



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

2016/17

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SECTION 1: FOREWORDS

DRAFT: Report of the Chair, Pension Committee

I am delighted to present the 2016/17 Annual Report for the London Borough of Camden Pension Fund, which describes a highly eventful year in which the Fund undertook its triennial valuation; launched its first investment under the London Collective Investment Vehicle (CIV) pool; and implemented the inaugural Investment Strategy Statement.

The Fund grew 21.4% to £1.517bn during the year. Our investment approach remains well diversified, which will help us to avoid the adverse impacts of volatility in particular asset classes. In a volatile year for investment returns, which saw equity indices reach record heights, it is encouraging to see this strategy deliver above average returns.

Robust investment returns will help the Fund to improve its funding position, which was comprehensively reviewed in 2016/17 under the triennial valuation. An actuarial valuation of liabilities showed that the Fund is 76.5% as at 31 March 2016, an improvement upon the previous assessment of 75.6% in 2013. The Committee recognises the significance of the funding deficit and an up to date, accurate picture of the Fund's position is critical to our plans to achieve full funding over the long term.

The membership of the Fund grew by 556 during the year to a total membership of 20,743. We undertook some insightful work on the Pension Fund's maturity (an investigation into the future cash flow profile of the Fund) as well as a longevity analysis (how long pensioners live and future expectations). These exercises enhance our understanding of how the Fund's liabilities will develop over time and are invaluable for devising employer contribution and investment strategies that can deliver.

The Fund embarked on a comprehensive review of its investment strategy in 2017, which makes use of the picture of liabilities emerging from the actuarial work undertaken in 2016/17. An intelligent approach to investment recognising the essential relationship between investment returns and the Fund's future obligations marks an exciting opportunity for the Committee and I am looking forward to concluding this work in 2017.

The Fund appointed three new asset managers during the year with HarbourVest commencing a private equity mandate in July 2016 and Standard Life initiating a diversified growth fund mandate in April 2016, following the announcement from existing manager, BlueCrest, that they would be withdrawing from the market.

The Committee also took a significant step in transferring £200m assets to the London CIV's global equities sub-fund 'Global Alpha Growth Fund' managed by Baillie Gifford & Co and £50m to the existing active global equities mandate with Harris Associates after terminating a global equities mandate with Aberdeen Asset Management. The Fund also on-boarded its passive equity mandates with the London CIV which is reducing management fee costs. The pooling of investments with other London funds will deliver significant savings for the Camden Pension Fund and transitioning a significant portion of our investments to the pool marks an important milestone in this endeavour.

2016 also saw the implementation of the new LGPS (Management and Investment of Fund) Regulations, which came into force in November 2016 introducing a new prudential framework governing investment decisions and effectively increasing LGPS funds' responsibilities for setting

policy on asset allocation, risk and diversity. Under the Regulations, the Committee agreed the inaugural Investment Strategy Statement in year which is appended to the Report.

The Pension Board completed its a second year of operation in 2016/17, after being introduced to ensure compliance with regulations, legislation and the Pensions Regulation, which has new jurisdiction over the LGPS. The Committee values the increased oversight of its administration of the LGPS and it is pleasing to see the new governance relationship established effectively.

The membership of the Committee has been unchanged throughout 2016/17. I would like to welcome Cllr Awale Olad to the Committee who returns as a member from June and I extend my thanks to Cllr Adam Harrison, who leaves at the same time, for his contribution to the Committee over the last six years. The report includes information on attendance, training, seminars, etc. for the Members.

We fundamentally believe in shareholder value. We believe that the value of our portfolio can be protected or enhanced by corporate engagement activity and we continue to play an active role in the Local Authority Pension Fund Forum (LAPFF).

The committee takes very seriously the need to keep up to date with the changing world of Local Authority Pensions and endeavours to establish a regular training and learning schedule. The committee benefited from timely sessions on the triennial valuation exercise and asset liability modelling for investment strategies.

I would like to thank our in-house team of officers: Mike O'Donnell, Jon Rowney, Nigel Mascarenhas, Tom Broughton, James Graham, our Pensions administration shared service, our independent adviser Karen Shackleton, our advisors Aon Hewitt, our actuaries Hymans Robertson, and all members of the Committee and Pension Board for their work in what has been, and continues to be, challenging times.

