

Annual Report

2016-17

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Cheshire Pension Fund

Cheshire West and Chester Council, HQ,
Council Offices, 4 Civic Way Ellesmere Port
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www.cheshirepensionfund.org

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Contents

3	Introduction
4	Management & Financial Performance
6	Risk Management
9	Financial Performance
18	Administration Report
27	Investment Policy & Performance
42	Governance Arrangements
45	Governance Compliance Statement
48	Member Training
49	Local Pension Board Annual Report
55	Statement of Accounts
99	IAS26 Pension Fund Accounts Reporting Requirement
101	Cheshire Pension Fund ("the Fund") Actuarial Statement for 2016/17
126	Scheme Advisory Board Summary Information
128	Funding Strategy Statement
160	Investment Strategy Statement
169	Responsible Investment Policy
172	Communications Policy Statement
184	Contacts and further information

Introduction

Welcome to the annual report for the Cheshire Pension Fund for the year ending 31st March 2017.

2016-17 was another busy year for the Fund, dominated by the 2016 Actuarial Valuation and preparations for the implementation of asset pooling across the Local Government Pension Scheme (LGPS).

An independent valuation of the Fund's assets and liabilities is undertaken every three years and is the basis for determining future contribution rates for participating employers. The results at 31st March 2016 for the Cheshire Pension Fund were positive, showing an improved funding position (90%) compared to 82% at the previous valuation in 2013, and a reduction in the funding deficit from £723m to £467m. This was largely due to strong investment performance over the intervening period, with the total Fund return being 29.1%, 14.7 % above the actuary's assumption, and 9.1% above the Fund's benchmark.

Whilst all employers benefitted from the improved funding position of historic deficits, the prospect of weaker investment returns going forward relative to the expected continued growth in liabilities, means that many employers will continue to face a challenging outlook in terms of future contribution rates, with little sign of any major improvement on the horizon. The stabilisation plans that the Fund has been able to put in place for tax raising bodies, have however been successful in helping employers to manage contribution rate increases in a planned and sustainable way.

Following the valuation, the Fund's Investment and Funding Strategies were both reviewed and in view of the improved overall funding position, the Pension Fund Committee decided to reduce exposure to more volatile, growth assets for the majority of employers. The revised asset allocation is reflected in the Investment Strategy Statement, which was introduced under new regulations this year, to replace the previous Statement of Investment Principles.

Valuation results will be reviewed nationally by the Scheme Advisory Board and the Government Actuaries Department during 2017/18. It is unclear at this stage whether these reviews will trigger any further actions or changes to the scheme under mechanisms that the Govt introduced in the 2014 scheme to control and cap the cost of the LGPS to employers.

The Cheshire Pension Fund along with partners (Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Worcestershire and West Midlands), were successful in securing government approval to proceed with the implementation of a collective investment pool (known as LGPS Central), with effect from 1st April 2018. This will see assets totalling almost £40 billion being brought together under the management of a wholly owned, fully regulated investment management company (LGPS Central Ltd), creating huge potential for scale economies, sharing of costs and expertise and improved efficiency. Partner funds are forecasting total savings in the order of £250m over the next 20 years.

The scheme regulations were amended in November 2016 to remove detailed investment restrictions and introduce a more prudential framework, allowing Funds to determine their own investment parameters and access a wider range of investment vehicles. The amended regulations also made pooling a mandatory requirement.

An extensive work programme will continue during 2017/18 to support implementation of the pool and establishment of the new investment management company. The Fund will also have to prepare for some changes to the role of the Pension Fund Committee, although their fundamental responsibilities for setting overall investment strategy and ensuring local accountability will not be affected.

Communicating the implications of such a major change to stakeholders has been, and will continue to be a key priority; in particular emphasising the key message for scheme members that their benefits (which are guaranteed by statute) will be unaffected by the new pooling arrangements.



Mark Wynn

Director of Corporate Services
Cheshire West and Chester Council

Management & Financial Performance

Scheme Management and Advisors (as at 31 March 2017)

Administering Authority

Cheshire West and Chester Council HQ, 58 Nicholas Street,
Chester, CH1 2NP

Cheshire West and Chester Council Officers

Mark Wynn Director of Corporate Services

Vanessa Whiting and Karen McIlwaine Director of Governance
and Monitoring Officer (job share)

Pension Fund Committee

Councillor Myles Andrew Hogg
Cheshire West and Chester Council (Chairman)

Councillor Don Beckett
Cheshire West and Chester Council

Councillor Brian Crowe Cheshire West and Chester Council

Councillor Carol Gahan Cheshire West and Chester Council

Councillor Liz Durham Cheshire East Council

Councillor Paul Findlow Cheshire East Council

Councillor Peter Groves Cheshire East Council

Councillor David Newton Cheshire East Council

Councillor Russ Bowden Warrington Borough Council

Councillor Mike Wharton Halton Borough Council

Paul Matthews GMB

Local Pension Board members

Peter Raynes Chairman (Independent)

Councillor Robert Bisset Employer Representative
(Cheshire West and Chester Council)

Mike Dixon Employer Representative (Cheshire Community Action)
(Resigned October 2016)

Geoff Wright Member Representative (UNISON)

Neil Harvey Member Representative (GMB)

Investment Managers

Adams Street Partners UK LLP
4th Floor, 75 Davies Street, London W1K 5JN

Arrowgrass Capital Partners LLP
Level 34, Tower 42, 25 Old Broad Street, London EC2N 1HQ

Baillie Gifford & Co
Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN

BlueBay Asset Management
77 Grosvenor Street, London, W1K 3JR, United Kingdom

Darwin Property Investment Management Limited
Empire House, 175 Piccadilly, London, W1J 9TB, United Kingdom

Henderson Global Investors
201 Bishopsgate, London, EC2M 3AE

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

Lexington Partners UK LLP
42 Berkeley Square, London, W1J 5A

M&G Investments
Laurence Pountney Hill, London, EC4R 0HH

Och-Ziff Management Europe Limited
40 Argyll Street, London, W1F 7EB

Pantheon Ventures (UK) LLP
10 Finsbury Square, 4th Floor, London, EC2A 1AF

Permal Investment Management Services Limited
12 St James's Square, London, SW1Y 4L

Rockspring PIM LLP
166 Sloane Street, London, SW1X 9QF

Winton Capital Management
Grove House, 27 Hammersmith Grove, London W6 0NE

Blackstone
The Blackstone Group, 40 Berkeley Square, London, W1J 5AL



Custodian

BNY Mellon Asset Servicing
London Branch, One Canada Square, Canary Wharf, London, E14 5AL

AVC Providers

Scottish Widows (Clerical Medical prior to April 2017)
PO Box 902, 15 Dalkeith Road, Edinburgh, EH16 9AS

Equitable Life Assurance Society
PO Box 484, Walton Street, Aylesbury, Bucks, HP21 7WW

Standard Life
1 Baileyfield Crescent, Edinburgh, EH15 1ET

Actuary

Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

Investment Advisor

Mercer
Belvedere, 12 Booth Street, Manchester, M2 4AW

Legal Advisor

Cheshire West and Chester Council
Director of Governance, HQ, Nicholas Street, Chester, CH1 2NP

Auditors

Grant Thornton
Audit and Assurance, Public Sector, Royal Liver Building, Liverpool, L3 1PS

Banker

Lloyds Bank plc
Chester Branch, Foregate Street, Chester, CH1 1XP

Scheme Administrator

Cheshire West and Chester Council
HQ, 58 Nicholas Street, Chester, CH1 2NP

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Risk Management

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling or responding to them.

Cheshire West and Chester Council have a statutory responsibility under the Accounts and Audit Regulations (England) 2015 to have arrangements in place for the management of risk.

The Council is responsible for ensuring that its business is conducted in accordance with the law and corporate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In discharging this accountability, members and senior officers are responsible for putting in place effective arrangements for the governance of the Council's affairs and the stewardship of resources at its disposal.

The Council has a formal risk management strategy with the following objectives:

- To further embed and integrate risk management into the Council's culture and day-to-day operations at both strategic and operational levels, as part of a sound system of corporate governance.
- To adopt a systematic, structured framework to the identification, assessment, evaluation, prioritisation and management of risks to which the Council is exposed, at all levels, in accordance with best practice.
- To ensure risks are considered and recorded in decision-making processes at all levels within the Council via the maintenance of risk registers.

As part of the Finance service, the Pension Fund has a dedicated risk register which forms part of the Finance Service's Risk Register.

As part of the business plan setting process, the Pensions Leadership Team identifies the main risks that might prevent the Fund delivering its key objectives. **These risks are categorised in the risk register against the Fund's long term objectives in respect of:-**

- Governance
- Administration
- Financial Sustainability

The risk register is regularly reviewed in light of new information and updated when necessary with new risks added and old risks removed. The Pension Fund Committee receives an update on the key risks facing the Fund as a standing item at every quarterly Committee meeting.

Each risk is initially assigned a score designed to reflect the likelihood of it occurring and also the reputational, financial and resource impacts faced by the Fund if it were to occur. Risks are then considered against a series of mitigations designed to reduce their likelihood and/or impact. Risks are colour coded and assigned a red, amber or green status according to the degree of risk posed.

The following table shows the five risks which has been highlighted as status amber at the start of the 2017/18 business planning year. Signifying that whilst mitigating controls have been identified, continued monitoring and further action may be required to avoid negative risk consequences. A full list of the risks identified is available upon request.

Objective	Priority/ Outcome	Risk	Controls	Risk Status
Governance	G.1 LGPS Asset Pooling	Failure to deliver a pooling solution which meets the investment requirements of the CPF within the prescribed timescales and within the cost/savings envelope forecast.	<ul style="list-style-type: none"> Detailed project plan with high level milestones aligned to required delivery deadlines. CPF representation on Project Board and key workstreams. Programme risk register and risk monitoring in place. Procurement strategy in place to secure expert third party advice and implementation capacity. National collaboration to share costs / information. Detailed model for cost/savings tracking. Regular progress reporting to DCLG 	Amber
Governance	G.3 Empowered and enabled employers	Employers fail, or are unable to meet their responsibilities and achieve performance standards set out in the Fund Administration Strategy.	<ul style="list-style-type: none"> Administration Strategy clearly defines employer roles/responsibilities and required performance standards Compliance management frame work developed Pensions Consultative Forum working effectively and adding value Database of designated employer contacts 	Amber
Administration	A.2 Agile, customer focussed operating model	Persistent backlogs and failure to achieve target performance standards due to inability to flex resources in response to changing workload demands / pressures.	<ul style="list-style-type: none"> Staffing levels within benefits team reviewed and additional resources recruited Current backlogs being addressed through overtime working until new staff are fully trained Prioritisation of casework to ensure that urgent cases and payments to beneficiaries are not jeopardised Flexible deployment of key senior and career grade staff, to maximise operational effectiveness and staff development Rolling programme for review of key operational processes to identify potential efficiency/productivity improvements 	Amber
Financial Sustainability	A3 High quality data and communications to support member and employer decision making	Failure to maintain complete and accurate data, leading to errors in calculation of benefits and/or statutory disclosures, and poorly informed decision making	<ul style="list-style-type: none"> All key data items checked prior to benefits being put into payment Extensive data validation undertaken on employer annual returns On-line data validation and exception reporting undertaken within the UPM system Collaboration with other LGPS Funds to ensure consistency and quality of member and employer communications Employer Handbook, Factsheets and training available to ensure employers understand data requirements Systematic review of current compliance with record keeping regulations undertaken Systematic review of scheme documentation and correspondence undertaken to review disclosure compliance and plain English standards 	Amber
Financial Sustainability	F1 Investment costs / savings plan (linked to G1)	Failure to exploit the savings opportunities and investment efficiencies offered by pooling	See G1 above	Amber

The nature and extent of risks arising from Financial Instruments are detailed in note 19 of the Pension Fund Accounts.

The Fund is exposed to both funding and investment related risk, of which the principal risks are:

Funding risks:

- **Financial mismatch** – 1. The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities. 2. The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
- **Changing demographics** – The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.
- **Systemic risk** – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting Fund liabilities.

The Council measures and manages financial mismatch in two ways. It has set a strategic asset allocation benchmark for the Fund. It assesses risk relative to that benchmark by monitoring the Fund’s asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring and reviewing Funding levels on a quarterly basis.

The Council keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation. The Council has also become a member of Club Vita, a longevity analytics service and therefore the longevity assumptions that have been adopted at the 2016 valuation are a bespoke set that are specifically tailored to fit the membership profile of the Fund.

The Council seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks:

- **Concentration** - The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- **Illiquidity** - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

- **Manager underperformance** - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee manages asset risks as follows. It provides a practical constraint on Fund investments deviating greatly from the intended approach by setting itself diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Council’s expected parameters. By investing across a range of assets, including quoted equities and bonds, the Council has recognised the need for some access to liquidity in the short term. In appointing several investment managers, the Committee has considered the risk of underperformance by any single investment manager. The performance of all individual managers and investment service providers are scrutinised quarterly by the Investment Sub – Committee with recommendations and escalations taken to the full Pension Fund Committee.

The Fund also maintains an operational cash balance by using two money market funds which allow instant access to cash as required. The cash balances are monitored to ensure that the fund has cash available to meet its immediate needs.

Other provider risk:

- **Transition risk** - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Council takes professional advice and considers the appointment of specialist transition managers.
- **Custody risk** - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- **Credit default** - The possibility of default of a counterparty in meeting its obligations.

The Council monitors and manages risks in these areas through a process of regular scrutiny of its providers. The Council requests and reviews audited statement of accounts from each of their investment managers and where the provider is subject to a regulatory requirement to produce assurance reports on internal controls (or similar), these reports are formally reviewed.

Financial Performance

2016 Triennial Valuation

Every three years the Pension Fund is subject to a formal valuation by the Fund actuary which produces two key outputs.

Firstly, it quantifies the Funding Level i.e. the level to which the Fund's pension liabilities for the accrued benefits of current employees, deferred pensions and pensions in payment are matched by the market value of the Fund's assets. A funding level of less/more than 100% implies that there is a deficit/surplus in the Fund at the valuation date.

Secondly, it also sets the rate at which employers should contribute to the Fund for the following three years.

The table below summarises the funding position of the Cheshire Pension Fund as at 31 March 2016 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2013).

Summary Valuation Results

	31 March 2016	31 March 2013
Total past service liability (£m)	4,620	3,982
Fund assets (£m)	4,153	3,259
Surplus/(deficit) (£m)	(467)	(723)
Funding level	90%	82%

Funding Level and Deficit

The improvement in funding position between 2013 and 2016 is mainly due to strong investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has been partially been offset by lower than expected pay and benefit growth (both over the inter-valuation period and continuing in the long term).

Contribution rates

The table below summarises the whole fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of pay) 1 April 2017 - 31 March 2020	2017/18	Secondary Rate (£) 2018/19	2019/20
19.2%	£34,739,000	£39,038,000	£43,286,000

The Primary rate also includes an allowance of 0.4% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.2% of pensionable pay.

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

Broadly, contributions required to be made by employers in respect of new benefits earned by members (the primary contribution rate) have increased as future expected investment returns have fallen. Changes to employer contributions targeted to fund the deficit have been variable across different employers.

The minimum contributions to be paid by each employer from 1 April 2017 to 31 March 2020 are shown in the Rates and Adjustment Certificate, in Appendix H of the Formal 2016 Valuation report, which is available on the Fund's website.

Analytical Review of Fund Account and Net Assets Statement

The following table provides a brief overview of the major movements in the Fund Account and Net Assets Statement for the financial year 2016/17. The full statement of accounts are included from page XX of this report.

Fund Account	2016-17	2015-16	Notes
	£000	Restated £000	
Net contributions	16,714	3,582	Cheshire West and Chester Council elected to pay their full 3 year deficit contribution relating to the period 2017-2020, as an advance lump sum in March 2017
Return on investments	847,609	69,195	The return on investments from growth assets and equities in particular were very strong in 2016-17, relative to a broadly flat return in 2015-16
Net increase in the Fund	835,987	46,460	

Net Assets Statement	2016-17	2015-16	Notes
	£000	£000	
Pooled Funds	2,592,362	2,101,221	Market returns were very strong in 2016-17 and the Fund reduced its directly held equities and increased its pooled fund holdings.
Equities	1,001,050	904,461	A marginal increase from the net effect of very strong equity returns and a reduction in directly held equities into pooled funds.
Absolute Return Funds	724,581	529,042	The Fund increased its allocation to Absolute Return Funds in 2016-17 and also benefitted from positive returns.
Investment Properties	293,350	317,285	The Fund sold two of its properties during 2016-17 with a combined value of £23m.
Private Equity	201,246	191,882	The Fund continued its long term investment plan to private equity in 2016-17.
Loans	18,379	50,810	Decrease is attributable to a net return of the Fund's capital investment from the loan funds.
Cash	144,096	43,186	Cash held by investment managers and by the fund at the year-end will vary year on year.
Other	5,248	6,191	Broadly comparable with prior year
	4,980,312	4,144,078	

Operational Expenses – Comparison of 2016-17 Forecasts to Actual

	2016-17	2016-17	2016-17
	Forecast £000	Actual £000	Variance £000
Administration / Oversight and Governance			
Employees	1,378	1,407	29
Supplies and Services	418	458	40
Actuarial Fees*	250	480	230
Investment Advisor Expenses	101	101	0
Capital Repayment	99	99	0
IT Costs	62	75	13
Printing & Postage	62	75	13
External Audit Fees	29	31	2
Legal Fees	23	46	23
Total	2,422	2,772	350
Investment Management			
External Fund Managers	21,790	25,447	3,657
Custodian	186	117	(69)
Total	21,976	25,564	3,588

*Actuarial fees were higher due to 2016-17 being a valuation year

Analysis of Pension Contributions

The table below shows the value of primary pension contributions received on time and late.

	Total	On Time		Late	
	£000	£000	% (by value)	£000	% (by value)
Employees	35,239	35,081	99.6%	158	0.40%
Employer	151,192	150,640		552	
Total	186,431	185,721		710	

The Fund receives over 3,000 individual monthly contributions from over 250 employers in a year. The Fund classifies contributions income as being received on time where it is received within 22 days (if received electronically), commencing from the end of the month in which the amount is deducted from the earnings. Contributions received over 22 days are classed as late.

In total 26 monthly contributions were received late, of which 24 (92%) were subsequently received within 1 month, 1 (4%) was received between 1 and 3 months and the remainder (4%) after 3 months.

No Interest charges were applied to employers during the year as a result of late payments.

The Fund continues to monitor the timeliness of contribution receipts from all employers and will charge a mandatory penalty when an employer breaches on 3 or more occasions over a 6 month rolling period. Material breaches will also be reported to The Pensions Regulator.

The Fund records late payments on a Breaches Log, and in 2016-17 26 late payments of contributions were recorded on the log. Of the 26, only one resulted in an informal (amber) report to the Regulator due to the number of occasions that payments had been received late by the employer.

The remaining 25 contributions were received by the Fund after the 22 day deadline, and therefore, had breached regulations requiring them to be included on the log.

Analytical Review of 2016-17 Fund Account – Forecast versus Actual

The table below outlines the fund's performance for key financial variables against forecast for the 12 months to 31 March 2017.

Fund Account	2016-17	2016-17	
	Forecast £000	Actual £000	Variance £000
Contributions	150,617	186,431	35,814
Payments	(161,884)	(166,524)	(4,640)
Admin/Oversight and Governance expenses	(2,422)	(2,772)	(350)
Net investment income	37,208	34,307	(2,901)
Investment expenses	(21,976)	(25,564)	(3,588)
Change in market value	139,415	814,300	674,885
Net increase in the fund	140,958	840,178	699,220

The key variance between the forecast and the actual performance was the change in market value which was driven by higher returns than expected from investment assets, particularly equities.

The following tables show the forecasts for the Fund Account and Net Assets Statement for the 3 years to 31 March 2020.

The forecast figures for 2017-18 and 2018-19 have been updated in order to reflect the most up to date information.

Forecast Fund Account for 3 Years: 2017-18 to 2019-20

Fund Account	2017-18	2018-19	2019-2020
	Restated £000	Restated £000	£000
Contributions	210,838	152,871	156,918
Payments	(159,531)	(167,223)	(169,325)
Admin/Oversight and Governance expenses	(3,466)	(2,753)	(2,885)
Net investment income	34,380	35,492	36,617
Investment expenses	(21,809)	(22,610)	(23,390)
Change in market value	139,993	146,374	148,703
Net increase in the fund	200,405	142,151	146,638

Contributions and payments are based on current expectations updated to include the outcomes from the 2016 triennial valuation. Administration and investment management expenses are based on current budgets, and the net investment income and change in market value are based on the long term forecast returns for each asset class, with input from the Fund's Investment Advisor.

Net Assets Statement for 3 Years: 2017-18 to 2019-20

Net Assets Statement	2017-18	2018-19	2019-20
	Restated £000	Restated £000	£000
Pooled Funds	1,786,007	1,801,445	1,815,928
Equities	1,915,299	2,003,211	2,093,696
Absolute Return Funds	743,905	761,685	779,333
Investment Properties	310,877	320,483	330,152
Private Equity	212,550	227,195	242,683
Loans – Private Debt	19,221	20,103	21,012
Cash	123,976	124,087	124,108
Total Investment Assets	5,111,835	5,258,209	5,406,912

The forecasts for total investment assets are based on the actual allocations at 31st March 2017 figures multiplied by the forecast returns for each asset class as provided by the Fund's investment advisor.

Forecast Returns for 2017-18

Asset Class	Forecast return
Equities	4.5%
Absolute Return	2.3%
Property	3.0%
Private Equity	6.8%
Fixed Income	0.9%
Secured Loans	2.2%
Private Debt	4.5%
Index-linked Gilts (<5 years)	-0.3%
Cash	0.0%

These long term forecasts are revised every 3 years in line with the actuarial valuation exercise and the subsequent strategic asset allocation review with the next review taking place in 2019.

3 Year Forecast Management Expenses: 2017-18 to 2019-20

	2017-18	2018-19	2019-20
	Restated £000	Restated £000	£000
Administration/Oversight and Governance			
Employees	1,777	1,694	1,779
Supplies and Services	846	316	331
Actuarial Fees	242	254	267
Investment Advisor Expenses	156	111	116
IT Costs	178	103	108
Capital Repayment Costs*	99	99	99
External Audit Fees	29	31	32
Printing & Postage	89	93	98
Legal Fees	50	53	55
	3,466	2,753	2,885
Investment Management			
External Fund Managers	21,809	22,610	23,781
Custodian	123	129	135
Total	21,932	22,739	23,525

*The capital repayment cost is for the costs associated with the administration software system implemented during 2014-15, which will be repaid over a period of 5 years. The first of which was paid in 2014-15.

The 2017-18 and 2018-19 Budgets have been restated to incorporate increases resulting from changes to the staffing structure, additional costs associated with the Pooling of assets and costs associated with operational developments within the Fund.

Pension Overpayments

The Cheshire Pension Fund pays around 26,650 pensioners every month, with a monthly gross payroll in excess of £11 million. Unfortunately mistakes can occur and with such a large volume of pensioner payments it is inevitable that there will be times when a member has been receiving more pension than they are entitled to. Wherever possible the Fund will attempt to recover any overpayment and will only write off an overpayment as a last resort when all other avenues have been exhausted.

Analysis of Pension Overpayments

	2016-17	2015-16	2014-15	2013-14	2012-13	Total
Overpayments Recovered	£48,700	£52,000	£35,000	£32,000	£35,000	£201,000
Overpayments written off		£5,000				£5,000
Deaths	£2,500		£7,000		£11,000	£18,000
Annual Payroll	£137m	£133m	£129m	£125m	£119m	n/a
Write offs as % of payroll	0.004%	0.004%	0.005%	0.00%	0.01%	
Number of cases written off	2	10	8	0	26	
Number of cases recovered*	41	57	37	35	46	
Number of cases in the process of being recovered	6	6				

*These payments are being recovered by instalment payments

Administration Report 2017

2016-17 has been another challenging year for the Fund starting with the triennial valuation project, the first to be completed under the Career Average Revalued Earning (CARE) Scheme regulations introduced in 2014. This was the key administration priority for the year, given its importance in assessing the long term funding position and future employer contribution rates.

Other key areas of focus during the year included launching the Fund's Administration Strategy, assessing and developing local practice in line with advice issued by the Pensions Regulator and reviewing the Fund's Additional Voluntary Contribution (AVC) arrangements.

A summary of progress and performance in these and other areas of scheme administration is included below:-

Valuation

The 2016 Valuation was the first one the Fund completed utilising the Universal Pensions Management (UPM) administration database ,which was implemented in late 2014. The Fund agreed and set a tight and challenging timescale with the actuary in order to receive the valuation outputs as early as practicable. This required the Fund to provide the necessary membership and financial data earlier than in previous valuations and earlier than the majority of their LGPS peers .

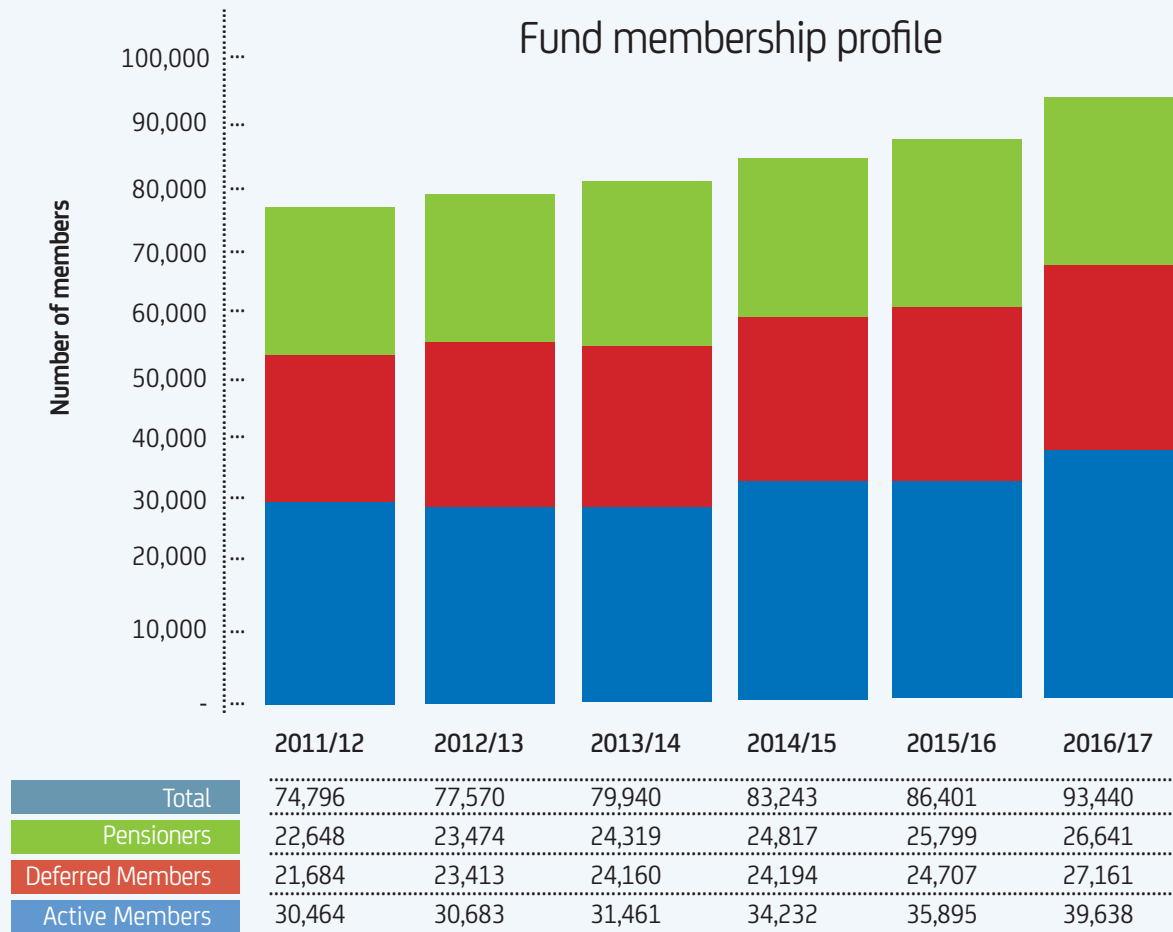
Prompt receipt and validation of Employer Annual Returns was essential in meeting both the timetable and the data quality standards required. Employers received factsheets, operational guides and bulletins to help them prepare, and with their co-operation and engagement, the challenging timetable was achieved. The Fund would like to take this opportunity to thank employers for their contribution in helping the Fund meet their deadlines

The Fund received positive feedback from the actuary on the quality of data submitted, demonstrating the effectiveness of the systematic approach taken to validation, testing and query resolution. Improving the quality of data from source, to reduce reliance on such intervention remains a priority for the future.

Membership and Employer Movement and Scheme Complexity

The Fund continues to experience a year on year increase in the number of members across all categories (Active, Deferred and Pensioners). In addition the number of Employers in the Fund also continues to grow as the tables below illustrate.

Analysis of membership profile



	2012/13	2013/14	2014/15	2015/16	2016/17
Number of Employers (who paid contributions during the year)	148	177	210	226	254

The increase in membership and number of Employers adds to the already challenging workload of the Fund. This is compounded by the increased complexity of the scheme with the introduction of CARE which now means that the Fund is effectively managing 3 separate schemes:

Scheme	Details
Pre 1 April 2008	Members build up a pension of 1/80 of Full Time Equivalent Pensionable Pay for each year of membership
Post 1 April 2008 – 31 March 2014	Members build up a pension of 1/60 of Full Time Equivalent Pensionable Pay for each year of membership
Post 2014 - CARE	Members build up an annual pension pot for each scheme year and part year of membership. The pension pot is calculated by dividing the actual earnings by 1/49th

Employer Activity

During the year the Fund welcomed 30 new employers into the scheme - 16 schools converted to academies, 3 Town/Parish Councils passed a resolution to join the scheme, 1 housing trust, 1 company wholly owned by Cheshire West and Chester Council and 9 admitted bodies.

The LGPS regulations requires that admitted bodies carry out, to the satisfaction of the administering authority an assessment, taking account of actuarial advice, of the level of risk arising on the premature termination of the provision of service or assets by reason of insolvency, winding up or liquidation of the admission body.

Such a risk assessment was carried out for each of the 9 new admitted bodies and admission agreements and pension indemnity bonds were put in place by all 9, to be reviewed on an annual basis.

A bond was not required by the wholly owned Council Company, as the Council acted as guarantor should the company default on its pension obligations.

During the year the fund had five employers who ceased membership of the Cheshire Pension Fund, 4 admitted bodies and a housing trust which merged with another social housing provider.

Administration Strategy – Published 1st April 2016 (following consultation with employers)

As well as the Pension Fund having clear responsibilities with regards to scheme administration, Employers equally have defined obligations which are set out in regulations and within the Pensions Regulators Code of Practice. These obligations include the requirement to provide accurate and timely data about members, their pay, personal circumstances and pension choices.

In order to assist with the understanding of these obligations the Fund introduced an Administration Strategy with effect from 1 April 2016, defining the responsibilities and levels of expected performance for both the Fund and Employers.

The draft strategy was issued to all Employers for consultation ahead of its publication and was amended to reflect comments received.

Each employer has nominated a Designated Pensions Contact whose key responsibilities are to ensure that the standards set out in the Strategy are delivered, and to act as a conduit for communication to appropriate staff within the employer organisation.

The Pensions Team is currently developing a monitoring framework which will allow performance against the standards set out in the Administration Strategy to be assessed, and feedback provided at individual employer level.

Further Improvement Plan

The Pensions Regulator (TPR) has had an oversight role in the LGPS since 1 April 2015. The Regulator issued a Code of Practice Number 14 Governance and Administration in Public Service Pension Schemes, which provides the compliance benchmark for all LGPS Funds.

The Fund undertook a detailed self-assessment against the Code in the autumn of 2015 and identified a number of areas where further work was required in order to ensure compliance. A Further Improvement Plan (FIP) was therefore introduced in order to address these issues.

The three areas identified and the actions taken to address them are outlined below:

Areas identified	Cheshire Position
Internal controls	<p>Although the Fund has established systems and processes of internal control there is no overarching document which summarises the control framework as a whole.</p> <p>The Fund Reviewed its operational risk register and developed a summary of the mitigating control against each one.</p>
Scheme record-keeping	<p>The Fund reviewed the detailed requirements of each piece of applicable legislation related to record-keeping in order to ensure that it complies fully with each one.</p>
Timely and high quality communications to members	<p>The Fund reviewed the applicable legislation in order to determine compliance with disclosure requirements and identified any required improvements.</p>
	<p>The review of Scheme Record Keeping and Disclosure Regulations led to the production of two key documents:</p> <ul style="list-style-type: none">• Data Management Guide – a guide which summarises the methods by which the Fund receives, sends and processes personal data for its membership• Data Improvement Plan – a plan which contains details of operational improvements which are required in order to improve

The output from the exercises to map the Fund's compliance with the Scheme Record Keeping and Disclosure Regulations has been used to assist with a fundamental review of all casework processes which commenced during 2016. A number of changes to processes and workflows have been made to improve both compliance and efficiency.

The reviews included the identification of exception triggers which can be used to automatically identify administration breaches in accordance with the Reporting Breaches of the Law section of the TPR Code.

Such breaches will start to be captured within the Fund's Breaches Log with effect from the summer of 2017.

The Fund is also in the process of developing a Data Management Strategy which will clearly set out the main objectives for the Fund in ensuring the quality and security of data. The Strategy will be aligned to the General Data Protection Regulations, which are applicable from May 2018 and will also outline the Fund's approach to Cyber Security. All of these issues are a key priority for the Local Pensions Board who will receive regular updates on progress against the objectives outlined within the Strategy.

