where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum		
(c)				The administering authority considers the adoption of annual training plans for committee members and maintains a log of such training.	

The Council partially complies with Principle E – Training/Facility time/Expenses (a)
The relevant rules regarding training, facility time and reimbursement of expenses are those applied generally to Members as part of the Council's Constitution. The policy of the Pension Committee is that when members attend Pension Fund Seminars, meetings and functions etc. the expenses are to be fully paid by the Pension Fund.

The Council partially complies with Principle E (b)
No relevant policy exists and so the principle is not applicable

The Council partially complies with principle E(c) as members are encouraged to utilise training opportunities that are shown in the Business Plan for each meeting and a log is kept of all training undertaken. Training sessions are run in May and November.

F – Meetings (frequency/quorum)

	Not Compliant *				Fully Compliant
(a)					An administering authority's main committee or committees meet at least quarterly
(b)					An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits
(c)			That an administering authority who does not include lay members in their formal governance arrangements provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.		

The Council does partly comply with Principle F – Meetings (c) - As Admitted Bodies are consulted on matters relating to valuation and contributions. There is no organised forum outside of the Committee arrangements at which admitted bodies are represented. There is however consultation with these bodies on key matters.

G – Access

	Not Compliant *			Fully Compliant	
(a)				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	

Observers (who are not full members of the main committee) do not have access to confidential papers considered by the main committee but the Council operates on a clear principle of keeping such confidential items to a minimum. The Council has no secondary committees or panels.

H – Scope

	Not Compliant *			Fully Compliant	
(a)				.	Administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements

The Committee's Terms of Reference include consideration of matters other than those related to investment and these include for example discussions relating to issues concerned with future changes to the LGPS Scheme.

I – Publicity

	Not Compliant *			Fully Compliant
(a)				Administering authorities have published details of their governance arrangement 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.

The Council has published summary details of the governance arrangements via a general governance statement. The Council's website contains further details of the democratic arrangements applying to the Pension Committee.

London Borough of Camden Pension Fund

Funding Strategy Statement

February 2014

Douglas Green

Fellow of the Institute and Faculty of Actuaries

For and on behalf of Hymans Robertson LLP

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1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the London Borough of Camden Pension Fund (“the Fund”), which is administered by the London Borough of Camden, (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, Hymans Robertson LLP, and after consultation with the Fund’s employers and investment adviser. It is effective from 1 April 2014.

1.2 What is the London Borough of Camden 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 London Borough of Camden Fund, in effect the LGPS for the Camden 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;
- 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 of 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 (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 Nigel Mascarenhas, Head of Treasury, in the first instance at e-mail address nigel.mascarenhas@camden.gov.uk.

2 Basic Funding issues

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

2.1 How does the actuary calculate a contribution rate?

Employer contributions are normally made up of two elements:

- a) the estimated cost of future benefits being built up from year to year, referred to as the “*future service rate*”; plus
- b) an adjustment for the difference between the assets built up to date and the value of past service benefits, referred to as the “*past service adjustment*”. If there is a deficit the past service adjustment will be an increase in the employer’s total contribution; if there is a surplus there may be a reduction in the employer’s total contribution. Any past service adjustment will aim to return the employer to full funding over an appropriate period (the “deficit recovery period”).

2.2 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, 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.

A larger deficit will give rise to higher employer contributions. If a deficit is spread over a longer period then the annual employer cost is lower than if it is spread over a shorter period.

2.3 How are contribution rates calculated for different employers?

The Fund’s actuary is required by the Regulations to report the *Common Contribution Rate*, for all employers collectively at each triennial valuation, combining items (a) and (b) above. This is based on actuarial assumptions about the likelihood, size and timing of benefit payments to be made from the Fund in the future, as outlined in [Appendix E](#).

The Fund’s actuary is also required to adjust the *Common Contribution Rate* for circumstances specific to each individual employer. The sorts of specific circumstances which are considered are discussed in [Section 3](#). It is this adjusted contribution rate which the employer is actually required to pay, and the rates for all employers are shown in the Fund’s Rates and Adjustments Certificate.

In effect, the *Common Contribution Rate* is a notional quantity, as it is unlikely that any employer will pay that exact rate. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific circumstances.

Details of the outcome of the Actuarial Valuation as at 31 March 2013 can be found in the formal valuation report dated March 2014, including an analysis at Fund Level of the *Common Contribution Rate*. Further details of individual employer contribution rates can also be found in the formal report.

2.4 What else might affect the employer's contribution?

Employer covenant, and likely term of membership, is also considered when setting contributions: more details are given in [Section 3](#).

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](#).

If an employer is approaching the end of its participation in the Fund then its contributions may be amended appropriately, so that the assets meet (as closely as possible) the value of its liabilities in the Fund when its participation ends.

Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of the higher rate will be taken by the Fund Actuary at subsequent valuations.

2.5 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.

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, 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.

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;
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services.

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

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter 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;
- 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 Fund 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. This helps the Fund establish a picture of the financial standing of the employer, i.e. its ability to meet its long term Fund commitments.

For instance, where an employer is considered relatively low risk then the Fund will permit greater smoothing (such as stabilisation, or a longer deficit recovery period relative to other employers) which will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, an employer whose risk assessment indicates a less strong covenant will generally be required to pay higher contributions (for instance, with a more prudent funding basis or a shorter deficit recovery period relative to other employers). This is because of the higher probability that at some point it will fail or be unable to meet its pension contributions, with its deficit in the Fund then falling to other Fund employers.

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, there are a number of methods which the Administering Authority may permit, in order to improve the stability of employer contributions. These include, where circumstances permit:-

- capping of employer contribution rate changes within a pre-determined range (“stabilisation”)
- the use of extended deficit recovery periods
- the phasing in of contribution rises or reductions
- the pooling of contributions amongst employers with similar characteristics
- the use of some form of security or guarantee to justify a lower contribution rate than would otherwise be the case.

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 contributions below the theoretical level

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than the theoretical contribution rate. 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 choice of method,
- 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 will lead to higher contributions in the long-term, and
- it will take longer to reach full funding, 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	Academies	Education Bodies, incl Academies	Open to new entrants	Closed to new entrants	(all)
Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to “gilts basis” - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Future service rate	Projected Unit Credit approach (see Appendix D – D.2)				Attained Age approach (see Appendix D – D.2)	Projected Unit Credit approach (see Appendix D – D.2)
Stabilised rate?	Yes - see Note (b)	No	No	No	No	No
Maximum deficit recovery period – Note (c)	20 years	15 years	15 years	15 years	Expected future working lifetime of active members (minimum of 9 years)	Outstanding contract term
Deficit recovery payments – Note (d)	Monetary amount	Monetary amount, or % of payroll	Monetary amount, or % of payroll	Monetary amount, or % of payroll	Monetary amount	Monetary amount, or % of payroll
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at future service rate. However, reductions may be permitted by the Admin. Authority				Reduce contributions by spreading the surplus over the remaining contract term
Phasing of contribution changes	Covered by stabilisation arrangement	3 years - Note (e)	3 years - Note (e)	3 years - Note (e)	3 years - Note (e)	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	Note (g)	n/a	Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j) .			Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j) .		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

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

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 vary the discount rate used to set employer contribution rate. In particular contributions may be set for an employer to achieve full funding on a more prudent basis (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 (currently this only applies to the London Borough of Camden as the principal employer) and;
- there are no material events which might 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). Note that, for the purposes of the 2013 modelling, a certain level of anticipated membership reductions have been incorporated already.

On the basis of extensive modelling carried out for the 2013 valuation exercise (see [Section 4](#)), the stabilised Council contributions are as follows:

- "future service" contributions expressed as a percentage of active Fund members' pensionable payroll, being 16.2% in 2014-15, rising by 0.5% of payroll each year thereafter; plus
- "past service" deficit repair payments expressed in monetary terms, being £15.625m in 2014-15, £16.250m in 2015-16 and £16.875m in 2016-17.
- The combined future and past service contributions broadly equate to annual increases of 1% of 2013 payroll projected into future years in line with assumed pay growth. The annual steps are broadly split equally between future and past service elements.

The stabilisation criteria and limits will be reviewed at the 31 March 2016 valuation, to take effect from 1 April 2017. This will take into account employer membership profiles, the issues surrounding employer covenant, and other relevant factors.

Note (c) (Deficit Recovery Periods)

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2014 for the 2013 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 spreading periods, for example reducing periods where there were no new entrants.

Where stabilisation applies, the employer contribution rate would be calculated in line with the stabilisation mechanism.

For employers with no (or very few) active members at this valuation, the deficit should be recovered by a fixed monetary amount over a period to be agreed with the body or its successor, not to exceed 15 years.

Note (d) (Deficit Recovery Payments)

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

- the employer is relatively mature, i.e. has a large deficit recovery contribution rate (e.g. above 15% of payroll), in other words its payroll is a smaller proportion of its deficit than is the case for most other employers, 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) (Phasing in of contribution changes)

For employers contributing at less than the future service rate calculated at the 2013 valuation, the employer should pay at least its future service rate in 2014/15.

All phasing is subject to the Administering Authority being satisfied as to the strength of the employer's covenant.

Employers which have no active members at this valuation will not be phased.

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 employers)

At the time of writing, there have been no Council schools converting to become academies in the Fund; however, the funding policies if such an academy joins the Fund are as follows:

- a) 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;
- b) 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;
- c) The new academy will be allocated an initial asset share from the assets in the Fund. This asset share will be calculated using the council's estimated funding position 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;
- d) The new academy's initial contribution rate will be calculated using market conditions, the council funding position and, membership data, all as at the day prior to conversion.

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In addition, the Fund's policies 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;
- the current deficit.

For all new Transferee Admission Bodies, 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.