Cllr Rishi Madlani
Chair of the Pension Committee

Report of Executive Director Corporate Services

This report details the financial position of the Pension Fund and the performance of the professional managers appointed to administer the investment portfolio.

The 2016/17 financial year has been a momentous year for global financial markets. Growth assets have produced the biggest returns in an investment environment dominated by political events, a resurgent global economy and rising inflation. The Pound's devaluation following the EU Referendum precipitated a cut in the Bank of England's base rate from 0.50% to 0.25% and a renewed interest in safe haven assets amongst investors before confidence returned in the summer on the back of positive manufacturing data. The US Presidential Election coincided with a rise in bond yields and equities in the winter and in December 2016, the Federal Reserve raised interest rates for only the second time in a decade before doing so again in March. The year closed with positive global economic indicators but with inflation and political uncertainty providing reasons to temper optimism.

Amongst individual asset classes, the strongest returns came from overseas equities (28% - 37%), which were boosted by the depreciation of Sterling although even UK equities performed well (22%) reflecting the significance of overseas earnings of many UK quoted companies. Bond markets generated positive returns with UK Gilt yields falling over the year and price of corporate bonds increasing (11%). Commodities rebounded somewhat - growing 25% - after a poor year in 2015-16 and UK property growth slowed to 4%.

The Fund countered its overweight position in equities by implementing a new 5% allocation to private equity during the year, reducing the size of its exposure to UK passive equities. The change in the investment strategy increases the diversity of returns within the portfolio and gives the Fund access to a source of potentially high returns in the coming years.

The Fund managed some major changes amongst its individual mandates in 2016/17. Having reviewed active equity manager Aberdeen Asset Management against its initial objectives, the Pension Committee resolved to withdraw the mandate and appoint a new manager in the form of a London CIV sub-fund managed by Baillie Gifford, reallocating £200m, whilst increasing the allocation available to Harris Associates by £50m. In April, the Fund initiated a diversified growth mandate with Standard Life following the withdrawal of BlueCrest Capital Management from the market and later the Fund appointed HarbourVest to manage its new private equity mandate.

Investment managers produced varying performances during the year. Although Brevan Howard together with new managers Standard Life and Baillie Gifford failed to meet their individual targets, Harris Associates managed to outperform equities indices with a return of 44% during the year while both diversified growth fund manager Barings and bond manager Insight exceeded their cash-plus-4% targets. It is pleasing to note that the Pension Fund's diversified investment portfolio outperformed its overall performance target by 2.5% in the year. Notwithstanding this achievement, the Fund remains highly aware of the need to monitor vigilantly managers' performance in order to deliver the returns needed to fund members' pensions. The Fund's actions over the last two years demonstrably show our resolve to take decisive actions on this front.

It is also encouraging to witness the continuing healthy development of the pioneering LGPS pooling venture, the London CIV. Camden has played a key role in the growth of the pool, transitioning £200m to the Baillie Gifford Global Alpha Growth sub fund and on-boarding its £489m passive equity mandates to the CIV. The pooling enterprise will deliver savings to LGPS pension funds and I look forward to continuing Camden's involvement in the years ahead.

Mike O'Donnell
Executive Director Corporate Services

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 and 2016.

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 Executive Director Corporate Services; 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:

- 2016/17 Statements of Account
- Governance Compliance Statement
- Funding Strategy Statement
- Investment Strategy Statement
- 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 2016/17 were based was carried out as at 31 March 2013, and applies to the three financial years from 1 April 2014.

Under the scheme regulations, employees contribute to the scheme according to set tiered contribution rates, based on pensionable pay. From 1 April 2016 – 31 March 2017 these rates were as follows:

<i>Band</i>	<i>Range</i>	<i>Contribution Rate</i>	<i>50/50</i>
1	Up to £13,600	5.50%	2.75%
2	£13,601 to £21,200	5.80%	2.90%
3	£21,201 to £34,400	6.50%	3.25%
4	£34,401 to £43,500	6.80%	3.40%
5	£43,501 to £60,700	8.50%	4.25%
6	£61,701 to £86,000	9.90%	4.95%
7	£86,001 to £101,200	10.50%	5.25%
8	£101,201 to £151,800	11.40%	5.70%
9	More than £150,801	12.50%	6.25%

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 4**, as part of the Investment Strategy Statement.