Member Engagement

The Fund is seeking new ways to engage with its membership and during 2016 held a series of roadshows across the borough to provide an opportunity for both existing and potential members of the Fund to raise queries and ask questions about their pension on a 'drop in' basis.

The events were well attended with around 450 people attending across 8 sessions. The topics raised by attendees at the events included; requests for further explanation around the Annual Benefit Statement, questions around their personal circumstances, retirement date queries, application of the Rule of 85, and questions around the additional benefits that members can contribute to in order to increase their income in retirement.

The Fund is aiming to run similar sessions during 2017 and will also develop the Communication Strategy to provide targeted information to members to inform retirement planning as key life or career events are experienced.

Additional Voluntary Contributions (AVC'S)

The Fund commissioned a 3rd party advisor (Aon Hewitt) to undertake a review of the existing AVC provision provided by Clerical Medical (CM), Standard Life (SL) and Equitable Life (EL). EL is closed to new members. The findings from the review confirmed that the existing provision was fit for purpose.

A number of improvement recommendations were included in Aon Hewitt's final report relating to provider performance monitoring, member communication and engagement and funding options.

During the year officers held discussion with both CM and SL in order to implement the recommendations, along with agreeing ways that the Fund and AVC providers could jointly promote AVC's to the wider membership. The AVC providers have both made significant improvements in response to the recommendations.

During the year the Fund also completed the switch of all funds held by CM to Scottish Widows (SW). Both CM and SW are owned by the Lloyds Banking Group. The SW product is more aligned to the LGPS and is an established brand with a well-resourced customer service strategy.

The switch between CM and SW was effective from 1 April 2017 and on the existing terms of the current CM funds, so members' rights were protected.

Technology and Pensions Administration System

The Pensions section currently uses the UPM pensions administration software supplied by Civica, utilising benefits calculation, task management, document imaging, document production and workflow functionality. During the year the Pensions Team assessed a range of tools available within UPM to enable on-line employer access and self-serve interaction. These are being developed for initial roll out during 2017/18.

Pensions payroll is processed through the Council's Oracle payroll system.

The Pension Fund has a dedicated website www.cheshirepensionfund.org which provides information on all aspects of the LGPS and has dedicated sections for the Fund's customer groups - including active members, deferred members, pensioners, councillor members and employers. It also contains key publications such as policy statements and a back collection of annual reports. During the year a review of the website commenced and a number of improvements have subsequently been implemented. The website remains an ongoing development priority.

The Fund's Communication Policy Statement which provides an overview of how the Fund will communicate with its customers (members and employers) and stakeholders is laid out in the Communications Policy Statement section of this report.

Administration Performance

The Fund benchmarks its performance on administration casework using the CIPFA benchmarks as outlined in the table below. The Fund's target is to achieve 90% compliance target across each casework category.

As can be seen from the table below the 90% target was met with all casework with the exception of deferments and transfers.

During 2016 the national factors used to calculate Cash Equivalent Transfer Values (CETVs) were updated by the Government Actuaries Department. Delays in the release of the revised factors were compounded by implementation delays due to work on the 2016 Valuation, resulting in a backlog of transfer casework. This is now being addressed and normal service levels are being restored.

The backlog of deferred casework is due to increased volumes, software issues and the increased complexity of retirement calculations as a result of historic scheme changes. As no immediate payment of benefit is due in deferred cases, the Fund has de-prioritised them in favour of age and ill-health retirement cases, where benefits are payable immediately.

The Fund is now targeting the deferred casework backlog with a view to returning to normal levels of service by 2018.

The Local Pension Board receives quarterly updates on administrative performance throughout the year and this will continue in the future.

Administration Process Statistics from 1st April 2016 – 31st March 2017

Process	Target for completion (days)	Number of Cases Completed	% processed within target
Letter detailing Transfer In Quote	10	209	80.9
Letter detailing Transfer Out Quote	10	313	86.9
Process and Pay Refund	5	929	94.8
Letter notifying estimate of retirement benefit	10	1,813	99.1
Letter notifying actual retirement benefit	5	745	93.2
Letter acknowledging death of member	5	851	98.4
Letter notifying amount of dependant's benefits	5	831	97.1
Calculate and notify deferred benefits	10	3,181	57.9
Total		8,872	

The Fund receives a limited number of complaints each year and deals with all complaints in accordance with Cheshire West and Chester Council's complaints policy.

Pensions Staffing Structure

The Pensions Team sits within the Finance Service of Cheshire West and Chester Council and deals with the day to day management of the Fund, including the administration of scheme membership, and is organised across five functional areas:

- **Data Management team** – responsible for indexing incoming post and e-mails onto member records, creating records for new members, amending records for existing active, deferred and pensioner members and data cleansing for the annual benefits statements and triennial valuation projects.
- **Benefits Team** – responsible for the calculation of retirement benefits, early leavers, deceased members, transfers for divorced members, and transfers in and out of the fund and arranging additional contributions contracts.
- **Employer Liaison and Communications Team** – responsible for notifying new employers of their responsibilities to the Cheshire Pension Fund, arranging and providing training to new employers, attending and delivering presentations at retirement seminars hosted at external sites, creating and maintaining factsheets for members and employers and updating the Cheshire Pension Fund website.
- **Systems Team** – responsible for maintaining the UPM pension's database to ensure it is backed up regularly, running monthly, quarterly and one-off reports through UPM to provide accurate statistics for CIPFA benchmarking data and other projects and providing assistance to staff members who are having issues with the UPM pension's database.
- **Finance and Investments** – responsible for the management of investments and production of the Statement of Accounts.

There are 42 (42.5 in 15/16) full time equivalent (FTE) staff in the Pensions section with 33 (35 in 15/16) staff responsible for pensions administration. This equates to a staff to fund-member ratio of one FTE employee to 2,832 (2,032 in 15/16) Members, based on the total fund membership of 93,440 (86,401 15/16).

Of the remaining 9 staff, 5 are based in the Finance and Investments section and 4 in Employer Liaison and Communication.

During 2017/18 the Fund will introduce a revised structure which will be designed to maximise the service to the customers of the Fund, ensure the quality of data held by the Fund and will allow the pensions section to adopt changing working practices such as flexible and mobile working.

Fund's Membership Profile over a 5 year period

The Fund's membership continues to grow year on year across all membership categories with the number of active members increasing by the largest percentage. It is positive to note that despite continued pressure on public sector and individuals personal finances that the number of active members in the scheme increased year on year, as increasing amount of employers are now obliged to auto-enrol new employees into the scheme.

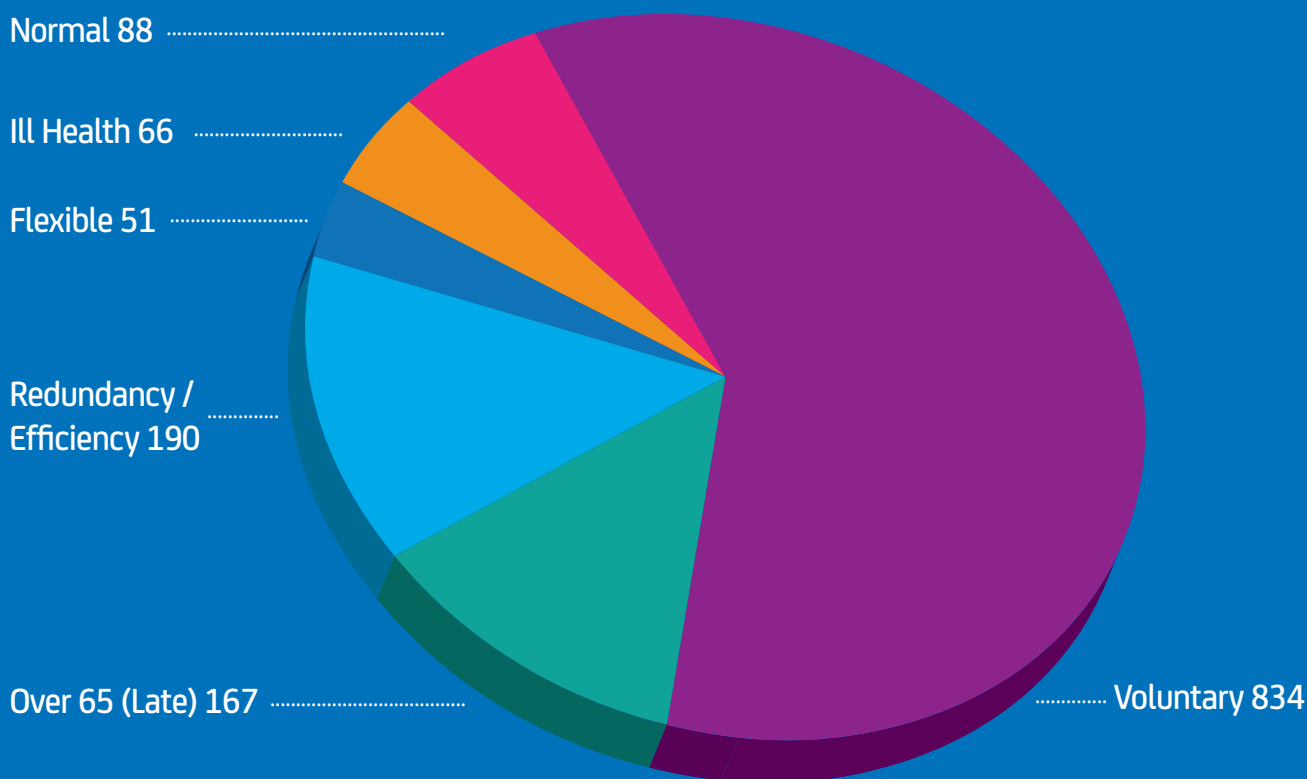
Membership Category (at 31st March each year)	March 2013	% change	March 2014	% change	March 2015	% change	March 2016	% change	March 2017	% change
Actives	30,683	0.7%	31,461	2.5%	34,232	8.8%	35,895	4.9%	39,638	10.4%
Pensioners	23,474	3.6%	24,319	3.6%	24,817	2.0%	25,799	4.0%	26,641	3.3%
Deferreds	23,413	8.0%	24,160	3.2%	24,194	0.1%	24,707	2.1%	27,161	9.9%
Total	77,570	3.7%	79,940	3.1%	83,243	4.1%	86,401	3.8%	93,440	8.1%

The table below summarises the age ranges of the membership over the three categories of Active, Deferred and Pensioner.

Age group	Active		Deferred		Pensioner		Total
	Number	%	Number	%	Number	%	
0-5	0	0	0	0	2	0.01	2
5-10	0	0	0	0	15	0.06	15
10-15	0	0	0	0	42	0.16	42
15-20	222	0.56	2	0.01	77	0.29	290
20-25	1,281	3.23	247	0.91	51	0.19	1,532
25-30	2,507	6.32	1,204	4.43	1	0.00	3,674
30-35	3,348	8.45	2,293	8.44	2	0.01	5,643
35-40	4,274	10.78	2,779	10.23	13	0.05	7,055
40-45	4,732	11.94	3,347	12.32	26	0.10	8,113
45-50	6,788	17.12	4,927	18.14	63	0.24	11,798
50-55	6,818	17.20	5,687	20.94	191	0.72	12,771
55-60	5,807	14.65	4,906	18.06	900	3.38	11,682
60-65	3,049	7.69	1,601	5.89	4,597	17.26	9,211
65-70	650	1.64	147	0.54	6,536	24.53	7,311
70-75	157	0.40	20	0.07	5,526	20.74	5,696
75-80	5	0.01	1	0.00	3,443	12.92	3,449
80-85	0	0	0	0	2,614	9.81	2,614
85-90	0	0	0	0	1,569	5.89	1,569
90-95	0	0	0	0	734	2.76	734
95-100	0	0	0	0	211	0.79	211
100-105	0	0	0	0	23	0.09	23
105+	0	0	0	0	5	0.02	5
Total	39,638		27,161		29,163		93,440

Retirements during 2016/17

There were 1,396 retirements during 2016/17 as summarised in the chart below:



Internal Dispute Resolution Procedure

There are times when Scheme members, employers and the administering authority may find themselves in disagreement about a pension issue. The first approach in these situations is for those involved to talk to each other to reach resolution. However, should this not prove possible, the Fund has established an Internal Disputes Resolution Procedure (IDRP).

The IDRP is a two stage process. When the Fund or an Employer makes a decision about a beneficiaries' benefit under the LGPS rules, if for any reason a member, pensioner, deferred pensioner or potential beneficiary is not satisfied about a decision made they can apply to the employer or the Fund to have their complaint reviewed under a stage 1 of the IDRP.

If the beneficiary is dissatisfied with stage 1 decision they may move to a stage 2 of the IDRP within 6 months of the stage 1 decision.

If after the stage 2 decision the beneficiary is still dissatisfied they can contact The Pensions Advisory Service (TPAS) and ask for their assistance. Where the complaint or dispute cannot be resolved after the intervention of TPAS, the member has three years in which to apply to the Pensions Ombudsman for a decision.

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

Fortunately such instances are few and far between, in the last year no IDRP have been raised against the Administering Authority.



Investment Policy & Performance

Investment Management

Cheshire Pension Fund's assets are managed within the context and framework of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "Regulations"). The regulations require the Fund to publish its Investment Strategy Statement which documents the current investment strategy, provides transparency in relation to how the Fund's investments are managed and acts as a high level risk register. This document can be found on the Fund's website and provides further detailed information about how the Fund manages its assets.

In summary, the Fund manages four distinct investment strategies, with an objective that each of the Fund's 341 scheme employers (252 with active members) has access to an investment strategy that matches and is consistent with their long term funding requirements.

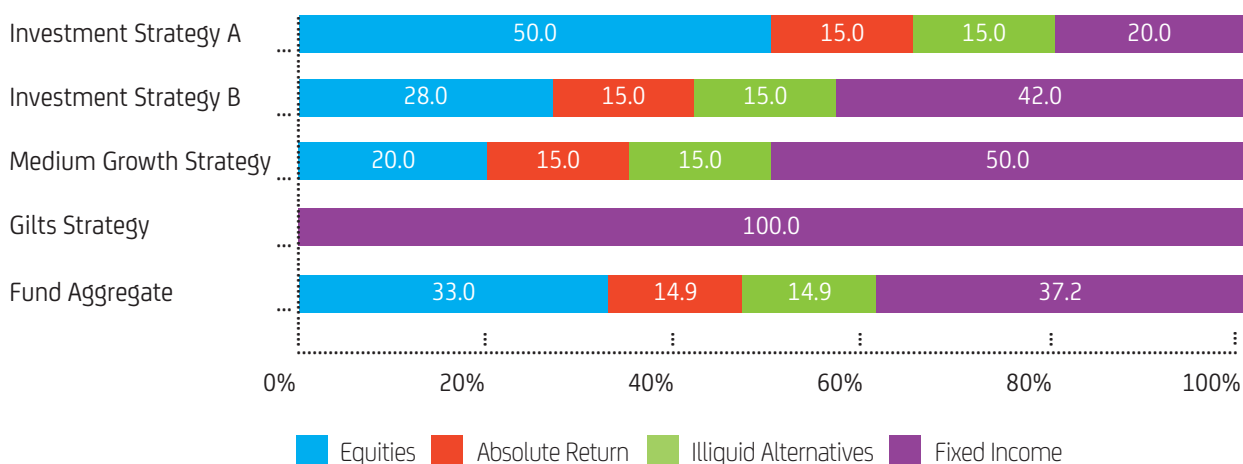
Two of the four investment strategies are managed dynamically, meaning that the level of investment risk can be adjusted if the funding level moves ahead of or behind the long term funding plan. In practice this means that the Fund monitors funding level progression against pre agreed trigger points that can prompt an increase or decrease in the levels of growth and defensive assets. Asset allocations are only adjusted where the change does not have a negative impact on employer contribution rates.

Each investment strategy has a strategic asset allocation which targets the required long term target rate of return, whilst ensuring that the portfolio maintains an acceptable level of risk and provides an appropriate level of diversification. The strategic asset allocation is formally reviewed every three years alongside the actuarial valuation and is considered and approved by the Pension Fund Committee after taking advice from the Fund's professional advisers.

Further details on the Fund's investment strategy, risk management strategy and governance arrangements are available on the Fund's website: www.cheshirepensionfund.org

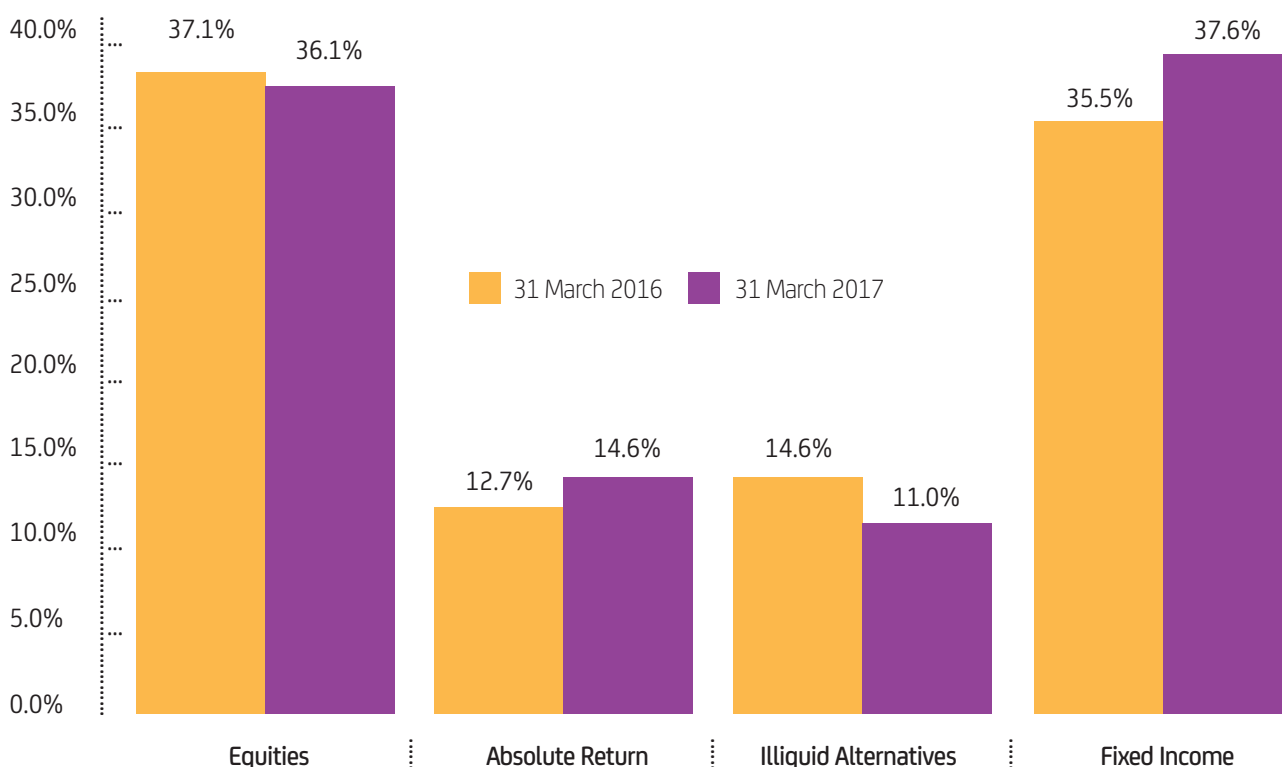
Strategic Asset Allocation

The strategic asset allocations were unchanged during 2016-17. The strategic asset allocation for each investment strategy is shown in the chart below, alongside a weighted aggregated asset allocation at whole fund level.

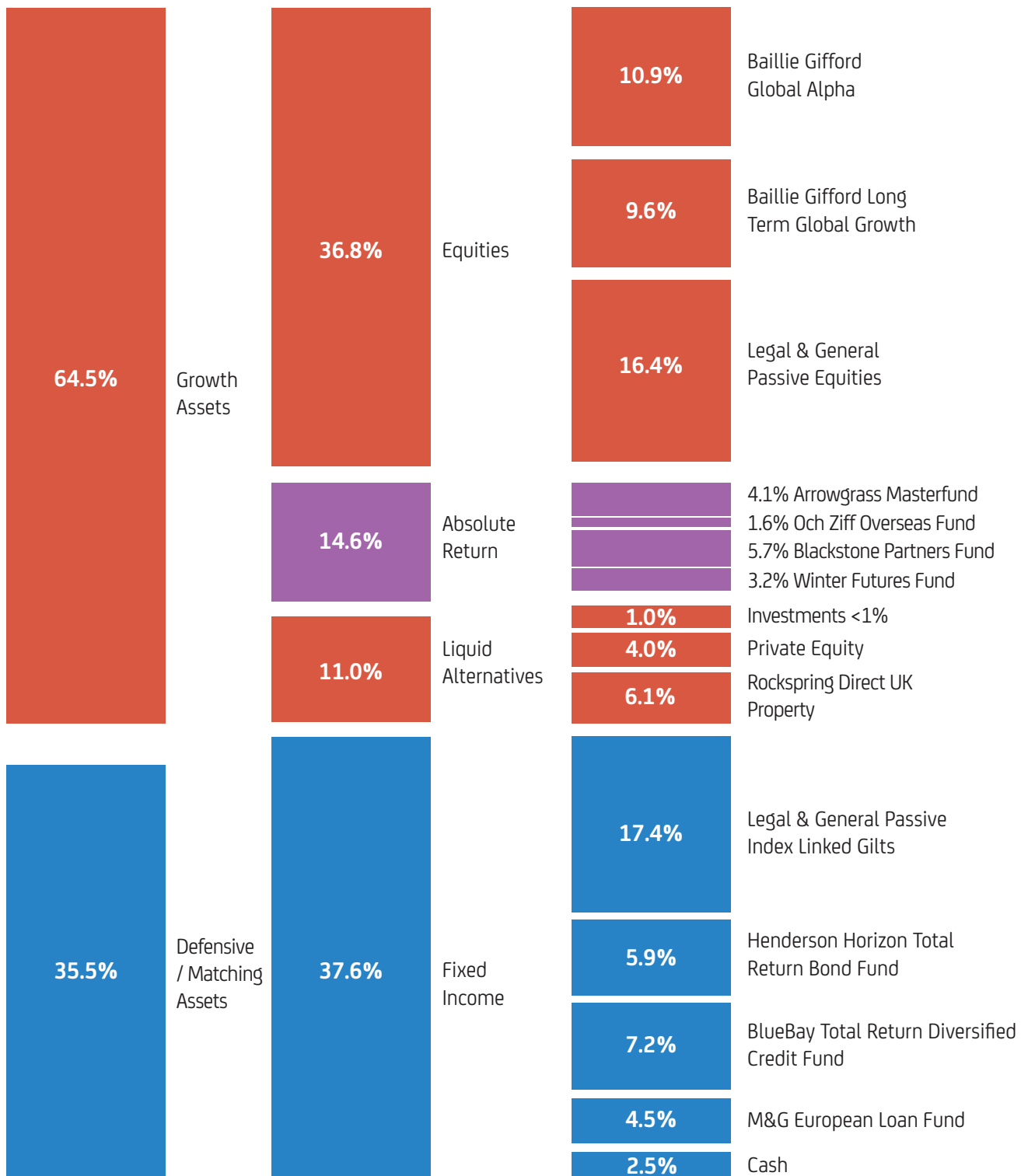


Actual Asset Allocation

The market value of the Fund's investments, cash and other assets, as at 31 March 2017, was £4.980 billion, compared with a value of £4.144 billion as at 31 March 2016. The chart below shows the distribution of assets across the main investment classes. These distributions change year on year as a result of changes to the strategic asset allocation, by the performance of the underlying asset classes and managers and by rebalancing across managers and asset classes.



The detailed distribution of assets by category and by manager at 31 March 2017 is set out in the following chart.



Details of Largest Equity Investments as at 31 March 2017

The table below sets out the fund's 15 largest direct equity holdings. These holdings are managed through the Baillie Gifford Global Alpha and Baillie Gifford Long Term Global Growth mandates..

Top 15 Direct Equity Investments	Market Value at 31 March 2017 (£)	Percentage of Total Fund Assets (%)
Amazon.com Inc	68,735,298	1.4%
Facebook Inc	46,047,283	0.9%
Tesla Inc	40,836,399	0.8%
Tencent Holdings Ltd	38,666,098	0.8%
Alibaba Group Holding Ltd ADR	37,852,215	0.8%
Illumina Inc	34,233,076	0.7%
Alphabet Inc-CLC	32,361,099	0.7%
Baidu Inc ADR	29,949,789	0.6%
Nvidia Corp	21,488,772	0.4%
Industria De Diseno Textil SA	20,645,859	0.4%
Crtip.com International Ltd ADR	19,393,074	0.4%
Royal Caribbean Cruises Ltd	18,497,274	0.4%
AIA Group Ltd	18,492,978	0.4%
Prudential	18,184,404	0.4%
Intuitive Surgical Inc	17,614,498	0.4%

Property Holdings

The Fund holds direct UK property assets totalling £302m in a diversified portfolio of retail, industrial and office properties. This portfolio sits within the allocation to Illiquid Alternatives. The Fund's 10 largest property holdings are shown in the table below.

Property	Sector	£m
City Gateway, Parkville Road, Southampton	Development and Alternative	27.5
154-162 Tottenham Court Road, London	Retail	23.0
Tweedbank Retail Park, Berwick upon Tweed	Out of Town Retail	19.9
Maybrook Retail Park, Sturry Road, Canterbury	Out of Town Retail	19.3
1,3 & 5a/2/4 Haymarket & Humberstone Gate, Leicester	Retail	18.3
South Liberty Lane, Ashton Vale, Bristol	Industrial	18.1
Transigo, Gables Way, Thatcham	Industrial	17.5
Haddenham Business Park, Haddenham	Industrial	16.6
House of Fraser, 11-29 Victoria Street West, Grimsby	Retail	13.7
Waitrose, 110/120 Botley Road, Oxford	Retail	13.4

Economic Background

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

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

Financial markets continue to be sensitive to the actions of the world's major central banks. In the US, the Federal Reserve Bank (the "Fed") matched investors' expectations by increasing its target rate by 0.25% at its December 2016 meeting and then a further 0.25% at its March 2017 meeting. Elsewhere the European Central Bank ("ECB") announced in December 2016 that its extended Quantitative Easing programme would continue until December 2017 at the earliest, albeit at a slightly reduced pace of asset purchases. The ECB subsequently confirmed in the first quarter of 2017 that further stimulus to this is unlikely to be needed in the near term. The Bank of Japan announced an explicit shift to yield curve targeting in September 2016.

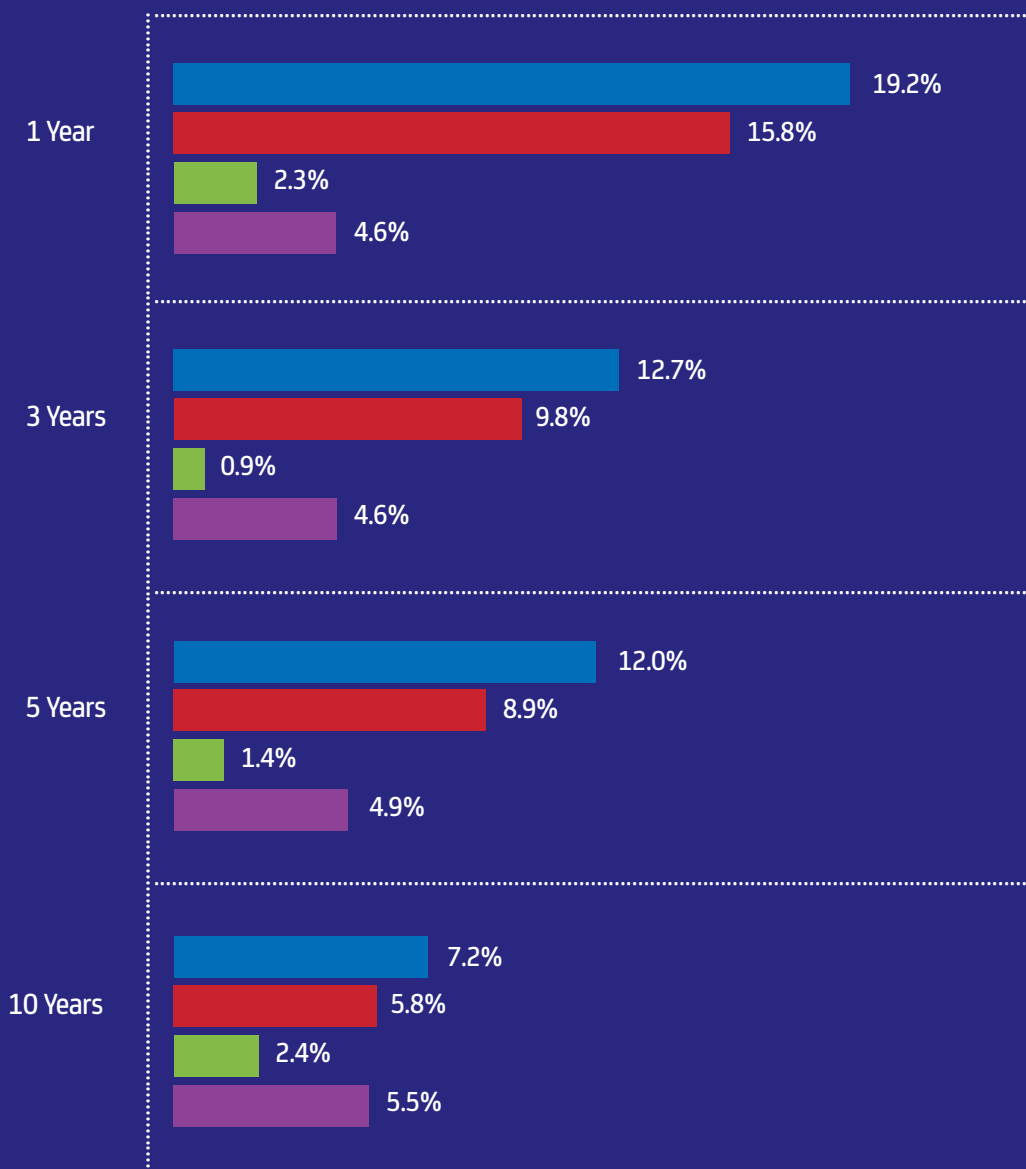
While significant political and economic uncertainty remains following the referendum vote, economists now forecast UK Real GDP growth for 2017 to be 1.7% (a reduction from 2.1% from a forecast before the vote but an increase from 0.7% from the forecast just after) whereas inflation, as measured by the change in the Consumer Price Index, is expected to increase to 2.6% (from 1.6% before the vote) reflecting the depreciation of Sterling¹.

Statistics sourced from Thomson Reuters DataStream unless otherwise specified.

¹ Sourced from Consensus Economics, 10 April 2017

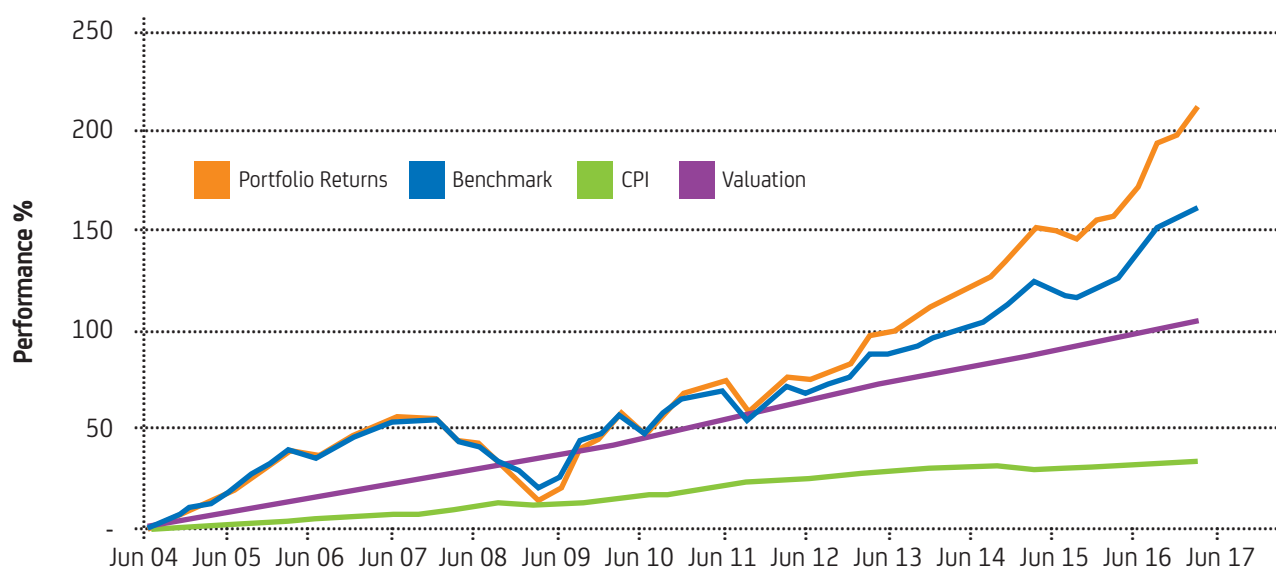
Investment Performance

The Fund uses a tailored benchmark that reflects its specific asset allocation. The following chart shows the performance of the Fund relative to its strategic benchmark, inflation (CPI) and the return assumption used by the actuary as part of the triennial valuation. Returns for periods of greater than 1 year are annualised.