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

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

Note (i) (New Transferee Admission Bodies)

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

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

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

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which is may be under the 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 doesn't 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;
- 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;
- 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 there is a guarantor for future deficits and contributions, the cessation valuation will normally be calculated using the ongoing basis as described in [Appendix E](#);

- b) Alternatively, 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;
- c) 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.

Under (a) and (c), 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 look to any bond, indemnity or guarantee in place for the employer.

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 the Administering Authority may set up pools for employers with similar characteristics. This will always be in line with its broader funding strategy.

- With the advice of the Actuary the Administering Authority currently allows Small Admitted Bodies (i.e. those with no more than 50 active members) to pool their contributions: this Pool allows those smaller employers to share experience and smooth out the effects of costly but relatively rare events such as ill-health retirements or deaths in service. However, where an employer in the Pool appears to be closed to new entrants or approaching cessation, the Administering Authority at its absolute discretion may determine that the employer leave the Pool.
- Community Admission Bodies which are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.
- Transferee Admission Bodies are usually ineligible for pooling.
- Smaller admitted bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.
- Employers who are permitted to enter (or remain in) a pool at the 2013 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

- Schools (other than academies) generally are also pooled with the Council. However there may be exceptions for specialist or independent schools.

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

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, or added information about its circumstances, to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended deficit recovery period, 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;
- 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. These payments are required whether the employer is pooled, stabilised or not. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

With the agreement of the Administering Authority the payment can be spread as follows:

Council	- up to 5 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

Admitted Bodies may have an 'ill health allowance': for these employers the Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases. Further details may be included in the employer's Admission Agreement.

3.8 Ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

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

3.9 Employers with no remaining active members

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

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund
- c) In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

The Fund may occasionally deal with 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;
- 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 (SIP), 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 after 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 [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 [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 the Council?

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;

- Stability – employers should not see significant moves in their contribution rates from one year to the next, and this will help to 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 2017, it should be noted that this will need to be reviewed following the 2016 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, annually. It reports this to the regular Pensions Sub-Committee meetings, with these papers being made public on the Committee's website.

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 2012) and to its Statement of Investment Principles.

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 presented to the Pensions Sub-Committee in June 2013, with Admitted Bodies’ attention being drawn to the Meeting papers at that time;
- b) There was an Employers Forum on 22 October 2013 at which questions regarding the Fund’s funding strategy could be raised and answered;
- c) A revised version of the FSS was issued to all participating employers in February 2014 for comment;
- d) Comments were requested within 21 days;
- e) Following the end of the consultation period the FSS was updated where required and then published, in March 2014.

A3 How is the FSS published?

The FSS will be made available through the following routes:

- Published on the website, at www.camden.gov.uk/ccm/content/council-and-democracy/publications-and-finance/pensions/camdens-pension-fund.en
- A copy sent by e-mail to each participating employer in the Fund;
- A full copy included in the annual report and accounts of the Fund;
- 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 2016.

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 Sub-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, 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 www.camden.gov.uk/ccm/content/council-and-democracy/publications-and-finance/pensions/camdens-pension-fund.en

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:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- 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 (SIP) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- prepare and maintain a FSS and a SIP, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS/SIP as necessary and appropriate.

Most of the above is carried out in practice by the Audit and Corporate Governance (Pensions) Sub-Committee, under its terms of reference as part of the Council's constitution.

B2 The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- 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;
- 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);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of Admission Bodies' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's SIP remains appropriate, and consistent with this FSS;
- 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;
- 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;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- 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.

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 valuation of liabilities over the long-term.	<p>Only anticipate long-term return 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.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
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</p>

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Risk	Summary of Control Mechanisms
	<p>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.
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>

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Risk	Summary of Control Mechanisms
	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.

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 have been 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>

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 (under Regulation 38) 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</p>

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Risk	Summary of Control Mechanisms
	monitored and, if active membership decreases, steps will be taken.
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> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) 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.

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 future benefits being accrued, referred to as the “future service rate”; plus
- b) an adjustment for the funding position of accrued benefits relative to the Fund’s solvency target, “*past service adjustment*”. If there is a surplus there may be a reduction in the employer’s contribution rate. If there is a deficit there will be an increase in the employer’s contribution rate, with the surplus or deficit spread over an appropriate period. The aim is to return the employer to full funding over that period. See [Section 3](#) for deficit recovery periods.

The Fund’s actuary is required by the regulations to report the *Common Contribution Rate*¹, for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay; it is in effect an average rate across all employers in the Fund.

The Fund’s actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed “peculiar” to an individual employer². It is the adjusted contribution rate which employers are actually required to pay. The sorts of “peculiar” factors which are considered are discussed below.

In effect, the *Common Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific past service deficit spreading and increased employer contribution phasing periods.

D2 How is the Future Service Rate calculated?

The future service 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 future service 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 calculation is on the “ongoing” valuation basis (see [Appendix E](#)), but where it is considered appropriate to do so the Administering Authority reserves the right to set a future service rate by reference to liabilities valued on a more prudent basis (see [Section 3](#)).

The approach used to calculate each employer’s future service contribution rate depends on whether or not new entrants are being admitted. Employers should note that it is only Admission Bodies and

¹ See LGPS (Administration) Regulations 36(5).

² See LGPS (Administration) Regulations 36(7).

Designating Employers that may have the power not to automatically admit all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

a) Employers which admit new entrants

These rates will be derived using the “Projected Unit Method” of valuation with a one year period, i.e. only considering the cost of the next year’s benefit accrual and contribution income. If future experience is in line with assumptions, and the employer’s membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise over time.

b) Employers which do not admit new entrants

To give more long term stability to such employers’ contributions, the “Attained Age” funding method is normally adopted. This measures benefit accrual and contribution income over the whole future anticipated working lifetimes of current active employee members.

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

D3 How is the Solvency / Funding Level calculated?

The Fund’s actuary is required to report on the “solvency” of the whole Fund in a valuation which should be carried out at least once every three years. As part of this valuation, the actuary will calculate the solvency position of each employer.

‘Solvency’ is defined to be the ratio of the market value of the employer’s asset share to the value placed on accrued benefits on the Fund actuary’s chosen assumptions. This quantity is known as a funding level.

For the value of the employer’s asset share, see [D5](#) below.

For the value of benefits, 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](#)).

D4 What affects a given employer’s valuation results?

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

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
- the effect of any differences in the valuation basis on the value placed on the employer’s liabilities;
- any different deficit/surplus spreading periods or phasing of contribution changes;
- the difference between actual and assumed rises in pensionable pay;

- the difference between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death;
- the additional costs of any non ill-health retirements relative to any extra payments made;

over the period between each triennial valuation.

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.

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".

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

- the actual timing of employer contributions within any financial year;
- 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 value of future service accrual and past service liabilities, and hence the measured value of the past service deficit. 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 liability values and lower employer costs. A more prudent basis will give higher liability values 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 2013 and setting contribution rates effective from 1 April 2014, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.6% per annum greater than gilt yields at the time of the valuation (this is the same as that used at the 2010 valuation). 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 2016. 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, the salary increase assumption at the 2013 valuation has been set to 1% above the retail prices index (RPI) per annum. This is a change from the previous valuation, which assumed a two year restriction at 1% per annum followed by longer term growth at RPI plus 1.5% per annum.

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. This change was allowed for in the valuation calculations as at 31 March 2010. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the “formula effect” of the difference between RPI and CPI. At this valuation, we propose a reduction of 0.8% per annum. This is a larger reduction than at 2010, which will serve to reduce the value placed on the Fund’s liabilities (all other things being equal).

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 “medium cohort” and a 1.25% per annum minimum underpin to future reductions in mortality rates. This is a higher allowance for future improvements than was made in 2010.

The combined effect of the above changes from the 2010 valuation approach is to add around one year of life expectancy on average. 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 all employers, in deriving the past service deficit and the future service rate: 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 liabilities . The main assumptions will relate to the discount rate , salary growth, pension increases and longevity. More prudent assumptions will give a higher liability 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 which voluntarily participate in the Fund, so that their employees and ex-employees are members . There will be an Admission Agreement setting out the employer's obligations. For more details see 2.5 .
Common contribution rate	The Fund-wide future service rate plus past service adjustment . It should be noted that this will differ from the actual contributions payable by individual employers .
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.
Deficit	The shortfall between the assets value and the liabilities value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).
Deficit repair/recovery period	The target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual past service adjustment (deficit repair contribution), and vice versa.
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 liabilities value which is consistent with the present day value of the assets, to calculate the deficit . A lower discount rate gives a higher liabilities value, and vice versa. It is similarly used in the calculation of the future service rate and the common contribution rate .
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and liabilities values for each employer are individually tracked, together with its future service rate at each valuation .
Funding level	The ratio of assets value to liabilities value: for further details see 2.2.

Future service rate	The actuarially calculated cost of each year's build-up of pension by the current active members , excluding members' contributions but including Fund administrative expenses. This is calculated using a chosen set of actuarial assumptions .
Gilt	A UK Government bond, i.e. 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.
Liabilities	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 .
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).
Past service adjustment	The part of the employer's annual contribution which relates to past service deficit repair.

Pooling	Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of deficit , or (if formally agreed) it may allow deficits to be passed from one employer to another. For further details of the Fund's current pooling policy see 3.4.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members , i.e. 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).
Solvency	In a funding context, this usually refers to a 100% funding level , i.e. where the assets value equals the liabilities value.
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.
Theoretical contribution rate	The employer's contribution rate, including both future service rate and past service adjustment , which would be calculated on the standard actuarial basis , before any allowance for stabilisation or other agreed adjustment.
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 2013), 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.