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, which was agreed in December 2016.

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 August 2017. 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 the ISS also outlines the Authority's approach to risk and the measurement and management of those risks.

Internal Audit

Internal Audit undertook a comprehensive audit of the pensions administration and investments functions in 2016/17. The scope of this audit extended to the following areas:

- Joiners, retirees and transfers
- Current scheme members
- Performance reporting and recording
- Communication
- Share service; and
- Readiness for Enterprise Resource Planning (ERP)

The 2016/17 Internal Audit report stated that the Council can take Moderate Assurance that the controls upon which the organisation relies to manage this area are operating effectively, indicating that an adequate control framework was in place. The review identified no critical or high priority findings.

Prior to this, Internal Audit undertook a key financial systems review of the Pensions Shared Service in April 2014; this review attracted a moderate assurance rating 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 on the 2012/13 Statements, taking over from the Audit Commission. Their report on the 2016/17 Statement can be found immediately following the Accounts on page 78.

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 2016	PricewaterhouseCoopers
Baillie Gifford & Co	ISAE 3402 / AAF 01/06	30th April 2016	KMPG
Barings Asset Management Ltd	ISAE 3402 / AAF 01/06	30th September 2016	KMPG
Brevan Howard Capital Management Ltd	SSAE 16 / ISAE 3402	31 st December 2016	KMPG
CBRE Global Investment Partners	ISAE 3402	31 st March 2017	KMPG
Harris Associates LP	SOC1	31 st August 2016	Ernst & Young
HarbourVest Partners LLC	SOC1	13 th January 2017	Ernst & Young
Insight Investment Management Ltd	ISAE 3402 / AAF 01/06	31 st December 2016	KMPG
Legal & General Investment Management (Holdings) Ltd	ISAE 3402 / AAF 01/06	31 st December 2016	PricewaterhouseCoopers
Partners Group Holding AG	ISAE 3402	31 st December 2016	PricewaterhouseCoopers
Standard Life Investments	ISAE 3402 /	30 th September 2016	PricewaterhouseCoopers

Ltd	AAF 01/06		
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(b) Custodian

JP Morgan serves as the Fund custodian. The control report for JP Morgan for the year to 31 March 2017 was prepared by PricewaterhouseCoopers in accordance with 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 2016/17

The Statement of Accounts for the financial year to 31 March 2017 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 41.

Responsibilities of the Executive Director Corporate Services (formerly the Director of Finance)

The Executive Director Corporate Services 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 Executive Director Corporate Services 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 require 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 Shared Service, set up between Camden and Wandsworth, and now also covering Merton, Richmond and Waltham Forest. 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 26 admission bodies, five academies 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 Shared Service 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 ten scheme members work in this group. High levels of the Shared Service's resources are dedicated to 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 Head of the Pension Shared Service. A notification of the right to access IDRP is included with any notification of decisions made by the Council such as benefit notices. The Stage 2 officer is the Council's Borough Solicitor. In 2016/17 there were six IDRP complaints at Stage 1 (two upheld) and none at Stage 2.

Key Uses of Technology

The Shared Service 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 financial 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 Shared Service has to rely on outside bodies to provide the data.

There is 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 169.

Scheme Administration Costs

The cost of administration in 2016/17, including actuarial fees, was £569,089; this is equivalent to £27.44 per member. This is an increase from 2015/16 (£455k).

Colette Hollands
Head of Pensions Shared Service

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 2016/17 are set out in the table below.