Portfolio Benchmark CPI Valuation

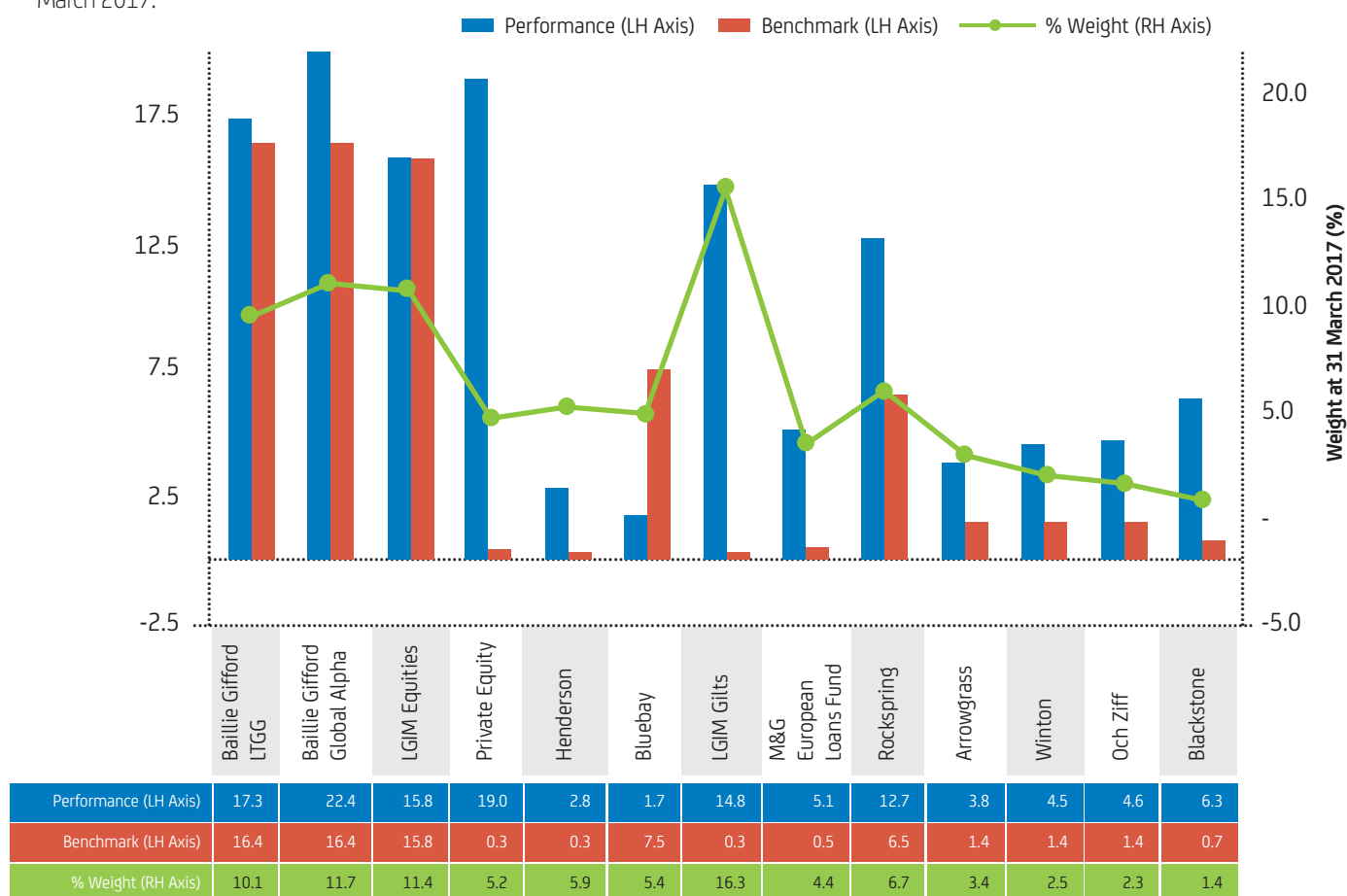
The following chart tracks the cumulative impact of long term fund performance (since the 2004 actuarial valuation) relative to the following key measures; the strategic benchmark, CPI and the return assumptions from each valuation period.



The Fund outperformed versus all relevant measures over all time periods shown.

Appointed Investment Managers

The Fund utilises external investment managers to undertake the day to day management of the Fund's assets. Each manager has a specific benchmark and performance target against which their performance is regularly monitored. The aggregation of each underlying manager's performance provides the total fund return as shown in the previous page. Rolling 3 year performance for each investment manager is shown in the table below, alongside the relevant benchmark. The right hand axis and green line shows the % of assets held by each manager at 31 March 2017.



Notes: Excludes contributions from Managers who are no longer used (at 31 March 2017). Where a manager/mandate has been in place for less than 3 years, annualised return since inception is used. All returns are annualised.

The following table provides further details in relation to each investment manager.

Manager / mandate	Description	Benchmark	Performance total	Inception
Baillie Gifford LTGG	Active global equities	MSCI All World	b/m +3%	2005
Baillie Gifford Global Alpha	Active global equities	FTSE All World	b/m +2%	2011
LGIM Equities	Passive global equities	Tailored b/m	Track index	1993
Private Equity	Private Equity fund of fund and direct	LIBOR	10% per annum	2003
Henderson	Total return fixed income	LIBOR	4% per annum	2012
Bluebay	Multi asset credit	LIBOR	5-10% per annum	2015
LGIM Gilts	Passive index linked gilts	FTSE A Index-Linked > 5 Years	Track index	2013
M&G European Loans Fund	Senior secured loans	LIBOR	b/m+1.75%	2006
Rockspring	UK direct property	BNY Property Median	Outperform index	1988
Arrowgrass	Multi strategy hedge fund	CPI	b/m +5%	2011
Winton	Commodities trading advisor	CPI	b/m +5%	2011
Och Ziff	Multi strategy hedge fund	CPI	b/m +5%	2011
Blackstone	Fund of hedge fund	CPI	b/m +5%	2016

The above tables provide information on those managers that manage fund assets >2%. The Fund also has small allocations with Darwin Leisure Investment Fund, M&G UK Companies Financing Fund and M&G Debt Opportunities Fund.

The private equity mandate is managed by Pantheon Ventures, Adam Street Partners and Lexington.

Investment Fees

The Fund believes in transparency in relation to the fees it pays to investment managers. It believes that it is important to assess the value delivered by asset managers by evaluating fees in relation to investment performance. All returns quoted in this section are net of the fees paid to asset managers. The table below shows the fees paid to managers, including those underlying fees that the Fund is not required to report in the statement of accounts.

Investment Assets	Management Fees	Performance and Other Fees	Underlying fees within Fund of Fund Structures	Total Fees Inc. Underlying	Estimated 12 Month Performance	Net Impact on Asset Value of Investment Returns, minus all fees
	£000	£000	£000	£000	%	£000
Pooled Investment Vehicles	3,496	458		3,954	+20.3%	+ £400 million
Equities	3,120	2,692		5,812	+36.1%	+ £333 million
Absolute Return Funds	6,456	2,675	1,882	11,013	+4.7%	+ £25 million
Private Equity	3,134	-30	4,956	8,061	-6.3%	- £15 million
Investment Properties	857	0		857	+8.3%	+ £27 million
Loans	1,504	1,084		2,588	+7.1%	+ £12 million
Cash and Other	117	0		117	-	-
Total Fund	18,685	6,879	6,838	32,402	+19.2%	+ £782 million

The table shows the fees paid to managers alongside the combined returns of those managers and the net impact (i.e. taking into account both fees and performance) on the value of Fund assets.

Investment Administration and Custody

Whilst the Fund's appointed investment managers make and implement investment decisions, particularly in respect of the purchase and sale of assets, the practical consequences of their decisions in terms of the Fund's rights to, and benefits of, ownership of investments and cash are handled by custodians who are independent of the investment managers.

The Pension Fund's custodian is Bank of New York Mellon who is responsible for custody and safekeeping of assets within the segregated equity mandates managed by Baillie Gifford. The Fund's custodian is also employed to undertake an independent review and validation of the assets held in unit trusts with other investment managers and their own custodians. A full list of the custodians used by the Fund and its investment managers is provided below:

Investment Manager / Sub Fund	Asset Class	Custodian
Baillie Gifford	Segregated Equity	Bank of New York Mellon
BlueBay Asset Management	Fixed Income	Brown Brothers Harriman
Henderson	Fixed Income	BNP Paribas
M&G	Secured Loans	State Street
Arrowgrass	Absolute Return	CITCO Fund Services
Och Ziff	Absolute Return	CITCO Fund Services
Winton	Absolute Return	CITCO Fund Services
Blackstone	Absolute Return	CITCO Fund Services
Legal & General	Passive Equity / Gilts	HSBC

Statement of Responsible Investment

The Cheshire Pension Fund ("the Fund") is a long term investor aiming to deliver a sustainable Pension Fund for all stakeholders.

Cheshire West and Chester Council ("the Council") as the administering authority of the Fund has a fiduciary duty to act in the best, long-term, interests of the Fund's employers and scheme members. The Fund believes that in order to fulfil this duty, it must have a clear policy on how it invests in a responsible manner.

Responsible Investment is a fundamental part of the Fund's overarching investment strategy as set out in the Investment Strategy Statement. That is, to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the scheme. The Fund believes that consideration of Environmental, Social and Corporate Governance ("ESG") factors are fundamental to this, particularly where they are likely to impact on the overarching investment objective.

The Fund's approach aims to ensure that consideration of ESG factors is embedded in the investment process, utilising the various tools available to manage ESG risks and to harness opportunities presented by ESG factors.

The Fund's approved policy on responsible investment is contained within its Investment Strategy Statement which is appended to this document.

Policies Adopted

The Fund adopts a policy of positive engagement with the companies in which it invests in order to promote high standards of corporate governance. It believes that this will help to raise standards across all markets and that this is in the best long term interests of the Fund, its beneficiaries and other stakeholders.

Investment performance is monitored on a quarterly basis and the Fund expects investment managers to engage with companies to address concerns affecting performance.

The Fund believes that the greatest impact on behaviour can be achieved when working together with others. It is a member of the Local Authority Pension Fund Forum (LAPFF) which exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance amongst the companies in which they invest. The Fund actively supports the work of LAPFF and sees this as an important element of its stewardship responsibilities.

The Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds. The Fund delegates responsibility for voting to its appointed investment managers who are required to vote wherever the Fund has a voting interest. Wherever practicable, votes must be cast in accordance with industry best practice as set out in the Combined Code of Corporate Governance with a clear focus on enhancing long term shareholder value.

In order to ensure that the governance practices employed by the Fund's investment managers are aligned to that of the fund, investment manager's quarterly performance reports are required to include a specific briefing on corporate governance, detailing all votes cast on the Fund's behalf. This is reported to the Investment Sub Committee on a quarterly basis and any exceptions or examples non-compliance are addressed directly with the Fund's managers.

The table below summarises the voting activity for the fund over the 12 months to 31st March 2017:

	UK	Overseas	Total	%
Number of Companies	12	117	129	N/A
Votes Cast in Favour	198	1,313	1,511	93.1
Votes Cast Against	8	83	91	5.6
Votes Abstained / Withheld	7	14	21	1.3
Total number of Resolutions	213	1,410	1,623	100.0

Statement of Compliance with the UK Stewardship Code for Institutional Investors

The Fund is committed to the UK Stewardship Code and is developing a statement of compliance for assessment by the Financial Reporting Council. This draft statement is provided within the Investment Strategy Statement (Responsible Investment Policy).

Myners' Principles

The Myners' Principles are a set of principles for good investment governance, originally created in 2001 and subsequently updated in 2008. Local government pension funds are required to produce a statement in their annual report regarding compliance with these Principles on a 'comply or explain' basis.

The Myners' Principles are:

Principle 1: Effective Decision-Making

Principle 2: Clear Objectives

Principle 3: Risk and Liabilities

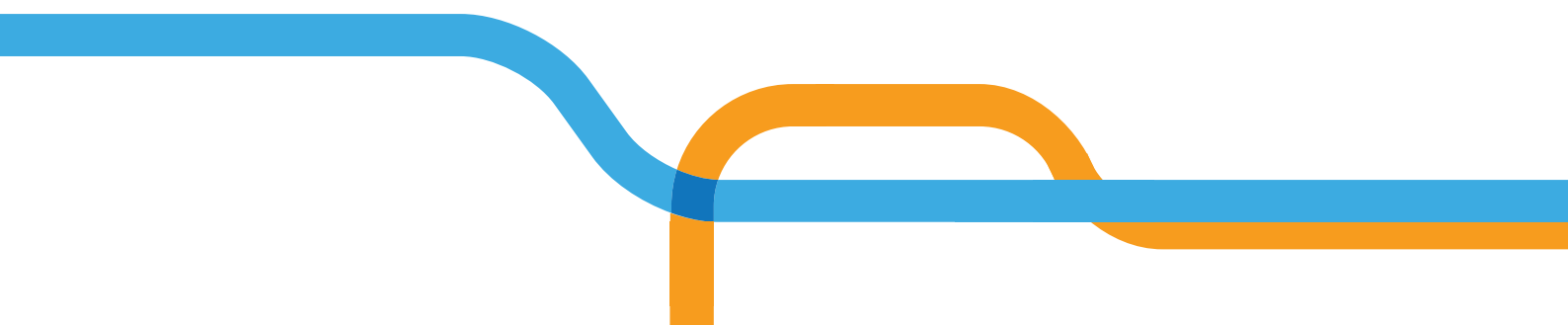
Principle 4: Performance Assessment

Principle 5: Responsible ownership

Principle 6: Transparency and Reporting

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

Principle	Evidence of Compliance
<p>Principle 1 Effective Decision Making:</p> <p>Administering authorities should ensure:</p> <ul style="list-style-type: none"> • That decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and • That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. 	<p>Compliant</p> <p>Decisions are taken by the s151 officer who is ultimately responsible for the management of the Cheshire Pension Fund. The s151 officer is advised and supported by the Pension Fund Committee. Both the s151 officer and the Committee receive advice from professional actuarial and investment advisers to ensure they are familiar with the issues concerned when making decisions.</p> <p>The s151 officer and the Committee are able to make robust challenges to advice and are aware of where potential conflicts of interest may reside in relation to service providers.</p>
<p>Principle 2 Clear objectives:</p> <p>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 advisers and investment managers.</p>	<p>Compliant</p> <p>The Fund has established investment which takes account of the nature of Fund liabilities and the contribution strategy. This involves discussions with the Actuary to enable the s151 Office and the Committee to set the overall risk budget for the Fund. This is reflected in the investment mandates awarded to the asset managers.</p> <p>There is dialogue with admitted bodies within the Fund in relation to the contributions they pay, their capacity to pay these contributions and the level of guarantees they can provide.</p>
<p>Principle 3 Risk and liabilities:</p> <ul style="list-style-type: none"> • 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 taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk. 	<p>Compliant</p> <p>The investment strategy is considered in the light of the nature of the Fund liabilities, the timescale over which benefits will be paid, and financial and demographic factors affecting the liabilities, such as inflation and improving longevity.</p> <p>The Committee and Council officers have discussed the contribution strategy with the Actuary taking account of the strength of covenant of the Council and its long term horizon. Discussions have also taken place with admitted bodies in relation to the affordability of contributions and the strengths of their covenants.</p>



Principle	Evidence of Compliance
<p>Principle 4 Performance assessment:</p> <ul style="list-style-type: none"> • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members. 	<p>Partially compliant</p> <p>The performance of the Fund and its individual managers are monitored on a regular basis.</p> <p>The quality of advisers is assessed on a qualitative basis and is subject to periodic retender in order to ensure value for money.</p> <p>The Pension Fund Committee does not yet have a formal process in place to measure its own effectiveness.</p>
<p>Principle 5 Responsible Ownership:</p> <p>Administering authorities should</p> <ul style="list-style-type: none"> • adopt, or ensure their investment managers adopt, the Financial Reporting Council's (FRC) Stewardship Code 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. 	<p>Compliant</p> <p>The Fund encourages its investment managers to adopt the Financial Reporting Council's (FRC) Stewardship Code on the responsibilities of shareholders and agents on the Fund's behalf but not all of the managers comply fully with the ISC Principles.</p> <p>This Statement of Investment Principles includes a statement on the Fund's policy on responsible ownership.</p>
<p>Principle 6 Transparency and Reporting:</p> <p>Administering authorities should</p> <ul style="list-style-type: none"> • 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. • should provide regular communication to scheme members in the form they consider most appropriate. 	<p>Compliant</p> <p>The Pension Fund Committee maintains minutes of meetings which are available on the Council website.</p> <p>The Council holds a formal annual meeting for members and also meets periodically with sponsoring employer bodies. A member representative attends Committee meetings.</p> <p>The Investment Strategy Statement is published on the Fund's website and is available to members on request. Other information on the Scheme is available to members on the Fund's website.</p>

Investment performance – link to 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 Funding Strategy (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

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

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return
- 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.

How does contribution rate vary for different employers?

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

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. 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 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" should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

The current stabilisation mechanism applies if:

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

On the basis of extensive modelling carried out for the 2016 valuation exercise, the stabilised details are as follows:

Type of employer	Stabilisation Mechanism
Tax Raising bodies excluding Cheshire East Council (including Police and Fire and Parish Councils)	+0.5%pa/-0.5%pa
Cheshire East Council	+1.5%pa/-0.5%pa
Higher/Further Education Establishments	+2.0%pa/-0.5%pa
Academies	Same stabilisation as ceding local authority

All other employers were set an appropriate individual employer rate based on their own individual characteristics. This contribution rate may be different to their theoretical contribution rate. Any deviation will be based on their own circumstances and a range of factors including (amongst other things) their perceived security or covenant, any budgetary constraints that they may be bound by, their likely time horizon as an LGPS employer etc.

The minimum contributions to be paid by each employer from 1 April 2017 to 31 March 2020 are shown in the Rates and Adjustment Certificate which is available on the Funds website as an appendix to the 2016 Actuarial Valuation Report

Governance Arrangements

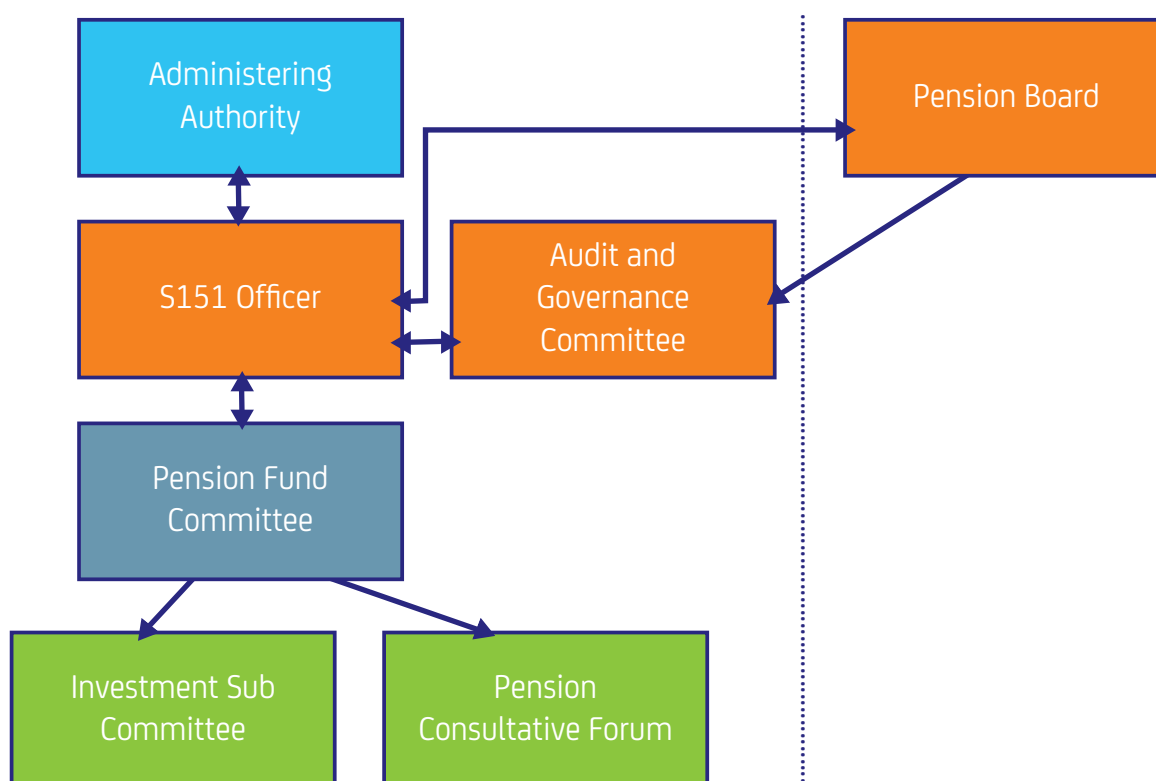
Overall responsibility for managing the Fund lies with the full Council of Cheshire West and Chester Council who have delegated the management and administration of the Fund to the Section 151 Officer.

The Full Council reviews the discharge of its responsibilities through the Council's Audit and Governance Committee.

The Local Pension Board assists the Council to deliver efficient governance and administration of the Pension Fund responsibilities through the Council's Audit and Governance Committee.

The section 151 Officer is advised by the Pension Fund Committee and also takes appropriate advice from the Council's Director of governance, the Fund actuary and from the strategic Investment Advisor.

The Pension Fund Committee receives recommendations from the Investment Sub Committee and the Pensions Consultative Forum (PCF) to enable it to discharge its responsibilities effectively.



The Pension Fund Committee

The Pension Fund Committee's key responsibilities are to advise the s151 Officer on the management of the Cheshire Pension Fund, including the management of the administration of the benefits and strategic management of Fund assets, taking advice from a strategic and actuarial investment advisor. **The Committee principally fulfil this responsibility by:**

- Meeting quarterly, or otherwise as necessary, to effectively monitor the management and administration of the Fund;
- Monitoring investment policy and monitor overall investment performance;
- Overseeing the appointment and termination of investment managers;
- Reviewing performance benchmarks and targets for investment managers;

- Reviewing the funds governance arrangements and the effective use of its advisors to ensure good decision-making;
- Overseeing the Pensions Consultative Forum (PCF) arrangement and compliance with best practice;
- Receiving recommendation from the (PCF) on ways to improve the administration and communication between the scheme, its employers and members; and
- Reviewing and advising on the development of a Statement of Investment Principles, Funding Strategy Statement, Communication Policy, Administration Policy, Governance Compliance Statement and publish a Pension Fund Annual Report.

The Committee receive recommendations from the Investment Sub Committee and the Pensions Consultative Forum (PCF) to enable it to discharge its responsibilities effectively.

The Investment Sub-Committee

The Sub Committee comprises 5 members of the Full Committee and ensures that the Pension Fund Committees limited governance time is utilised in the most efficient manner, with this sub-committee focusing on more complex investment issues.

- On a quarterly basis, review the performance of the Pension Fund and the Fund Managers against the objectives, benchmarks and targets set.
- Receive and consider any investment manager or service provider issues escalated to the Sub Committee by key officers.
- After taking appropriate advice, identify and implement any tactical asset switches (within ranges prescribed by the Pension Fund Committee).
- Receive reports from the Fund's investment managers and other service providers on issues that may impact the Fund's investment strategy and objectives and consider if, and to what extent, any recommendations to the Pension Fund Committee may be necessary to ensure the efficient and effective performance of the Pension Fund.

The Local Pension Board

The role of an LGPS Board is defined by Public Service Pensions legislation and Regulations. **The Board's aim is to assist the Administering Authority to ensure the effective and efficient governance and administration of the LGPS, including:**

- securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
- Securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
- Such other matters as the LGPS regulations may specify.

The Board will ensure it effectively and efficiently complies with the Guidance issued by the LGPS Scheme Advisory Board and may determine the areas it wishes to consider including:

- Meeting for a minimum of two occasions during a twelve month period.
- Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
- Monitor complaints and performance on the administration and governance of the scheme.
- Review the implementation of revised policies and procedures following changes to the Scheme.
- Review the arrangements for the development of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- Review the exercise of employer and administering authority discretions.
- Review the outcome of internal and external audit reports, review draft accounts and scheme annual report.
- Any other area within the core function (i.e. assisting the Administering Authority) the Board deems appropriate.

Pension Consultative Forum

The Fund is keen for all stakeholders to participate in the efficient and effective administration of the Fund and achieves this through the Pension Consultative Forum which consists of employer representatives from Local Authorities, Council Owned Companies, Cheshire Police, Fire and Rescue Authorities, Parish and Town Councils, Housing Associations, Admitted Bodies, Academies, Colleges and the Trades Unions. The Forum allows the Fund's stakeholders to bring their own perspective to the management of the Fund. The Forum's key responsibilities are set out below.

The Forum determine the frequency of meetings up to a maximum of four per year or otherwise as necessary to:

- Consult on and review performance against the fund's administration strategy to ensure that it clearly outlines all responsibilities of both the fund and employers including any applicable charges/penalties for non-compliance;
- Consult on and review performance against the fund's communication policy and suggest improvements for the efficient and effective flow of information between the fund and employers
- Make and implement recommendations on the administration strategy and communication policy of the fund
- Assist the fund and employers to comply with all requirements of the Pensions Regulator's Code of Practice No 14 Governance and Administration in Public Sector Pension Schemes, in particular reporting breaches of the law and record keeping.

Representation

Representation on the Pension Fund Committee, the Investment Sub Committee, The Local pension Board and the Pension Consultative Forum.

Pension Fund Committee		
The Committee has the following membership:		
Cheshire West and Chester Council	Elected Members	4 (voting rights)
Cheshire East Council	Elected Members	4 (voting rights)
Warrington Borough Council	Elected Members	1 (voting rights)
Halton Borough Council	Elected Members	1 (voting rights)
Employee representative	Union Representative	1 (non-voting rights)
Cheshire West and Chester Council as Administering Authority ensure that the correct political balance is maintained.		
Decisions are made by a clear majority and the Chairman of the Committee has a casting vote should there be equality in the voting.		

Investment Sub-Committee		
The Sub-Committee has the following membership:		
Cheshire West and Chester Council	Elected Members	2
Cheshire East Council	Elected Members	2
Warrington or Halton Borough Council	Elected Members	1
Cheshire West and Chester Council as Administering Authority ensure that the correct political balance is maintained.		
The ISC are not a decision making body and make recommendations to the main Pension Fund Committee.		

Local Pension Board

The Board has the following membership:

- An Independent Chairperson (Appointed by Administering Authority after nominations and appointment process).
- 2 employer representatives (with voting rights)
- 2 member representatives (with voting rights)
- 1 Independent (no voting rights).

Pension Consultative Forum

The Forum has the following membership:

- A Chairperson (who may also be the Chairperson of the LPB).
- An Employee Representative
- Up to two representatives from Cheshire West and Chester Council
- Up to two representatives from Cheshire East Council.
- One representative each from Warrington and Halton Borough Councils
- One employer representative from Cheshire Police, Cheshire Fire & Rescue, Academies, Colleges, Admitted Bodies, and the Housing Trusts.

Governance Compliance Statement

Principle	Cheshire Pension Fund	Compliance
Structure		
The Management of the administration of benefits and strategic management of the fund assets clearly rests with the main committee established by the appointing council.	The Pension Fund Committee established by the Administering Authority has clear terms of reference.	Partial
The representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee.	Cheshire West and Chester Council is compliant with these principles; the Main Committee includes a member representative. The Local Pension Board includes employer and member representatives. The Pensions Consultative Forum comprises of other Councils, GMB, council owned companies, Police and Fire, Academies, Colleges, Housing Trusts and Admitted Bodies.	Partial
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	The Pension Consultative Forum (PCF) is Chaired by the Local Pension Board Chairman and the Union representative from the Pension Fund Committee is also a member of the PCF. Officers who attend both the PFC and the LPB will also attend the PCF ensuring effective communication between the groups.	Full Compliance April 2009
Where a secondary committee or panel has been established, at least one seat of the main committee is allocated for a member from the secondary committee or panel.	The Pension Consultative Forum (PCF) is Chaired by the Local Pension Board Chairman and the Union representative from the Pension Fund Committee is also a member of the PCF.	Full Compliance April 2009

Principle	Cheshire Pension Fund	Compliance
Representation		
<p>That all key stakeholders are afforded the opportunity to be represented within the main or sub-committee. These include:</p> <ul style="list-style-type: none"> • Employing authorities • Admitted Bodies 	<p>Scheme Employers, Housing Trusts, Academies, Colleges and Admitted Bodies will be represented on the PCF.</p>	<p>Full Compliance April 2009</p>
<ul style="list-style-type: none"> • Scheme Members (including deferred and pensioner scheme members). 	<p>The main committee and the PCF include a trade union representative.</p>	<p>Partial</p>
<ul style="list-style-type: none"> • Independent professional observers 	<p>The committee has expert advisors attending each meeting, however, we are currently reviewing this area in particular and looking at the profile and experience required for an independent advisor to compliment and add value to the proposed structure going forward.</p>	<p>Under Review Partial Compliance</p>
<p>Expert advisors (on an ad hoc basis)</p>	<p>Expert advisors attend each Committee meeting. For example, the actuary attends periodically when the valuation, and other issues are being considered, and the investment consultant attends each meeting.</p>	<p>Full Compliance</p>
<p>The policy on voting rights is clear and transparent.</p>	<p>To date all decisions have been reached by consensus, but voting rights remain with councilors on the main committee because the Council retains legal responsibility as the administering body. Neither the LPB nor the PCF have any voting rights as they are not members of the administering body.</p> <p>However, the PCF chairman and Employee representative are members of the main board, and will bring the perspectives of all stakeholders on the PCF to the main committee.</p>	<p>Full Compliance</p>

Principle	Cheshire Pension Fund	Compliance
Training / Facility Time / Expenses		
That 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 re-imbursement of expenses in respect of members involved in the decision making process.	There is a clear published policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.	Full Compliance
Where such a policy exists, it applies equally to all members of the main and sub committees.	The policy applies equally to all members on the main and sub committees.	Full Compliance
Meetings (Frequency / Quorum)		
The main committee meets at least quarterly.	The main committee meets quarterly with additional special meetings as and when required.	Full Compliance
<p>The sub-committee and Board meet at least four times per year and the meetings are synchronised with the dates when the main committee sits.</p> <p>The PCF will also meet up to a maximum of four times per year.</p>	Meetings take place quarterly and are synchronized with the main committee meeting dates.	Full Compliance April 2009
Access		
That subject to any rules in the council's constitution, all members of main and secondary committees, Board or forum have equal access to committee papers, documents and advice that is considered at meetings of the main committee.	The sub-committee, Board and Forum documents are reported to the PFC. The Board will review the Committee, sub-committee and Forum minutes on a regular basis, except where reports are deemed to be confidential (such as ongoing/open fund manager appointment reports). The forum will be presented with Committee and Board papers as necessary in accordance with their work plan.	Full Compliance April 2009
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Cheshire West and Chester is fully compliant with this principle by bringing investments, administration, benefits and wider governance issues under the remit of the Committee. In future the introduction of the sub-committee allowed the main committee to focus on the wider management of the fund.	Full Compliance
Publicity		
That the administering authority has published details of their governance arrangements in such a way, that those stakeholders with an interest in the way the scheme is governed, can express an interest to be part of those arrangements.	Cheshire West and Chester is fully compliant with this principle by publishing statements in the Annual Report and our Website.	Full Compliance

Member Training

In relation to elected Member Training, the Cheshire Pension Fund's objectives are to ensure that:

- Those persons charged with the financial management and decision-making with regard to the LGPS Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them;
- Those persons responsible for the day-to-day administration and running of the Fund are appropriately equipped with the knowledge and skills required to discharge their duties and responsibilities in relation to the Fund;
- Those persons responsible for providing governance and assurance of the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, to ensure their decisions are robust and soundly based, and to manage any potential conflicts of interest

To help meet these objectives the Fund has published a Training Policy, which details the training strategy for members of the Pension Fund Committee (PFC) the Local Pension Board (LPB), and Senior Officers involved in the management of the Fund.

The Training Policy was reviewed and updated in 2015-16 and the revised policy has been formally adopted by both the PFC and the LPB.

The Fund fully supports the use of the CIPFA Knowledge and Skills Framework, and The Pensions Regulator's Code of Practice and adopts the principles contained in both publications in relation to the Fund.

The Training Policy highlights how the Fund seeks to achieve those principles through use of a rolling Training Plan together with regular monitoring and reporting. In order to establish a benchmark of existing knowledge and understanding, the PFC and LPB members and officers completed the CIPFA knowledge and skills framework questionnaire, to measure the existing knowledge base of those involved in the governance of the Fund. Following completion of this exercise, the Fund has developed rolling 2 year training and skills programme for both the PFC and the LPB

The training programme will be delivered jointly to members of the PFC and the LPB wherever possible. Further details on training undertaken by members of the LPB can be found in the LPB's Annual Report.

The programme is delivered on a quarterly basis by industry experts and external advisors and is directly linked not only to the knowledge and skills framework and the Pensions Regulator's Code of Practice but also any other key activities that will be of interest to the Funds employers and members.

In addition to this formal programme the Fund will supplement these pre-defined sessions with additional training and education to reflect current issues e.g. specific asset classes in advance of a procurement process, and seminars and conferences held by industry recognised professionals and the Funds existing advisors and fund managers.

During 2016-17 the following sessions were held for all members of the PFC:

Date	Topic	Delivered by
13 May 2016	Local Investing Accounting and Auditing Standards	Mercer, Grant Thornton, Officers
25 November 2016	2016 Valuation Investment Strategy Review	Hymans Robertson, Mercer
24 January 2017	LGPS Central Pool – Stakeholder Event	LGPS Central – Programme Board, Councillor Roger Phillips – Scheme Advisory Board, Baillie Gifford, Teresa Clay - DCLG Robertson
3 March 2017	Investment Risk Management Framework and Booklet	Mercer

In addition to the above formal training arranged by Cheshire Pension Fund, 1 or more PFC members attended the following external training course and events, which include an element of training:

- LGC Investment Summit 8-9 September 2016
- LGC Investment Seminar, 2-3 March 2017

The PFC has designated the section 151 Officer to be responsible for ensuring that the policy in respect of training and education is implemented.