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LONDON BOROUGH OF CAMDEN PENSION FUND STATEMENT OF INVESTMENT PRINCIPLES

1. LEGAL REQUIREMENTS

- 1.1 Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require all local authority pension funds to prepare and maintain a Statement of Investment Principles (SIP) and to review it from time to time and revise as necessary. Administering authorities must also state the extent to which they comply with the six principles of investment practice, set out in the document 'Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom' published by the Chartered Institute of Public Finance and Accountancy Pensions Panel.
- 1.2 Professional advice was sought from the Investment Consultant in the preparation of this document.

2. BACKGROUND

- 2.1 The London Borough of Camden Pension Fund, (the Fund) is a Career Average Revalued Earnings (CARE) defined benefit pension scheme established by statute, operating under the Local Government Pension Scheme Regulations 2009. It provides retirement and death benefits for eligible members and their dependants. The benefits are defined in law and increased each year in line with movements in inflation.
- 2.2 The Council has delegated responsibility for the management of the Fund to the Pension Committee (PC). The PC has responsibility for establishing investment policy and ongoing implementation.
- 2.3 The PC receives advice from the Director of Finance, the Actuary, the Investment Consultant and Independent Investment Advisor. Day to day management of the Fund is delegated to appointed professional investment managers each of which is regulated by the Financial Conduct Authority and Prudential Regulation Authority, or an equivalent overseas regulator. Each investment manager operates under a specific Investment Management Agreement with investment guidelines, which governs the scope of its investment activities for the Fund.
- 2.4 The investment principles outlined in the Camden SIP were first established for the Fund in 2000 and are reviewed annually and revised from time to time to incorporate material changes. In 2008/09 a major review of investment policy was completed, which was then developed further with an additional review in 2011/12. Following these reviews new investment manager appointments were made which were incorporated in the SIP.

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- 2.5 Following the end of financial year 2014/15 a second Active Global Equity manager Harris Associates has been invested approximately £140m of the portfolio previously held under the other Active Global Equity manager, Aberdeen. The return target mirrors that for Aberdeen and the strategic asset allocation for global equities remains at 30%.
- 2.6 Constitution and appointments to the Pension Board with terms of reference was agreed by full council on 20th May 2015, along with new terms of reference for the Pension Committee as a full committee in its own right.

3. RESPONSIBILITIES

Appendix A- Governance and Management shows the individuals and organisations currently having a responsibility for the Fund.

3.1 Pension Committee (PC)

The PC has delegated authority from the Council to make decisions for the Fund, acting with advice from the Actuary, Investment Consultant, Independent Advisor and the Director of Finance.

The investment powers of the PC are set out in the Regulations. The Committee has approved and adopted this SIP in relation to the investment of the Fund's assets, and the SIP is consistent with the investment policies established and implemented by the Committee for the Fund.

The Committee meets at least quarterly and comprises eight voting members, six from the ruling Labour Group and two from the Conservative Group. There is a quorum of two, and there are eight substitute members.

There are three observer (non-voting) members of the Committee representing trade unions and one representing retired members.

The responsibilities of the Committee are to:

General

- To act as Trustees of the Council's Pension Fund within the terms of the Superannuation Act 1972 and to administer all matters concerning the Council's pension investments in accordance with any applicable law and policy.
- To make arrangement for the appointment of and appoint suitably qualified investment managers and custodians and to periodically review those arrangements.
- To ensure that appropriate and sufficient training has been undertaken by all members of the Committee in order to discharge their functions.
- To take proper advice from officers, investment consultants, independent investment adviser, pension board and actuary

Investment

- Set and review Investment strategy for the Fund
- To formulate and publish a Statement of Investment Principles
- At least once every three months, to review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the investment managers.
- To determine the strategic asset allocation policy, the mandates to be given to the investment managers, the performance measures to be set for them and review investment management performance against targets.
- To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles.
- Ensure the Fund's voting rights are exercised in line with the Fund's voting policy to ensure the best outcome for the Fund's investment purposes and ensure engagement supports the investment strategy and Fund's performance.
- To receive and approve an Annual Report on the activities of the Fund prior to publication.
- To keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.

Liabilities

- To review the risks inherent in the management of the Pension Fund
- To review the strength of admitted bodies and ability to honour their liabilities.
- To agree and keep under review a Contribution Strategy and agree the Triennial Valuation.
- Admit new and exit ceasing employers as and when these arise.
- To monitor liabilities and ensure progress towards full funded status of all employers.
- To understand the maturity of the Fund and keep cash flow considerations under review

The Committee operates under procedural rules as set out in the London Borough of Camden Constitution, which can be accessed via the Council's website www.camden.gov.uk/ccm/content/council-and-democracy/decision-making/the-constitution/

3.2 Investment Managers

Eight appointed investment managers have responsibility for managing passive index tracking and active portfolios of equity, fixed interest, hedge fund, diversified growth fund and property investments. Details of the investment managers and their mandates are shown in **Appendix B** and their investment performance benchmarks and targets are shown in **Appendix C**.

The responsibilities of the investment managers are to:

- Invest the assets of the Fund in compliance with prevailing legislation, the policies set out in this SIP and their Investment Management Agreements.
- Submit quarterly reports on valuation, activity and investment performance.
- Attend meetings with the Director of Finance and/or Committee.
- Assist the Director of Finance in the preparation of the SIP.

3.3 Custodian

The investments of the Fund are held and recorded independently by a custodian bank responsible for safe custody of share certificates and other evidence of title.

The responsibilities of the custodian are to:

- Hold assets in compliance with prevailing market legislation.
- Provide periodic valuations and reports on activity and investments held in custody.
- Settle investment transactions in the market.
- Account for and collect dividends and income and make tax reclaims.
- Hold uninvested cash in a liquidity account.
- Process corporate actions and vote shares held to the Fund's order where appropriate.

3.4 Actuary

The responsibilities of the Actuary are to:

- Prepare the triennial valuation of the Fund.
- Provide advice to the Committee on the funding level to assist in formulating investment objectives and policies for the Fund.
- Provide intra valuation advice on the estimated funding level and pension costs.

3.5 Investment Consultant and Independent Investment Advisor

The responsibilities of the Investment Consultant and Independent Investment Advisor are to advise the Director of Finance and the Committee on:

- Investment strategy and the risks and anticipated returns associated with different investment strategies and asset classes.
- Assist with the selection, ongoing monitoring and review of investment managers and custodian.
- Advise the Director of Finance on the preparation of the SIP.

3.6 Director of Finance

The Director of Finance and Pensions Team are responsible for:

- The execution of policy decisions and operational running of the Fund
- Administrative arrangements with investment managers, custodian and advisers.

- Preparation of reports for the Committee.
- Preparing the Fund annual report and accounts.
- Regular interim briefing meetings with investment managers.
- Ensuring that the SIP and other relevant Fund documentation is reviewed and updated periodically, and ensuring compliance by investment managers with the SIP and Investment Management Agreements.

3.7 The Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, will be responsible for:

Assisting the LB Camden Administering Authority as Scheme Manager to:

- Secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
- Secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
- Carry out such other matters as the LGPS regulations may specify

Securing the effective and efficient governance and administration of the LGPS for the LB Camden Pension Fund

The role is one of providing oversight of assurance in and governance of the scheme administration and not decision making

The Pension Board will ensure that the LB Camden Pension Fund is managed and administered effectively and efficiently and complies with any code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

The core role of the Pension Board is set out as above.

The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within the extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
- Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
- Review the implementation of revised policies and procedures following changes to the Scheme.

- Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- Review the outcome of external audit reports.
- Review draft accounts and Fund annual report.

The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- Monitor investment costs including custodian and transaction costs.
- Review the risk register as it relates to the scheme manager function of the authority.
- Review the outcome of actuarial reporting and valuations.
- Monitor in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.

4. INVESTMENT OBJECTIVE

- 4.1 The primary investment objective is to ensure that Fund assets are invested to secure the benefits for members. The Fund has adopted an investment strategy to:
- Optimise the anticipated return consistent with a prudent level of risk.
 - Ensure that there are sufficient resources to meet the liabilities as they fall due.
 - Ensure the suitability of assets in relation to the needs of the Fund.

5. INVESTMENT STRATEGY AND ASSET ALLOCATION

- 5.1 The investment objectives are reflected in a strategic benchmark which sets out, in its asset allocation, the longer term strategy adopted by the Fund in terms of the balance between equities, fixed interest, property and other investments. Investment policy has been formulated on the premise that equity investment over the longer term is likely to provide superior returns to other asset classes.
- 5.2 Investment managers have been set individual strategies to meet performance objectives set for them by the Fund. Eight external professional investment organisations have been appointed. Each manager has an Investment Management Agreement (IMA), or other equivalent agreement, and investment guidelines which set out the relevant performance benchmark and target for outperformance, the asset allocation ranges and other restrictions on investment. All of the appointed investment managers are authorised under the Regulations to manage the assets of the Fund.
- 5.3 The assets are invested both in passive index tracking and actively managed portfolios. Index tracking portfolios are constructed so as to closely

replicate the return achieved by the relevant market index. Actively managed portfolios are expected to outperform their respective benchmark index by a given performance target over given periods (usually 3 year rolling period).

- 5.4 In setting the performance benchmark, key considerations are the funding level and maturity profile of the Fund, and the risk tolerance levels associated with the various different asset classes.

6. TYPES OF INVESTMENT HELD

- 6.1 Investments of suitable liquidity will be acquired and held to generate income and capital growth. Diversification of the portfolio of assets is achieved through different types of investment which are spread geographically. The major kinds of investment held and their characteristics are:

UK Equities which provide an equitable share in the assets and profits of UK companies. Income is provided through share dividends which have historically, over the longer term, risen above inflation. Equities produce capital gains/losses as share prices reflect investors' expectations of the prospects of a specific company, sector or market.

Global Equities are similar to UK equities but with exposure to the currency of the market where the share is listed. The investment return will be enhanced or reduced by the local market currency movement against sterling (unless the currency risk is hedged).