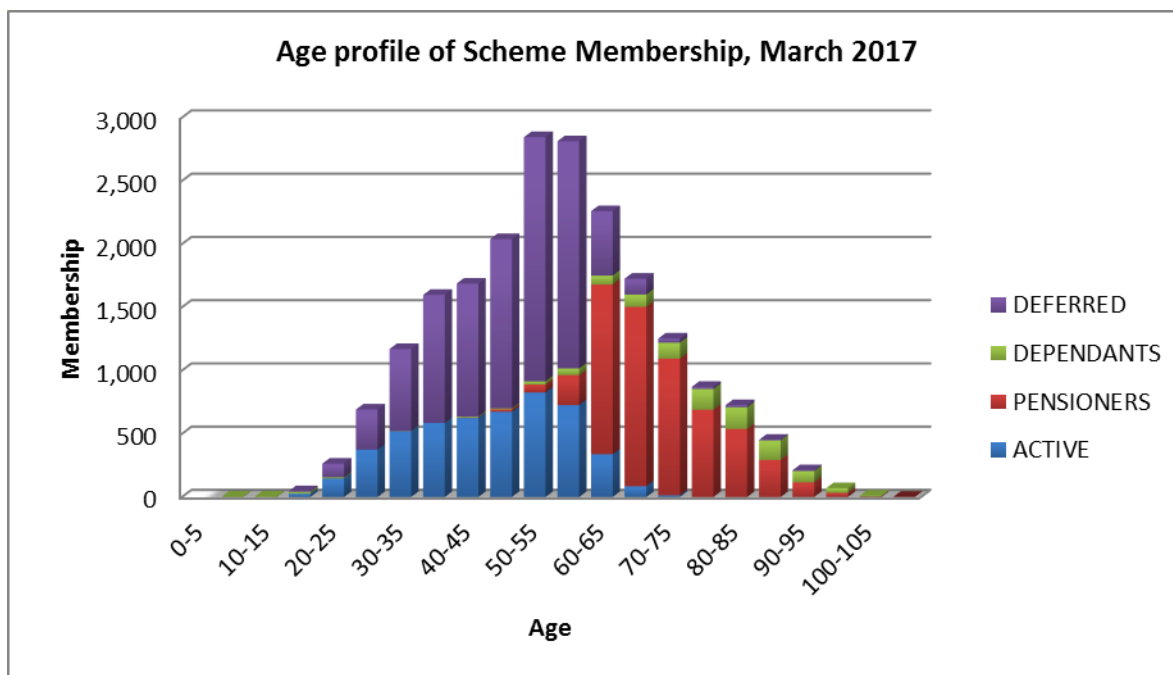
Work Area	Target	Actual 2016/2017
New Scheme Member	95.00%	97.37%
Transfers In	95.00%	80.58%
Early Leavers	95.00%	95.68%
Transfers Out	95.00%	76.86%
Refunds	98.00%	97.06%
Pension Sharing on Divorce	98.00%	100.00%
Correspondence	98.00%	91.55%
Retirements	98.00%	79.54%
Deaths	98.00%	86.04%

Cost of Service	2012/13	2013/14	2014/15	2015/16	2016/17
Cost per member	£34.33	£28.99	£24.79	£22.54	£28.19

The costs are those purely attributable to the cost of administration (staff costs, overheads and administration systems £450k, and Actuaries costs £119k). These were higher than in 2015/16 (£429k and £26k respectively). The increase in actuarial expenses is due to triennial valuation work carried out during the year. Investment costs are excluded from these figures.

Membership of the Fund

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Actives	4,786	4,648	4,886	5,054	5,154	4,940
Deferreds	7,385	7,623	7,811	8,070	8,370	8,925
Pensioners	6,018	6,139	6,358	6,466	6,663	5,834
Total	18,189	18,410	19,055	19,590	20,187	20,743



Pensioners with Enhanced Benefits

Year Ending 31st March	Ill Health	Early Retirement / Voluntary Redundancy	Total
2017	971	874	1,845
2016	889	1,029	1,918
2015	905	1,090	1,995
2014	901	1,116	2,017
2013	914	1,184	2,098
2012	939	1,236	2,175

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 2015 that the Audit and Corporate Governance (Pensions) Sub-Committee be established as a committee in its own right and is now called the Pension Committee. It became effective from the start of the 2015/16 municipal year. The [terms were slightly amended](#) just after the end of the financial year (regarding voting rights and delegation to the Chair outside of normal committee timescales where there is urgency). Council subsequently [amended](#) the terms of reference again on 17th May 2017 to take account of the requirement to formulate and maintain an Investment Strategy Statement, as introduced in the 2016 LGPS Regulations.

PENSION COMMITTEE TERMS OF REFERENCE

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 Investment Strategy Statement

- 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, except co-filing requests put forward by the LAPFF; and support for resolutions in respect of companies that the Fund does not have a direct shareholding in, which remains a matter for the Executive Director Corporate Services in consultation with the Chair of the Pension Committee unless time allows for the matter to be reported to the Committee for decision.
- 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

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 – 2016/17

The following table lists the membership of the Pension Committee during the year and their attendance at meetings..