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

Mark Wynn

Director of Corporate Services, S151 Officer

Local Pension Board – Annual Report 2016-17

Introduction

Welcome to the second annual report for the Local Pension Board (LPB) for the year ending 31 March 2017.

The Board has continued in its role of assisting the Administering Authority with the efficient management of the Fund and ensuring its compliance with regulations and best practice.

A suite of detailed performance information is produced for the Board on a quarterly basis in order to allow it to assess how the Fund is performing and to make any necessary recommendations. The Performance Management Framework (PMF) as it is known, was introduced in October 2016.

The Board has met five times in the last year and members have attended joint training sessions with the Committee in order to maintain and develop knowledge and understanding in key areas such as the triennial valuation and production of the Funding Strategy and Investment Strategy Statements. This knowledge has allowed the Board to satisfy itself that the Fund has managed these key areas compliantly and effectively.

Members of the Board also attend regular external events run by experts on the pensions industry both to help to maintain expertise but also to keep up to date with current issues facing the industry.

The Board continues to monitor the Fund's progress on compliance against the Pensions Regulators Code of Practice Number 14, and receive regular update from Officers at each meeting. The Board also maintain an overview of the work of the Scheme Advisory Board and its Sub-Committees so that it can ensure that the Fund is dealing effectively with the relevant issues at local level.

During the year Mike Dixon resigned as the Employer Representative for personal reasons. Mike was a founder member of the Board and his knowledge and experience has helped to ensure that the Board is effective and adds value to the Fund. The members of the Board and the Fund would like to thank Mike for his valuable contribution and wish him well for the future.

The Fund invited expressions of interest from all participating scheme employers in order to fill the vacancy left by Mike's departure. Following an interview process which took place in February the position of Employer Representative was offered to, and accepted by Adrienne Laing, who is the Director of Finance and Resources at Bridgewater High School. Adrienne's tenure will commence from 1 April 2017 and the Board would like to welcome her to Fund.

The Board places a great importance on being open and transparent. A wealth of information relating to the Board, including minutes of meetings, can be found on the fund's website using the link below. There is also a facility for members to contact the Board should you have any questions/issues they would like to raise: www.cheshirepensionfund.org/?page_id=5091

A summary of the work undertaken by the Board, along with information about the work plan for the year ahead can be found in this section.

Peter Raynes
Local Pension Board Chairman

Details of Membership

The Board consists of 5 members, 2 member representatives and 2 employer representatives as well as an Independent Chair. All members are unpaid volunteers. Further information, including biographies of each member is available on the website.

Type	Name	Delivered by
Employer	Michael Dixon*	Cheshire Community Action
Employer	CLlr Robert Bisset	Cheshire West and Chester Council
Member	Geoff Wright	UNISON
Member	Neil Harvey	GMB
Member	Peter Raynes	Independent (non-voting)

*Michael Dixon stood down from the Local Pension Board on the 20 October 2016 for personal reasons.

The Pension Fund invited expressions of interest from Employers of the Fund to fill the Employer Representative vacancy and, following an interview process, Adrienne Laing was appointed with effect from 1 April 2017.

*Michael Dixon stood down from the Local Pension Board on the 20 October 2016 for personal reasons.

The Pension Fund invited expressions of interest from Employers of the Fund to fill the Employer Representative vacancy and, following an interview process, Adrienne Laing was appointed with effect from 1 April 2017.

Summary of 2016/17 and plans for 2017/18

It has been another busy year for the Board in continually seeking ways of supporting the Fund and helping to improve the quality of service provided to the members and employers. Below is a summary of key achievements during the year and the Board's plans for the year ahead.

Performance Management Framework

In October 2016 the Board received the first version of the Performance Management Framework (PMF). The PMF captures key performance information from across the Fund, including administration, finance, HR, complaints, debt recovery and feedback from external sources.

The framework is updated on a quarterly basis and provides comparator information from prior quarters to allow the Board to determine the extent of any changes between the periods.

The framework will satisfy a number of purposes:

- It allows the Board to monitor performance against the outcomes identified in the Fund's Business Plan.
- It provides supporting evidence to demonstrate compliance with regulations and best practice, and;
- It provides a focus for further improvements.

The Framework includes a summary page which denotes the overall status of the Fund's performance using the traffic light system. Each area of the framework also contains its own rating with specific 'rules' for how the RAG status has been determined. The Board have reviewed these 'rules' and requested amendments which have been implemented.

The Board will review the framework on a quarterly basis and will make any necessary recommendations to the Pension Fund Committee as necessary in order to improve the performance of the Fund.

Breaches Policy/Log

The Board continues to have a critical role in the Breaches process. The Breaches Log is updated on a monthly basis with any new breaches identified. In the first instance Officers investigate the breach (seeking expert opinion as and when required) and make a recommendation to the Board advising them whether Officers consider that the breach should be reported to the Pensions Regulator.

The Board then provide their own opinion within 3 days and the log is then sent to the Director of Governance who is the responsible person as set out in the breaches policy for a final decision.

In addition to reviewing the breaches log on a monthly basis the Board also review the entire breaches log on a quarterly basis in order to identify any trends which require further investigation. The Breaches policy and Breaches Log are available on the Fund's website.

There have been 33 new breaches identified during 2016/17, the majority of which relate to late payment of contributions.

Scheme Advisory Board

The Board monitors the work of the Scheme Advisory Board and its Sub-Committees, to ensure that the Fund is dealing with the relevant issues as part of day to day business.

The Pensions Regulator – Code of Practice

The Fund continues to make progress in ensuring compliance with the Code and the Board have received regular updates on this over the past 12 months. The Fund identified 3 specific areas which, although compliant, required further improvement and officers have been working to improve systems and processes over the past 12 months.

The 3 areas which required further improvement, along with a summary of the action taken by the Fund, is outlined in the table below.

Areas identified	Cheshire Position
Internal controls	Although the fund has established systems and process of internal control was no overarching document which summarised the control framework as a whole. The fund has reviewed its strategic risk register and developed a summary of the systems and processes of internal control against each one.
Scheme record-keeping	The fund has reviewed the detailed requirements of each piece of applicable legislation related to record-keeping in order to ensure that it is complies fully with each one. A Data Management Strategy is in the process of being developed.
Timely and high quality communications to members	The fund has reviewed the applicable legislation in order to ensure compliance with disclosure requirements. Processes have been updated to ensure that all disclosure requirements are met.

The areas outlined above are aligned to the Pension Regulator's own priorities as set out in their Corporate Plan 2016-2019 document, (pages 15 and 21).

Ethical and Responsible Investing

The Pension Fund has redrafted its Investment Strategy Statement, which now includes a specific Policy document on Responsible Investing. The Fund undertook a series of training sessions and meetings with both the Board and the Committee to ensure that all relevant investment issues and considerations were discussed, and that the Committee's views were captured within the final documents.

Joint Chairs Meetings

The Chairman of the Board and the Pension Fund Committee continue to meet on a quarterly basis to discuss common issues. This allows the Chairs to agree how issues should be taken forward thereby ensuring that the work of the Board complements and assists the Administering Authority, and avoids duplication of effort.

Pensions Consultative Forum

The Pensions Consultative Forum was relaunched during the year and held its first meeting on the 29 June 2016. The Forum's membership is made up of representatives from the main employers and employer groups within the Fund. Peter Raynes is also the Chair of the PCF providing a clear link between the Board and the Forum. The Forum's role is to work with the Fund to ensure that it delivers an efficient service for all stakeholders. The group met 3 times during the year and has made some key recommendations for improving the administration and communication of the Fund.

Attendance at Committee Meetings

Given that the role of the Board is to assist the Fund in ensuring compliance with laws and regulations, which extends to include assurance that the Committee is carrying out its functions effectively, Board members will attend Committee meetings in an observer capacity as required.

Attendance at Meetings

The terms of reference for the Board state that there should be a minimum of 2 meetings per year. However, at its first meeting members of the Board elected to meet a minimum of 4 times per year. There were 5 meetings held during 2016-17. The table below summarises the meetings which have taken place including attendance by members of the Board.

	19 Apr 16	07 Jun 16	19 Jul 16	25 Oct 16	31 Jan 17
Peter Raynes	✓	✗	✓	✗	✓
Michael Dixon	✓	✓	✓		
Cllr Rob Bisset	✗	✗	✓	✓	✓
Geoff Wright	✓	✓	✓	✓	✓
Neil Harvey	✓	✓	✓	✓	✓

Member Engagement

The Board has a facility on the Fund's website to allow members to contact them with any questions. The Board received 6 questions from a pensioner member via this facility during the year on a variety of topics and provided a response to each one.

2017/18 Work Plan

In 2017/18 the Board will be looking to build on the strong performance of 2016/17 and actively seek ways that it can assist the Administering Authority. One such area will be the promotion of the 50:50 option within the scheme which allows members to pay 50% of the contribution for 50% of the pension benefit, although they retain the full death and ill health benefits that the LGPS provides. The Board will also be seeking to assist with the promotion of Additional Voluntary Contributions (AVCs) for members to build up a cash lump sum upon retirement without having to give up any pension.

The Board will continue with its compliance role in ensuring that Fund documents are produced and updated in line with statutory and best practice guidance. Examples of such documents are the Statement of Accounts, the Funding Strategy Statement, Investment Strategy Statement, Breaches Policy, Administration Strategy and Communications Policy.

The Board also undertake annual reviews of their own policies, such as the Terms of Reference and Code of Conduct Policy, to ensure that they remain fit for purpose.

This will allow the Pension Fund Committee to concentrate on making decisions safe in the knowledge that the fund is compliant with statutory and best practice and that any areas for development will be highlighted to them by the Board.

The meeting on the 7 June was dedicated to the review of draft Statement of Accounts for 2015/16 to ensure that they had been produced in accordance with statutory requirements and best practice.

The meeting took place ahead of the Pension Fund Committee's own review of the draft accounts which took place on the 10 June. A member of the Board also attended the Pension Fund Committee meeting and was also able to ensure that the Committee discharged its duty of reviewing the accounts.

Skills and Development Activities

Following the introduction of the Local Pensions Board, along with the appointment of some new members to the Pension Fund Committee as a result of the 2015 election, a joint training policy was introduced.

The Board and Committee have attended several joint training sessions during the year which have helped to Board to gain assurance that the Committee decision making processes are robust and properly informed, and are in accordance with regulations and best practice.

Board members also attended a Stakeholder training session which was delivered by the LGPS Central Pool and included details of the progress made to date, the investment structure and the governance model.

A summary of the training provided for the Board, including attendance, during 2016-17 is shown below.

Date	Topic	Delivered	Attendees
13 May 2016	Local Investing Accounts and Auditing Standards	Mercer Grant Thornton	Peter Raynes Cllr Robert Bisset Mike Dixon Geoff Wright Neil Harvey
25 November 2016	2016 Valuation Investment Strategy Review	Hymans Robertson Mercer	Peter Raynes Geoff Wright Neil Harvey
24 January 2017	LGPS Central Pool	Scheme Advisory Board DCLG Baillie Gifford Programme Board members	Peter Raynes Neil Harvey
3 March 2017	Investment Risk Management Framework	Mercer	Peter Raynes



Board members will also attend external conferences and seminars in order to maintain knowledge and also to keep up to date with current issues facing the LGPS. **The events which Board members have attended include:**

- Pensions and Lifetime Savings Association – Trustee Conference 15 June 2016
- Local Government Association – Trustee Conference 23-24 June 2016
- LPB One Year on Seminar – CIPFA/Barnet Waddingham 29 June 2016

Budget

The Board agreed a notional budget of £15k per annum for 2016-17 to assist with its operation. This included costs for training, external advice, expenses and travel costs.

In its second year of operation the Board incurred costs of £2.9k with £1.5k spent on training, £1.4k on travel and subsistence costs.

If you would like to further information regarding the Cheshire Pension Fund Local Pension Board or have any questions please visit our website:

http://www.cheshirepensionfund.org/?page_id=5091

Statement of Accounts 2016-17

Cheshire Pension Fund - Fund Account for the year ended 31 March 2017			
	Notes	2016-17	2015-16
		£000	£000
Contributions and Benefits			
Contribution Receivable			
From employers		151,192	126,784
From employees		35,239	35,214
Total Contribution Receivable	6/6a	186,431	161,998
Transfers in from Other Schemes	7	10,589	10,433
Benefits Payable			
Pensions		-136,865	-133,156
Lump sums		-25,980	-25,647
Death benefits		-3,679	-3,534
Total Benefits Payable	8	-166,524	-162,337
Payments to and on account of Leavers			
Refund of contributions		-670	-631
Transfers to other schemes		-13,112	-5,881
	9	-13,782	-6,512
Net additions / (withdrawals) from dealing with members		16,714	3,582
Management Expenses	10/10a	-28,336	-26,317
Returns on Investments			
Investment Income	11	34,307	36,520
Taxes on Income	12	-998	-700
Profits and losses on disposal of investments and changes in the market value of investments	13f	814,300	33,375
Net Returns On Investments		847,609	69,195
Net increase / (Decrease) in the Funding During the Year		835,987	46,460
Opening Net Assets of the Scheme		4,161,128	4,114,668
Closing Net Assets of the Scheme		4,997,115	4,161,128

Cheshire Pension Fund - Net Assets Statement as at 31 March 2017

	Notes	2016-17	2015-16
		£000	£000
Investment Assets			
Pooled Investment Vehicles	13/f, 18/19	2,592,362	2,101,221
Equities	13/f, 18/19	1,001,050	904,461
Absolute Return Funds	13b/f, 18/19	724,581	529,042
Investment Properties	16	293,350	317,285
Private Equity	13c/f, 18/19	201,246	191,882
Loans	13d/f, 18/19	18,379	50,810
Derivative Contracts	14, 18/19	0	1,675
		4,830,968	4,096,376
Cash	13e/f, 18/19	144,096	43,186
Other Investment Balances		5,387	4,866
	13f, 18/19	4,980,451	4,144,428
Investment Liabilities			
Derivatives Contracts	14, 18/19	-139	-350
Total Net Investments	17	4,980,312	4,144,078
Long Term Assets	22	9,758	11,167
Current Assets	23		
Cash at Bank		3,673	-2,339
Debtors		14,588	17,244
Payments in Advance		7	21
Current Liabilities	24		
Creditors		-7,622	-8,235
Receipts in Advance		-3,601	-808
Net Current Assets		7,045	5,883
Total Net Assets		4,997,115	4,161,128

Note 1 – Description of the Fund

The Cheshire Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Cheshire West and Chester Council (The Council). The Council is the reporting entity for this pension fund.

The following description is a summary only. For more detail, reference should be made to the Cheshire Pension Fund Annual Report and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

The scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016

The LGPS is a statutory, funded pension scheme. The LGPS is administered by the Council to provide pensions and other benefits for pensionable employees of Cheshire West and Chester, Cheshire East, Halton and Warrington Borough Councils and a range of other scheduled and admitted bodies within the County area. The Fund excludes provision for teachers, fire fighters and police officers as they come within other national pension schemes. A full list of the employers with active members participating in the Fund is shown at the end of the Fund's Statement of Accounts.

Responsibility for managing the Fund lies with the full Council of Cheshire West and Chester Council with lead officer responsibility delegated to the Section 151 Officer (Director of Corporate Services), who undertakes the day to day management of the Fund. The Director of Corporate Services is advised, with regard to investment matters, by the Pension Fund Committee with external advice from Mercer. The Fund also receives actuarial advice from Hymans Robertson. The Pension Fund Committee reports directly to the Cheshire West and Chester Audit and Governance Committee.

The Local Pension Board was established under the Council's constitution with effect from the 1 April 2015. The role of the Board, as defined in regulations, is to assist the Administering Authority to ensure the effective and efficient governance and administration of the LGPS. The Board is comprised of two Employer (including one Cheshire West and Chester nominated Councillor) and two Member representatives, and one independent chair (non-voting).

The Cheshire Pension Fund operates four investment strategies each with different allocations to growth assets and diversifying and matching assets. At 1 April 2016 the four strategies were as follows:

Growth Strategy A	80% Growth / 20% Diversifying and Matching
Growth Strategy B	58% Growth / 42% Diversifying and Matching
Medium Growth Strategy	50% Growth / 50% Diversifying and Matching
Gilts Strategy	0% Growth / 100% Diversifying and Matching

During the 2016-17 financial year, the Pension Fund did not make any changes to the strategic asset allocation for any of its underlying portfolios. **The Fund did however make some changes to the managers responsible for implementing the strategy:**

- In May 2016 the Fund redeemed its £200m investment in the Permal Absolute Return Fund. The proceeds of the redemption were invested in the Blackstone Partners Fund.
- In February 2017 the Fund redeemed the full amount of its investment in the Och Ziff Overseas Fund II. The Fund received £38m in cash during the year and this represents the first of several tranches of redemption proceeds. The remaining proceeds will be released by the manager over the next 15 months (in line with the liquidity terms of the original investment). The proceeds of the redemption will be reinvested across the Fund's existing managers.

To manage the Fund's assets in accordance with its investment strategy, the Council has 14 appointed external investment managers who each have specific responsibility for part of the Fund's investment portfolio. The Council uses the services of BNY Mellon Asset Servicing to independently monitor the performance of the investment strategy and the contributions of individual managers. Performance is monitored against the Fund's tailored asset allocation benchmark rather than to a peer group benchmark.

BNY Mellon Asset Servicing reported that for the year ending 31 March 2017 the Fund achieved a return from its investments of +19.2% (+1.5% in 2015-16) compared with the Fund's tailored benchmark return of +15.8% (+1.2% in 2015-16). For the three years ending 31 March 2017 the Fund achieved an annualised return of +12.7% per annum against the Fund's benchmark return of +9.8% per annum.

Membership

In accordance with the Governments Automatic Enrolment Legislation, eligible employees are automatically enrolled into the LGPS from their first day of employment, however membership of the LGPS is voluntary and employees are able to choose to remain in the scheme, opt out of the Scheme, re-join at a later date or to make their own personal arrangements outside of the scheme.

Organisations participating in the fund include:

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

There are 252 employer organisations with active members who were contributing into the fund as at 31 March 2017, including the Administering Authority itself, as detailed below:

Cheshire Pension Fund	31 Mar 17	31 Mar 16
Number of employers with active members	252	226
Number of employees in the scheme		
Cheshire West and Chester Council	7,794	6,658
Other employers	29,842	28,190
Total	37,636	34,848
Number of pensioners		
Cheshire West and Chester Council	2,106	1,903
Other employers	24,535	23,896
Total	26,641	25,799
Number of Deferred pensioners		
Cheshire West and Chester Council	3,717	3,176
Other employers	23,444	21,531
Total	27,161	24,707
Undecided Leavers	2,002	1,047
Total membership	93,440	86,401

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017. In addition to employee contributions, employers pay contributions into the Fund which are set based on triennial actuarial valuations. The last such valuation was at 31 March 2016 which set employer contribution rates for the 3 year period ending 31st March 2020.

Benefits

From 1 April 2014, the LGPS became a career average revalued earnings scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is inflated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For details, please refer to the fund scheme handbook which is available from the Fund or visit the website cheshirepensionfund.org.

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

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

Note 2 – Basis of Preparation

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

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 appended to the statement of accounts. Further information is included within Note 21 of these accounts.

The accounts contain a number of restatements to the 2015-16 figures as set out below.

The employer's deficit funding figure for 2015-16 (Note 6) has been restated by £6.7m from £36.033m to £29.297m. In the 2015-16 accounts the deficit figure was estimated at a notional £36.033m. The estimation was derived from the common contribution rate which was calculated by the actuary at the 2013 triennial valuation. The common contribution rate was 27.5% of which 8.2% targeted recovering the funding deficit with 19.3% towards future service costs.

This estimated figure has now been replaced with the actual amount received from employers.

The table in Note 18c has also been restated from the audited 2015-16 accounts to include investments in directly held property as a result of changes to the Code.

The previous financial instrument disclosures which were included in Note 18 have been replaced with Fair Value disclosures in order to comply with new reporting requirements as set out in the CIPFA Code of Practice on Local Authority Accounting 2016-17 (the Code).

The table in Note 18a has been restated by £1.331bn between Level 1 and Level 2 following the reclassification of assets held by Legal and General. Legal and General pooled funds are structured as unit-linked life assurance vehicles which are not exchange listed. Therefore prices are not quoted in an active market at the reporting date and so they cannot be classed as level 1.

Note 3 – Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

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

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

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

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme regulations (see notes 7 and 9).

Individual transfers in/out are accounted for when they are received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 7).

Bulk (group) transfers are accounted for on a cash basis once terms have been agreed and payment made to/from the respective fund.

c) Investment income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

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

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Foreign income has been translated into sterling at the date of the transaction. Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

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

f) Management Expenses

The Code does not require any breakdown of pension fund administration expenses. However in the interest of greater transparency the Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016).

Investment Management Expenses

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

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

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

- Baillie Gifford
- M and G Investments
- Arrowgrass Capital Partners
- Winton Capital
- Och Ziff Capital Management
- Darwin

Performance related fees amounted to £6.7m in 2016-17 (£6.6m in 2015-16) for managers who outperformed the benchmark.

Where an investment manager's fee invoice has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. The total of fees based on estimates in 2016-17 was £1.068m relating to fees due for the quarter ending 31 March 2017 (£867k in 2015-16).

Administration expenses

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

Oversight and governance costs

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

Net Assets Statement

g) Financial assets

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 18). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in the Practical Guidance on Investments Disclosures (PRAG/Investment Association 2016).

h) Stock Lending (Securities Lending)

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016 the Fund allows its' stock to be lent provided that the total value of the securities loaned out does not exceed 25% of the total Fund value. The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon.

In accordance with the securities lending agreement the collateral parameters are restricted to non-cash collateral securities, This being Fixed income securities issued or guaranteed by a set of 21 OECD countries which have to have a minimum rating of AA by S&P or Aa2 by Moody's rating agency as well as Supranational securities rated AAA/ Aaa from 6 issuers.

The Market value of the securities at year end is taken from prices from a number of reputable vendors in accordance to the BNY Mellon pricing policy.

i) Freehold and leasehold properties

The Scheme's freehold and leasehold investment properties were valued by an external valuer, Colliers International. The valuations were in accordance with the requirements of the RICS Valuation-Professional Standards. **The valuation of each property was on the basis of Fair Value, subject to the following assumptions:**

- For investment property: that the property would be sold subject to any existing leases.
- For property held for development: that the property would be sold with vacant possession in its existing condition.

The valuers opinion of Fair Value was primarily derived using comparable recent market transactions on arm's length terms.

j) Derivatives

The Fund may use derivative financial instruments, predominantly to manage its exposure to specific risks arising from its investment activities.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value (note 13f).

The values of futures contracts are determined using the exchange price for closing out the option at the reporting date. The value of over-the-counter contract options is based on quotations from an independent broker. Where this is not available, the value is provided by the investment manager.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits, and includes amounts held by the fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date, excluding creditors which are measured at amortised cost. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 Employee Benefits and relevant actuarial standards.

As permitted under the Code, the fund has opted not to disclose the actuarial present value of promised retirements in the net assets statement, instead providing the information by reference to an accompanying actuarial report. A copy of the full actuarial calculation is appended to the Statement of Accounts.

n) Additional voluntary contributions

The Fund provides an Additional Voluntary Contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Clerical Medical, Standard Life and Equitable Life as its AVC providers.

With effect from the 1 April 2017 the Fund switched all AVC funds held by Clerical Medical to Scottish Widows. Both companies are owned by the Lloyds Banking Group. The members who have been moved between Clerical Medical and Scottish Widows have done so on the existing terms.

Individual members AVC contributions are paid directly to the AVC provider by their respective employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with section 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2009/3093) but are disclosed as a note only (Note 25).

o) Contingent assets and contingent liabilities

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

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

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

Note 4 – Critical judgements and key sources of estimation uncertainty

In the application of the Fund's accounting policies, which are described in Note 3, those charged with governance of the Fund are required to make judgements, estimates and assumptions about the values of assets and liabilities which are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Note 4.1 – Critical Judgements in applying accounting policies

The Cheshire Pension Fund does not have any critical judgements contained within the accounts.

Note 4.2 – Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors, however, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Private equity investments are valued at fair value in accordance with International Private Equity and British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £201m (£192m 2015-16). There is a risk that this investment may be under or overstated in the accounts.
Absolute Return Funds	Absolute Return funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of absolute return funds in the financial statements is £725m (£529m in 2015-16). There is a risk that this investment may be under or overstated in the accounts.
Pension fund liability	The pension fund liability is calculated every three years by the Funds actuary, Hymans Robertson, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with financial standards. Assumptions underpinning the valuations are agreed with the actuary and are disclosed in the actuarial calculation which is included within the Annual Report. This estimate is subject to significant variances based on changes to the underlying assumptions.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would reduce the value of the liabilities by approximately £400m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £380m.

Note 5 – Events after the Balance Sheet date

In February 2017 the Fund took the decision to redeem the full amount of its investment in the Och Ziff Overseas Fund II. The Fund received £38m in cash during the year and this represents the first of several tranches of redemption proceeds. The remaining proceeds of c£77m will be released by the manager over the next 15 months (in line with the liquidity terms of the original investment). The proceeds of the redemption will be reinvested across the Fund's existing managers.

With effect from the 1 April 2017 the Fund switched all AVC funds held by Clerical Medical to Scottish Widows. Both companies are owned by the Lloyds Banking Group. The members who have been moved between Clerical Medical and Scottish Widows have done so on the existing terms.

As part of the ongoing move to create asset pools, Cheshire, along with its partner authorities Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire have created LGPS Central Pool (the Pool). The Pool was incorporated on the 13 October 2016 and will operate under legal agreements with its partner Funds, in line with the strategies and policies agreed by the relevant Administering Authorities. Work is currently ongoing to achieve the target operational deadline of April 2018, and the Pool's application for FCA registration was submitted for approval July 2017.

Note 6 - Contributions Receivable	2016-17	2015-16
	£000	Restated £000
Employees Normal Contributions	35,239	35,214
Employers Normal Contributions	93,841	91,545
Employers Deficit Funding*	54,044	29,297
Employers Cost of Early Retirement (pension strain)	3,307	5,942
Total Employer Contributions	151,192	126,784
Total Contributions	186,431	161,998

The 2016-17 deficit funding figure of £54m includes a payment of £25m from Cheshire West and Chester Council who elected to pay their full 3 year deficit contribution, relating to the period 2017-2020, as a lump sum in March 2017.

*The employer's deficit funding figure for 2015-16 has been restated by £6.7m from £36.033m to £29.297m. In the 2015-16 accounts the deficit figure was estimated at a notional £36.033m. The estimation was derived from the common contribution rate which was calculated by the actuary at the 2013 triennial valuation. The common contribution rate was 27.5% of which 8.2% targeted recovering the funding deficit with 19.3% towards future service costs

This estimated figure has now been replaced with the actual amount received from employers. The cost of early retirements represents the contributions relating to Employers meeting the capitalised costs of discretionary early retirements. The Fund recharges the Employers for such costs and the income received is made up of both one-off lump sum payments and instalments.

The accounts recognise the full cost due from early retirement contributions from scheme employers who have the option of paying over more than one year.

Note 6a Analysis of Contribution Receivable	2016-17		2015-16	
	Employers £000	Employees £000	Employers £000	Employees £000
Scheme Employers	91,790	24,215	91,892	23,627
Cheshire West and Chester Council	43,355	6,956	18,415	7,170
Community Admission Body	12,589	3,058	12,757	3,221
Transferee Admission Body	3,458	1,010	3,720	1,196
Total	151,192	35,239	126,784	35,214

Note 7 - Transfers in from other Pension Funds	2016-17	2015-16
	£000	£000
Transfers from other Local Authorities	8,537	7,336
Transfers from other pension funds	2,052	3,097
Total	10,589	10,433

Note 8 - Benefits payable	2016-17	2015-16
	£000	£000
Scheme Employers	102,818	100,059
Cheshire West and Chester Council	46,254	46,815
Community Admission Body	12,319	10,801
Transferee Admission Body	5,133	4,662
Total	166,524	162,337

Note 9 - Payment to and on account of leavers	2016-17	2015-16
	£000	£000
Group Transfers	0	779
Individual Transfers	13,112	5,102
Refunds to Members leaving service	670	631
Total	13,782	6,512

The 2015-16 group transfer figure of £779k relates to the transfer of assets to the London Pension Fund Authority who were appointed to administer the LGPS in respect of the Valuation Tribunal Service from 1 July 2015. The assets were transferred in February 2016. The large increase in transfers between 2015-16 and 2016-17 is due to a combination of the impact of freedom and choice, which allows members to transfer to an external pension and access their benefits and the impact of a change in regulations with the introduction of CARE in 2014 which resulted in delays to interfund (transfers between LGPS funds) being processed whilst the changes were implemented.

The refunds to members leaving the service relates to members who opted out of the scheme within two years of joining. The individual transfer figure represents the cash payments from the Fund in relation to individual scheme members' who have left the scheme and transferred their benefits to another pension provider.

Note 10 - Management Expenses	2016-17	2015-16
	£000	£000
Investment management expenses	25,564	23,985
Administration costs	1,771	1,633
Oversight and governance costs	1,001	699
Total	28,336	26,317

No costs have been included for carried interest.

In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds of sales from investments (see Note 13f).

Note 10a - Investment Management Expenses	2016-17	2015-16
	£000	£000
Management fees and expenses	18,538	17,065
Performance related fees	6,729	6,558
Custody fees	117	127
Transaction costs	180	235
Total	25,564	23,985

Note 11 - Investment Income	2016-17	2015-16
	£000	£000
Dividends from Equities	8,655	12,779
Net Rents from Properties	14,745	15,414
Income from Fixed Interest Securities	8,642	6,316
Income from Pooled Investment Vehicles:		
Property	480	1,268
Stock Lending	1,175	350
Interest from Cash Deposits	164	277
Other	446	116
Total	34,307	36,520

During 2016-17 the Fund received a dividend from the North West Regional Fund (NWRf). The NWRf was a legacy pension fund investment and during 2016-17 the last remaining investment was realised and the remaining funds were distributed to the shareholders. The Fund held 150,000 shares in the NWRf which equated to a dividend of c£185k.

Note 12a - Taxes on income	2016-17	2015-16
	£000	£000
Withholding tax - Equities	408	381
Withholding tax - Private Equity	590	319
Withholding tax - Other	0	0
Total	998	700

The Fund is exempt from UK income tax on interest and from capital gains tax on the profits resulting from the sale of investments. The Fund is exempt from United States withholding tax on dividends and can recover all or part of the withholding tax deducted in some other countries. The amount of withholding tax deducted from overseas dividends which the Fund is unable to reclaim in 2016-17 amounts to £998k and is shown as a tax charge, compared to £700k in 2015-16.

As Cheshire West and Chester Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment and property expenses.

Note 12b - External Audit Costs	2016-17	2015-16
	£000	£000
Payable in respect of external audit	29	29
Payable in respect of other services	2	2
Total	31	31

Note 13 - Investments	2016-17	2015-16
Investment Assets	£000	£000
Equities		
Overseas Quoted	977,049	868,179
UK Quoted	24,001	36,282
Pooled Investments		
UK Government Index Linked Gilts	866,728	710,311
Fixed Income - Multi Strategy	652,680	570,509
UK Equity Listed	813,025	620,362
Secured Loans	225,026	168,712
UK Property	26,665	23,721
Overseas Unit Trusts - Property	8,238	7,578
Uk Equity Unlisted	0	28
Absolute Return Funds	724,581	529,042
Investment Properties	293,350	317,285
Private Equity	201,246	191,882
Cash Deposits	144,096	43,186
Loans	18,379	50,810
Derivative Contracts:		
Forward currency contracts	0	1,675
Other investment balances:		
Outstanding dividends entitlements and withholding tax claims	5,387	4,866
Total	4,980,451	4,144,428
Investment Liabilities		
Derivative Contracts:		
Forward currency contracts	-139	-350
Total	4,980,312	4,144,078

The Fund disinvested £108m from Baillie Gifford as part of standard rebalancing with a corresponding investment of £43m in Bluebay and £65m in Arrowgrass.

These changes have impacted upon the year on year comparison figures for UK listed and overseas listed equities, and absolute return funds.

Note 13a – Fixed Income Multi Strategy

The Fund has invested in two pooled fixed income investment vehicles managed separately by Henderson and BlueBay. The market value invested with each manager as at the 31 March 2017 was £293m (£278m in 2015-16) and £360m (£293m in 2015-16) respectively. The underlying assets of these pooled vehicles are invested by the managers in diversified portfolios of a wide range of fixed income assets including Government Bonds (UK and Overseas), Corporate Bonds, High Yield Bonds, Emerging Market Bonds, Asset and Mortgage Backed Securities, Secured Loans and currency. Within these mandates managers may use derivative instruments to manage its exposure to specific risks arising from its investment activities.

Note 13b - Absolute Return Funds	Strategy	2016-17	2015-16
		£000	£000
Blackstone	Hedge Fund or Funds	282,445	0
Permal	Hedge Fund or Funds	0	198,284
Arrowgrass Capital Partners	Multi Strategy Hedge Fund	205,139	135,072
Winton Capital	Commodity Trading Advisor	159,658	104,194
Och Ziff Capital Management	Multi Strategy Hedge Fund	77,339	91,492
Total		724,581	529,042

Note 13c - Private Equity	Number of funds	2016-17	2015-16
		£000	£000
Adams Street Partners	16	95,181	101,475
Pantheon Ventures	10	102,787	86,646
Lexington	1	3,278	3,761
Total	27	201,246	191,882

Note 13d - Loans

The Fund has committed £50m to the M and G UK Financing Fund which is a limited partnership whose investment objective was to take advantage of difficulties in the UK banking sector and lend monies to UK FTSE350 companies through senior debt and equity linked instruments. As at the 31st March 2017 £39m of this commitment had been drawn down and the Fund had received £31m in distributions. The market value as at 31 March 2017 was £8.193m.