Bonds (Fixed Interest) are debt instruments issued by Governments and other borrowers. Bonds provide a fixed rate of interest and are generally redeemed at par by the issuer at a known future date. The price reflects the fixed level of interest, the term to redemption and the overall return (the yield) demanded by investors. Bond prices tend to fluctuate less than the price of equities.

Index-linked bonds are debt instruments mainly issued by Governments. The interest and redemption value are directly linked to a reference price inflation measure.

Property is investment in land or buildings such as offices, retail or industrial units. The income return comes from the rent payable. Property values primarily reflect rent levels and investor sentiment.

Hedge Funds are pooled funds which use a variety of strategies and instruments including derivatives to target absolute returns in all market conditions.

Diversified Growth Funds (DGFs) are pooled funds that invest in a variety of investment classes, and use active asset allocation between investment classes as a driver for performance.

Cash is mainly deposited with institutions for short periods and attracts interest at market rates.

The Fund has determined that no stock lending of investments is permitted where assets are directly held in the name of the Fund. It is recognised that this policy cannot be applied where investment is made through pooled funds, where the Fund is one of a number of investors.

The table below gives a summary of the main features of the various available asset classes, including an estimate of the long term real (in excess of price inflation) returns considered to be reasonably available.

Investment	Inflation linking	Real returns (% pa)	Liquidity
UK Equities	Reasonable/good	6-8	Good
Global Equities	Reasonable	5-7	Good
Property	Reasonable/good	5-7	Poor
Bonds	Poor	1-3	Good
Hedge Funds	Reasonable	3-5	Reasonable
DGFs	Reasonable	3-5	Good
Cash	Variable	0-1	Good

The estimated real returns shown in the table (based on information provided by the Investment Consultant) are indicative, and the volatility of the asset class returns could result in investment returns being above or below those shown in the table.

7. BALANCE BETWEEN DIFFERENT KINDS OF INVESTMENT

- 7.1 The allocation of assets between the various different available types for the medium to long term is determined by the Strategic Asset Allocation (**Appendix B**), which has been set with advice from the Actuary and the Investment Consultant. The Strategic Asset Allocation reflects both the investment risk tolerances and funding level.
- 7.2 It is recognised that the Strategic Asset Allocation is possibly the most important factor affecting the long term investment objective. It will be reviewed periodically to maintain a reasonable expectation of achieving the investment objective, consistent with an appropriate level of diversification.

8. POLICY ON RISK

The main risks taken into consideration to establish the Strategic Asset Allocation and set the investment objectives for the Fund are:

8.1 Solvency and mismatching risks

The expected change in the liabilities and funding level relative to the current investment policy, managed by assessing the progress of the actual change in liabilities relative to the current investment strategy.

8.2 Manager risk

The extent to which risk and returns deviate from those anticipated, managed by monitoring the outturn relative to the objective set. Manager risk has been reduced through the appointment of a number of different managers following different investment strategies.

8.3 Political and Currency Risks

The concentration of assets in a market leading to the risk of an adverse impact on investment values due to political intervention, managed by regular reviews of the levels of diversification of the actual investments relative to the policy position.

8.4 Liquidity risk

The level of cash flow needed to meet the regular commitments of the Fund, managed by assessing the level of cash held and monitoring the anticipated liquidity levels of the assets held in order to limit the impact of cash flow requirements on the investment policy.

8.5 Custodial risk

The continuing ability of the custodian to settle trades in a timely manner and provide secure custody of the assets, managed by regular review and reporting from the custodian compared with agreed service standards, and the continued monitoring of the custodians credit rating.

8.6 Risk Register

The other risks that are taken into account when assessing the total risk of the Fund are shown in a Risk Register, which is reviewed annually by Pension Committee and is attached as **Appendix D**.

9. EXPECTED RETURN ON INVESTMENTS

- 9.1 The long term return on the investments held is expected to exceed inflation and general earnings growth, and to be in line with or exceed the return assumed by the Actuary on valuing the assets and liabilities on an ongoing basis. The triennial valuations in both 2010 and 2013 assumed an equity risk premium of 2.0% and an asset outperformance adjustment of 1.6%. However, the return in any shorter period may vary significantly from those long term averages. To enable the management of performance outturn, an independent performance measurer (WM Company) is engaged to provide statistical information on both long and shorter term performance of the Fund and of the individual investment managers.

10. THE REALISATION OF INVESTMENTS

- 10.1 Fund policy is that there should be, at all times, sufficient investments in cash or readily realisable form, to meet anticipated cash flow requirements

including benefit payments as they fall due, such that the realisation of investments will not disrupt the overall investment policy.

11. SOCIALLY RESPONSIBLE INVESTMENT (SRI) AND CORPORATE GOVERNANCE

- 11.1 The Fund has considered how social, environmental and ethical factors should be taken into account in the investment process. The Fund considers that it should in all circumstances act in the best financial interests of the members of the Fund.
- 11.2 Where this primary consideration is not prejudiced, Investment Managers are expected to have active regard to the impact that SRI issues might have on the returns of companies in which they invest on the Fund's behalf. It believes that 'robust' engagement with companies is a better approach than placing restrictions on particular types of investment.
- 11.3 It also believed that companies conforming to high ethical and social standards might be expected to produce shareholder returns that are at least comparable to those produced by other companies. To this end, the Fund seeks information on a quarterly basis from each of its investment managers in order to ensure that an active and robust engagement policy is being pursued.
- 11.4 The Fund will fully utilise opportunities available through membership of the Local Authority Pension Fund Forum (LAPFF) to take a more pro-active stance towards engagement with companies on SRI issues.
- 11.5 The Fund regards the exercise of voting rights attaching to investments as of great importance. The Fund has appointed Corporate Governance Advisors PIRC to ensure that voting rights are used in the most advantageous way. PIRC are employed to ensure that the Fund's voting policy is enacted for company shares held by the Fund in the UK and overseas. The voting policy has been drawn up in collaboration with advisors PIRC, and is reviewed and agreed annually by the Pension Committee.

12. COMPLIANCE STATEMENT- CIPFA PENSIONS PANEL

- 12.1 The Regulations require the administering authority to state the extent to which it complies with the Principles for Investment Decision Making established by the CIPFA Pensions Panel. There are six revised Principles of Good Investment Practice which the Government have promoted, based on the Myners Review of Institutional Investment (2000).
- 12.2 **Appendix E** sets out the extent to which Camden complies with the Principles, and was last reviewed by the Pension Committee as part of the 2013/14 Annual Report in September 2014.

APPENDIX A: GOVERNANCE AND MANAGEMENT

Pension Committee

Members	Cllr Peter Brayshaw (Chair)* Cllr Rishi Madlani (Vice Chair/Chair)* Cllr Tom Currie Cllr Roger Freeman Cllr Heather Johnson Cllr Abdul Quadir Cllr Lorna Russell Cllr James Yarde Cllr Adam Harrison**
Substitute Members	Cllr Douglas Beattie Cllr Maryam Eslamdoust Cllr Roger Robinson Cllr Oliver Lewis Cllr Andrew Mennear Cllr Don Williams Cllr Abi Wood
Retired Members' Observer	VACANT
Retired Members' Substitute	Jenny Nyman
Union Observers	Kathy Anifowose (Camden UNISON) John Rutter (Camden UNISON)

The following officers are based across Council offices at 5 Pancras Square, 218 Eversholt Street and the Camden Town Hall, London, WC1H 8NG.

Director of Finance

Mike O'Donnell

Deputy Director of Finance

Peter Stachniewski/Jon Rowney***

Head of Treasury

Nigel Mascarenhas

Pension Fund Accountant

Peter Taylor/Tom Broughton****

Scheme Administrators

Colette Hollands
Pensions Shared Service

Legal Advisors

Borough Solicitor

*Cllr Madlani replaced Cllr Brayshaw as Chair in January 2015

**Cllr Harrison was appointed to Committee full time in May 2015

***Jon Rowney replaced Peter Stachniewski in June 2015

****Tom Broughton replaced Peter Taylor in December 2014

Investment Managers

Aberdeen Asset Managers Ltd
Bow Bells House
One Bread Lane
London, EC4M 9HH

Baring Asset Management Ltd
155 Bishopsgate
London, EC2M 3XY

BlueCrest Capital Management LLP
40 Grosvenor Place
London, SW1X 7AW

Brevan Howard Asset Management
LLP
55 Baker Street
London, W1U 8EW

Insight Investment Management
(Global) Ltd
160 Queen Victoria Street,
London, EC4V 4LA

Legal & General Investment
Management
One Coleman Street,
London, EC2R 5AA

CBRE Collective Investors Ltd
Third Floor
One New Change
London, EC4M 9AF

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

Custodian

J.P. Morgan Limited
25 Bank Street
Canary Wharf
London, E14 5JP

Performance Measurement

WM Performance Services
525 Ferry Road,
Edinburgh, EH5 2AW

Investment Consultant

Aon Hewitt
The Leadenhall Building,

122 Leadenhall Street
London EC3V 4AN

Independent Investment Advisor

Karen Shackleton
AllenbridgeEpic Investment Advisors
Ltd
PO Box 785
Lancaster, LA1 7DB

Actuary

Hymans Robertson LLP

20 Waterloo Street,
Glasgow, G2 6DB

Corporate Governance Adviser

Pensions & Investment Research
Consultants (PIRC) Ltd
9 Prescott Street
London, E1 8AZ

Auditors

KPMG LLP
15 Canada Square
Canary Wharf
London, E14 5GL

AVC Providers

Phoenix Life Limited
PO Box 2570
St James House
27-43 Eastern Road
Romford, RM1 3YW