Attendance at Pension Committee Meetings	28 June 2016	15 Sept 2016	6 Dec 2016	1 March 2017	Training received by Pension Committee – 2016/17
Cllr Rishi Madlani (Chair)	YES	YES	YES	YES	The training needs of Members are covered at the quarterly Pension Committee
Cllr James Yarde (Vice Chair)	YES	YES	YES	YES	
Cllr Abdul Quadir	YES	YES	YES	YES	
Cllr Adam Harrison	YES	YES	YES	YES	
Cllr Lorna Russell	YES	YES	YES	YES	
Cllr Heather Johnson	YES	YES	YES	NO	
Cllr Roger Freeman	YES	YES	YES	YES	
Cllr Tom Currie	NO	YES	NO	YES	

meetings and semi-annual 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 2016

A report from the Executive Director Corporate Resources detailing the Fund's cash flow and membership data for the year to March 2016, and over the longer term.

A report from the Executive Director Corporate Resources proposing changes to the Fund's risk register, in relation to developments in the pension landscape.

A report from the Executive Director Corporate Resources summarising the Fund's experience with the manager Aberdeen since inception in 2009.

A report from the Executive Director Corporate Resources providing the final response of the London Collective Investment Vehicle (CIV) to the Government's invitation for proposals for pooling LGPS assets.

September 2016

A report from the Executive Director Corporate Resources updating the committee on the developments at the London Collective Investment Vehicle Ltd (CIV) in its first year of operations having taken on assets.

A report from the Executive Director Corporate Resources setting out revisions to the Funding Strategy Statement which establishes how scheme employers' pension liabilities are best met.

A report from the Executive Director Corporate Resources presenting the initial results of the 2016 triennial valuation from the Fund's actuary (Hymans Robertson)

December 2016

A report from the Executive Director Corporate Resources and presentation from the Actuary updating the Employers Register.

A report from the Executive Director Corporate Resources on the Fund's longevity experience.

A report from the Executive Director Corporate Resources considering the contribution strategy for the Council as the major employer in the Pension Fund. The report looked at the Council's current stabilisation strategy against five alternative contribution strategies.

A report from the Executive Director Corporate Resources presenting the findings of the Government Actuary's Department report on the LGPS 2013 valuations and pension funds' compliance with predetermined criteria.

A report from the Executive Director Corporate Resources presenting the results of an exercise to estimate the Fund's maturity (i.e. when benefits payments will exceed contributions).

A report from the Executive Director Corporate Resources on the Funding Strategy Statement. The Committee was reminded that in September 2016 it agreed the revised Funding Strategy Statement (FSS) as a basis for consultation with employers. That consultation took place during October 2016 and based on that the FSS remains unchanged.

A report from the Executive Director Corporate Resources considering the operation of the Small Admitted Body pool of nine employers participating in the Fund.

March 2017

A report from the Executive Director Corporate Resources presenting the initial results of an asset liability modelling exercise conducted by Aon Hewitt, the Fund's Investment Consultant which drew on the 2016 triennial valuation results to test three potential investment strategies under various economic simulations.

A report from the Executive Director Corporate Resources reviewing the Pension Fund's Hedge Fund mandates revisiting reasons for appointment, the wider hedge fund class and prospects for the future.

A report of the Borough Solicitor providing members of the Pension Committee with updated information and advice on their legal duties.

A report of the Executive Director Corporate Resources presenting the Fund's inaugural Investment Strategy Statement.

A report of the Executive Director Corporate Resources presenting the outcome of the transition of £250m of assets from outgoing investment manager Aberdeen to Baillie Gifford and Harris.

Officer Arranged Training Sessions

November 2016	Triennial Valuation Training (prepared by Hymans Robertson)
February 2017	Asset Liability Modelling Investment Strategy Training (prepared by Aon Hewitt)

Investment Seminars and Conferences attended by Members

Legal and General Climate Seminar
LAPFF Seminar: Responsible Investment and the Pools
LAPFF Quarterly Business meetings
London CIV Sectoral Joint Committee
LAPFF Annual Conference
LAPFF Annual General Meeting

Pension Board – 2016/17

The following table lists the membership of the Pension Board during the year and their attendance at meetings.