The Fund has also committed £30m to the M and G Debt Opportunities Fund which aims to take advantage of discrete market opportunities that arise over time. As at the 31st March 2017 the full £30m of the commitment had been drawn down. The market value as at 31 March 2017 was £10.2m. The reduction in the value of this investment reflects that the Fund has received distributions of paid in capital and profit.

The combined market value of loans as at 31 March 2017 was £18.4m.

Note 13e - Cash	2016-17	2015-16
	£000	£000
Cash deposits	22,071	18,030
Cash instruments	122,025	25,156
Total	144,096	43,186

Note 13f – Reconciliation of movements in Investments and Derivatives

	Fair Value at 31 Mar 2016	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair Value	Fair value at 31 Mar 2017
	£000	£000	£000	£000	£000
Pooled Investment Vehicles	2,101,221	96,630	-25,580	420,091	2,592,362
Equities	904,461	119,539	-324,436	301,486	1,001,050
Absolute Return Funds	529,042	685,965	-542,236	51,810	724,581
Investment Properties	317,285	49,689	-26,680	-46,944	293,350
Private Equity	191,882	21,905	-52,056	39,515	201,246
Loans	50,810	0	-41,159	8,728	18,379
	4,094,701	973,728	-1,012,147	774,686	4,830,968
Derivative Contracts: Forward currency contracts	1,675	23,699	-2,951	-22,423	0
	4,096,376	997,427	-1,015,098	752,263	4,830,968
Cash and Cash Equivalents	43,186	38,873	0	62,037	144,096
	4,139,562	1,036,300	-1,015,098	814,300	4,975,064
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	4,866				5,387
	4,144,428				4,980,451
Investment Liabilities					
Derivative Contracts: Forward currency contracts	-350				-139
Net Investments	4,144,078				4,980,312

	Fair Value at 31 Mar 2015	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair Value	Fair value at 31 Mar 2016
	£000	£000	£000	£000	£000
Pooled Investment Vehicles	1,886,609	1,084,344	-888,953	19,221	2,101,221
Equities	1,000,624	198,695	-299,264	4,406	904,461
Absolute Return Funds	551,756	1,494	-8,335	-15,873	529,042
Investment Properties	311,510	17,606	-37,180	25,349	317,285
Private Equity	214,969	18,402	-57,675	16,187	191,882
Loans	54,534	0	-6,357	2,633	50,810
	4,020,002	1,320,541	-1,297,764	51,923	4,094,701
Derivative Contracts: Forward currency contracts	855	21,199	-9,781	-10,598	1,675
	4,020,857	1,341,740	-1,307,545	41,325	4,096,376
Cash and Cash Equivalent	72,066		-20,930	-7,950	43,186
	4,092,923	1,341,740	-1,328,475	33,375	4,139,562
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	4,288				4,866
	4,097,211				4,144,428
Investment Liabilities					
Derivative Contracts: Forward currency contracts	0				-350
Net Investments	4,097,211				4,144,078

Note 14 - Analysis of Derivatives	Asset	Liability	Asset	Liability
	2016-17 £000	2016-17 £000	2015-16 £000	2015-16 £000
Forward Foreign Exchange Contracts	-	139	1,675	350
Total	-	139	1,675	350

2016-17 Forward Foreign Exchange Contracts

Contract	Settlement Date	Currency Bought	Currency Sold	Asset	Liability
		£000	£000	£000	£000
Forward OTC	3 months	74,633 GBP	93,500 USD	-	-0.139
Total Derivatives				-	-0.139

2015-16 Forward Foreign Exchange Contracts

Contract	Settlement Date	Currency Bought	Currency Sold	Asset	Liability
		£000	£000	£000	£000
Forward OTC	3 months	96,960 GBP	137,000 USD	-	-0.35
Forward OTC	3 months	83,910 GBP	106,000 EUR	1,675	0
Total Derivatives				1,675	-0.35

The Fund maintains a US Dollar currency hedge at 100% of the value of its investment in the Och Ziff Overseas Fund II. This investment is denominated in USD and the hedge ensures that the Fund is only exposed to the performance of the manager. At the year end the net balance was -£139k (£1.325m in 2015-16).

Note 15 – Stock Lending

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016 the Fund allows its' stock to be lent provided that the total value of the securities loaned out does not exceed 25% of the total Fund value. The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon and only accepts government and quasi government bonds as collateral against loaned stock to safeguard the Fund's assets. During the year ended 31 March 2017 the Fund earned £1.175m (£350k 2015-16) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £104.5m (£69.1m 2015-16) and the value of collateral held was £112.2m (£83.18m 2015-16).

Note 16a - Property Income	2016-17	2015-16
	£000	£000
Rental Income	18,834	18,301
Rental Income Accruals	-664	-
Rental Adjustment on Sale	-1,002	-
Interest / Misc Income	-	1
Direct Operating Expenses	-2,423	-2,756
Net Rental Income	14,745	15,546

Note 16b - Fair Value of Investment Properties	2016-17	2015-16
	£000	£000
Balance at the start of the year	317,285	311,510
Additions	0	17,606
Disposals	-26,680	-37,180
Net gain / loss on fair value	2,745	25,349
Balance at the end of the year	293,350	317,285

At the year-end there were no amounts of restrictions on the realisability of investment property or the remittance of income on proceeds of disposals.

Contractual obligations for development, repairs and maintenance amounted to £3m (£1m in 2015-16). There were no obligations to purchase new properties.

Note 16c – Operating Leases

The Fund's property portfolio comprises a variety of units which are leased to organisations with the objective of generating an appropriate investment return.

These leases are all categorised as operating leases due to the relatively short length of the agreements i.e. relative to the overall life of the asset and proportion of the assets overall value. The leases do not meet the assessment criteria for finance leases, and the risks and rewards of ownership of the leased assets are retained by the Fund (and reflected in the Net Assets Statement).

The properties comprise a mix of office, retail and industrial buildings. These leases vary in length from short term to over 25 years.

The future minimum lease payments receivable under non-cancellable leases in future years are:

Age profile of lease income	2016-17	2015-16
	£000	£000
No later than one year	2,729	1,458
Between one and five years	6,180	7,303
Later than five years	11,176	11,391
Total	20,085	20,152

With regards to the properties owned and leased by the Fund, all are leased to the tenants under contracts that have been assessed as operating leases and which may include periodic rent reviews etc. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease entered into, such as adjustments following rent reviews.

Note 17 - Investment by Fund Manager	2016-17	2016-17	2015-16	2015-16
	£000	%	£000	%
Legal and General	1,679,653	33.7	1,330,673	32.1
Baillie Gifford	1,018,494	20.5	922,082	22.3
Rockspring Property Investment Managers	303,018	6.1	326,041	7.9
BlueBay	360,049	7.2	292,913	7.0
Henderson	292,632	5.9	277,596	6.7
Blackstone	282,445	5.7		
M&G Investments	245,417	4.9	221,267	5.3
Permal	0	0.0	198,284	4.8
Arrowgrass Capital Partners	205,139	4.1	135,072	3.3
Winton Capital	159,658	3.2	104,194	2.5
Adams Street Partners	95,181	1.9	101,475	2.4
Och Ziff Capital Management	79,370	1.6	91,492	2.2
Pantheon	102,787	2.1	86,646	2.1
Darwin	26,665	0.5	23,721	0.6
Bank of New York Mellon	19,752	0.4	17,366	0.4
Deutsche Bank (Money Market)	54,566	1.1	6,667	0.2
Fidelity (Money Market)	51,801	1.0	4,379	0.1
Lexington Capital Partners	3,278	0.1	3,761	0.1
GMO	407	0.0	421	0.0
HG Capital	0	0.0	28	0.0
Total	4,980,312	100.0	4,144,078	100.0

During 2016-17 the fund redeemed £108m from Baillie Gifford as part of standard rebalancing with a corresponding investment of £43m in Bluebay and £65m in Arrowgrass. The Fund redeemed its full investment of £198m from Permal, following an announcement that members of the senior investment team would depart the organisation at the end of March 2016, with the proceeds being invested in Blackstone. An additional £70m was also invested with Blackstone during the year. The Fund redeemed its full investment in Och Ziff Capital Management. The Fund received £38m in February 2017, which represents the first of several tranches of redemption proceeds which will be released by the manager over the next 15 months (in line with the liquidity terms of the original investment). As part of a rebalancing exercise £43m was invested in Winton Capital. Pantheon has drawn down c£20m of new commitments during the year.

Note 17a - Concentrations of Investments

The CIPFA Code of Practice requires disclosure where there is a concentration of investment which exceeds either 5% of the total value of the net assets of the scheme or of any class or type of security. Five investments fall into the former category as follows:

Security Description	Market Value 31 Mar 17	Total Fund	Market Value 31 Mar 15	Total Fund
	£000	%	£000	%
Legal & General - Over 5 Yr Index Linked Gilts	866,728	17.40%	710,311	17.14%
Legal & General - World Equity Index	414,350	8.32%	311,629	7.52%
Legal & General - FTSE RAFI AW 3000 Equity Index	398,676	8.01%	308,733	7.45%
Bluebay - Total Return Diversified Fund	360,049	7.23%	292,913	7.07%
Henderson - Horizon Total Return Bond	292,632	5.88%	277,596	6.70%

Investments which fall into the second category are as follows:

	Market Value 31 Mar 2017	% of Asset Type	Market Value 31 Mar 2016	% of Asset Type
	£000	%	£000	%
FIXED INCOME				
Bluebay Total Return Diversified Fund	360,049	55.16%	292,913	51.34%
Henderson Horizon Total Return Bond	292,362	44.84%	277,596	48.66%
ABSOLUTE RETURN				
Blackstone Partners Offshore Class A1*	282,445	38.98%	0	0.00%
Jubilee Absolute Return Fund*	0	0.00%	198,284	37.49%
Arrowgrass International Fund	205,139	28.31%	135,072	25.53%
Winton Futures GBP Fund	159,658	22.03%	104,194	19.69%
Och Ziff Overseas Fund II	77,339	10.67%	91,492	17.29%
UK LISTED EQUITIES				
L&G World Equity Index	414,350	45.71%	311,629	47.46%
L&G FTSE RAFI	398,676	43.98%	308,733	47.02%
UK GOVERNMENT INDEX LINKED GILTS				
Over 5 Year Index Linked Gilts	866,728	100.00%	710,311	100.00%
Secured Loans				
M&G European Loan Fund	255,026	96.49%	168,712	89.83%
M&G UK Companies Financing Fund	8,193	3.51%	19,093	10.17%
LOANS				
M&G Debt Opportunities Fund	10,186	100.00%	31,717	100.00%
PROPERTY				
Southampton City Gateway, Southampton	27,475	8.06%	27,200	7.98%
Darwin	26,665	7.82%	23,721	6.96%
Tottenham Court Road, London	23,000	6.74%	23,000	6.74%
Tweedbank Retail Park, Berwick on Tweed	19,900	5.84%	21,500	6.30%
Maybrook Retail Park, Canterbury	19,300	5.66%	19,925	5.84%
1,3,5 & 7 Haymarket and 2-4 Humberstone Gate, Leicester	18,300	5.37%	18,275	5.36%
Bristol, Ashton Vale	18,100	5.31%	17,340	5.08%
London, Cornhill	0	0.00%	18,150	5.32%

Investments which fall into the second category continued:

	Market Value 31 Mar 2017	% of Asset Type	Market Value 31 Mar 2016	% of Asset Type
	£000	%	£000	%
PROPERTY - UNIT TRUSTS				
German Retail Box Fund	8,221	99.80%	7,453	98.35%
PRIVATE EQUITY				
Pantheon 2008 Europe VI	22,326	11.09%	21,274	11.10%
Pantheon 2007 USA Fund VIII	17,463	8.68%	15,253	7.90%
Pantheon 2015 Global Secondary Fund V*	14,261	7.09%	0	0.00%
Adam Street Partners 2007 US	14,167	7.04%	13,157	6.90%
Pantheon 2007 Asia Fund V	12,038	5.98%	11,509	6.00%
Pantheon 2004 USA Fund VI	11,805	5.87%	12,322	6.40%
Adam Street Partners 2005 US Fund	10,715	5.32%	11,636	6.40%
Adams Street Partner 2009 USA*	10,118	5.03%	0	0.00%
Adam Street Partners 2006 US	9,449	4.70%	9,728	5.10%
Adam Street Partners 2007 Direct Co-Investment Fund II	8,306	4.13%	10,853	5.70%
CASH AND CASH INSTRUMENTS				
BNY Mellon Sterling Liquidity Fund	15,665	12.76%	14,114	54.42%
Fidelity Institutional Liquidity Fund	51,801	42.21%	4,379	16.89%
Deutsche Bank Global Liquidity Managed Fund	54,557	44.46%	6,663	25.69%
UK EQUITY UNLISTED				
Mercury Unquoted 2nd Fund*	0	0.00%	21	75.64%
Mercury Unquoted 1st Fund*	0	0.00%	7	24.36%

*The assets identified were only held by the fund in one of the two years.

Note 18 – Fair Value – Basis of Valuation

The basis of the valuation of each asset class of investment asset is set out below. There have been no changes in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Assets	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at market value based on current yields	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Quoted Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Evaluated price feeds	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Not required
Pooled investments - absolute return funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts Freehold
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by Colliers International in accordance with the RICS valuation professional standards	Existing lease terms and rentals Independent market research Nature of tenancies. Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of Assets Valued at Level 3

The table below sets out the assets which have been categorised at level 3. The figures have been derived using the valuation methods adopted by each of the relevant investment managers and are assumed to be accurate. The table also sets out the consequent potential impact on the closing value of investments if these valuations were inaccurate, based on an indicative movement of 5% on the value of investments held at 31 March 2017.

	Assessed Valuation Range (+/-)	Value at 31 March 2017	Value of Increase	Value of Decrease
	%	£000	£000	£000
Freehold and leasehold property	5%	293,350	14,668	- 14,668
Private Equity	5%	196,500	9,825	- 9,825
Pooled investments - absolute return funds	5%	78,925	3,946	- 3,946

Note 18a – Fair Value Hierarchy

The valuation of investment assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Fair value measurement defines an active market as a market in which transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis, as well as the reporting date. Products classified as level 1 comprise listed equities, exchange traded futures, options and an element of absolute return funds.

Level 2

Assets and liabilities at level 2 are those whose values are based on quoted market prices that are not as active as level 1 markets or based on models whose inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Products classified as level 2 comprise bonds and loans, less liquid and restricted equity securities, absolute return funds and over the counter derivatives.

Level 3

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

Such instruments would primarily include private equity investments and also some elements of the absolute return fund investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in absolute return funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent external audit of the individual funds.

The following table provides an analysis of the assets and liabilities of the Fund grouped into levels 1 to 3, based on the level at which the fair value is observable. The table does not reconcile back to the net assets figure as it excludes items which are valued at amortised cost (i.e. loans and receivables). The 2015-16 figures have been restated to include Direct Property.

Note 18a – Assets carried at fair value

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2017	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Fair value through profit and loss	1,526,273	2,731,960	572,735	4,830,968
Total Financial Assets	1,526,273	2,731,960	572,735	4,830,968
Financial Liabilities				
Financial liabilities at fair value		-139	0	-139
Total Financial Liabilities	0	-139	0	-139
Net Financial Assets	1,526,273	2,731,821	572,735	4,830,829

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2016	Level 1 Restated	Level 2 Restated	Level 3	Total
	£000	£000	£000	£000
Financial and Non-financial Assets				
Fair value through profit and loss	1,656,132	1,913,613	526,631	4,096,376
Total Assets	1,656,132	1,913,613	526,631	4,096,376
Financial Liabilities				
Financial liabilities at fair value		-350	0	-350
Total Financial Liabilities	0	-350	0	-350
Net Financial Assets	1,656,132	1,913,263	526,631	4,096,026

The table for the values to 31 March 2016 has been restated from the audited 2015-16 accounts to include investments in directly held property as a result of changes to the Code. The table has also been restated by £1.331bn between Level 1 and Level 2 following the reclassification of assets held by Legal and General (see Note 2). The opening position has also been restated from the audited 15-16 accounts as a result of the above.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 1 April 2015	Level 1 Restated	Level 2 Restated	Level 3	Total
	£000	£000	£000	£000
Financial and Non-financial Assets				
Fair value through profit and loss	2,187,947	1,290,359	541,696	4,020,002
Total Assets	2,187,947	1,290,359	541,696	4,020,002
Financial Liabilities				
Financial liabilities at fair value through profit and loss			0	0
Total Financial Liabilities	0	0	0	0
Net Assets	2,187,947	1,290,359	541,696	4,020,002

Note 18b – Transfers between levels 1 and 2

£1.331bn of assets transferred between level 1 and level 2 following a reclassification of assets of assets held by Legal and General (see Note 2).

Note 18c – Reconciliation of fair value measurements within level 3

	Market Value 1 April 2016	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised Gains / Losses	Realised Gains / Losses	Market Value 31 March 2017
	£000	£000	£000	£000		£000	£000	£000
Fixed Income	-	3,960						3,960
Secured Loans	10,334		- 10,334					-
Absolute return funds	13,660	65,265						78,925
Private equity	185,352					11,148		196,500
Property	-	264,690		49,688	-26,680		5,652	293,350
	209,346	333,915	- 10,334	49,688	-26,680	11,148	5,652	572,735

Note 18d - Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the market value of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	Fair value through profit and loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost	Fair Value through profit and loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost
	31 March 2017			31 March 2016		
	£000	£000	£000	£000	£000	£000
Financial Assets						
Pooled Investments	2,592,362			2,101,221		
Equities	1,001,050			904,461		
Absolute Return Funds	724,581			529,042		
Private Equity	201,246			191,882		
Loans	18,379			50,810		
Derivative contracts	0			1,675		
Cash		143,400			42,409	
Other Investment		5,073			4,847	
Debtors		28,277			28,411	
	4,537,618	176,750		3,779,091	75,667	
Financial Liabilities						
Derivative contracts	-139			-350		
Other Investment	0			0		
Creditors			-7,622			-8,235
Total	4,537,479	176,750	-7,622	3,778,741	75,667	-8,235

Note 18e – Net Gains and Losses on Financial Instruments

	2016-17	2015-16
	£000	£000
Financial Assets		
Fair value through profit and loss	813,629	39,814
Loans and receivables	70,603	2,942
Financial Liabilities		
Fair value through profit and loss	-22,423	-26,471
Loans and receivables	0	- 7,950
Total	861,809	8,335

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 19 – Nature and extent of risks arising from financial instruments

Risk and risk management

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

Risk management policies were established to identify and analyse the risks faced by the Council's pension operations. Policies are reviewed regularly to reflect changes in activity and in market changes.

a) Market risk

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

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

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

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

Other price risk

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

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

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

Other price risk - sensitivity analysis

In consultation with the Fund's investment advisers and, following analysis of historical data and expected investment return movement during the financial year, the administering authority has determined that the following movements in market price risk are reasonably possible for the 2016-17 reporting period:

Asset Type	Potential market movements
	% (+ / -)
Private Equity	25.1
Global Equities - Emerging	29.2
Global Equities - Developed	17.1
UK Equities	17.1
Property Unit Trusts	14.6
High Yield	10.1
Absolute Return Funds	4.8
Corporate Bonds	3.4
Government Bonds	8.6
Cash	4.5

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. The tables do not reconcile back to the net assets figure as they exclude direct property.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Asset Type	Market Value 31 Mar 2017	Percentage Change	Change in Value on increase	Change in Value on decrease
	£000	%	£000	£000
Global Equities - Developed	1,584,660	17.1	270,977	-270,977
Government Bonds	1,226,776	8.6	105,503	-105,503
Absolute Returns Funds	724,581	4.8	34,780	-34,780
UK Equities	85,393	17.1	14,602	-14,602
Corporate Bonds	319,296	3.4	10,856	-10,856
High Yield	243,405	10.1	24,584	-24,584
Private Equity	201,246	25.1	50,513	-50,513
Global Equities - Emerging	132,194	29.2	38,601	-38,601
Cash	155,229	4.5	6,985	-6,985
Property Unit Trusts	8,238	14.6	1,203	-1,203
Investment Income Due	5,073	0.0	0	0
Net Derivative Assets	-139	0.0	0	0
Total assets available to pay benefits	4,685,952		558,604	-558,604

Interest rate risk

The Fund invests in a number of interest bearing instruments such as Government bonds, corporate bonds and secured loans for the primary purpose of obtaining a return on those investments. These investments were subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

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

Note 19 – Nature and extent of risks arising from financial instruments

Asset Type	2016-17	2015-16
	£000	£000
Corporate and Government Bonds	1,519,408	1,280,820
Cash and cash equivalents	35,708	32,144
Cash balances	106,358	11,042
Total	1,661,474	1,324,006

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The £1,519.40m fair value of the bond mandates managed by Henderson, BlueBay and Legal and General are particularly sensitive to movements in interest rates. This sensitivity is measured by their duration of 4.33, 0.6 and 24.9 years respectively.

A 1% increase in the prevailing level of interest would decrease the aggregate fair value of these mandates by £210.2m (£188.5m in 2015-16). Likewise a 1% decrease in the level of interest would be expected to increase the fair value of these mandates by a similar amount.

The secured loans invested in by M and G and Henderson, and the UK Financing Fund loans and Debt Opportunities Fund managed by M and G, are typically structured with a floating rate payment structure, whereby a fixed basis point spread is paid over the prevailing reference rate, typically 3 month LIBOR or EURIBOR. As a result, there is negligible interest rate risk involved in these investments. However, the total interest earned on investments will vary from time to time with changes in the underlying reference rate.

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis points (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The fund's investment advisor has advised that long term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

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

Asset Type	Duration	Carrying amount at 31 March 2017	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash and Cash Equivalents		35,708		
Cash Balances		106,357		
Fixed Income - Henderson	4.338	292,632	1	-1
Fixed Income - BlueBay	0.6	360,049	2,160	-2,160
Fixed Income Legal and General	24.85	866,728	208,015	-208,015
Total change in assets available		1,661,474	210,176	-210,176

Asset Type	Duration	Carrying amount at 31 March 2016	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash and Cash Equivalents		32,144		
Cash Balances		11,042		
Fixed Income - Henderson	3.122	277,596	8,667	-8,667
Fixed Income - BlueBay	3.2	292,913	9,373	-9,373
Fixed Income Legal and General	24	710,311	170,475	-170,475
Total change in assets available		1,324,006	188,515	-188,515

Income Source	Duration	Carrying amount at 31 March 2017	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash deposit / cash and cash equivalents	0.25	164	0	0
Fixed income securities		8,642		
Total change in assets available		8,806	0	0

Income Source	Duration	Carrying amount at 31 March 2016	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash deposit / cash and cash equivalents	1.4	277	4	-4
Fixed income securities		6,316		
Total change in assets available		6,593	4	-4

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

Currency risk

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

The Fund's liabilities are denominated in sterling but as part of its investment strategy the Fund invests in assets denominated in foreign currencies, which exposes the Fund to the risk of movement in exchange rates. The Fund's investment managers may at their own discretion hedge part or all of the foreign exchange risk inherent in their portfolio.

The Fund maintains a US Dollar currency hedge at 100% of the value of its investment in the Och Ziff Overseas Fund II. This investment is denominated in USD and the hedge ensures that the Fund is only exposed to the performance of the manager.

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

The following tables summarise the Fund's net currency exposure, after hedging, as at 31 March 2017 and 31 March 2016:

Note 19 – Nature and extent of risks arising from financial instruments

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2016-17	£000	£000	£000
Overseas Listed Equities	982,819		982,819
Overseas Unquoted Securities	201,246		201,246
Absolute Returns Funds Overseas Fixed Interest	79,370	-74,773	4,597
Overseas Unit Trusts	8,397		8,397
Total	1,271,832	-74,773	1,197,059

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2015-16	£000	£000	£000
Overseas Listed Equities	872,107	-84,041	788,066
Overseas Unquoted Securities	200,837		200,837
Absolute Returns Funds Overseas Fixed Interest	91,492	-95,318	-3,826
Overseas Unit Trusts	7,590		7,590
Total	1,172,026	-179,359	992,667

Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 13% (as measured by one standard deviation).

A 13% fluctuation in the currency is considered reasonable based on the fund's adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 13% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
	2016-17	+13%	-13%
	£000	£000	£000
Overseas Listed Equities:	982,820	127,767	-127,767
Of which from USD	688,564	89,513	-89,513
Of which from JPY	32,667	4,247	-4,247
Of which from HKD	61,453	7,989	-7,989
Of which from SEK	20,253	2,633	-2,633
Of which from CHF	15,131	1,967	-1,967
Of which from DKK	8,630	1,122	-1,122
Of which from ZAR	18,094	2,352	-2,352
Of which from other currencies	138,028	17,944	-17,944
Overseas Unquoted Securities:	201,246	26,162	-26,162
Of which from USD	173,319	22,531	-22,531
Of which from EUR	27,927	3,631	-3,631
Absolute Return Funds Overseas:			
Of which from USD*	4,596	597	-597
Overseas Unit Trusts:			
Of which from EUR	8,397	1,092	-1,092

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
	2015-16	+13%	-13%
	£000	£000	£000
Overseas Listed Equities:	788,066	102,449	-102,449
Of which from USD	598,601	77,818	-77,818
Of which from JPY	28,968	3,766	-3,766
Of which from HKD	49,889	6,486	-6,486
Of which from SEK	20,493	2,664	-2,664
Of which from CHF	12,073	1,569	-1,569
Of which from DKK	18,092	2,352	-2,352
Of which from ZAR	15,956	2,074	-2,074
Of which from other currencies	43,994	5,719	-5,719
Overseas Unquoted Securities:	200,837	26,109	-26,109
Of which from USD	166,175	21,603	-21,603
Of which from EUR	34,662	4,506	-4,506
Absolute Return Funds Overseas:			
Of which from USD*	-3,826	-497	497
Overseas Unit Trusts:			
Of which from EUR	7,835	1,019	-1,019
Total	992,912	129,079	-129,079

*The Fund hedges its US Dollar exposure for assets held by Och Ziff

b) Credit risk

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

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

The primary credit risk to the Fund is through its fixed interest instruments managed by Legal and General, Henderson and BlueBay and secured loans managed by M and G. However, the majority of the Funds fixed income assets are investment grade quality (above BBB rated) sovereign or corporate bonds rated.

Multi Asset

The Fund's aggregate exposure to credit risk through these three mandates as measured by the credit rating of external agencies is summarised in the table below:

S&P Quality Rating	Fair Value 2016-17	Percentage of Fair Value of Fixed Income Assets
	£000	%
AAA	85,156	6.0
AA	889,553	59.0
A	49,988	3.0
BBB	91,286	6.0
Below BBB	295,243	19.0
Cash	52,659	3.0
NR	55,522	4.0
Derivatives	0	0.0
Total	1,519,407	100.0

S&P Quality Rating	Fair Value 2015-16	Percentage of Fair Value of Fixed Income Assets
	£000	%
AAA	746,954	58.0
AA	19,987	2.0
A	47,680	4.0
BBB	129,283	10.0
Below BBB	272,926	21.0
Cash	45,736	4.0
NR	18,254	1.0
Derivatives	0	0.0
Total	1,280,820	100.0

Secured Loans

The Fund also invests in secured loans through dedicated mandates managed by M and G, whilst the Henderson and BlueBay Fixed Income mandate also has discretion to invest a proportion of their fund tactically in the same asset class. Secured loans are below investment grade, which as a result carry greater credit risk than investment grade sovereign or corporate bonds or loans. The increased credit risk associated with this asset class is mitigated by the managers through detailed credit research analysis and through constructing a diversified portfolio of secured loans across individual counterparties, ratings, industry sector and geography. Credit risk is further reduced by the senior position in the capital structure that is inherent in this asset class which is secured against the counterparty's assets.

The Fund's aggregate exposure to credit risk through these secured loan mandates as measured by the credit rating is summarised in the table below:

2016-17 Rating	Fair Value	Percentage of Fair Value of Assets
	£000	%
BBB	2,250	1.0
BBB-	2,250	1.0
BB+	13,502	6.0
BB	20,252	9.0
BB-	49,506	22.0
B+	49,506	22.0
B	72,008	32.0
B-	13,502	6.0
CCC+	2,250	1.0
CCC and below	0	0.0
Total	225,026	100.0

2015-16 Rating	Fair Value	Percentage of Fair Value of Assets
	£000	%
BBB	169	0.1
BBB-	2,193	1.3
BB+	4,893	2.9
BB	10,629	6.3
BB-	59,893	35.5
B+	33,236	19.7
B	40,491	24.0
B-	12,147	7.2
CCC+	1,012	0.6
CCC and below	4,049	2.4
Total	168,712	100.0

Deposits were not made with banks and financial institutions unless they were rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have AA ratings from a leading ratings agency.

The Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits in the Fund's history. The Fund's cash holding under its treasury management arrangements as at 31 March 2017 was £106.4m (31 March 2016 £11.0m) and was held in the Deutsche Bank and Fidelity money market accounts. The remainder of the cash was held by the fund's custodian, Bank of New York Mellon with a small amount of cash in transit which was held by the fund's property investment manager.

2016-17 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	AAAm	35,010	24.6
Fidelity Worldwide Investment (Money Market)	Aaa-mf	51,801	36.5
Deutsche Bank Advisors (Money Market)	Baa2	54,557	38.4
Cash in Transit	NR	697	0.5
Total		142,065	100.0

2015-16 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	Aa2	31,366	72.7
Fidelity Worldwide Investment (Money Market)	Aaa-mf	4,379	10.1
Deutsche Bank Advisors (Money Market)	AAAmmf	6,663	15.4
Cash in Transit	NR	778	1.8
Total		43,186	100.0

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. Illiquid assets can include assets where a) there are no highly liquid active markets, such as investment properties and private equity or b) individual fund structures, where the Fund's investment is locked in for a specific period or where the investment manager may have the ability to 'gate' or limit investors withdrawal from the fund. As at 31 March 2017 the value of illiquid assets was £287m, which represented 5.76% of the total fund assets (31 March 2016 £291m which represented 7.01% of the total fund assets).

In terms of liquidity risk, the Fund had £144.1m (2015-16 £43.1m) of cash balances as at 31 March 2017 and net current assets of £7.1m (£5.9m in 2015-16). The Funds net cashflow, before taking account of investments and excluding management expenses, as at 31 March 2017 was +£16.7m (+£3.6m in 2015-16). There is no significant risk that it will be unable to meet its current commitments.

All current liabilities are due to be paid in less than one year.

Financial mismatch - 1. The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities. 2. The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.

Changing demographics - The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.

Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Fund liabilities.

The Council measures and manages financial mismatch in two ways. As indicated above, it has set a strategic asset allocation benchmark for the Fund. It assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Fund prepares periodic cash flow forecasts to understand and manage the timing of cash flows. The appropriate strategic level of cash balances to be held is a central consideration in preparing the Fund's annual investment strategy.

The Council keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions were considered formally at the triennial valuation.

The Council seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Stock Lending

The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon and only accepts government and quasi government bonds as collateral against loaned stock to safeguard the Fund's assets. The credit rating of the collateral accepted is summarised below.

Note 19 – Nature and extent of risks arising from financial instruments

	Fair Value of collateral 31 Mar 2017	Percentage of Fair Value of collateral 31 March 2017	Fair Value of collateral 31 Mar 2016	Percentage of Fair Value of collateral 31 March 2016
Moody's rating	£000	%	£000	£000
Aaa	22,479	20	68,414	82
Aa1	78,462	70	4,818	6
Aa2	11,209	10	9,947	12
Grand total	112,150	100.0	83,179	100.0
Value of Stock on Loan	104,541		69,066	

During the year ended 31 March 2017 the Fund earned £1.175m (£350k 2015-16) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £104.5m (£69m 2015-16) and the value of collateral held was £112.2m (£83.18m 2015-16).

Note 20 – Funding Arrangements

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

The key elements of the funding policy are:

- To ensure long-term solvency of the fund and of the share of the Fund attributable to individual employers;
- To 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;
- To reflect the different characteristics of different employers in determining contributions rates;
- To have 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 risk to other employers including tax raising employers from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2016 valuation, the fund was assessed as 90% funded (82% at the March 2013 valuation). This corresponded to a deficit of £467m (2013 valuation: £723m) at that time.

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

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership. A market related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The principal assumptions were:

Financial assumptions	
	Real
Discount rate	3.80%
Salary increase assumption	2.40%
Benefit Increase assumption (CPI)	2.10%

Longevity assumptions

Assumed life expectancy at age 65	Current Pensioners	
	Male	Female
Current Pensioners	22.3 Years	24.5 Years
Future Pensioners*	23.9 Years	26.5 Years

*Aged 45 at the 2016 Valuation

Note 21 – Actuarial value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2016-17 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 Accounting and Reporting by Retirement Benefit Plans refers to as the actuarial present value of promised retirement benefits. There are three options for disclosure.

The Fund has opted not to disclose the actuarial present value of promised retirements in the net assets statement, instead providing the information by reference to an accompanying actuarial report. A copy of the full actuarial calculation is appended to the Statement of Accounts.

Note 22– Long Term Assets

	2016-17	2015-16
	£000	£000
Long Term Debtors:		
Contributions due - employers	9,053	10,227
Sundry debtors	705	940
Total	9,758	11,167

	2016-17	2015-16
	£000	£000
Analysis of Long Term Debtors:		
Due from Cheshire West and Chester Council	8,954	9,712
Due from Bodies External to Central Government	798	1,036
Due from other Local Authorities	6	419
Total	9,758	11,167

The Fund has long term debtors for early retirement contributions from scheme employers who have the option of paying over five years and the settlement from Magistrates Courts of £2.351m which is being paid in equal instalments over 10 years (the first payment of £277k was received in 2010-11), discounted at 3.76%. Both have been included at present value.