Prudential Assurance Company Limited
Laurence Pountney Hill
London, EC4R OHH

Bodies of which the Pension Fund is a Member or Subscriber

Club Vita
Local Authority Pension Fund Forum (LAPFF)
London Pension Fund Forum (LPFF)
Pension Fund Investment Forum (PFIF)

APPENDIX B: STRATEGIC ASSET ALLOCATION AND CURRENT ALLOCATION BETWEEN INVESTMENT MANAGERS

From 1 September 2015

ASSET CLASS	%	%	Basis
GLOBAL EQUITIES			
Aberdeen Asset Managers	15		Active
Harris	10		Active
Legal & General	<u>5</u>		Passive
		30	
UK EQUITIES			
Legal & General	<u>25</u>		Passive
		25	
INDEX-LINKED GILTS			
Legal & General	<u>3</u>		Passive
		3	
BONDS			
Insight Investment Management	<u>12</u>		Active
		12	
PROPERTY			
CBRE	5		Active
Partners Group	<u>5</u>		Active
		10	
HEDGE FUNDS			
BlueCrest Capital Management LLP	5		Active
Brevan Howard LLP	<u>5</u>		Active
		10	
DIVERSIFIED GROWTH FUNDS			
Baring Asset Management	<u>10</u>		Active
		10	
TOTAL FUND		<u>100</u>	

Developments to the Strategic Asset Allocation

It was agreed by Committee on 26 June 2014 that the Fund would commit a 5% allocation to Private Equity, and at a later date also intends to allocate 5% to Infrastructure, with routes to market to be investigated further before commencing procurement. The allocations would be made from Equities.

The Fund appointed a second active global equity manager in December 2014, with funds transferred from within the Aberdeen allocation in May 2015.

APPENDIX C: INVESTMENT MANAGERS, PERFORMANCE BENCHMARKS AND TARGETS

ASSET CLASS	INVESTMENT MANAGER	PERFORMANCE BENCHMARK AND TARGET OUTPERFORMANCE
Active Global Equities	Aberdeen Asset Managers/	To outperform the MSCI All Countries World Index by 2-3% p.a. over rolling 3 and 5 year periods, on a Gross Return basis, gross of fees
Active Global Equities	Harris Associates	To outperform the MSCI All Countries World Index by 2-3% p.a. over rolling 3 and 5 year periods, on a Gross Return basis, gross of fees
Passive Global Equities	Legal & General	To track the total return of the FTSE-All World Index within + / - 0.25% p.a. two years out of any three, before the deduction of fees
Passive UK Equities	Legal & General	To track the total return of the FTSE-All Share Index within + / - 0.25% p.a. two years out of any three, before the deduction of fees
Index-Linked Gilts (Passive)	Legal & General	To track the total return of the FTSE-A Government Index-Linked (Over 5 Year) index within + / - 0.25% p.a. two years out of any three, before the deduction of fees.
Active Bonds	Insight Investment Management	This is an absolute return mandate with the manager committing to target a return of cash (3 months GBP LIBOR) plus 4% p.a. over the life of the Fund
UK Property	CBRE Collective Investors	To outperform the IPD UK All Balanced Property Funds Index by 1.0% p.a. over rolling 3 year periods.
Global Property	Partners Group (UK) Limited	This is an absolute return mandate with the manager targeting an absolute return in excess of 15% p.a. over the life of the Fund.
Fund of Hedge Funds	BlueCrest Capital Management	This is an absolute return mandate with the manager committing to target a return of cash (3 months GBP LIBOR) plus 5 – 10% p.a. over the life of the Fund.
Fund of Hedge Funds	Brevan Howard Asset Management	This is an absolute return mandate with the manager committing to target a return of cash (3 months GBP LIBOR) plus 5 – 10% p.a. over the life of the Fund.
Diversified Growth Fund	Baring Asset Management	This is an absolute return mandate with the manager committing to target a return of cash (3 months GBP LIBOR) plus 4% p.a. over the life of the Fund.

APPENDIX D: CAMDEN PENSION FUND RISK REGISTER

Date Reviewed: June 2015

Likelihood		1	2	3	4	5	Impact		1	2	3	4	5
Probability of occurrence		<5%	<10%	>10%	>40%	>75%	Assets / Liabilities affected		>2%	>10%	>25%	>50%	>75%
Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility		
FINANCIAL RISKS													
1. Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	<ul style="list-style-type: none">o Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performingo Analyse progress at three yearly valuations for all employerso Inter-valuation roll-forward of liabilities between formal valuations at whole fund level, provided on an annual basiso Regularly benchmark assets to revalued liabilities (Hymans Robertson to review Camden liabilities on an interim basis between valuations)o Provide a quarterly comparison of actual asset performance to projected performance based on valuation assumptionso Support Pension Committee to focus more on liabilities and investment strategy	3	5	15			3	5	15	Annually/ Quarterly	Pension Committee (PC)		
2. Level of investment risk inherent in the asset	<ul style="list-style-type: none">o Agree and establish appropriate level of risk in a diversified strategy	4	3	12	<ul style="list-style-type: none">o Further Member training on nature of investments		4	3	12	Annually	PC		

PENSION FUND ANNUAL REPORT 2014/15
APPENDIX 4: STATEMENT OF INVESTMENT PRINCIPLES

Likelihood		1	2	3	4	5	Impact		1	2	3	4	5		
Probability of occurrence		<5%	<10%	>10%	>40%	>75%	Assets / Liabilities affected		>2%	>10%	>25%	>50%	>75%		
Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility					
allocation and use of appropriate financial instruments and level of leverage in investment strategies	with the Investment Consultant <ul style="list-style-type: none">o Ensure full understanding of nature of risk in each asset classo The Investment strategy is reviewed at least every three years by Committeeo The Independent Advisor completes due diligence on all current investment mandateso Officers and the Independent Advisor hold in-depth meetings with all managers to review risks, leverage and instruments used and report any concerns to Committee				o Implement Private Equity to increase diversification										
3. Inappropriate long-term investment strategy	o Fund-specific benchmark, informed by Asset-Liability modelling <ul style="list-style-type: none">o Compliance with LGPS regulationso The Investment strategy is reviewed at least every three years by Committee (last reviewed June 2012)o Annual liability monitor reporting by the actuary to inform the strategyo The addition of the independent investment advisor gives the fund better market insight and will shape the strategy with greater frequency via	2	5	10	o Member training on Liability Driven Investment <ul style="list-style-type: none">o Review of Fund Benchmarks and Targets (September 2015)o Interim Investment Strategy Review (November 2015)o Investment Strategy Review in February 2017	2	5	10	Quarterly	PC					

PENSION FUND ANNUAL REPORT 2014/15
APPENDIX 4: STATEMENT OF INVESTMENT PRINCIPLES

Likelihood		1	2	3	4	5	Impact		1	2	3	4	5		
Probability of occurrence		<5%	<10%	>10%	>40%	>75%	Assets / Liabilities affected		>2%	>10%	>25%	>50%	>75%		
Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
	performance reports and market intelligence														
4. Fall in returns on Government bonds, leading to rise in value placed on liabilities	<div>o Inter-valuation monitoring, as above</div> <div>o Some investment in bonds helps to mitigate this risk</div> <div>o Monitor movement in funding level since the last valuation in performance report</div> <div>o Reviewed fixed income investments to ensure continued appropriateness</div> <div>o Review of liability-hedging assets such as infrastructure and real estate</div>	2	4	8			2	4	8	Quarterly	PC				

PENSION FUND ANNUAL REPORT 2014/15
APPENDIX 4: STATEMENT OF INVESTMENT PRINCIPLES

Likelihood		1	2	3	4	5	Impact		1	2	3	4	5		
Probability of occurrence		<5%	<10%	>10%	>40%	>75%	Assets / Liabilities affected		>2%	>10%	>25%	>50%	>75%		
Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
5. Pay and price inflation significantly more than anticipated	<ul style="list-style-type: none">o The focus of the actuarial valuation process is on real returns on assets, net of price and pay increaseso Inter-valuation monitoring, as above, gives early warningo Maintain investment in index-linked bonds to help mitigate this risko Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employeeso The performance report covers movements in inflation. The cash flow report also shows impact of inflation on pension payments (currently -0.1% for CPI).	3	4	12	<ul style="list-style-type: none">o Monitor pay rises for all employerso Changes to employer rates between valuation could be implementedo Consider hedging strategies and put in place a flight path		2	4	8	Quarterly	PC				
6. Investment vehicle is not understood	<ul style="list-style-type: none">o Investment Consultant and Independent Advisor feed into decisions on new asset classeso Member training (especially for the new asset class of private equity)o Appropriate due diligence carried out during searches by Investment Consultant and lawyers	3	3	9	<ul style="list-style-type: none">o Further Member training on new asset classes held, and when other classes are to be considered		2	3	6	Ongoing	PC / Head of Treasury				

PENSION FUND ANNUAL REPORT 2014/15
APPENDIX 4: STATEMENT OF INVESTMENT PRINCIPLES

Likelihood		1	2	3	4	5	Impact		1	2	3	4	5		
Probability of occurrence		<5%	<10%	>10%	>40%	>75%	Assets / Liabilities affected		>2%	>10%	>25%	>50%	>75%		
Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
7. Specific risk of market failure in the Eurozone	<ul style="list-style-type: none">o Limit concentration of investment in any one specific market through manager agreementso Monitor markets constantly, and seek advice of managers, consultants and independent advisor (markets are also perceived as over-valued in the US and there is a threat of Emerging markets being dislocated by tapering in the US and growth concerns)	3	3	9			3	3	9	Ongoing	PC / Head of Treasury				
8. Forced selling of assets in falling market due to cashflow requirements	<ul style="list-style-type: none">o Monitoring of cash flows and Fund maturity, and taking appropriate strategic action (as above)o Dividends can be used to fund benefit payments. Additionally structures with most managers mean assets can be sold or units redeemed to fund benefits.	2	3	6			2	3	6	Ongoing	PC / Officers				
9. Actuarial Risk, i.e. miscalculation of liabilities or in appropriate assumptions	<ul style="list-style-type: none">o The Administering Authority maintains close contact with its adviserso Advice is delivered via formal meetings involving elected members, and recorded properlyo Advice is subject to professional requirements such as peer reviewo New Technical Actuarial Standards	1	5	5			2	5	10	Ongoing	PC / Officers				