Attendance at Pension Board Meetings	20 October 2016	15 March 2017
Cllr Phil Jones (Chair) – Council representative	YES	YES
Liz Barclay – Employer representative	YES	NO
Paul Dooley – Employee representative	YES	YES
Vinothan Sangarapillai – Union representative	YES	YES

Training received by Pension Board – 2016/17

Members of the Board are generally invited to attend the same training sessions as those attended by the Members of the Committee where appropriate.

Board Meetings

October 2016

A set of reports from the Executive Director Corporate Resources updating the Board on Committee reports and decisions made in June 2016 and September 2016. Separate items were

considered reviewing the Annual Report, the triennial valuation, a review of the Fund's global equity mandate and the Funding Strategy Statement.

March 2017

A set of reports from the Executive Director Corporate Resources updating the Board on Committee reports and decisions made in December 2016 and March 2017. Separate items were considered reviewing the Employer Contribution Strategy, Fund Maturity, the principles for making ethical investments and the Investment Strategy Statement.

SECTION 5: INVESTMENT POLICY & PERFORMANCE

The following commentary is based on analysis provided by the Fund's performance measurer, PIRC.

Investment Review to 31 March 2017

In the fiscal year 2016/17 the average Local Authority fund participating in PIRC's performance measurement benchmarking universe delivered an investment return of 21.4%, which is well ahead of the 30 year average of 8.7% per annum. The Camden fund slightly exceeded the average with a return of 21.6% of its value against the Strategic benchmark return of 19.1%.

Overseas equities produced the strongest performance over the year, aided by weakening of the Pound during the year, which amplified returns when converted back into Sterling. Asian (excluding Japanese) markets enjoyed returns of 36.8%; Emerging markets achieved 35.6% and North America saw 35%. On average, local authority pension funds achieve a return on global equities of 30.5%. In comparison, Camden's active global equities mandate with Harris Associates provided returns of 43.9%. The second allocation to Baillie Gifford & Co only ran for the final four months of the year during which time the manager achieved a return of 3.6%. Elsewhere the Fund's passive equity allocation to Legal & General recorded a return of 33.3% in 2016/17.

UK equities experienced a positive year notwithstanding the depreciation of Sterling, which reinforced the importance of overseas earnings for many UK companies. The FTSE 100 index of the largest UK companies by market capitalisation returned 21.4% for the year, outperforming the FTSE 250 and Small Cap indices of smaller companies for the first time in eight years. The Camden Fund's passive UK equity allocation saw a return of 22% in line with this performance.

Despite an increase in political instability and market volatility, bonds also generated positive results with conventional Gilts averaging a return of 6.6% and corporate bonds registering a return of 10.7% whilst index-linked Gilts offering inflation protection returned 19.9%. Camden's passive index linked gilts mandate performed slightly better with a return of 22%. Elsewhere the Fund's absolute return bonds strategy with Insight Investment achieved a return of 6.1%; the comparable figure for the universe as a whole was 5.1%.

There was a disparate performance amongst alternative investments. The average local authority pension fund investing in this class produced a return of 16.0%, and within this private equity delivered 19.6%, infrastructure nearly 17.7% and hedge funds returned 10.0%. Camden's private equity allocation did not start until the second half of the year in which time HarbourVest achieved a return of 46.0%, although this level of outperformance is not expected to be maintained. The Fund's hedge fund mandates with Brevan Howard and BlueCrest returned 5.2% and 20.0% respectively in the year. Diversified Growth averaged at 7.2% for local funds and for Camden the managers Barings and Standard Life generated returns of 10.7% and 1.0%.

Finally, property returned an average of 6.2% in the year for other funds whilst the IPD UK Monthly Property Index produced a positive performance of 3.9%. The Fund's segregated UK property mandate managed by CBRE returned 4.1% in the same period and the global Euro and US property mandates administrated by Partners achieved returns of 11.1% and 45% respectively.

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 (6% less than the local authority average) and Bonds (2% less) as well as Alternatives (4%) whilst it has an above average commitment to Diversified Growth (10% more), and Property (3% more).

The Fund's performance has been broadly in line with other funds over the last two decades but more recent time horizons have been less favourable. The Fund's return of 6% per annum over the last ten years places it in the 75th percentile amongst the local authority universe.