Note 23 - Current Assets	2016-17	2015-16
	£000	£000
Current Debtors and cash:		
Contributions due - Employers	11,513	13,941
Contributions due - Employees	2,848	3,131
Sundry Debtors	251	250
Payments in Advance	7	21
Provision for Doubtful Debt	-24	-78
Cash balances	3,673	-2,339
Total	18,268	14,926

Analysis of Current Assets	2016-17	2015-16
	£000	£000
Current Debtors and cash:		
Due from Other Local Authorities	7,695	9,361
Due from Bodies External to General Government	3,468	4,351
Due from Cheshire West and Chester Council	3,423	3,608
Other Debtors	25	20
Central Government Bodies	1	3
Less Provision for Doubtful Debt	-24	-78
Total	14,588	17,265

The current debtors figures includes contributions which were due in March but not received until after the year end and, outstanding dividend entitlements and recoverable withholding tax claims relating to investments.

The payments in advance figure of £7k relates to supplier payments which have been paid in 2016-17 but relate to 2017-18.

Note 24 - Current Liabilities	2016-17	2015-16
	£000	£000
Sundry Creditors	4,275	7,834
Benefits Payable	3,347	401
Receipts in Advance	3,601	808
Total	11,223	9,043

Analysis of Creditors	2016-17	2015-16
	£000	£000
Due to Bodies External to General Government	4,195	4,967
Other Creditors	1,688	1,786
Due to Cheshire West and Chester Council	1,451	1,296
Central Government Bodies	15	0
Due to Other Local Authorities	273	186
Total	7,622	8,235

Note 25 – Additional Voluntary Contributions (AVCs)

The AVC providers to the members of the Fund are Clerical Medical, Standard Life and Equitable Life.

The AVCs are invested separately from the Fund's main assets and used to acquire additional pension benefits and therefore are not included in the Fund's accounts in accordance with regulation 4 (1) (a) of the LGPS (Management and Investment of Funds) Regulations 2016. Members participating in these AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year.

A summary of the information provided by Clerical Medical, Standard Life and Equitable Life for the year to 31 March 2017 is shown below, along with a prior year comparator.

	Clerical Medical	Standard Life	Equitable Life	Total
	£000	£000	£000	£000
Contributions received in year 2017	352	278	2	632
Contributions received in year 2016	233	202	2	437
Fair value at 31 March 2017	3,159	2,745	529	6,433
Fair value at 31 March 2016	2,659	2,528	607	5,794

With effect from the 1 April 2017 the Fund switched all AVC funds held by Clerical Medical to Scottish Widows. Both companies are owned by the Lloyds Banking Group. The members who have been moved between Clerical Medical and Scottish Widows have done so on the existing terms.

Note 26 – Related Party Transactions

The Fund is administered by Cheshire West and Chester Council. Consequently there is a strong relationship between the Council and the Fund. The majority of the Fund's cash is invested with the Fund's investment managers or directly with external financial institutions. The Fund has its own specific bank account however some of the Fund's transactions (Accounts Payable and Income) are processed through corporate systems and are paid in the first instance through the Council's corporate bank accounts. The Fund repays cash due to the Council for such transactions plus any interest charges on a monthly basis. In 2016-17 the Fund paid £1.8k to the Council for interest accrued on these balances.

The Council is one of the largest employers and contributed £44.3m into the Fund in 2016-17 (2015-16 £18.9m). Of the £44.3m figure in 2016-17, £25m relates to the payment of the 3 year deficit, covering the period 2017-2020, which the Council elected to pay as a lump sum in March 2017. At the year end, a balance of £12.377m (2015-16 £13.320m) was due to the Fund from the Council, primarily relating to early retirement costs which will be repaid over more than one year and also contributions which were paid in April but became due in March. A balance of £1.5m (2015-16 £1.3m) was owing to the Council for Fund transactions processed through the Administering Authority's accounts payable and receivable systems.

The Administering Authority incurred costs of £1.771m to administer the Fund in 2016-17 (2015-16 £1.633m) as well as £1.001m for oversight and governance costs (2015-16 £699k) and these costs were recharged to the Pension Fund. Note 10 provides an analysis of these costs.

These are related party transactions as Cheshire West and Chester is also a member body of the Pension Fund

The Fund has not made any employer related investment at any time during the period.

Specific declarations have been received from Pension Fund Committee and Local Pension Board Members regarding membership of and transactions with any parties related to the Pension Fund.

A number of Members act as Councillors or Board Members of particular employers who maintain a conventional employer relationship with the Fund. Employer representatives for the Local Pension Board will also act as Trustees for employers of the Fund.

The value of transactions with each of these related parties, namely routine monthly payments to the Fund of employer's and employee's contributions is determined by the Local Government Pension Scheme Regulations, and as such no related party transactions have been declared.

A register of outside bodies that Members are appointed to, along with a register of interests is available on the Internet for Cheshire West and Chester, Cheshire East, Warrington and Halton Councils.

Details of the membership of the Local Pension Board are available on the Fund's website.

Governance

Responsibility for managing the Fund lies with the full Council of Cheshire West and Chester Council with lead officer responsibility delegated to the Director of Corporate Services, who undertakes the day to day management of the Fund. The Director of Corporate Services is advised, with regard to investment matters, by the Pension Fund Committee and external advice from Mercer. The fund also receives actuarial advice from Hymans Robertson. The Pension Fund Committee reports directly to the Cheshire West and Chester Audit and Governance Committee.

The Local Pension Board was established under the Council's constitution with effect from the 1 April 2015. The role of the Board, as defined in regulations, is to assist the Administering Authority to ensure the effective and efficient governance and administration of the LGPS.

Since January 2004 elected members who are offered membership of the Scheme under their respective Council's scheme of allowances have been eligible to join the Scheme. From the introduction of the new scheme Councillors in England could only continue to accrue rights until the end of the term of office which they were serving on 1st April 2014. As a consequence all councillors paying into the scheme were removed from the 12th May 2015 including those members of the Pension Fund Committee who were members of the Scheme.

There are seven members of the Committee who are in receipt of pension benefits from the Fund (Councillor M. Hogg, Councillor C. Gahan, Councillor B. Crowe, Councillor D. Beckett, Councillor D. Newton, Councillor P. Findlow and Councillor M. Wharton). In addition, Committee member P. Matthews was an active member of the Fund as at 31 March 2017.

There are two members of the Local Pension Board who were active members of the Fund as at 31 March 2017; G. Wright and N. Harvey. P. Raynes also has a deferred pension with the Fund.

Each member of the Committee and Board is required to declare their interests at each meeting and sign an annual declaration form which is published on the fund's website.

As the Fund forms part of the LGPS it does not strictly have trustees. The members of the Committee do not receive any fees in relation to their specific responsibilities as members of the Committee, although they may be reimbursed for any out of pocket expenses incurred whilst discharging their Committee role.

Similarly the members of the Board do not receive any fees in relation to their specific responsibilities as members of the Board, although they may be reimbursed for any out of pocket expenses incurred whilst discharging their role.

Key Management Personnel

The key management personnel of the Fund are the Director of Corporate Services and the Pension Fund Manager.

Prior to 2014-15 the posts of Director of Resources and Head of Finance (now Director of Corporate Services) were deemed to be key management personnel with regards to the pension fund. Following an organisational restructure the post of Director of Resources was removed from the Council's structure during 2014-15 and all responsibilities for the management of the Pension Fund transferred to the Director of Corporate Services. The pension liability for the Director of Resources remain with the Fund.

The combined financial value of their relationship with the fund, along with the Pension Fund Manager (in accordance with IAS24 Related Party Disclosures) is set out below:

	31 March 2017	31 March 2016
	£000	£000
Short term benefits	107	74
Long term / post-retirement benefits	3,071	2,605
Total	3,178	2,679

The long term/post-retirement benefits are calculated on an IAS19 basis and will be affected by the assumption used for the calculation which can vary from year to year.

Note 27 – Contingent Liabilities and Contractual Commitments

The Fund has contractual commitments to the value of £518m (2015-16 £402m) in private equity funds.

During 2016-17 the Fund made new commitments to two private equity funds. \$53m was committed to the 2016 Pantheon Global Select Fund, this Fund of Fund investment will provide global exposure across Private Equity Primaries and Secondaries. The Fund also added to its existing commitment to the Pantheon Global Secondary Fund V. this additional investment totalled \$21.4m and will target secondary Private Equity investments and provide exposure to 2010-2015 vintage funds, further diversifying the portfolio.

As at 31 March 2017 the Fund had actually invested £373m (2015-16 £325m) and therefore had an outstanding commitment of £145m (2015-16 £77m). As these funds are denominated in US Dollars and Euros the commitment in Sterling is subject to changes due to currency fluctuations.

Note 28 – Contingent Assets

There are 26 admitted bodies in the Cheshire Pension Fund who hold insurance bonds to guard against the possibility of being unable to meet their pension obligations, along with an additional 3 employers with Parent Company Guarantees. The bonds are drawn in favour of the Council as administering authority for the Fund and payment will only be triggered in the event of employer default.

The Pension Fund is a member of two group litigation actions aimed at reclaiming tax credits on overseas dividends and foreign income dividends on the basis that the original denial of a full tax credit was in contravention of EU non-discrimination law. If successful the estimated potential income to the Pension Fund is in the region of £7m. The estimated fees payable in respect of the litigations, regardless of the outcome, are approximately £0.1m. This issue is still progressing through the courts.

Note 29 – Impairment for Bad and Doubtful Debts

During 2016-17 the fund has recognised doubtful debts of £24k (£46k in 2015-16) for possible non-recovery of rental income on its investment properties of £20k (£39k in 2015-16) and non-recovery of pensioner death overpayments totalling £2k (£4k in 2015-16) and £2k for other debtors.

Note 30– Investment Strategy Statement

The Investment Strategy Statement sets out the current investment strategy of the Fund, provides transparency in relation to how the Fund's investments are managed, acts as a high level risk register, and has been designed to be informative for all stakeholders. The Investment Strategy Statement replaces the Fund's Statement of Investment Principles.

A full copy of the ISS can be obtained from the Pensions Section, Cheshire West and Chester Council, HQ, Nicholas Street, Chester, CH1 2NP or from the Fund's website at: www.cheshirepensionfund.org

Note 31 – Funding Strategy Statement

Under the LGPS Regulations 2013 (as amended) administering authorities are required to prepare a Funding Strategy Statement (FSS).

Fund members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members (net of returns from the Fund's investments). The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

The Funding Strategy Statement for the Cheshire Pension Fund can be obtained from the Pensions Section, Cheshire West and Chester Council, HQ, Nicholas Street, Chester, CH1 2NP or from the Fund's website at: www.cheshirepensionfund.org



37.37	558.16
38.29	557.16
545.5	557.07
01	559.71
	558.35

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Cheshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2017	31 March 2016
Active members (£m)	2,890	2,600
Deferred members (£m)	1,132	790
Pensioners (£m)	2,449	1,839
Total (£m)	6,471	5,228

The promised retirement benefits at 31 March 2017 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £1,103m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £19m.

Financial assumptions

Year ended (%p.a.)	31 March 2017	31 March 2016
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	2.7%	3.2%
Discount Rate	2.6%	3.5%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.3 years	24.5 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.9 years	26.5 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2017	Approximate % increase to liabilities	Approximate Monetary amount (£)
0.5% p.a. increase in the Pension Increase Rate	8%	502
0.5% p.a. increase in the Salary Increase Rate	3%	203
0.5% p.a. decrease in the Real Discount Rate	11%	719

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2017 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:

Gemma Sefton FFA

24 April 2017

For and on behalf of Hyman Robertson LLP

Cheshire Pension Fund (“the Fund”)

Actuarial Statement for 2016/17

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated February 2017. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund and of the share of the Fund attributable to individual employers;
- to 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;
- to reflect the different characteristics of different employers in determining contribution rates;
- to have 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 including tax raising employers from an employer defaulting on its pension obligations.

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

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £4,153 million, were sufficient to meet 90% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £467 million.

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

Principal Actuarial Assumptions and Method used to value the liabilities.

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

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

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	3.8%
Salary increase assumption	2.4%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's Vita Curves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current pensioners	22.3 years	24.5 years
Future pensioners*	23.9 years	26.5 years

*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

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

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

Prepared by: 

Gemma Sefton FFA

12 May 2017

For and on behalf of Hymans Robertson LLP

Hymans Robertson LLP

20 Waterloo Street, Glasgow, G2 6DB

The table below shows the total contributions received from each employer within the Fund, and the total contributions paid by employees split by contribution banding.

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
1	9851101 / 9851771	Cheshire West and Chester Council	B	341,088	833,208	1,713,245	772,093	765,673	122,750	79,724	60,710	-	-1,657	46,108	33,013	4,250	36,845,778	41,615,984
1	9851101 / 9851771	Cheshire West and Chester Council - St Wilfrids	B	551	1,117	-	-	-	-	-	-	-	-	-	-	-	6,967	8,635
1	9851101 / 9851771	Schools Cheshire West and Chester Council	B	916,385	911,664	277,436	30,278	26,559	-	-	-	-	-979	6,241	5,065	1,900	6,082,461	8,257,010
1	9851101 / 9851771	Cheshire West and Chester Council - Avenue Services	B	706	2,421	6,390	-	-	-	-	-	-	-	-	-	-	33,025	42,543
2	9851102	Cheshire East Council	A	1,120,626	1,275,655	1,895,216	832,990	660,521	267,465	38,867	97,559	-	-1,256	73,264	30,951	37,040	28,634,490	34,963,387
3	9851161	Cheshire Fire	B	19,595	74,265	156,140	50,382	38,445	9,338	-	-	-	-685		700		1,179,751	1,527,932
4	9851381	Halton Borough Transport	B	-	-	6,012	-	-	-	-	-	-	52	6	5	-	27,538	33,615
5	9851480	Halton Borough Council	B	527,222	914,829	1,243,972	386,200	191,889	103,559	26,753	17,688	1,778	-835	14,204	-	20,138	11,803,056	15,250,453
5	9851480	Halton Borough Council - Brookfields School	B	1,769	8,209	2,995	1,021	-	-	-	-	-	-	-	-	-	51,397	65,391
5	9851480	Halton Borough Council - Judicium	B	7,027	15,570	4,377	-	-	-	-	-	-	-7	-	-	-	100,092	127,058

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
5	9851480	Halton Lodge Primary (HBC)	B	3,503	5,027	2,917	-	-	-	-	-	-	37	-	-	-	42,414	53,899
5	9851480	Halton Strictly Education (HBC)	B	5,383	6,242	5,166	-	-	-	-	-	-	-	-	-	-	61,635	78,427
6	9851581	Warrington Borough Transport	B	-	936	4,735	7,146	-	-	-	10,829	-	-	-	-	-	80,649	104,295
7	9851680	Warrington Borough Council	B	792,811	1,174,451	1,475,984	505,633	372,249	145,604	75,129	53,113	-	505	37,498	2,996	6,386	16,328,185	20,970,544
7	9851680	Warrington Borough Council - St Gregorys	B	7,052	16,358	12,920	-	-	-	-	-	-	-	-	-	-	96,834	133,164
8	9851913	N W Fire Control Ltd	B	1,130	22,828	65,120	29,228	3,024	2,121	-	-	-	51	-	-	368	332,341	456,210
9	9852004	Alderley Edge Parish Council	B	566	804	1,506	-	-	-	-	-	-	-	-	-	-	9,607	12,484
10	9852007	Northwich Town Council	B	-	5,099	6,862	2,966	-	-	-	-	-	1	-	-	-	48,118	63,045
11	9852008	Winsford Town Council	B	541	5,362	-	2,641	-	-	-	-	-	-	-	-	-	29,688	38,233
12	9852011	Nantwich Town Council	B	1,422	4,695	10,219	5,850	-	-	-	-	-	-	-	-	-	74,830	97,016
13	9852020	Knutsford Town Council	B	142	921	1,607	2,449	-	-	-	-	-	-	-	-	-	16,076	21,194
14	9852029	Penketh Parish Council	B	2,962	881	1,641	2,423	-	-	-	-	-	-	-	-	-	26,375	34,283

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
15	9852042	Bollington Town Council	B	1,356	999	1,486	-	-	-	-	-	-	-	-	-	-	12,367	16,208
16	9852044	Middlewich Town Council	B	180	1,170	2,535	-	3,977	-	-	-	-	-	-	-	-	22,174	30,036
17	9852048	Poynton Town Council	B	1,055	883	2,358	2,097	-	-	-	-	-	-	-	-	-	20,609	27,002
18	9852080	Disley Parish Council	B	751	965	1,830	-	-	-	-	-	-	-	-	-	-	11,866	15,413
19	9852086	Prestbury Parish Council	B	-	1,056	-	-	-	-	-	-	-	-	-	-	-	3,698	4,754
20	9852087	Nether Alderley Parish Council	B	423	-	-	-	-	-	-	-	-	-	-	-	-	1,469	1,892
21	9852088	Birchwood Town Council	B	1,073	2,295	2,163	-	-	-	-	-	-	-	-	-	-	17,642	23,174
22	9852089	Grappenhall & Thelwall Parish Council	B	1,183	-	3,201	-	-	-	-	-	-	-	-	-	-	13,515	17,899
23	9852090	Odd Rode Parish Council	B	-	-	1,726	-	-	-	-	-	-	-	-	-	-	5,072	6,798
24	9852092	Congleton Town Council	B	2,358	11,782	7,538	-	4,493	-	-	-	-	-42	1,091	-	-	78,768	105,987
25	9852093	Frodsham Town Council	B	219	1,546	-	-	-	-	-	-	-	-	-	-	-	6,220	7,985
26	9852095	Sandbach Town Council	B	1,692	2,443	5,146	2,950	-	-	-	-	-	-168	-	-	-	36,775	48,839

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
27	9852172	Police & Crime Commissioner	B	44,602	409,474	1,384,019	279,858	145,338	29,018	20,344	-	-	-75	20,605	7,700	-	6,440,909	8,781,792
28	9852504	Priestley Sixth Form College	B	12,316	33,715	15,882	2,482	4,336	-	-	-	-	-193	-	1,101	-	192,324	261,963
29	9852507	Warrington Collegiate	B	32,996	52,278	68,432	19,735	18,766	8,474	-	-	-	1	1,261	-	1,650	950,792	1,154,385
30	9852510	Macclesfield College	B	12,963	23,430	27,868	9,590	12,520	6,603	-	11,970	-	13	1,688	-	-	321,353	427,999
31	9852511	West Cheshire College	B	56,059	82,918	54,886	16,867	16,248	8,536	-	15,339	-	112	-	-	39	825,434	1,076,437
32	9852512	South Cheshire College	B	33,508	54,020	94,515	13,499	24,164	12,860	9,224	-	-	-	-	-	-	931,469	1,173,258
33	9852513	Reaseheath College	B	71,024	134,044	136,132	15,277	23,841	14,950	-	-	-	-	270	-	-	1,188,510	1,584,047
34	9852514	Sir John Deanes College	B	11,191	25,716	15,154	8,149	3,903	8,288	-	-	-	-323	590	-	350	240,938	313,954
35	9852541	Mid Cheshire College	B	28,369	52,842	37,623	20,111	12,730	11,964	-	-	-	-	1,099	-	264	741,338	906,340
36	9852710	The Catholic High School Chester	B	11,258	16,865	6,938	-	4,784	-	-	-	-	137	-	-	-	149,375	189,357
37	9852711	Wade Deacon High School	B	9,279	33,736	19,254	6,065	5,432	7,040	-	-	-	-	-	-	-	265,952	346,758
38	9852712	Rudheath Community Primary School	B	4,799	7,885	2,414	-	-	-	-	-	-	-	-	-	-	58,318	73,416

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
39	9852713	Birchwood High School	B	7,759	22,244	12,140	924	6,206	-	-	-	-	341	3,855	-	-	166,149	219,618
40	9852714	Penketh High School	B	8,245	20,278	13,239	2,757	736	-	-	-	-	-	-	-	-	157,328	202,585
41	9852715	Worth Primary School	A	2,940	2,659	1,567	-	-	-	-	-	-	-	-	-	-	28,877	36,042
42	9852716	St Thomas More Catholic High School	A	7,702	9,843	6,993	-	1,322	-	-	-	-	-	-	-	-	116,014	141,875
43	9852717	Stapeley Broad Lane	A	2,219	4,174	2,521	-	-	-	-	-	-	-	-	-	-	34,666	43,580
44	9852723	St Martins Academy Chester	B	2,990	735	-	-	-	-	-	-	-	-	-	-	-	7,239	10,964
45	9852724	Leighton Academy	A	5,603	14,447	6,871	-	-	-	-	-	-	-	-	-	-	121,193	148,112
46	9852725	Warrington Collegiate Education Trust	B	-	2,914	3,689	-	-	-	-	-	-	-	-	-	-	20,650	27,254
47	9852726	University Cathedral Free School	B	2,420	4,035	3,061	-	-	-	-	-	-	-	-	-	-	33,256	42,772
48	9852727	Cloughwood School	B	2,427	11,209	12,440	-	4,030	-	-	-	-	-	-	-	-	108,324	138,430
49	9852728	Holmes Chapel Primary School	A	10,289	1,583	4,504	-	-	-	-	-	-	-	-	-	-	61,840	78,217
50	9852729	Whirley Primary School	A	6,413	2,175	2,102	-	-	-	-	-	-	128	-	-	-	50,892	61,710

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
51	9852730	Alsager School	A	12,587	20,655	20,296	2,978	4,495	-	-	-	-	-	-	-	-	246,485	307,496
52	9852731	Sir William Stanier Community School	A	11,208	30,270	13,108	-	4,263	-	-	-	-	-	79	338	-	157,328	310,695
53	9852732	Over Hall Community Primary School	B	8,189	5,805	4,025	-	-	-	-	-	-	-	-	-	-	64,641	82,659
54	9852733	Ash Grove Academy	A	6,704	5,687	2,514	2,522	4,250	-	-	-	-	-	-	-	-	71,933	93,610
55	9852734	Cranberry Academy	A	4,384	2,219	2,061	-	-	-	-	-	-	-	-	-	-	40,112	48,775
56	9852735	St Michaels Community Academy	A	12,061	11,318	3,592	-	-	-	-	-	-	-1	-	-	-	114,603	141,573
57	9852737	Crewe Town Council	B	-	-	2,838	-	3,972	-	-	-	-	-	-	-	-	18,350	25,160
58	9852738	Adelaide School	A	4,658	4,457	4,588	-	-	-	-	-	-	-	-	-	-	62,244	75,948
59	9852739	* Parkroyal Community School	A	14,102	7,300	7,540	-	-	-	-	-	-	-	-	-	-	110,785	139,728
60	9852740	Vivo Care Choices Ltd	B	133,088	140,813	51,172	18,933	2,868	7,406	-	-	-	158	904	-	-	1,157,230	1,512,572
61	9852741	The Quinta Primary School	A	7,082	5,056	1,839	-	-	-	-	-	-	-	-	-	-	55,438	69,414
62	9852742	University Primary Academy Weaverham	B	2,629	6,065	1,092	-	-	-	-	-	-	-	-	-	-	38,911	48,697

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
63	9852743	The Cavendish High Academy	B	1,330	21,338	7,028	-	-	-	-	-	-	-	-	-	-	98,672	128,368
64	9852744	Wistaston Academy	A	11,018	10,892	3,634	-	-	-	-	-	-	-	-	-	-	82,705	108,249
65	9852745	Appleton Parish Council	B	904	964	-	-	-	-	-	-	-	-	-	-	-	6,705	8,573
66	9852746	Stockton Heath Parish Council	B	690	-	-	-	-	-	-	-	-	-	-	-	-	2,549	3,239
67	9852747	ANSA Environmental Services	A	13,414	203,277	141,250	25,183	13,010	14,451	10,249	-	-	-352	6,255	-	-	1,302,400	1,729,137
68	9852748	Orbitas Bereavement Services	A	1,136	23,412	7,976	3,764	4,803	-	-	-	-	-	-	-	-	134,537	175,628
69	9852749	The Hermitage Trust	A	7,836	2,035	3,521	-	-	-	-	-	-	-	-	-	-	57,362	70,753
70	9852750	Tytherington School	A	6,062	28,558	7,786	2,554	-	-	-	-	-	-	-	-	-	190,447	235,407
71	9852751	Pear Tree School	A	4,356	5,756	1,530	-	-	-	-	-	-	-	-	-	-	55,605	67,247
72	9852752	The Oak View Primary Academy	B	44	863	-	-	-	-	-	-	-	-	-	-	-	2,892	3,799
72	9852752	The Oak View Primary Academy NWAT	B	3,757	9,816	1,108	-	-	-	-	-	-	-	-	-	-	47,358	62,039
73	9852754	Bridgewater Park Primary	B	930	4,151	1,458	-	-	-	-	-	-	-	-	-	-	20,629	27,168

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
74	9852756	Everybody Sport & Recreation	A	65,336	64,355	87,054	13,207	18,870	7,923	-	-	-	-14	1,028	-	-	601,052	858,811
75	9852757	Mersey Gateway Crossing Board	B	-	752	4,733	8,076	13,010	-	-	-	-	-	-	-	8	234,776	261,355
76	9852758	Marlfields Primary Academy	A	4,508	3,906	-	-	-	-	-	-	-	-	-	-	-	36,883	45,297
77	9852759	St Bernards RC Primary School	B	3,708	8,271	-	-	-	-	-	-	-	-	-	-	-	44,955	56,934
78	9852761	Black Firs Primary School	A	6,791	8,545	-	-	-	-	-	-	-	-	-	-	-	68,507	83,843
79	9852762	Smallwood C of E Primary Academy	A	4,950	1,602	-	-	-	-	-	-	-	-	-	-	-	31,522	38,074
80	9852763	Nether Alderley Primary School	A	1,938	-	-	-	-	-	-	-	-	-	-	-	-	9,442	11,380
81	9852764	Broken Cross Primary Academy & Nursery	A	3,314	4,355	-	-	-	-	-	-	-	-	-	-	-	36,270	43,939
82	9852765	Mossley CE Primary School	A	10,109	4,126	1,848	-	-	-	-	-	-	-	-	-	-	75,939	92,021
83	9852766	Ormiston Chadwick Academy	B	6,693	17,811	6,244	2,423	-	-	-	-	-	-151	-	-	-	114,334	147,353
84	9852768	Bridgewater High School	B	1,587	35,388	27,527	-	4,598	-	-	-	-	-67	1,861	-	250	247,845	318,989
85	9852769	Transport Services Solutions Limited	A	7,710	9,475	23,861	2,578	17,771	-	-	-	-	-	-	-	-	169,694	231,088

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
86	9852897	Riverside College	B	39,019	56,562	55,809	2,214	15,243	8,191	-	-	-	-223	-	-	-	766,156	942,970
87	9852912	Poulton with Fearnhead Parish Council	B	-	2,050	-	-	-	-	-	-	-	-	-	-	-	7,175	9,225
88	9852918	University Cof E Academy	B	3,088	18,245	34,386	-	-	-	-	-	-	-	-	-	-	183,810	239,529
89	9852919	Neston Town Council	B	1,430	962	753	2,451	-	-	-	-	-	-	-	-	-	17,313	22,908
90	9852924	The Fallibroome Academy	A	24,432	31,880	18,738	9,005	5,973	-	-	-	-	1	-	-	-	351,912	441,941
91	9852925	Brine Leas High School	A	19,068	24,318	10,311	-	4,803	-	-	-	-	-	-	-	-	220,355	278,856
92	9852926	Ormiston Bolingbroke Academy	B	9,624	13,401	9,887	3,000	-	-	-	-	-	-	-	-	-	123,359	159,272
93	9852927	Winsford E-ACT Academy	B	12,902	13,090	16,405	-	4,271	-	-	-	-	-	-	-	-	182,025	228,693
94	9852928	Sandbach High School & Sixth Form	A	9,333	14,465	16,767	203	4,894	-	-	-	-	-62	-	-	-	197,777	243,376
95	9852932	Christleton High School	B	6,211	19,147	11,511	3,079	3,896	2,083	-	-	-	-	-	-	-	165,500	211,428
96	9852934	Bishops Blue Coat COE High School	B	12,019	13,830	7,500	4,971	5,048	-	-	-	-	-70	7,510	-	-	159,145	209,952
97	9852935	Congleton High School	A	14,925	16,892	13,279	1,436	829	-	-	-	-	-	-	-	-	195,279	242,640

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
98	9852936	Delamere Academy	B	6,704	1,982	-	-	-	-	-	-	-	-	-	-	-	33,982	42,669
99	9852937	Mottram St Andrew Primary Academy	A	4,175	1,497	2,599	-	-	-	-	-	-	-15	-	-	-	36,300	44,556
100	9852942	Brio Leisure	B	65,707	43,596	47,046	19,682	15,260	12,175	-	-	-	-1,250	933	-	-	652,369	855,518
101	9852943	The Heath Academy	B	5,188	25,390	22,145	10,119	-	-	-	-	-	-	-	-	-	220,828	283,670
102	9852944	Palacefields Academy	B	6,536	5,074	4,475	-	-	-	-	-	-	-	568	-	-	59,392	76,045
103	9852946	Macclesfield Academy	A	3,216	13,859	5,675	2,449	-	-	-	-	-	-	-	-	-	112,995	138,195
104	9852947	Lacey Green Primary	A	8,694	3,243	-	-	3,780	-	-	-	-	-	-	-	-	58,131	73,849
105	9852948	Holmes Chapel Comprehensive School	A	24,080	23,198	16,697	-	4,406	-	-	-	-	-	-	-	-	239,033	307,414
106	9852956	Wilmslow Town Council	B	-	964	-	2,958	-	-	-	-	-	-	-	-	-	12,204	16,126
107	9852957	University Chester Academy Trust	B	-	-	3,837	10,826	4,748	1,685	-	4,940	-	-	-	-	-	64,551	90,588
108	9852958	UCAN (Rudheath)	B	2,062	14,032	7,916	-	-	-	-	-	-	-	-	-	-	95,485	119,495
109	9852961	Knutsford Academy	A	11,296	21,262	9,700	2,904	1,563	-	-	-	-	-	-	-	-	210,021	256,747

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
110	9852962	Livewire	B	58,141	68,491	74,576	16,261	29,769	7,920	-	-	-	-16	121	1,736	-	768,598	1,025,597
111	9852963	Warrington Cultural Trust	B	8,984	7,794	19,418	5,426	4,983	-	-	-	-	-3	-	-	-	120,612	167,215
112	9852964	Alsager Town Council	B	2,589	1,293	1,812	-	-	-	-	-	-	-	-	-	-	22,771	28,466
113	9852965	Neston High School	B	16,868	30,679	7,667	-	4,235	-	-	-	-	-	-	-	-	226,784	286,234
114	9852967	Sandymoor School	B	5,722	6,568	5,346	3,169	-	-	-	-	-	-	-	-	-	52,723	73,528
115	9852968	Tarporley HS & Sixth Form College	B	9,750	8,904	14,103	-	4,944	-	-	-	-	-	-	-	-	136,973	174,673
116	9852970	Eaton Bank School	A	12,716	14,300	3,056	2,648	-	-	-	-	-	-	-	-	-	144,311	177,032
117	9852971	Lymm High School	B	16,612	37,801	22,019	7,843	-	-	-	-	-	-	-	-	6,000	311,503	401,778
118	9852972	County High School, Leftwich	B	11,379	15,248	8,835	-	-	-	-	-	-	44	-	-	-	144,349	179,855
119	9852973	Kelsall Primary School	B	4,603	2,248	1,836	-	4,302	-	-	-	-	-	-	-	-	46,329	59,316
120	9852974	Handforth Parish Council	B	-	-	1,465	-	-	-	-	-	-	-	-	-	-	4,574	6,038
121	9852976	Kings Leadership Academy Warrington	B	7,106	7,920	8,157	2,720	4,675	-	-	-	-	-	-	-	-	100,649	131,226

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
122	9852977	Holmes Chapel Parish Council	B	98	-	1,281	-	-	-	-	-	-	141	-	-	-	4,360	5,880
123	9852979	Lymm Parish Council	B	-	-	1,465	-	-	-	-	-	-	-	-	-	-	4,575	6,040
124	9852983	University Academy Warrington	B	4,886	16,890	6,435	-	-	-	-	-	-	-91	-	-	-	105,545	133,665
125	9852984	Great Sankey High School	B	15,519	22,042	16,716	2,962	486	6,233	-	-	-	-	-	-	-	212,122	276,080
126	9852985	All Hallows Catholic College	A	9,899	16,939	13,183	-	4,677	-	-	-	-	-	-	-	-	195,740	240,437
127	9852990	Beamont Collegiate Academy	B	5,580	16,468	13,152	5,136	-	-	-	-	-	-	-	-	-	146,578	186,915
128	9853025	* Wistaston Parish Council	B	-	590	-	-	-	-	-	-	-	-	-	-	-	2,065	2,654
129	9854009	Canal & River Trust	C	-	1,062	-	-	-	-	-	-	-	-	-	-	-	13,894	14,955
130	9854012	Cheshire Community Action	B	-	-	2,201	-	-	-	-	-	-	-	-	-	-	30,063	32,264
131	9854014	Making Space	C	-	1,010	3,828	-	-	-	-	-	-	-	-	-	-	948,688	953,526
132	9854015	Adoption Matters Northwest	B	3,496	14,611	35,539	42,311	4,684	868	-	-	-	-	1,694	-	-227	350,202	453,179
133	9854019	Warrington Voluntary Action	A	-	387	-	2,373	-	-	-	-	-	-	-	-	-	18,564	21,324