PENSION FUND ANNUAL REPORT 2014/15
APPENDIX 4: STATEMENT OF INVESTMENT PRINCIPLES

Likelihood		1	2	3	4	5	Impact		1	2	3	4	5		
Probability of occurrence		<5%	<10%	>10%	>40%	>75%	Assets / Liabilities affected		>2%	>10%	>25%	>50%	>75%		
Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
	in place since last valuation, which in effect impose further best practice requirements on actuarial advice o The Fund now has two experienced actuaries with Camden-specific knowledge (Bryan Chalmers and Douglas Green) advising its Officers and Committee														
10. Geographical / Currency risk in investments	o Limit concentration of investment in any one specific market through manager agreements o Regular review of compliance with manager agreements o Monitor markets constantly, and seek advice of managers, consultants and independent advisor o The Fund considered the use of a strategic currency hedge to limit risk, agreeing to delegate to individual managers	2	2	4			2	2	4	Ongoing	PC / Head of Treasury				
11. Illiquidity of assets means benefits cannot be paid	o Periodic review of Fund assets with Investment Consultant, and officer due diligence on markets o Maturity of Fund kept under review by Committee. Reports considered at June 2014 meeting	2	2	4			2	2	4	Ongoing	PC / Head of Treasury				

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APPENDIX 4: STATEMENT OF INVESTMENT PRINCIPLES

Likelihood		Impact					Assets / Liabilities affected					Responsibility				
Probability of occurrence		1	2	3	4	5	Assets / Liabilities affected		1	2	3	4	5	Responsibility		
		<5%	<10%	>10%	>40%	>75%			>2%	>10%	>25%	>50%	>75%			
Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility					
12. Investment manager under-performance relative to target	<ul style="list-style-type: none">o Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark. This gives an early warning of contribution rises ahead. In the short term, volatility dampened down by stability measures on contributions. However, if underperformance is sustained over a period, contributions would rise more or the fund could change managers.o The Committee has demonstrated that it can identify poor performance and tackle this with the phased withdrawal from Fidelity and disinvestment from Aberdeeno Any changes to investment process, philosophy, portfolio team are reported to PCo Appointment of Independent Advisor to strengthen scrutiny in this area, and due diligence conducted by her on all managers (Pensions Sub-Committee February 2013)	3	2	6	<ul style="list-style-type: none">o Consider further disinvestment to second active global equity manager to reduce overreliance on Aberdeen.		2	2	4	Quarterly	PC					

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Likelihood		1	2	3	4	5	Impact		1	2	3	4	5		
Probability of occurrence		<5%	<10%	>10%	>40%	>75%	Assets / Liabilities affected		>2%	>10%	>25%	>50%	>75%		
Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
13. Effect of possible increase in employer’s contribution rate on service delivery and admission/scheduled bodies	<ul style="list-style-type: none">o Seek feedback from employers on scope to absorb short-term contribution riseso Mitigate impact through deficit spreading and possible phasing in of contribution riseso Consult employers on possibility of paying more (extra administration and higher regular contributions) to enable employer-specific investment strategies to give greater certainty of costo Employer register considered annually by Committeeo Continued dialogue between officers, actuary and admitted bodies to control risk	3	2	6			2	2	4	Annually by PC / Ongoing by officers	PC / Head of Treasury				
14. Investment counterparty risk with regards to stock lending and use of derivatives	<ul style="list-style-type: none">o Practice of stock lending and use of derivatives monitored by officers and Independent Advisoro Investment Consultant has coverage of all investment managers	2	3	6	<ul style="list-style-type: none">o Regular review of managers' due diligence processes at officer meetings		2	2	4	Ongoing	PC / Officers				

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Likelihood		1	2	3	4	5	Impact		1	2	3	4	5		
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Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
15. Risk of paying excessive fees to investment managers	<ul style="list-style-type: none">o Manager fees negotiated at time of appointment to achieve best result for the Fundo All Fund fees and expenses are reviewed regularly by officerso Join London CIV to achieve economies of scale	2	2	4			2	2	4	Ongoing	PC / Officers				
16. Asset manager or bank failure	<ul style="list-style-type: none">o Detailed due diligence is carried out when new manager or custodian is appointed (financially and legally)o Financial stability of managers and custodian monitored by officers and Independent Advisoro Investment Consultant has coverage of all investment managers	1	4	4			1	4	4	Ongoing	Officers				
17. Risk of investment managers changing investment approach	<ul style="list-style-type: none">o Managers are monitored closely by officers and advisors, with quarterly investment reports and regular meetings heldo Reasoning behind any proposed changes to investment approach are explained by the investment manager	3	1	3			3	1	3	Ongoing	Officers / Advisers				

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Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility					
18. Fraud experienced	<ul style="list-style-type: none">o All investment managers required to submit audits on internal controls and summarised as part of the annual report to memberso Detailed due diligence is carried out when new managers are appointed (financially and legally)o Audit of the fund is carried out by competent auditorso Internal audit is carried out by competent auditorso Custodian has strong internal controls including reconciliation of asset values and performanceo Managers able to give complete look through into underlying assetso Assets held in segregated accounts where possibleo Investment Consultant has coverage of all investment managers	1	3	3	<ul style="list-style-type: none">o Explore cyber-security risks with fund managers to ensure good safekeeping employer and systems are robust and protected from hacking especially those with a more quantitative nature.	2	3	6	Ongoing	PC / Head of Treasury					
19. Custodian Risk - creditworthiness, ability to settle trades, provide secure safekeeping and accurate and timely reporting	<ul style="list-style-type: none">o Service Level Agreement in contracto Review of custodian Key Performance Indicatorso Regular officer meetings with custodian	1	3	3		1	3	3	Ongoing	Officers					

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Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
20. Environmental, Social & Governance issues impacting on investments	<ul style="list-style-type: none">o Equity managers review ESG issues as part of investment decision, and report issues and company engagement as part of quarterly reportso Membership of LAPFF and appointment of corporate governance advisor providing research on companies invested	1	2	2			1	2	2	Ongoing	PC / Officers				
DEMOGRAPHIC RISKS															
21. Deteriorating active membership due to employer savings programmes	<ul style="list-style-type: none">o Monitoring scheme membership, and the effect on cash flows and Fund maturity, and taking appropriate strategic action (see Administration report on this agenda which has some encouraging news on actives)o Past service adjustments paid as cash amount instead of percentage (which could otherwise decline with membership)	3	4	12	o Further scenario testing through modelling of staff data		3	3	9	Quarterly	PC / Officers				
22. Ill-health retirements significantly more than anticipated.	<ul style="list-style-type: none">o Monitoring of each employer's ill-health experience on an ongoing basis. The employer may be charged additional contributions if this exceeds the ill-health assumptions built in.o Employers informed of ill health insurance option at recent Employer	3	2	6	<ul style="list-style-type: none">o The employer register will monitor this data and variances can be discussed with employerso Individual employers can take out ill-health insurance to cover for strain costs.		3	1	3	Annually	PC				

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Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
	Forum														
23. Pensioners living longer not identified.	<ul style="list-style-type: none">o The Fund actuary sets base mortality based on research carried out by Club Vita. The longevity assumptions are a bespoke set of VitaCurves specifically tailored to fit the membership profile of the Fundo Fund actuary sets mortality assumptions with some allowance for future increases in life expectancyo Fund actuary monitors combined experience of around 50 LGPS funds to look for early warnings of lower pension amounts ceasing than assumed in fundingo Administering Authority encourages any employers concerned at costs to promote later retirement culture. Each 1 year rise in the average age at retirement would save roughly 5% of pension costs	2	5	10	<ul style="list-style-type: none">o Continue dialogue with employerso PSC to receive a report on mortality triennially		2	5	10	Triennial	PC				
24. Deteriorating patterns of early retirements	<ul style="list-style-type: none">o Employers are charged the extra capital cost (strain cost) of non-ill-health retirements following each individual decision	3	1	3			3	1	3	Annually	PC				

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Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
REGULATORY RISKS															
25. Changes to national pension scheme benefits regulation with oversight from The Pensions Regulator, and/or HM Revenue & Customs rules	<ul style="list-style-type: none">o The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itselfo Any changes to the regulations, scheme design and benefits package should be reported to PSCo Scheme changes and benefits are communicated to members to prevent opt outso Opt outs are monitored as part of the Cash Flow & Administration reporto The result of the most recent reforms (2014 scheme) are being built into the 2013 valuation	5	2	10			5	2	10	Ongoing	PC / Pensions Manager				
26. Changes to regulations and Act, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees	<ul style="list-style-type: none">o see above	1	5	5			1	5	5	Ongoing	PC				