Comparative figures for the last five and three years show, where the fund has returned 8.9% and 9.2% respectively, against a strategic benchmark of 11.2% and 11.1%, place the fund in the 95th and 90th percentiles amongst peers. Over all periods, however, the Fund has comfortably outperformed both inflation and actuarial assumptions.

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 2017 and their holdings expressed as a percentage of total Fund investments.

Fund Manager	Mandate	Value at 31 March 2017 (£m)	% of Fund
Aberdeen	Equities - Global	1.57	0.1%
Baillie Gifford (LCIV)	Equities - Global	227.47	15.0%
Harris	Equities - Global	232.90	15.4%
Legal & General	Equities - Global	240.88	15.9%
Legal & General	Equities - UK	247.82	16.3%
Legal & General	Index Linked Gilts	38.98	2.6%
Insight Investment	Absolute Return Bonds	132.10	8.7%
CBRE	Property - UK	79.01	5.2%
Partners Group	Property - Global	67.75	4.5%
HarbourVest	Private Equity	15.42	1.0%
BlueCrest	Fund of Hedge Funds	1.12	0.1%
Brevan Howard	Fund of Hedge Funds	54.85	3.6%
Barings	Diversified Growth Fund	118.93	7.8%
Standard Life	Diversified Growth Fund	47.14	3.1%
Others	Cash Holdings etc.	10.65	0.7%
Total		1,516.60	100.00%

The sum of £10.65 million classed as 'Others' includes cash held at the Custodian of £11.09 million. Also included in this category is £0.15m of London CIV shares, a net debtor position of £0.16m, less cash owed to the Council of £0.43m. The residual holdings with both Aberdeen and BlueCrest are due to be redeemed in the course of 2017/18.

The various performance figures for the fund are shown in the Pension Fund Accounts in **Appendix 1** starting on page 41.

The Fund's 10 Largest Holdings as at 31 March 2017

Name	Value at 31 March 2017 (£m)	% of Fund
Legal & General UK Equity Index pooled fund	247.82	16.34%
(London CIV) Baillie Gifford Global Alpha Fund	227.47	14.99%
Legal & General North America pooled fund	135.36	8.92%
Insight Investment Bonds Plus 400 pooled fund	132.10	8.71%
Baring Dynamic Asset Allocation Fund	118.93	7.84%

Brevan Howard Multi Strategy Fund of Hedge Funds	54.85	3.62%
Standard Life Global Absolute Return Strategy Fund	47.14	3.11%
Partners Group Secondary Real Estate 2013 CLP	41.31	2.72%
Legal & General Index-Link Gilts pooled fund	38.98	2.57%
Legal & General Europe (Exc UK) Markets pooled fund	34.72	2.29%

Top 20 Equity exposures as at 31 March 2017 (including pooled funds)

Company	Value at 31 March 2017 (£m)	% of Fund
Royal Dutch Shell	19.66	1.30%
Glencore	15.48	1.02%
Alphabet	14.96	0.99%
HSBC	14.31	0.94%
Prudential	12.73	0.84%
Amazon	12.37	0.82%
BNP Paribas	11.48	0.76%
Allianz	11.43	0.75%
CNH Industrial	11.16	0.74%
Daimler	11.16	0.74%
British American Tobacco	11.13	0.73%
Credit Suisse Group	10.81	0.71%
BP	9.82	0.65%
GlaxoSmithKline	9.17	0.60%
Wells Fargo	8.53	0.56%
Julius Baer Group	8.23	0.54%
Toyota	7.97	0.53%
Royal Caribbean Cruises	7.90	0.52%
Grupo Televisa	7.70	0.51%
Moodys Corp	7.54	0.50%