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
134	9854032	David Lewis Centre	C	527	-	-	-	-	-	-	-	-	-	-	-	-	754,260	754,787
135	9854033	Middlewich Joint Cemetary	B	599	-	-	-	-	-	-	-	-	-	-	-	-	2,211	2,811
136	9854036	Warrington Housing Association	B	5,939	10,614	36,417	3,449	12,614	6,644	7,141	-	-	-140	-	-	-	256,996	339,674
137	9854043	Cheshire Sports Trust	B	-	-	5,041	3,097	-	6,313	-	-	-	-	-	-	-	28,965	43,417
138	9854047	Quality Care Commision Pool	C	-	-	-	4,578	-	-	-	-	-	-33	-	-	-	16,883	21,427
139	9854051	Norton Priory Museum Trust	B	473	4,117	4,554	2,386	-	-	-	-	-	10	-	-	-	27,256	38,798
139	9854051	Norton Priory Museum Trust - Halton BC	B	-	-	3,104	-	-	-	-	-	-	-	-	-	-	10,314	13,418
140	9854065	Kings School	B	-	1,001	6,421	2,414	-	-	-	-	-	1	-	-	2,120	117,653	129,610
141	9854068	University of Chester	B	73,429	220,070	568,343	112,061	97,204	65,849	10,446	17,974	-	4	13,216	12,387	1,440	3,476,405	4,668,829
142	9854071	Silk Museum	A	2,644	-	2,255	-	-	-	-	-	-	-	-	-	-	33,462	38,361
143	9854081	Deafness Support Network	C	561	-	-	-	4,167	-	-	-	-	-	2,216	-	-	133,079	140,023
144	9854091	Warrington Community Living	B	5,202	13,069	5,783	-	5,100	-	-	-	-	-	-	-	-	266,998	296,153

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
145	9854205	CLS - Cheshire Lifestyle Services	C	758	-	2,873	2,791	371	-	-	-	-	18	-	-	-	627,365	634,177
146	9854221	Cheshire County Sports Club	C	-	1,210	-	-	-	-	-	-	-	-	-	-	-	10,742	11,952
147	9854326	Plus Dane (Cheshire) Housing Association	B	2,185	7,774	67,692	9,450	11,591	711	-	-	-	-	-	-	-	539,175	638,579
148	9854535	Sandbach School	B	9,915	19,138	26,518	3,374	3,051	2,484	-	-	-	-	-	-	-	226,327	290,807
149	9854575	Weaver Vale Housing Trust	B	13,839	55,395	238,385	41,465	47,399	-	19,632	-	-	9	2,011	-	-	1,460,700	1,878,836
150	9854719	Hochtief	B	1,339	1,125	-	-	-	-	-	-	-	-	-	-	-	9,229	11,693
151	9854736	Mears Care Limited	B	3,440	1,054	-	-	-	-	-	-	-	-	-	96	-	19,955	24,544
152	9854753	Lafarge Tarmac	B	-	1,352	7,983	1,889	849	-	-	-	-	-	-	-	-	38,802	50,875
153	9854760	Kingsley & District Nursery	B	824	-	-	-	-	-	-	-	-	-	-	-	-	3,418	4,242
154	9854849	Wulvern Housing Ltd	B	5,659	8,222	87,465	30,768	22,431	10,082	8,049	-	-	-10	-	-	-	444,873	617,538
155	9854884	ISS	B	-	1,227	1,399	-	-	-	-	-	-	-	-	-	-	11,222	13,848
156	9854885	Cheshire & Warrington Ent. Commission	C	-	-	1,599	-	-	-	-	-	-	-	-	-	-	36,565	38,164

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
157	9854890	Halton Housing Trust	C	1,909	17,981	157,477	52,596	37,168	21,720	-	13,808	-	-	-	-	-	860,549	1,163,208
158	9854891	Cheshire Peaks & Plains Housing Trust	B	4,373	18,527	71,362	13,610	18,283	12,806	8,202	-	-	-1,037	-	3,639	-	472,820	622,586
159	9854906	School Food Company	B	281	-	-	-	-	-	-	-	-	-	-	-	-	26	306
160	9854923	Eric Wright EP Schools	B	833	741	-	-	-	-	-	-	-	-	-	-	-	-	1,573
161	9854929	Golden Gate Housing Trust	B	7,153	48,211	269,364	63,262	31,231	14,777	10,186	-	-	3	4,463	-	-	1,241,409	1,690,059
162	9854933	Innovate Ltd Tytherington	B	282	-	-	-	-	-	-	-	-	-	-	-	-	2,277	2,559
163	9854941	Hall Cleaning Services	B	744	-	-	-	-	-	-	-	-	-	-	-	-	-	744
164	9854945	Bulloughs Cleaning Ltd	B	1,488	-	-	-	-	-	-	-	-	-	-	-	-	-	1,488
165	9854949	Compass (Chartwell Ltd)	B	511	-	-	-	-	-	-	-	-	-	-	-	-	-	511
166	9854950	Aspens Services	B	1,713	-	-	-	-	-	-	-	-	-	-	-	-	-	1,713
167	9854953	Ringway Jacobs	B	493	2,545	52,204	22,598	17,114	2,173	-	1,957	-	-253	-	-	-	-	98,832
168	9854954	RM Estates Ltd	B	154	1,974	-	-	-	-	-	-	-	-	-	-	-	8,142	10,271

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
169	9854955	Sport Cheshire	B	-	-	2,015	-	-	-	-	-	-	-	-	-	-	-	2,015
170	9854959	Marketing Cheshire	C	-	820	931	-	-	-	-	-	-	-	-	-	-	5,892	7,643
171	9854960	May Gurney Ltd	B	-	21,048	30,418	12,332	-	-	-	-	-	-	-	-	-	213,579	277,377
172	9854966	Plus Dane Housing Association	B	5,415	20,012	117,643	17,637	11,907	6,109	-	-	-	1	-	-	-	244,560	423,283
173	9854975	Dataspire	B	-	2,071	-	-	-	-	-	-	-	-	-	-	-	5,425	7,496
174	9854978	Ringway Infrastructure Services (Operatives)	B	-	4,071	20,817	3,947	-	-	-	-	-	-1	-	-	-	121,472	150,306
174	9854941	Ringway Infrastructure Services (Salaried)	B	-	459	1,028	8,859	7,050	-	-	-	-	-	-	-	-	61,844	79,240
175	9854986	HQ Theatres	B	-	775	3,491	-	-	-	-	-	-	-	-	-	-	12,876	17,142
176	9854987	Tommy Thumbs	C	331	-	-	-	-	-	-	-	-	-	-	-	-	1,472	1,802
177	9854988	Bulloughs - Collegiate	B	1,400	-	-	-	-	-	-	-	-	-	-	-	-	-	1,400
178	9854989	Bulloughs - Brine Leas	B	1,401	-	-	-	-	-	-	-	-	-	-	-	-	6,062	7,463
179	9857000	Wistaston Church Lane Academy	A	13,881	8,275	-	-	-	-	-	-	-	-	-	-	-	105,878	128,035

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
180	9857001	Catering Academy - UAW	B	1,001	-	-	-	-	-	-	-	-	-	-	-	-	3,789	4,791
181	9857002	Catering Academy - UCEA	B	1,993	-	-	-	-	-	-	-	-	-	-	-	-	7,334	9,327
182	9857003	Catering Academy - UPAW	B	546	-	-	-	-	-	-	-	-	252	-	-	-	3,167	3,966
183	9857004	Boughton Heath Academy	B	5,436	3,441	235	-	-	-	-	-	-	-	-	-	-	36,576	45,688
184	9857005	Mill View Primary School	B	6,634	3,802	-	-	-	-	-	-	-	20	-	-	-	43,106	53,563
185	9857006	Catalyst Choices CIC	B	11,002	133,245	86,482	22,817	6,664	6,858	-	-	-	-88	2,050	-	-	846,007	1,115,037
186	9857007	Widnes Academy	B	544	5,799	4,423	-	-	-	-	-	-	-	-	-	-	38,431	49,197
187	9857008	Hungerford Primary Academy	A	16,207	11,269	6,155	-	3,858	-	-	-	-	-	-	-	-	172,094	209,584
188	9857009	Sanctuary Housing Association	C	2,788	29,466	177,533	24,622	20,753	6,722	-	-	-	-71	2,647	-	-	1,129,845	1,394,305
189	9857010	St Pauls Catholic Primary School	A	5,972	-	1,941	-	-	-	-	-	-	-	-	-	-	37,100	45,012
190	9857011	St Albans Catholic Primary School	A	7,557	3,163	1,496	-	-	-	-	-	-	-	-	-	-	55,025	67,241
191	9857012	Sandbach Primary Academy	A	5,096	1,216	-	-	-	-	-	-	-	-	-	-	-	30,452	36,765

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
192	9857013	Peover Superior Endowed Primary School	A	1,951	1,166	-	-	-	-	-	-	-	-	-	-	-	14,920	18,037
193	9857014	Super Clean - Ashdene	A	302	-	-	-	-	-	-	-	-	-	-	-	-	1,309	1,611
194	9857015	Super Clean - Alsager	A	412	-	-	-	-	-	-	-	-	-	-	-	-	1,784	2,196
195	9857016	Super Clean - Offley	A	169	-	-	-	-	-	-	-	-	-	-	-	-	732	902
196	9857017	Super Clean - Holmes Chapel	A	118	-	-	-	-	-	-	-	-	-	-	-	-	510	628
197	9857018	Turning Point Services Ltd	B	431	-	3,813	-	-	-	-	-	-	-	-	-	-	12,590	16,835
198	9857019	Ivy Bank Primary School	A	21,288	5,162	2,146	-	-	-	-	-	-	-	-	-	-	138,137	166,734
199	9857020	Liverpool Mutual Homes	B	-	-	4,132	-	-	-	-	-	-	-	-	-	-	14,493	18,625
200	9857021	St Marys Catholic Primary School	A	4,691	1,699	1,941	-	-	-	-	-	-	-	-	-	-	36,977	45,307
201	9857022	Civiance Ltd	A	4,341	21,898	8,910	16,431	13,022	-	-	-	-	-59	3,240	-	-	235,934	303,717
202	9857023	Mack Trading (Heaton Park) Limited	B	259	6,311	-	-	-	-	-	-	-	-	-	-	-	21,116	27,686
203	9857024	Elite Cleaning and Environmental Services	B	530	-	-	-	-	-	-	-	-	-	-	-	-	2,131	2,661

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
204	9857025	Taylor Shaw - Bridgemere	A	529	-	-	-	-	-	-	-	-	-	-	-	-	2,578	3,107
205	9857026	Bulloughs -Lymm	B	1,197	-	-	-	-	-	-	-	-	-	-	-	-	4,810	6,007
206	9857027	QWest Services Limited	B	24,838	50,123	27,561	7,467	3,057	3,043	-	-	-	-1,079	-	317	-	487,036	602,363
207	9857028	St Augustines Catholic Primary School	B	1,615	4,298	-	-	-	-	-	-	-	-44	-	-	-	22,181	28,050
208	9857030	Taylor Shaw - Weston	A	425	-	-	-	-	-	-	-	-	-	-	-	-	2,037	2,461
209	9857032	Taylor Shaw - Elworth	A	714	-	-	-	-	-	-	-	-	-	-	-	-	3,124	3,838
210	9857033	Shavington Academy	A	7,557	11,897	1,941	-	2,153	-	-	-	-	-	-	-	-	106,637	130,185
211	9857034	The Berkeley Academy	A	2,528	6,901	1,815	-	-	-	-	-	-	-	-	-	-	51,734	62,977
212	9857035	Willaston Primary Academy	A	5,934	3,559	3,216	-	-	-	-	-	-	-	-	-	-	58,618	71,326
213	9857036	The Russett School	B	15,513	15,357	8,415	1,217	-	-	-	-	-	-	-	-	-	157,378	197,880
214	9857037	* Taylor Shaw - Leighton	A	2,341	-	-	-	-	-	-	-	-	-	-	-	-	11,162	13,503
215	9857038	The Fermaine Academy	B	-	4,672	1,776	-	-	-	-	-	-	-	-	-	-	20,822	27,271

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
216	9857039	Macclesfield Town Council	B	531	-	825	2,624	-	-	-	-	-	239	-	-	-	13,401	17,621
217	9857040	Nantwich Primary Academy	A	4,379	4,862	-	-	-	-	-	-	-	-	-	-	-	43,801	53,041
218	9857041	Riverside Truck Rental	B	-	-	1,340	-	-	-	-	-	-	-	-	-	-	4,596	5,935
219	9857042	Shavington Primary School	A	9,693	4,316	1,968	-	-	-	-	56	-	-	-	-	-	71,463	87,496
220	9857043	Upton Priory School	A	8,219	14,870	-	1,836	-	-	-	-	-	-	-	-	-	116,926	141,851
221	9857044	*Your Housing Group	B	-	-	4,578	-	-	-	-	-	-	-	-	-	-	15,491	20,069
222	9857045	Edsential	B	181,422	31,550	15,542	14,626	6,529	5,810	9,077	-	-	-947	3,207	-	1,365	1,170,481	1,438,662
223	9857046	The Oaks Academy	A	11,012	12,136	11,234	-	-	-	-	-	-	-	-	285	270	158,037	192,973
224	9857047	* University Technical College (UTC) Warrington	B	1,071	2,329	1,543	1,021	-	-	-	-	-	-	-	-	-	13,336	19,299
225	9857048	* Delamere and Oakmere Parish Council	B	281	-	-	-	-	-	-	-	-	-	-	-	-	1,039	1,320
226	9857051	The Skills and Growth Company Limited	A	187	1,103	8,695	6,786	37,081	7,387	-	-	-	-	-	-	-	167,184	228,423
227	9857052	* Wheelock Primary School	A	6,779	2,808	2,080	-	-	-	-	-	-	-	-	-	-	54,580	66,246

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
228	9857053	* Monks Coppenhall Academy	A	9,617	11,809	1,120	859	-	-	-	-	-	-	-	-	-	109,498	132,903
229	9857054	*Marlborough Primary School	A	12,063	2,080	3,292	-	-	-	-	-	-	-110	-	-	-	81,503	98,828
230	9857055	* Churchil Contract Services Ltd	B	770	-	-	-	-	-	-	-	-	-	-	-	-	3,080	3,850
231	9857056	* Super Clean - Park Lane	A	199	-	-	-	-	-	-	-	-	-	-	-	-	971	1,170
232	9857057	* Hartford Parish Council	B	-	605	-	-	-	-	-	-	-	-	-	-	-	2,119	2,725
233	9857044	* Crewe Engineering UTC	A	216	1,417	-	-	2,078	-	-	-	-	-	-	-	-	10,559	14,269
234	9857059	* Acton CE Primary Academy	A	-	2,610	1,532	-	-	-	-	-	-	-	-	-	-	18,288	22,430
235	9857060	* Calveley Primary Academy	A	-	2,409	1,015	-	-	-	-	-	-	-	-	-	-	15,315	18,739
236	9857061	* Highfields Community Primary School	B	2,780	2,147	994	-	-	-	-	-	-	-	-	-	-	27,603	33,525
237	9857062	* St John's Wood Community School	A	1,303	2,019	2,011	-	-	-	-	-	-	-	-	-	-	23,971	29,304
238	9857063	* Bridgewater High School Trading	B	527	-	-	-	-	-	-	-	-	-	-	-	-	2,117	2,643
239	9857064	* Gorseybank Primary School	A	5,370	2,803	917	-	-	-	-	-	-	-14	-	-	-	41,312	50,389

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
240	9857065	* PAM East	A	-	-	-	1,089	-	-	-	-	-	-	-	-	-	4,291	5,380
241	9857066	* PAM West	B	301	1,077	2,131	-	-	-	-	-	-	-	-	-	-	13,525	17,034
242	9857067	* Dolce (Rossmore)	B	126	-	-	-	-	-	-	-	-	-	-	-	-	546	672
243	9857068	* Dolce (Moulton)	B	317	-	-	-	-	-	-	-	-	-	-	-	-	1,373	1,690
244	9857069	The Wilmslow Academy	A	5,783	3,080	835	-	-	-	-	-	-	-	-	-	-	45,852	55,549
245	9857070	* Daresbury Primary School	B	1,036	2,501	-	-	-	-	-	-	-	-	-	-	-	13,383	16,919
246	9857071	* Underwood West Academy	A	3,567	6,767	2,021	855	-	-	-	-	-	-	-	-	-	60,350	73,560
247	9857072	* Adlington Primary School	A	2,560	560	-	-	-	-	-	-	-	-	-	-	-	15,066	18,187
248	9857073	* Bruche community Primary School	B	1,556	3,799	1,039	-	-	-	-	-	-	-	-	-	-	17,453	23,846
249	9857074	* Evelyn Street Community Primary School	B	4,347	5,001	2,306	-	2,977	-	-	-	-	-1	-	-	-	37,485	52,115
250	9857075	* Penketh Community Primary School	B	1,513	2,465	2,010	-	-	-	-	-	-	-	-	-	-	16,046	22,033
251	9857077	* Avenue Services	B	64	262	581	-	-	-	-	-	-	-	-	-	-	3,160	4,068

				Employee's Contributions														
Num	Centre Code	Employer name	Strategy	Up to £13,600	£13,601 - £21,200	£21,201 - £34,400	£34,401 - £43,500	£43,501 - £60,700	£60,701 - £86,000	£86,001 - £101,200	£101,201 - £151,800	£151,801 or more	Adjustments (To be apportioned)	Added Years	ARC's	APC's	Employer's Contributions	Sum of Total
252	9854060	Youth Federation (Deficit)	C	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000
253	9854030	Vision Support (Deficit)	C	-	-	-	-	-	-	-	-	-	-	-	-	-	29,000	29,000
254	9852755	CoSocius (Left 31/03/2016)	B	-	11	591	487	-	-	-	-	-	-	-	-	-	2,633	3,723
		Total		5,626,355	8,651,096	12,080,150	3,795,326	3,006,272	1,006,990	333,023	305,943	1,778	-10,146	261,786	100,329	83,611	147,900,184	183,142,696

* Employers who joined the Fund during 2016/17.

The figures have been rounded to the nearest pound. There are additional employers where they are only making payment of a fixed deficit figure (Youth Federation & Vision Support) Cosocius left the fund on 31/03/2016

Scheme advisory Board Summary Information

The following information is provided to assist in the production of the scheme annual report compiled by the LGPS Scheme Advisory Board.

1. The table below provides a summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members).

2016-17	Active	Ceased	Total
Scheduled Body	159	31	190
Admitted Body	93	53	151
Totals	252	89	341

2. The table below provides an analysis of fund assets as at 31 March 2017

	UK	Non-UK	Global	Total
	£000	£000	£000	£000
Equities	24,001		977,049	1,001,050
Bonds	292,632		2,039,802	2,332,433
Property (direct holdings)	320,015			320,015
Alternatives	254,260	905,737	22,721	1,182,718
Cash	107,055		37,041	144,096
Total	997,962	905,737	3,076,613	4,980,312

3. The table below provides an analysis of investment income accrued as at the 31 March 2017

	UK	Non-UK	Global	Total
	£000	£000	£000	£000
Equities			7,202	7,202
Alternatives	9,797	480		10,277
Property (direct holdings)	2,850			2,850
Cash	12,347		1,631	13,978
Total	24,994	480	8,833	34,307



Funding Strategy Statement

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Cheshire Pension Fund (“the Fund”), which is administered by Cheshire West and Chester Council, (“the Administering Authority”).

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

1.2 What is the Cheshire 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 Cheshire Pension Fund, to make sure it:

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

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

1.3 Why does the Fund need a Funding Strategy Statement?

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

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

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities.

This statement sets out how the Administering Authority has balanced the conflicting aims of:

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

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

The FSS is a summary of the Fund’s approach to funding its liabilities, and this includes reference to the Fund’s other policies; it is not an exhaustive statement of policy on all issues. **The FSS forms part of a framework 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 and of the share of the Fund attributable to individual employers. 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
- 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 including tax raising employers 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 Nick Jones, Employer Liaison Manager in the first instance at:

nick.jones@cheshirewest.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?

In essence this is a three-step process:

- Calculate the ultimate funding target for that employer, i.e. the ideal amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given probability of achieving that funding target over that time horizon, allowing for different likelihoods of various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 How does the actuary set each employer's contribution rate?

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

- a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including administration expenses. This is referred to as the "Primary rate", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary rate". In broad terms, payment of the Secondary rate will aim to return the employer to full funding over an appropriate period (the "time horizon"). The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

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

2.3 What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

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

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

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

2.4 How does contribution rate vary for different employers?

All three steps in Section 2.1 are considered when setting contributions (more details are given in Section 3 and Appendix D).

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

For some employers it may be agreed to pool contributions, see 3.4. Any costs of non ill-health early retirements must be paid by the employer, see 3.6. Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How is a deficit (or surplus) calculated?

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

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

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

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

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

How does the Fund recognise that employer contribution rates can affect council and employer service provision, and council tax? The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. **For instance:**

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

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

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;

- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

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

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

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

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

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

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund.

With this in mind, the Fund's three-step process identifies the key issues:

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

These and associated issues are covered in this Section.

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

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. **At their absolute discretion the Administering Authority may:**

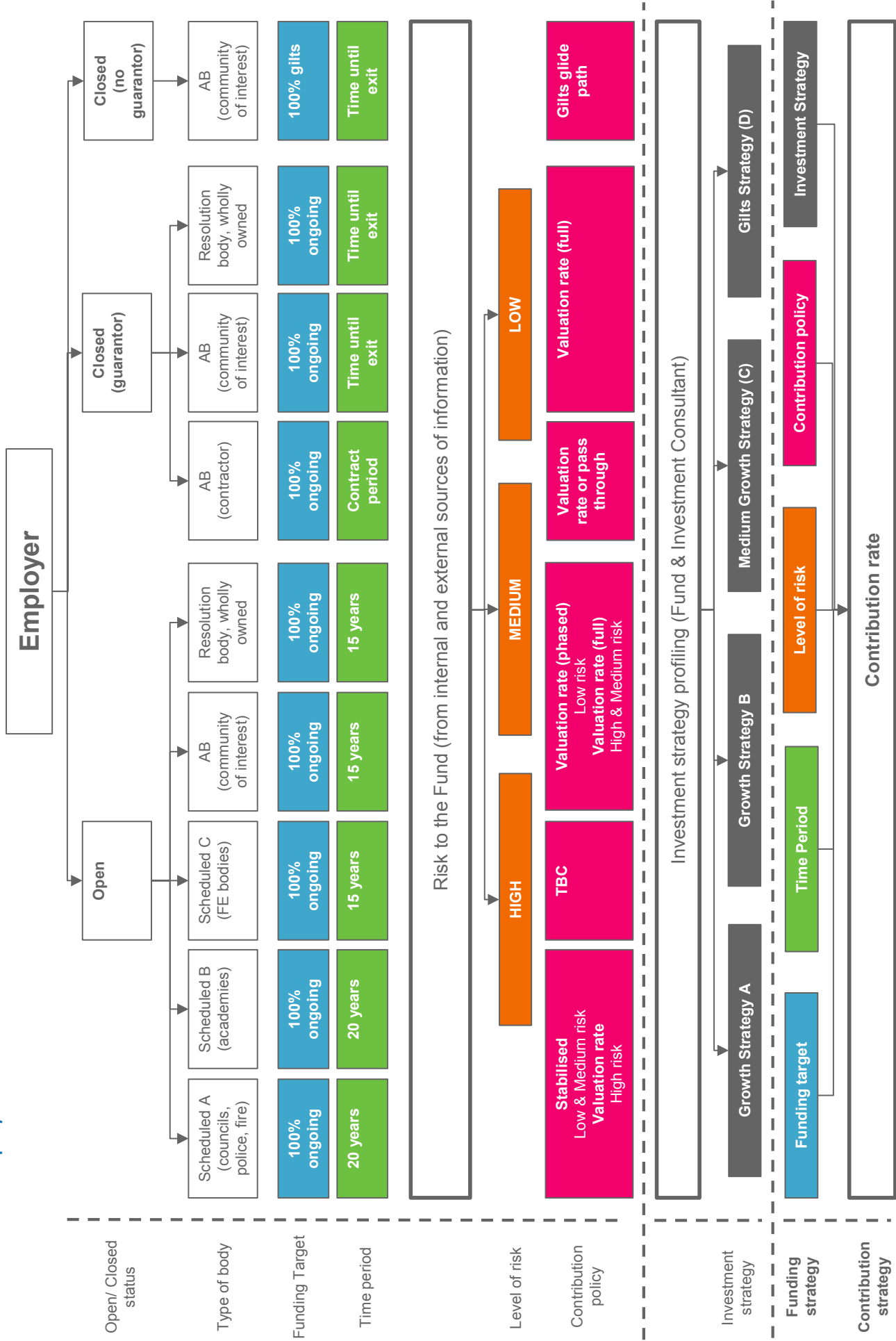
- extend the time horizon for targeting full funding;
- adjust the required probability of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with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

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

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term may lead to higher contributions in the long term; and
- it may take longer to reach their funding target, all other things being equal.
- Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.
- Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	Local Authorities, Police, Fire	Further Education Establishments	Academies	Open to new entrants	Closed to new entrants	(All)
Type of employer	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to “gilts basis” - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	Yes - see Note (b)	Yes - see Note (b)	No	No	No
Maximum time horizon – Note (c)	20 years	15 years	20 years	15 years	15 years	Outstanding contract term
Secondary rate – Note (d)	Monetary amount for 4 main Councils, % of payroll for P&TCs	Monetary amount	% of payroll	Monetary amount	Monetary amount	Monetary amount
Treatment of surplus	Covered by stabilisation arrangement	TBC - Covered by stabilisation arrangement	Preferred approach: contributions kept at future service rate. However reductions may be permitted by the Administering Authority on a case by case basis	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
Probability of achieving target – Note (e)	On employer by employer basis	On employer by employer basis	On employer by employer basis	On employer by employer basis	On employer by employer basis	On employer by employer basis
Phasing of contribution changes	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	3 years	3 years	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	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.



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

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

The Administering Authority may set a higher funding target (e.g. using a discount rate set equal to gilt yields and extending the allowance for future improvements in longevity) 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 with the objective of reducing, but not entirely eliminating, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

If an employer's contributions are set to target a higher funding target, the Administering Authority may move the employer's assets to a lower risk investment strategy.

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.

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

Type of employer	"Standard" Tax Raising or Precepting	"Mature" Tax Raising or Precepting	Higher/Further Education Establishments	Academy
Max cont increase	+0.5% of pay	+1.5%	+2.0%	Same as LEA school
Max cont decrease	-0.5% of pay	-0.5%	-0.5%	Same as LEA school

All percentage of pay figures are based on the employer's actual payroll and contributions in payment as at 31 March 2016 and are assumed to increase in line with the pay increase assumption.

The stabilisation criteria and limits apply for the period 1st April 2017 to 31 March 2020 and will be reviewed at the 31 March 2019 valuation, to take effect from 1 April 2020.

The review will take into account the employer's membership profiles, actual payroll and contributions in payment at the time of the review and also any issues surrounding employer security, and other relevant factors. Any material changes to any of the above may result in a revision to the stabilisation criteria and limits

The Administering authority reserves the right to review the stabilisation criteria and limits at any point before 31 March 2019 if there are material events for example (but not limited to) significant reductions in active membership or changes in the nature of the employer (perhaps due to Government restructuring or policy changes).

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. 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 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" should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

The current stabilisation mechanism applies if:

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

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2017 for the 2016 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants. This expectation does not apply to contractors.

A maximum time horizon of 20 years is reserved only for employers with tax raising powers or an explicit guarantee from a central government department e.g. DFE guarantee for academies.

For other employers who remain open to active membership the maximum time horizon is 15 years.

The maximum time horizon for all contractors is the outstanding contract term.

For employers who are closed to new entrants or 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 this period is likely to reduce at each subsequent valuation.

Note (d) (Secondary rate)

In general, the Secondary contribution rate for each employer covering the three year period until the next valuation will be set as a monetary amount as the default.

Note (e) (Probability of achieving funding target)

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

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

Different probabilities are set for different employers depending on their nature and circumstances: in broad terms:

- a 2 in 3 or 66% minimum probability is required for employers with tax raising powers or an explicit guarantee from a central government department e.g. DFE guarantee for academies
- a 3 in 4 or 75% minimum probability is generally required if the employer does not have tax-raising powers or an explicit guarantee from a central government department e.g. DFE guarantee for academies
- a 2 in 3 or 66% minimum probability may be applied for employers who can evidence a tax raising body as a guarantor or other sufficient security backing its funding position

The Fund reserves the right to change or set alternative minimum probabilities if the circumstances of the employer change, for example (but not limited to) the Fund believes the employer poses a greater risk of being unable to meet its long term funding commitment than other employers or the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

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

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

Note (g) (New Academy conversions)

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

- The 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. The underlying funding position of each academy within the MAT will continue to be tracked.
- The 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;
- The academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;
- The academy's initial contribution rate will be as per the ceding council's rate and the council's stabilisation parameters will apply;
- Ultimately, all academies remain responsible for their own allocated deficit.

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance or any changes to Government policy, for example if the current provision of a DfE guarantee that the Department will meet any outstanding LGPS liabilities on Academy Trust closure is removed, reduced or becomes insufficient to meet potential risks to the Fund. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (c) and (d) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

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

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

Transferee Admission Bodies (TABs): For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be monitored and reassessed on an annual basis by the Administering Authority. However, it is the responsibility of the letting employer to ensure that the level of security provided remains adequate, as the letting employer is the guarantor of last resort should the TAB default. See also Note (i) below.

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

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

Note (i) (New Transferee Admission Bodies)

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

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

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

i) Pooling

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

ii) Letting employer retains pre-contract risks

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

iii) Fixed contribution rate agreed

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

In order to avoid the Administering Authority becoming involved in any disputes relating to risk sharing and to protect the other participating employers, the Fund will not be party to any risk sharing agreement between any employer (awarding authority) and a contractor. Accordingly any such arrangements will not be detailed in the admission agreement and the admission body will be required to follow the principles of the agreement as if no such risk sharing was in place and as if they were any other employer within the Cheshire Pension Fund. It will then be up to the awarding authority and the contractor to put in place separate steps to allow the risk sharing to be implemented (e.g. via the contract payments). Accordingly the contractor will be required to pay the certified employer contribution rate to the Fund and any other contributions required e.g. early retirement strain costs, regardless of risk sharing arrangement in place

Note (j) (Admission Bodies Ceasing)

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

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

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

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

- Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing basis as described in Appendix E;
- Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due. This will be considered on a case by case basis subject to approval by the guarantor and is within the terms of the guarantee;
- Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund, at its absolute discretion may allow spreading the payment over a period acceptable to the Fund. This will be considered on case by case basis and the Fund may require some security in place for the employer such as a bond indemnity or guarantee.

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

3.4 Pooled contributions

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. However, 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.

Community Admission Bodies and Transferee Admission Bodies are not permitted to participate in a pool.

With the advice of the Actuary the Administering Authority has allowed Parish and Town Councils to pool for the purposes of setting contributions. The underlying funding position of each Parish and Town Council continues to be tracked.

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

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 to the satisfaction of the Administering Authority.

Such flexibility may include a reduced rate of contribution or an extended time horizon.

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value. **The degree of flexibility given may take into account factors such as:**

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

3.6 Non ill health early retirement costs

Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining the age at which they can take their benefits without incurring a reduction (NB the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). 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:

Major Employing bodies - up to 5 years

Designating Employers - up to 3 years

Academies - up to 3 years

Admission Bodies - payable immediately

3.7 Ill health early retirement costs

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

Each employer has an 'ill health allowance' built into the full contribution rate that is set at each actuarial valuation.

The Administering Authority receives a cash figure from the actuary for this 'ill health allowance' that is built into each employer's contribution rate for the three years covered by the actuarial valuation (i.e. for the period 1/4/17 – 31/3/20 for the 2016 valuation). Where an employer does not take out ill-health insurance, they will be invoiced for any cumulative ill-health retirement costs over the three year period that are above their allowance.

3.8 External ill health insurance

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

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total cost of 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 inform the Administering Authority 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 employers.

In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period and may also require the provision of a suitable security or guarantee. 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

This section covers bulk transfer payments into, out of and within the Fund. Each case will be treated on its own merits, but in general:

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

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets, 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 (to be replaced by an Investment Strategy Statement under new LGPS Regulations), which is available to members and employers.

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

Currently there are four investment strategies in the Fund, with a range of allocation to growth assets. More detail of these strategies are set out in the Statement of Investment Principles (to be replaced by an Investment Strategy Statement)

Employers are allocated by the Administering Authority and the Fund's Strategic Investment Advisor to the investment strategy which is most appropriate given the employer's funding objective and current funding position.

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

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

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

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

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

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

4.4 How does this differ for a large stable employer?

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

- **Prudence** - the Fund should have a reasonable expectation of being fully funded in the long term;
- **Affordability** – how much can employers afford; 24
- **Stewardship** – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position; and
- **Stability** – employers should not see significant moves in their contribution rates from one year to the next, to help provide a more stable budgeting environment.

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

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

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

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

4.5 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, monthly. It reports this to the regular Pensions Committee meetings, and also to employers from time to time.

The estimated funding level of any employer in the Fund can be provided by the Administering Authority within 5 business days of request

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

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

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

5.2 Solvency

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

- (a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- (b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- (c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

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

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

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

Relative considerations include:

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

Absolute considerations include:

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

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

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

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

- “to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;
- to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and
- to take a **prudent longer-term view** of funding those liabilities.”

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

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

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

A2 Does the Administering Authority consult anyone on the FSS?

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

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

- a) A draft version of the FSS was issued to all participating employers for comment;
- b) Comments were requested within 30 days;
- c) Following the end of the consultation period the FSS was updated where required and then published.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website www.cheshirepensionfund.org;
- A copy sent by [post/e-mail] to each participating employer in the Fund;
- A copy sent to [employee/pensioner] representatives;
- A summary issued to all Fund members;
- A full copy [included in/linked from] the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

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

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

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

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

A5 How does the FSS fit into other Fund documents?

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

These documents can be found on the web at www.cheshirepensionfund.org.