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Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
GOVERNANCE RISKS															
27. Forced merger of LGPS funds	<ul style="list-style-type: none">o Participated in DCLG call for evidence on whether such a proposal would improve the LGPSo Ongoing debate with advice from Pensions experts on a national basis.	2	5	10	<ul style="list-style-type: none">o Ensure that Camden participate in any future consultation and raise concerns to the appropriate authority		2	5	10	TBC	PC / Officers				
28. Members on the Pension Committee and officers do not have the necessary knowledge and skills to take decisions	<ul style="list-style-type: none">o Ensure training opportunities are shared, attended and reported on (part of the quarterly Business Plan)o Develop introductory training for all new members to PSC to attendo After elections and change of elected members on the PSC group training is run for the whole committeeo Set up biannual member training for all PSCo Ensure officers go on relevant trainingo Make sure independent is involved in training requirements	2	5	10	<ul style="list-style-type: none">o Complete CIPFA Knowledge & Skills framework for Members and officers, to assess any knowledge gaps		2	5	10	Ongoing	PC / Head of Treasury				
29. Forced disinvestment from active managers and Fund of Fund vehicles	<ul style="list-style-type: none">o DCLG consulting on possibility and impact of legislating for such investmento Ongoing debate with advice from Pensions experts on a national basis.	4	2	8	<ul style="list-style-type: none">o Participate in consultation and raise concerns to the appropriate authorityo Maintain current allocation to passive until outcome of consultation is known		4	2	8	TBC	PC / Officers				

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Probability of occurrence		<5%	<10%	>10%	>40%	>75%	Assets / Liabilities affected		>2%	>10%	>25%	>50%	>75%			
Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures			Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
30. An employer ceasing to exist with insufficient funding or adequacy of a bond.	<ul style="list-style-type: none">o Seeking a funding guarantee from another scheme employer, or external body, where ever possibleo Work done as part of the 2013 valuation results in alerting the prospective employer to its obligations and encouraging it to take independent actuarial adviceo Vetting prospective employers before admissiono requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer failedo Reviewing bonds regularlyo Reviewing the employer register regularlyo Dialogue with employers to ensure risks are understood and managed, such as at Employers Forum and meetings with employers to ensure they understand their liabilities and funding position	4	2	8				4	2	8	Annually	PC				

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Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
31. Environmental, Social & Governance issues impacting on reputation	<ul style="list-style-type: none">o Membership of LAPFF providing active corporate engagement and championing of ESG issueso Corporate Governance advisor provides company research and ensures Camden voting policy executed on shareholdingso Members and officers aware of fiduciary responsibilities, acting in the interest of the Fund and taxpayers	3	2	6			3	2	6	Ongoing	PC / Officers				
32. Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	<ul style="list-style-type: none">o The Administering Authority maintains close contact with its adviserso Advice is delivered via formal meetings involving elected members, and recorded properlyo Advice is subject to professional requirements such as peer review	1	5	5			1	5	5	Ongoing	PC / Officers				
33. Administering Authority not advised of an employer closing to new entrants.	<ul style="list-style-type: none">o Employer Register is maintained and reviewed regularly by Committee (last reviewed November 2012)	2	2	4	<ul style="list-style-type: none">o Continued dialogue with employers to ensure risks are understood and managed		2	2	4	Ongoing	PC / Pensions Manager				

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Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility					
34. Maintaining adequate level of experience at officer level.	<ul style="list-style-type: none">o Continued staff appraisal and development plano Effective personnel management and succession planning	1	4	4	<ul style="list-style-type: none">o Ensure officers continue to undergo relevant training	1	4	4	Ongoing	Officers					
35. Failure to comply with legislation, statutory regulation and formal guidance	<ul style="list-style-type: none">o Officers seek guidance and advice from independent sources as appropriateo Advisers will proactively raise issues and keep Officers aware of relevant issueso Officers receive regular training and attend LGPS events	1	4	4		1	4	4	Ongoing	Officers					
36. Conflict of interest, both from elected members and officers of Administering Authority	<ul style="list-style-type: none">o Officers/Committee seeks guidance and advice from independent sources as appropriateo Officers and members receive regular training and attend LGPS events, at which conflict issues will be raised as appropriate	1	3	3	<ul style="list-style-type: none">o New actuarial professional standards coming into effect in 2013 explicitly address conflict of interest issues in the LGPS, and will require a conflict management plan to be drawn up (which Hymans are drafting)o The Pensions Regulator's forthcoming role in the LGPS will include governance and conflict issues, and guidance and training will be forthcoming on these topics	1	3	3	Ongoing	PC / Officers					

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Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility					
37. Number of investment mandates inhibits Committee in its governance of investments	<ul style="list-style-type: none">o Performance and relevant information of investment mandates reported to Committee as part of quarterly Performance Reporto Committee provides clear delegation to Finance Director as and when requiredo Officers meet regularly with investment managers outside of Committee time and feedback minutes of meetingso Independent investment advisor conducts separate monitoring meetings with managers as appropriate	2	2	4	<ul style="list-style-type: none">o Committee Members to be invited to attend officer meetings as appropriateo Investment managers to be brought to Committee for targeted discussion where appropriate	2	1	2	Ongoing	PC / Officers					
38. Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements).	<ul style="list-style-type: none">o The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions (under Regulation 78) between triennial valuationso Deficit contributions are expressed as monetary amounts	1	2	2		1	2	2	Ongoing	Officers					

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Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
39. Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt.	o Admission Bodies are required to notify the Administering authority of termination and it requires employers with Best Value contractors to inform it of forthcoming changes.	2	1	2			2	1	2	Ongoing	Officers				
40. Inappropriate or inadequate delegation arrangements	o Detailed scheme of delegation adopted for Council officers, and reviewed annually o Decisions to delegate specific activities from Committee to Director of Finance agreed and documented at Committee meetings	1	2	2			1	2	2	Ongoing / As Necessary	Officers / PC				
ADMINISTRATION RISKS															
41. Added complexity of scheme benefits following introduction of LGPS 2014 impacting officer time and risk of miscalculation	o Scheme regulations are followed o Pensions team are well trained	2	3	6			2	3	6	Ongoing	Pensions Manager				
42. Changes to scheme members (starters, leavers, retirements etc.) are not processed properly.	o Scheme regulations are followed o Pensions team are well trained o Induction of new pensions administrators	2	2	4	o Actuary reviews application of scheme rules		2	2	4	Ongoing	Pensions Manager				

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Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility					
43. Employers do not submit accurate or complete data on their members	o Liaison with schools, Children, Schools and Families and out-sourced payroll providers to ensure accurate and timely data is received	4	1	4	o Audit exercise planned to review outsourced school payroll data	4	1	4	Ongoing	Pensions Manager					
44. Maintaining adequate level of officer knowledge and skills following switch to shared administration service	o Effective personnel management and succession planning o Induction and knowledge sharing on local issues and requirements for new officers	2	3	6	o ensure audit takes place post current restructure	2	3	6	Ongoing	Pensions Manager					
45. Systems are not secure and well maintained	o Internal audit of system setup and security o Systems administrator well trained o Data is backed up daily o System is protected from viruses and hacking o System is up to date and latest features of the software are used o Council clients the software provider and ensures issues are raised and addressed in latest releases	1	3	3		1	3	3	Ongoing	Pensions Manager					

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Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures		Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility				
46. Data and records are not accurate	<ul style="list-style-type: none">Records have correct supporting documentationInput and output checks are performedData matching exercises identify discrepancies (National Fraud Initiative)	2	2	4	<ul style="list-style-type: none">Reconciliations are performed between payroll and pensions systems		1	2	2	Ongoing	Pensions Manager				
47. Contributions to the Fund are not received or recorded properly	<ul style="list-style-type: none">Pensions team dedicates appropriate time and resource to managing contributionsReconciliations are carried out monthly	1	2	2			1	2	2	Monthly	Pensions Manager				
48. Incorrect benefits paid	<ul style="list-style-type: none">Pensions team are well trainedPayments have correct supporting documentationManagement check performed on benefit payments before processing	1	2	2			1	2	2	Ongoing	Pensions Manager				
49. Audit fail to undertake proper checks	<ul style="list-style-type: none">Audit plan work to get reasonable expectation of detecting control weaknesses	2	1	2			2	1	2	Annually	Pensions Manager				

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RISK CRITERIA FOR IMPACT

THREATS	Factor	Score	Effect on Service	Effect on Reputation	Personal Safety	Personal privacy infringement	Failure to provide statutory duties/meet legal obligations	Financial	Effect on Project Objectives/ Schedule Deadlines
	Major	5	<ul style="list-style-type: none"> o Major loss of services, including several important areas of service and /or protracted period. o Service Disruption 5+ Days 	<ul style="list-style-type: none"> o Adverse and persistent national media coverage o Adverse central government response, involving (threat of) removal of delegated powers o Officer(s) and/or Members forced to resign 	Death of an individual or several people	All personal details compromised / revealed	Litigation/claims/ fines from: <ul style="list-style-type: none"> o Departmental £250k + o Corporate £500k + 	<ul style="list-style-type: none"> o Costing over £500,000 o Up to 75% of budget 	Complete failure of project / extreme delay 3 months or more
	Serious	4	<ul style="list-style-type: none"> o Complete loss of an important service area for a short period o Major effect to services in one or more areas for a period of weeks o Service Disruption 3-5 Days 	<ul style="list-style-type: none"> o Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community o Adverse local publicity of a major and persistent nature 	Major injury to an individual or several people	Many individual personal details compromised / revealed	Litigation/claims/ fines from: <ul style="list-style-type: none"> o Departmental £50k to £125k o Corporate £100k to £250k 	<ul style="list-style-type: none"> o Costing between £50,000 and £500,000 o Up to 50% of budget 	Significant impact on project or most of expected benefits fail / major delay 2-3 months
	Significant	3	<ul style="list-style-type: none"> o Major effect to an important service area for a short period o Adverse effect to services in one or more areas for a period of weeks o Service Disruption 2-3 Days 	<ul style="list-style-type: none"> o Adverse local publicity /local public opinion aware o Statutory prosecution of a non-serious nature 	Severe injury to an individual or several people	Some individual personal details compromised / revealed	Litigation/claims/ fines from: <ul style="list-style-type: none"> o Departmental £25k to £50k o Corporate £50k to £100k 	<ul style="list-style-type: none"> o Costing between £5,000 and £50,000 o Up to 25% of budget 	Adverse effect on project / significant slippage 3 weeks to 2 months
	Minor	2	<ul style="list-style-type: none"> o Significant effect to non-crucial service area 	<ul style="list-style-type: none"> o Contained within section/Unit or Directorate o Complaint from individual/small group, of arguable merit 	Minor injury or discomfort to an individual or several people	Minor infringement	Litigation/claims/ fines from: <ul style="list-style-type: none"> o Departmental £12k to £25k o Corporate £25k to £50k 	<ul style="list-style-type: none"> o Costing less than £5,000 o Up to 10% of budget 	Minimal impact to project / slight delay Less than 2 weeks
	Insignificant	1	<ul style="list-style-type: none"> o Brief disruption of important service area o Service Disruption 1 Day 	<ul style="list-style-type: none"> o Some failure of service and clients affected 	No injury	No infringement	Minimal claims	<ul style="list-style-type: none"> o Costing less than £1000 per claim 	Minimum effect