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

Corporate Engagement and Socially Responsible Investment

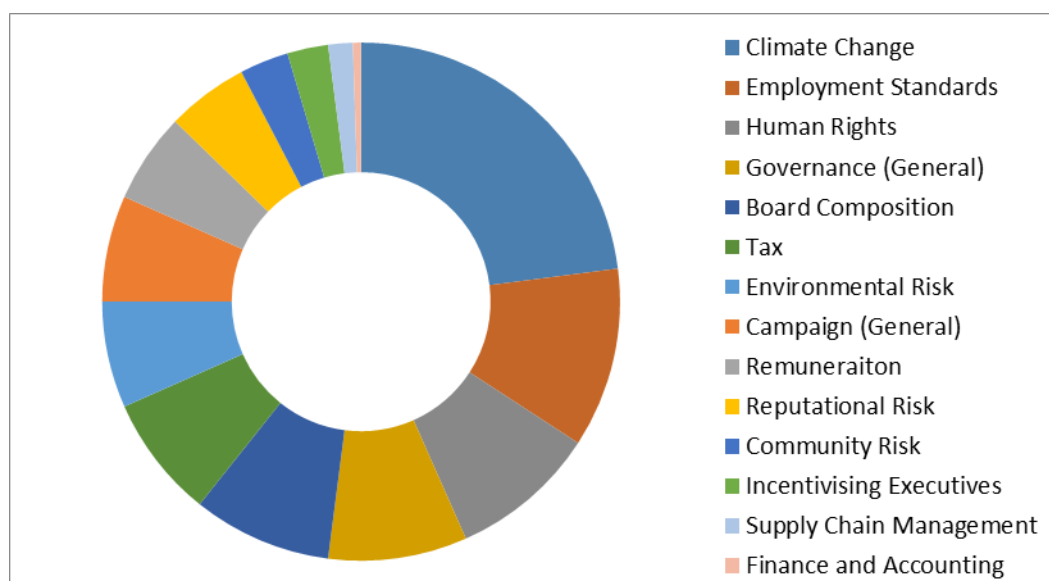
The Pension Fund is bound by law in respect of Socially Responsible Investment (SRI) policy. As stated in the Investment Strategy Statement, the Fund should, in all circumstances, act in the best financial interests of the members of the Fund. Where this primary consideration is not prejudiced, Investment 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 £175 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 2016 LAPFF Annual Report, summarising activity and highlighting the organisation's achievements can be found via the following link:

LAPFF ANNUAL REPORT 2016

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 2016/17 voting took place as follows:

Resolution Type		
For	8,670	74%
Against	2,937	25%
Withdrawn	6	0%
Withhold	52	0%
1	1	0%
Non-Voting Items	30	1%
Total	<u>11,696</u>	

The Camden Pension Fund voted shares at 820 separate company meetings during the year.

Further Information

There are more details on how the Fund engages in responsible investment in Section 7 of the Investment Strategy Statement attached as **Appendix 4** of this report.

SECTION 6: ACTUARIAL REPORT FOR THE YEAR ENDED 31 MARCH 2017

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 2016, in accordance with regulation 77(1) of the Local Government Pension Scheme Regulations 1997. The contribution rates for the 2016/17 financial year are based on the March 2013 valuation.

Actuarial Position

1. Rates of contribution paid by the participating Employers during 2016/17 corresponded to those stipulated in the actuarial valuation carried out as at 31 March 2013. The rates of contribution from the March 2013 valuation covered 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 December 2016 is attached as **Appendix 3** 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.
- If there have been any amendments to administration regulations.

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.

In September 2016 CIPFA published revised Guidance for Local Government Pension Scheme (LGPS) Funds concerning the FSS. These changes meant the Fund's existing FSS, published in November 2015, was no longer fit for purpose and therefore a new FSS was agreed which complies with agreed in December 2016. The major changes in the latest FSS are summarised below:

- descriptions of the new employer risk profile approach to setting contributions,
- descriptions of updated assumptions for 2016,
- allowance for the new regulatory regime, in particular the requirements of Section 13 of the Public Service Pensions Act 2013,
- any changes to the Fund's employer contribution strategy arising during the valuation process,
- other changes arising from CIPFA guidance, such as the need to reflect the new governance arrangements involving the Pensions Board.

SECTION 8: INVESTMENT STRATEGY STATEMENT

The [Local Government Pension Scheme \(Management and Investment of Funds\) Regulations 2016](#) came into force on 1 November 2016 requiring funds to formulate an Investment Strategy Statement (ISS) after taking proper advice.

The ISS must include the following:

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

The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. This is known as the prudential framework and means funds now have control over limits placed on specific types of investment.

The Fund must review and revise this statement regularly and at least once every three years. The Fund also has a duty to consult relevant parties and for this Fund we will be consulting all employers who participate in the Fund.

The Investment Strategy Statement for the London Borough of Camden Pension Fund is attached at **Appendix 4** of this 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
2 Marsham Street
London SW1P 4DF
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