RISK CRITERIA FOR LIKELIHOOD

LIKELIHOOD	FACTOR	SCORE	THREATS - DESCRIPTION	INDICATORS	OPPORTUNITIES – DESCRIPTION	INDICATORS
	Almost Certain	5	More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered – daily/weekly/monthly	Favourable outcome is likely to be achieved in one year or better than 75% chance of occurrence.	Clear opportunity which can be relied on with reasonable certainty, to be achieved in the short term based on current management processes.
	Very Likely	4	40% - 75% chance of occurrence	Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered (few times a year)	Reasonable prospects of favourable results in one year 40% to 75% chance of occurrence.	Opportunities that may be achievable but which require careful management. Opportunities that arise over and above the plan.
	Likely	3	10% - 40% chance of occurrence	Only likely to happen 3 or more years	Some chance of favourable outcome in the medium term or less than 40% chance of occurrence.	Possible opportunity which has yet to be fully investigated by management. Opportunity for which the likelihood is low on the basis of management resources currently being applied.
	Unlikely	2	Less than 10% chance of occurrence	Has happened rarely	Less than 10% chance of occurrence	Has happened rarely
	Very Unlikely	1	0-5% of occurrences	Very low probability / never before	Less than 5% chance	No evidence or experience of this happening in organisation

APPENDIX E: COMPLIANCE STATEMENT

Camden's compliance with the six Principles of Investment Decision Making, as established by the CIPFA Pensions Panel, and required by the LGPS Regulations 2009.

Date Reviewed: August 2015

Principle 1: Effective decision making

Administering authorities should ensure that:

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

Fully Compliant

Camden Council operates a Pension Committee within a formal framework of financial controls and decision making; Consideration is given to strategic asset allocation and particularly during reviews of fund management arrangements.

Dedicated training sessions are scheduled twice annually for all members of the Sub-Committee.

Expert advice is received from external consultants including the investment consultant, independent investment advisor, fund actuary, and corporate governance advisor, as well as the individual investment managers.

A business plan is presented to every meeting of the Pension Sub-Committee, which includes training carried out by officers and Committee Members in the last 12 months, and future opportunities for training, which are offered to all the members of the Committee.

Principle 2: Clear objectives

An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Fully Compliant

The Fund's investment objectives are set out in the Statement of Investment Principles. The benchmark and risk parameters are clearly stated in the Investment Management Agreements with each investment manager.

The same investment strategy is currently followed for all employers. The actuary has not advised the authority to operate different investment strategies for different employers.

The strength of the covenant for non-local authority employers is assessed by the Fund's Actuary (Hymans Robertson), and the results will be available in time for the next triennial valuation.

The Pension Committee considers a register of all non-local authority employers on an annual basis, to monitor their funding positions and scheme status.

Principle 3: Risk and liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.

These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Fully Compliant

The asset allocation strategy is reviewed at least every 3 years. The Investment Consultant is periodically commissioned to carry out an asset liability study which models the risk/reward characteristics of different investment strategies.

The study follows the triennial actuarial valuation and the form and structure of the liabilities are fully taken into account.

The liabilities are reviewed by Hymans Robertson on an annual basis between full valuations.

Additional investigation is made into the Fund's longevity risk by being a member of Club Vita. This has been set up by Hymans Robertson to specifically measure the effect of longevity using the data which is scheme specific.

The cash flow and scheme membership of the Fund is reported to the Pension Committee on an annual basis.

Principle 4: Performance assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to the scheme members.

Fully Compliant

Performance measurement of the investments and investment managers are provided by the Performance Measurer, Custodian, Independent Investment Advisor and Investment Consultant.

The decisions reached by the Pension Committee are reviewed on both a quarterly and yearly basis.

The Investment Consultant and Independent Investment Advisor advise the Fund on any major developments or changes that may affect the performance of the investment managers.

The effectiveness of the investment decisions is measured by means of the adherence to the asset allocation and the expected improvement in performance of the investments.

The investment managers are asked to attend officer-led quarterly meetings outside the formal Committee meeting schedule and on an ad hoc basis when it is deemed necessary; Committee members are invited to attend. Managers are also seen regularly by the Independent Investment Advisor separately from these meetings.

Principle 5: Responsible ownership

Administering authorities should:

- adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.
- include a statement of their policy on responsible ownership in the statement of investment principles.
- report periodically to scheme members on the discharge of such responsibilities.

Fully Compliant

All of the equity managers have adopted the Institutional Shareholders' Committee Statement of Principles.

The Fund has agreed a bespoke voting policy which is reviewed and updated annually by the Pension Committee. The votes are cast on behalf of the Fund by PIRC in accordance with this policy.

PIRC records the votes cast by the Fund, and issues a quarterly statistical report, which is incorporated into the quarterly Engagement Report received by the Committee. PIRC also present a report of activity annually to the Committee.

The Fund's policy on responsible ownership is set out in its Statement of Investment Principles.

The Fund is a participating member of the Local Authority Pension Fund Forum (LAPFF) and receives information on environmental, social and governance issues.

Principle 6: Transparency and reporting

Administering authorities should:

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

Fully Compliant

The Fund has produced a Statement of Investment Principles, a Governance Compliance Statement, a Communications Policy Statement and a Funding Strategy Statement which all form part of the Pension Fund Annual Report.

The Pension Fund Annual Report is posted on Camden's Pension Fund section of the Camden website.

Members can also request information directly from the Council. General queries are answered by telephone, with detailed questions regarding individual cases being received by letter, fax or email.

Consultation is carried out with non-local authority employers on all Fund business including the triennial valuation and Funding Strategy Statement. Furthermore, all agendas of the Sub-Committee meetings are circulated to admitted bodies, and employer representatives are encouraged to attend.

The Council has brought its website into line with best practice in other authorities in order to assist members of the Fund to get information they require with ease.

APPENDIX 5: CAMDEN PENSION FUND COMMUNICATIONS POLICY STATEMENT

Introduction

This Communications Policy Statement has been drawn up in compliance with the Local Government Pension Scheme Regulations to ensure that the Camden Pension Fund offers clear communication to stakeholders of the LGPS. Who we communicate with:

- Scheme Members (active, deferred, pensioner)
- Prospective Scheme Members
- Representatives of Scheme Members
- Employing Authorities

The Camden Pension Fund is fully committed to providing all groups with as much information as possible concerning the operation of the Local Government Pension Scheme and the way in which any changes to the Scheme will affect members' benefits.

SCHEME MEMBERS

The methods by which the Fund communicates with scheme members are as follows:

Newsletters

All active, deferred, and pensioner members receive an annual newsletter.

Scheme literature

A range of useful information, forms and links are currently available on the Camden intranet and on the Camden website: www.camden.gov.uk/pensions

Annual Report

The Fund's Annual Report can be viewed on the Camden website.

Annual Benefit Statements

Annual Benefit Statements are posted to the home addresses of the Fund's active and deferred members usually in December.

Website

The 'Camden's Pension Fund' section of the Camden website is continually updated to include new information and currently includes:

- Governance Policy Statement
- Statement of Investment Principles
- Funding Strategy Statement
- Annual Fund report
- Policy statement concerning the use of discretions
- Communications Policy Statement

In 2010 the information contained on the website was expanded to include information for active, deferred and pensioner members.

Pay advice slips/P60s

Pay advice slips are sent to pensioner members' home addresses each March, April and May. P60s are also sent out in May. A short communication can be included on the pay advice notice. If a member has a change of more than £1 in their monthly net pension payment, a pay advice slip will be sent to them in that month.

PROSPECTIVE SCHEME MEMBERS

All employees are automatically enrolled into the scheme but can elect to opt out. Information about the Local Government Pension Scheme (LGPS) is sent out with all job offers. Prospective scheme members are directed to additional information available on the national LGPS website www.lgps2014.org

REPRESENTATIVES OF SCHEME MEMBERS

Scheme members' interests in the Fund are represented by the Pension Committee which acts in a trustee capacity. The Committee currently comprises eight voting members who are Camden Councillors. The Committee meets at least four times a year with special meetings and workshops arranged as necessary.

Member representatives from the trades unions attend the Committee meetings as non-voting members. Their role is to represent the interests of their respective stakeholder bodies and to communicate with them on pension fund issues. The Camden website has a section on Committees and Governance.

EMPLOYING AUTHORITIES

Each employer receives a guide setting out their administrative responsibilities in relation to their employees who are members of the LGPS.

Employer information is also available online at www.camden.gov.uk/pensions

Employers Conference

A conference for employers is held once draft triennial valuation results are published. The conference provides a platform for employers to put questions directly to the actuaries in relation to their own results.

Accessibility

We recognise that individuals may have specific needs in relation to the format of our information or the language in which it is provided. Demand for alternative formats/languages is not high enough to allow us to prepare alternative format/language material automatically. However, we will provide the communication in large print, Braille, or in another language on request.