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/Investment Strategy Statement (SIP/ISS) 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;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
- prepare and maintain a FSS and a SIP/ISS, 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 and SIP/ISS as necessary and appropriate.

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 data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
- 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 employers' 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/ISS 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/ISS;
- 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;
- the Department for Communities and Local Government (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

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

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

Risk	Summary of Control Mechanisms
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	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. 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.
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	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	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: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). 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.

C5 Governance risks

Risk	Summary of Control Mechanisms
<p>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>	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>
<p>Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way</p>	<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>
<p>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.</p>	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
<p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p>	<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.

All three steps below are considered when setting contributions (more details are given in Section 3 and Appendix D:

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

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

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

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

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

D2 How is the Primary contribution rate calculated?

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

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

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

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

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

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

D3 How is the Secondary contribution rate calculated?

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

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

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

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

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

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

D4 What affects a given employer's valuation results?

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

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required probability of achieving the funding target.

D5 How is each employer's asset share calculated?

Individual asset shares are calculated on a monthly basis by the Fund Actuary using the HEAT system. This system uses monthly income and expenditure amounts split by each employer.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

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

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

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

E2 What basis is used by the Fund?

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

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

E3 What assumptions are made

a) Investment return / discount rate

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

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

For the purpose of the triennial funding valuation at 31 March 2016 and setting contribution rates effective from 1 April 2017, the Fund actuary has carried out modelling to test the suitability of the investment return assumption for each of the Fund’s investment strategies.

The results of this analysis have allowed the Administering Authority to evidence the appropriateness of the assumption for future investment returns earned by the Fund over the long term.

As the Fund runs four investment strategies the assumption was analysed for each in turn. For each of the strategies with an allocation to growth assets the assumption 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 2013 valuation). The analysis showed that for each strategy’s current growth allocation, the probability of achieving a return of 1.6% per annum over the gilt yield was deemed appropriate by the Administering Authority. In nominal terms this equates to an expected investment return of 3.8% per annum.

For the gilts only investment strategy, the assumed investment return is set to be the gilt yield at the time of the valuation (this is the same as that used at the 2013 valuation). In nominal terms this equates to an expected investment return of 2.2% per annum.

In the opinion of the Fund actuary, based on each of the current investment strategies of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

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

1. 1% p.a. until 31 March 2020, followed by
2. the retail prices index (RPI) per annum p.a. thereafter.

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

c) Pension increases

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

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

d) Life expectancy

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

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

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

The combined effect of the above changes from the 2013 valuation approach is minimal. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members’ benefits.

e) General

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

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

Appendix F – Glossary

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

Gilt	A UK Government bond, 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.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members’ contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer’s position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members’ benefits (including an allowance for administrative expenses). See Appendix D for further details.

Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members , 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.
Guarantee / guarantor	A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and Primary contribution rates . In broad terms, this relates to the shortfall of its asset share to its funding target . See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.
Valuation	An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Breaches of the law

Background

Cheshire Pension Fund (“the Fund”) has prepared this document in setting out its policy and procedures on identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of the Pensions Regulator’s Code of Practice no 14 (Governance and administration of public service pension schemes) – “the Code of Practice”.

This policy sets out the responsibility of members and officers of the Cheshire Pension Fund (“the Fund”) and the local pension board in identifying, managing and where necessary reporting breaches of the law as they apply to the management and administration of the Fund. This policy does not cover the responsibility of other “reporters” (described later in this policy) in relation to their obligation to report breaches in accordance with the Code of Practice where they relate to the management and administration of the Fund. Where a breach of the law is identified both the Fund and the local pension board will take all necessary steps to consider the breach and report to the Regulator, rather than having the breach reporting by any of the other “reporters”.

This policy will be reviewed and approved by the Fund at least annually. The Fund will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

The Head of Governance will be responsible for the management and execution of this breaches policy.

The Head of Pensions will ensure that training on breaches of the law and this policy is conducted for all relevant officers and elected members, as well as members of the local pension board at induction and on an ongoing basis.

Overview

The identification, management and reporting of breaches is important. It is a requirement of the Code of Practice; failure to report a breach without “reasonable excuse” is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and where necessary reporting a particular breach it provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred; and

All staff are expected, indeed required, to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

The Fund will maintain a log of all breaches of the law as applicable to the management and administration of the Fund.

The Fund and the local pension board cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified by the Fund or local pension board it should be recorded, assessed and where necessary reported as soon as reasonably practicable.

What is a breach of the law?

A breach of the law is “an act of breaking or failing to observe a law, agreement, or code of conduct.” In the context of the Local Government Pension Scheme (LGPS) it can encompass many aspects of the management and administration of the scheme, including failure:

- to do anything required under the LGPS Regulations;
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- to comply with policies and procedures (e.g. the Funds Statement of investment principles, funding strategy, discretionary policies, etc.);
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time or non-compliance with the Regulator’s Code of Practice No 14.

Responsibilities in relation to breaches

Responsibility to report identified breaches of the law in relation to the Code of Practice falls on the following (known as “reporters”):

- Members and officers of the Fund, as the Scheme Manager;
- Members of the local pension board;
- Scheme employers;
- Professional advisers (including the Fund actuary, investment advisers, legal advisers); and
- Third party providers (where so employed).

This policy applies only to members and officers of the Fund and members of the local pension board. It is for the other reporters to ensure adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Fund and the local pension board will take all necessary steps to consider the breach and report to the Regulator, rather than having the breach reporting by any of the other “reporters”.

Requirement to report a breach of the Law

Breaches of the law which affect pension schemes should be considered for reporting to the Pensions Regulator.

The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law;
- and if so, is the breach likely to be of material significance to the Regulator?

It is important to understand that not every breach that is identified needs to be reported to the Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to the Regulator. It is still necessary that all incidents of breaches identified are recorded in the Fund’s breaches log. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour.

Where such failings or fraudulent behaviour are identified immediate action will be taken to agree a plan of action to rectify the matter and prevent such an occurrence in the future.

Examples of potential breaches, including when they should and should not be reported to the Pensions Regulator are included in Appendix A.

When is a breach required to be reported to the Regulator?

The Code of Practice requires that a breach should be notified to the Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Regulator. In any event, where a breach is considered to be of material significance it must be reported to the Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of the Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to the Regulator, marked as “urgent” in order to draw the Regulator’s attention to it.

Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Regulator will not normally consider this to be materially significant.

A breach is likely to be of concern and material significance to the Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion;
- fail to notify affected scheme members where it would have been appropriate to do so.

Assessing “reasonable cause”

It is important that the Fund and the local pension board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for robust checks to be made by members and officers when acting on any suspicion of a breach having occurred. Where necessary this will involve taking legal advice from Legal Services (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors or the Fund actuary or investment advisers).

Deciding if a breach is “materially significant” and should be reported to the Regulator

The Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach the Fund and local pension board will in all cases consider the following:

- **cause** – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;
- **effect** – e.g. ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;
- **reaction** – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- **wider implications** – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

The decision tree provides a “traffic light” system of categorising an identified breach:

Green – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator, but should be recorded in the Fund’s breaches log;

Amber – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Fund or local pension board will need to decide whether to informally alert the Regulator to the likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red;

Red - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Fund or local pension board must report all such breaches to the Regulator in all cases;

If it is unclear as to whether the breach or likely breach is significant, in the first instance full details should always be reported to the Board to determine the appropriate course of action.

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

The Fund will use the Regulator’s decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to the Regulator.

Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to the Regulator immediately.

In order to determine whether failure to pay over employee contributions is materially significant or not the Fund will seek from the employer:

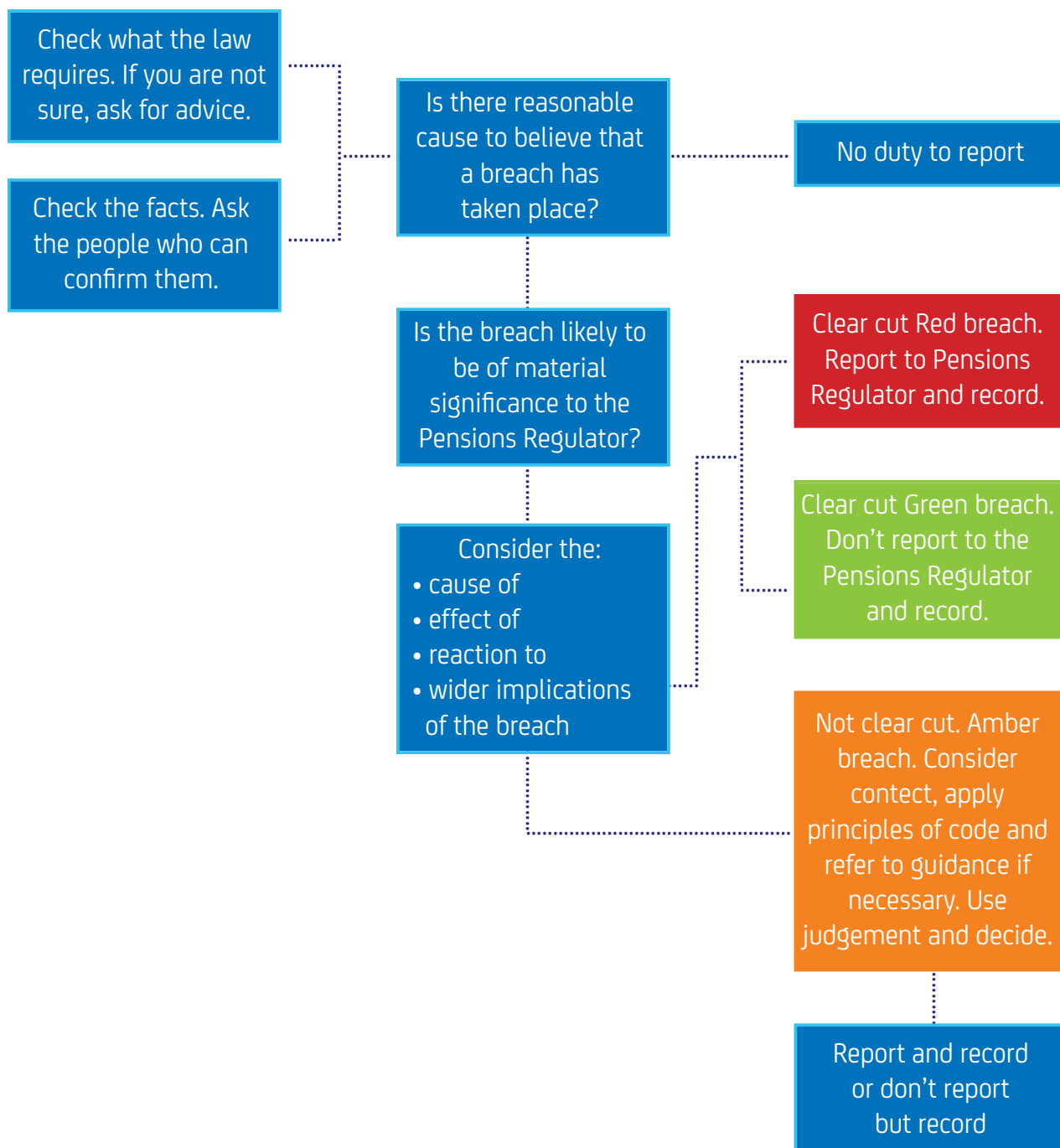
- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to the Regulator.

Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the relevant manager, in consultation with the Head of Governance, must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Fund’s breaches log.

Fund breaches log



Process for reporting breaches

All relevant officers and members of the Fund, as well as all members of the local pension board have a responsibility to:

- identify and assess the severity of any breach or likely breach;
- report all breaches or likely breaches to the Head of Governance;
- in conjunction with relevant colleagues agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary;
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from recurring; and
- co-operate with, and assist in, the reporting of breaches and likely breaches to the Pension Fund Committee, local pension board and where necessary the Regulator.

Responsibilities of the responsible officer

The Fund will appoint one of its senior officers to be responsible for the management and execution of this breaches policy. That officer will be the Head of Governance.

The Head of Governance will be responsible for recording and reporting breaches and likely breaches as follows:

- record all identified breaches and likely breaches of which they are aware in the Fund's breaches log;
- investigate the circumstances of all reported breaches and likely breaches;
- ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not reoccur;
- report to the Pension Fund Committee and local pension board:
 - all materially significant breaches or likely breaches that will require reporting to the Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach; and
 - all other breaches at least quarterly as part of the Committee cycle.
- report all materially significant breaches to the Regulator as soon as practicable but not later than one month after becoming aware of the breach.

The Head of Governance will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code of Practice and after consultation with the Head of Legal Services and where considered appropriate the Pension Fund Committee and local pension board.

If appropriate, the matter will be referred to an external party to obtain any necessary legal or other advice before deciding if the breach is considered to be of material significance to the Regulator. Where uncertainty exists as to the materiality of any identified breach the Fund or local pension board will be required to informally notify the Regulator of the issue and the steps being taken to resolve the issue.

How should a breach be reported to the Regulator?

All materially significant breaches must be reported to the Regulator in writing. This can be via post or electronically. The Regulator encourages the use of its standard reporting facility via its on-line Exchange service.

The Fund will report all material breaches to the Regulator via the online Exchange function.

How are records of breaches maintained?

All breaches and likely breaches are to be reported to the Head of Governance as soon as they are identified. The Head of Pensions will log all breaches on the Fund's breaches log, including the following information:

- date the breach or likely breach was identified;
- name and address of the scheme;
- the pension scheme's registry number (if available);
- name of the employer (where appropriate);
- any relevant dates;
- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance;
- whether the breach is considered to be red, amber or green.
- a description of the actions taken to rectify the breach;
- whether the concern has been reported before, and
- a brief description of any longer term implications and actions required to prevent similar types of breaches recurring in the future.

The Head of Governance will be responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Regulator. Any documentation supporting the breach will be maintained by the Head of Pensions.

Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistleblow on the part of an employee of the Fund or a member of the local pension board. The duty to report does not override any other duties a “reporter” may have, such as confidentiality. Any such duty is not breached by reporting to the Regulator. Given the statutory duty that exists, in exercising this breaches policy the Fund will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee’s making a whistleblowing disclosure to the Regulator.

The duty to report, however, does not override ‘legal privilege’, so oral and written communications between the Fund or local pension board and a professional legal adviser do not have to be disclosed.

Training

The Head of Pensions will ensure that all relevant members and officers, as well as members of the local pension board receive appropriate training on this policy at the commencement of their employment or appointment to the local pension board as appropriate and on an ongoing basis.

Appendix A

Examples of breaches

Example 1

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

Example 2

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is also late in paying AVCs to the AVC provider. It is contacted by officers from the administering authority, and it eventually pays the moneys that are overdue, including AVCs to the AVC provider. This has happened before, with there being no evidence that the employer is putting its house in order. In this instance there has been a breach that is relevant to the Regulator, in part because of the employer’s repeated failures, and also because those members paying AVCs will typically be adversely affected by the delay in the investing of their AVCs.

Example 3

An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer’s members. In this instance there has been a breach which is relevant to the Regulator, in part because of the employer’s failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

Example 4

A member of the Pension Fund Management Panel, who is also on the Property Working Group, owns a property. A report is made to the Property Working Group about a possible investment by the Fund, in the same area in which the member’s property is situated. The member supports the investment but does not declare an interest and is later found to have materially benefitted when the Fund’s investment proceeds. In this case a material breach has arisen, not because of the conflict of interest, but rather because the conflict was not reported.

Example 5

A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach has therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that (s)he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

Investment Strategy Statement

1 Introduction

This is the Investment Strategy Statement (the “Statement”) of Cheshire Pension Fund (the “Fund”) as required by regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the “Regulations”).

The regulations require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

The ISS is an important governance tool for the Fund. The document sets out the current investment strategy of the Fund, provides transparency in relation to how the Fund's investments are managed, acts as a high level risk register, and has been designed to be informative for all stakeholders. This document replaces the Fund's Statement of Investment Principles.

In preparing this Statement, the Fund has consulted with such persons as it considers appropriate and the document will be updated based on any factors that the Fund considers material to its liabilities, finances or attitude to risk.

This statement will be reviewed at least triennially or more frequently if appropriate.

Any feedback or comments on this document should be addressed to the Pension Fund Manager and emailed to: pensions@cheshirewestandchester.gov.uk.

2 Investment Objectives and Beliefs

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations.

The Funding Strategy and Investment Strategy are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time.

The investment objective is therefore to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the scheme. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund's investment beliefs which help to inform the investment strategy are as follows:

- Funding, investment strategy and contribution rates are linked
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments
- Investing over the long term provides opportunities to improve returns

- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives
- Environmental, Social and Governance are important factors for the sustainability of investment returns over the long term
- Value for money from investments is important, not just absolute costs. Asset pooling will help reduce costs whilst providing more choice of investments and will therefore be additive to Fund returns.
- High conviction active management adds value to returns over the long term.

3. Investment Strategy and the Process for Ensuring Suitability of Investments

Translating the Fund's investment and funding objectives into a single suitable investment strategy is challenging. The key objectives often conflict. For example, minimising the long term cost of the scheme 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.

Additionally, the number of employers in the Fund has increased significantly in recent years meaning that there are groups of employers with different underlying characteristics and with different long term funding objectives.

In order that the Fund delivers on its key objectives; ensuring that each employer takes the appropriate level of investment risk, giving each the best opportunity possible to achieve its long term funding objective whilst increasing certainty of cost, the Fund operates four distinct investment strategies.

Each investment strategy has its own strategic asset allocation benchmark. The strategic benchmark is consistent with the Fund's views on the appropriate balance between generating satisfactory long-term returns, whilst taking account of market volatility, risk and the nature of the Fund's liabilities.

The Fund is required to monitor its investment strategy relative to the agreed asset allocation benchmark in order to ensure that it remains consistent with the overall objective. The Fund undertakes a fundamental review of the strategic asset allocation every three years following actuarial valuations of the Fund. The Fund also monitors compliance with this statement at least quarterly and monitors progress towards the long term funding objective for relevant groups of employers at least monthly.

The strategic asset allocation at 1 April 2017 for each of the four investment strategies is shown in table 1.

Table 1 – Strategic Asset Allocation

Asset Class	Investment Objective	Investment Strategy (%)			
		Growth A	Growth B	Medium growth	Gilts
Growth		70	55	50	-
Equity	<ul style="list-style-type: none"> - Exposure to global equity markets. - Outperform global equity markets - Contains high conviction active strategy with meaningful outperformance target. 	40	25	20	-
Absolute Return	<ul style="list-style-type: none"> - Exposure to global equity markets. - Outperform global equity markets - Contains high conviction active strategy with meaningful outperformance target. 	15	15	15	-
Liquid Alternatives	<ul style="list-style-type: none"> - Long term returns in excess of public equity markets - Access to assets that provide link to inflation 	15	15	15	-
Diversifying & Matching		30	45	50	-
Diversifying Fixed Income	<ul style="list-style-type: none"> - Unconstrained exposure to fixed income - Focus on return generation - Flexible duration 	20	20	20	-
Liability Aware	<ul style="list-style-type: none"> - Access to assets which provide liability matching characteristics such as movements in interest rates and inflation 	10	25	30	100

In addition to the fundamental review of the strategic asset allocation undertaken every three years, the Fund monitors progress of employers within Growth Strategies A&B on a monthly basis. This gives the Fund the opportunity to adjust the strategic asset allocation in the event that a group of employers are ahead or behind their funding plan. This is an important mechanism used by the Fund to ensure that each employer continues to take the appropriate level of investment risk, giving each the best opportunity possible to achieve its long term funding objective whilst increasing certainty of cost. The progress of employers in Medium Growth Strategy and Gilts Strategy is monitored every three years as these employers are already invested in their “target funding plan”.

A full explanation of the process undertaken to assess employer funding progress is provided in the Fund’s Investment Risk Management document which is published on the website.

The Fund allows asset allocations to fluctuate around the target allocations subject to the tolerances set out in table 2.

Table 2 - Tolerance Ranges

Asset class	Growth Strategy A and Growth Strategy B	Medium Growth
Equities	+/-5%	+/- 2.5%
Absolute Return	+/-2.5% (rebalancing dependent on magnitude, cost and liquidity)	+/-2.5% (rebalancing dependent on magnitude, cost and liquidity)
Illiquid Alternatives	+/-2.5% (rebalancing dependent on magnitude, cost and liquidity)	+/-2.5% (rebalancing dependent on magnitude, cost and liquidity)
Diversifying Fixed Income	+/-2.5%	+/-2.5%
Liability Aware Assets	+/-2.5%	+/-2.5%

The maximum percentage of assets to be held in each asset class is set out in table 3.

Table 3 – Maximum Allocations¹

Asset class	Growth Strategies A&B2	Medium Growth
Equities	45.0%	25.0%
Absolute Return	20.0%	20.0%
Illiquid Alternatives	20.0%	20.0%
Diversifying Fixed Income	22.5%	22.5%
Liability Aware Assets	32.5%	32.5%

Infrastructure

The Fund is committed to increasing its exposure to infrastructure assets where this will align with the overarching strategic investment strategy. Infrastructure investing comes in many forms and the Fund's investment strategy enables the potential for infrastructure to be included within both the Illiquid Alternatives and Diversifying Fixed Income portfolios. The Fund's long term aspiration is to target an infrastructure allocation of up to 10% of Fund assets and this will be explored further by the Fund through its work with LGPS Central.

¹ The "maximum allocations" in table 3 are absolute limits whereas the "tolerance ranges" in table 2 are targets. For example the maximum allocation to illiquid alternatives is greater than the tolerance range due to the illiquid nature of the asset class.

² Maximum allocations for Growth Strategy A&B reflect the maximum allocation that would apply where the investment strategy is on either the first or last step as part of the risk management framework.

A fundamental review of the strategic asset allocation is undertaken every three years following the actuarial valuation that provides the assurance that the investment strategy is aligned to the long term funding plan. This review utilises both qualitative and quantitative analysis, and covers;

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit
- A reassessment of the pace of de-risking in line with the risk management process described above.
- An analysis of the order of magnitude of the various risks facing the Fund is established in order that a priority order for mitigation can be determined
- The desire for diversification across asset class, region, sector, and type of security.

4. Risk measurement and management

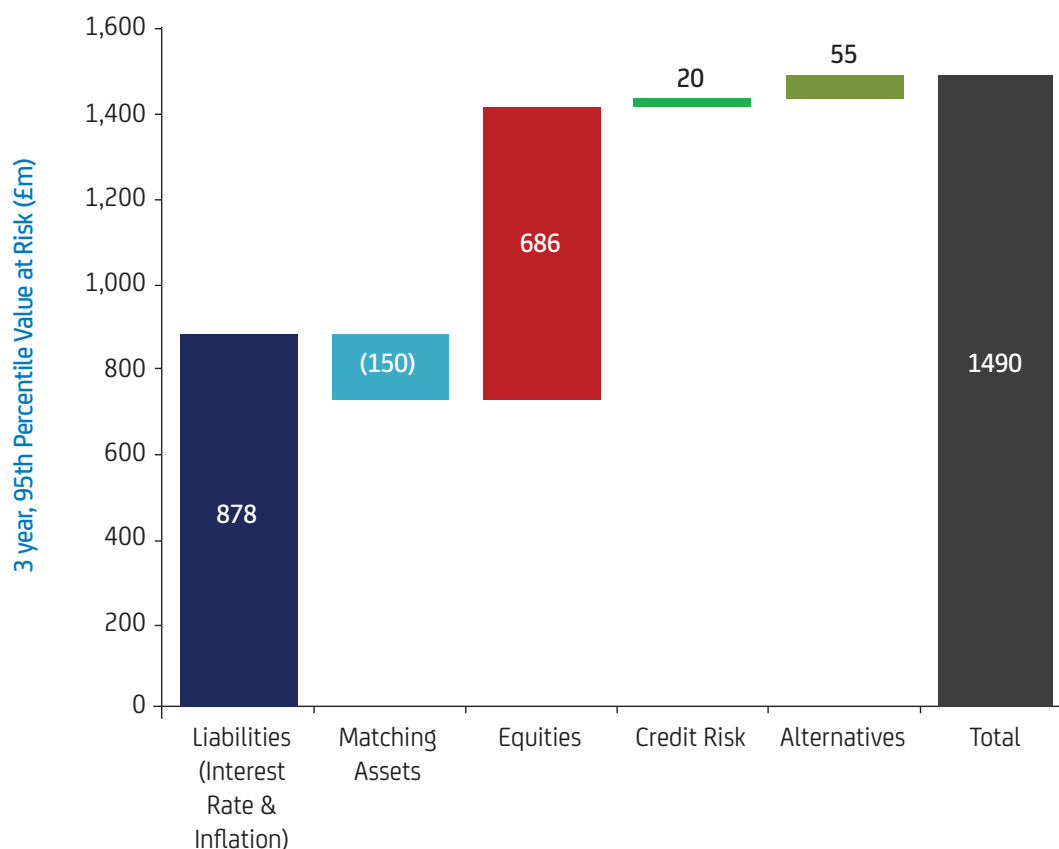
The Fund assesses risks both qualitatively and quantitatively, with the starting point being the investment strategy review which is undertaken every three years. The Fund's approach to risk is informed by the Pension Fund Committee, its professional advisors and officers of the Fund.

The key risks that the Fund is exposed to can be grouped under the following headings; investment, funding, operational and governance. These risks are identified, measured, monitored and managed on an active basis with the responsibility for oversight from the Pension Fund Manager.

These risks are summarised as follows:

A. Investment Risk

The Fund uses Risk Attribution Analysis to better understand the order of magnitude of the main investment risks the Fund is facing and to inform decision making and resource planning. The chart below shows the VaR (Value at Risk, essentially the increase in the deficit that would occur in a 1-in-20 downside event) facing the Fund, split into major risk categories.



This is purely an illustration of the potential downside risk at a point in time (in this case 30 September 2016) and helps the Fund to prioritise its resources towards the areas of greatest risk.

As an additional illustration of risk, table 4 below shows how a range of events could impact the Fund:

Table 4 – Sensitivity Analysis

Event	Event movement	Impact on Deficit
Fall in equity markets	20% fall in equities	c.£430m
Rise in Inflation	1% increase in inflation	c.£680m
Fall in interest rates	1% fall in interest rates	c.£820m ³
Active Manager underperformance	3% underperformance from all active managers	c.£65m

As shown in both the Value-at-Risk attribution chart and the sensitivity analysis, the highest allocation of investment risk currently relates to interest rate and inflation.

Interest Rate and Inflation – The investment strategy recognises risk and looks to increase the allocation to assets that provide protection against falling rates and rising inflation expectations when affordable to do so, which is considered appropriate in the context of the Fund's position as a long term investor.

Equities – The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains affordable. The Fund believes that the extra returns that are expected to be generated by equities over the long term compensates for the risk involved in equity investing. The investment strategy is diversified which helps to mitigate equity risk by investing significantly in bonds and alternatives.

Alternatives – The risks associated with investing in alternative asset classes including absolute return, property and private equity are relevant considerations when assessing the overall level of risk within the investment strategy. The Fund believes that over the long term alternative asset classes will provide a level of return that compensates for the inherent risk. The additional level of diversification provided by these assets helps to reduce the Fund's reliance on equity returns. At a whole Fund level, investing in alternative asset classes reduces the overall level of risk.

Active Manager Risk – The Fund undertakes extensive due diligence on its appointed investment managers and formally monitors performance on a quarterly basis. This process is overseen by the Investment Sub Committee and is advised by Officers and the Fund's advisors.

Liquidity risk: The Fund invests in both liquid and illiquid assets meaning that not all assets can be realised in at short notice. Given the long term investment horizon, the Fund accepts some liquidity risk given the potential for higher returns. The Fund monitors its

liquidity position carefully to ensure that it is not a seller of long term assets in order to make day to day payments of benefits. Around 80% of fund assets are highly liquid.

Exchange rate risk: The Fund as a long term investor can tolerate some short term currency fluctuations, however this is managed carefully by its investment managers who are monitored against Sterling benchmarks and therefore use hedging techniques to contain this risk.

B. Funding Risk

The Fund's investment strategy is a fundamental part of ensuring that the risk of deterioration in funding level is managed effectively. Employer contribution strategies are aligned to the investment strategy, there are however a number of factors that could lead to a disconnect between the investment and contribution strategies. These risks are set out below:

Demographic risks - The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Fund monitors the maturity of the membership base closely. A more mature membership base would mean that there were a greater number of pensioner members receiving benefits than active members paying contributions. The projected maturity of the membership base is factored into the investment strategy in order to ensure that as the membership base matures, the fund is invested in the appropriate level of income generative investments or investments that are realisable at short notice and at low cost.

³ Based on 2016 valuation report

C. Operational Risk

Operational risks arise through the implementation of the Fund's investment strategy. **These risks are set out below:**

Transition risk – The Fund may incur unexpected costs in relation to the transition of assets between managers and/or asset classes. When carrying out significant transitions, the Fund takes professional advice and considers the appointment of specialist transition managers in order to mitigate this risk when it is cost effective to do so.

Custody risk – The Fund must ensure that it retains the economic rights to all Fund assets, when held in custody or when being traded. It does this through the use of a global custodian for custody of assets, the use of formal contractual arrangements for all investments and maintaining independent investment accounting records.

Credit default risk – A counterparty related to a Fund investment could fail to meet its contractual obligations. The Fund monitors this through robust internal compliance arrangements where applicable, contractual requirement for investment managers to manage counterparty risk on the Fund's behalf and robust due diligence prior to making any investment.

D. Governance Risk

Good governance is an essential part of the Fund's investment strategy and the Fund therefore identifies poor governance as a potential risk that can have a detrimental effect on the funding level and the deficit. The Fund ensures that its decision making process is robust and transparent and this is documented in the Governance Compliance Statement which is published on the Fund's website.

Environmental, Social and Governance risks – The Fund's investment strategy contains its own policy on Responsible Investment. Non-compliance with this policy would expose the Fund to financial and reputational risk. The Fund believes that effective management of financially material Responsible Investment risks should support the Fund's requirement to protect returns over the long term. The Fund will seek to further integrate Responsible Investment factors into the investment process across all relevant asset classes. Further information on the Fund's approach to managing this risk is provided within the Responsible Investment Policy which is published on the Fund's website and as an appendix to this document.

5. Approach to asset pooling

The Fund is entering the LGPS Central pool with the understanding that the pooled investments will benefit from lower investment costs, greater investment capability and access to more uncorrelated asset classes. The implementation of the Fund's investment strategy by a newly created FCA registered investment manager will lead to improved governance, transparency and reporting giving the Pension Fund assurance that its investment strategy is being implemented effectively.

The Fund intends to invest all its assets into the LGPS pool but will maintain some cash balances at the fund. Investment strategy will be owned by the fund with advice from the fund manager/operator and Independent advisors.

6. Responsible Investment

The Cheshire Pension Fund is a long term investor aiming to deliver a sustainable Pension Fund for all stakeholders.

Cheshire West and Chester Council as the administering authority of the Fund has a fiduciary duty to act in the best, long-term, interests of the Fund's employers and scheme members. The Fund believes that in order to fulfil this duty, it must have a clear policy on how it invests in a responsible manner.

Responsible Investment is a fundamental part of the Fund's overarching investment strategy as set out in this Investment Strategy Statement. That is, to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the scheme. The Fund believes that consideration of Environmental, Social and Corporate Governance ("ESG") factors are fundamental to this, particularly where they are likely to impact on the overarching investment objective.

The Fund's approach aims to ensure that consideration of ESG factors is embedded in the investment process, utilising the various tools available to manage ESG risks and to harness opportunities presented by ESG factors.

The Fund's core principles of responsible investment are:

1. We will apply long-term thinking to deliver long-term sustainable returns.
2. We will seek sustainable returns from well-governed assets.
3. We will use an evidence-based long term investment appraisal to inform decision-making in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.

The way in which the Fund ensures that these core principles are met, and how it monitors its own performance is provided within the Responsible Investment Policy.

7. Myners Principles

Although not specifically referenced in the Regulations, the Fund continues to assess its own compliance with the Myners Principles of Good Investment Governance. A statement that sets out an assessment of compliance is presented at appendix A.

8. Advice taken

In creating this statement, the Fund has taken advice from its Officers and its Investment Consultant. Also, in relation to each of the constituent parts, such as the asset allocation and risk mitigation, the Fund has taken advice from its Investment Consultant, Mercer, and the Scheme Actuary, Hymans Robertson. In providing investment advice, Mercer is regulated by the Financial Conduct Authority.

Appendix A - Compliance with Myners Principles of good investment governance

Principle	Evidence of Compliance
<p>Principle 1 effective decision making:</p> <p>Administering authorities should ensure:</p> <ul style="list-style-type: none"> • That decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and • That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. 	<p>Compliant</p> <p>Decisions are taken by the Section 151 Officer of the Administering Authority, advised by the Pension Fund Committee.</p> <p>The Section 151 Officer and the Committee has support from Council officers with sufficient experience to assist them. The Fund is also advised by professional actuarial and investment advisers.</p> <p>The Committee makes robust challenges to advice and is aware of where potential conflicts of interest may reside within the Committee and in relation to service providers.</p>
<p>Principle 2 clear objectives:</p> <p>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 advisers and investment managers.</p>	<p>Compliant</p> <p>The Fund has established investment objectives which take account of the nature of Fund liabilities and the contribution strategy. The objectives are set based on advice from the Fund Actuary and Strategic Investment Advisor which informs the overall risk budget for the Fund. The overarching objective is reflected in the investment mandates awarded to the asset managers.</p> <p>There is dialogue with admitted bodies within the Fund in relation to the contributions they pay, their capacity to pay these contributions and the level of guarantees they can provide.</p>
<p>Principle 3 risk and liabilities:</p> <ul style="list-style-type: none"> • 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. 	<p>Compliant</p> <p>The investment strategy is considered in the light of the nature of the Fund liabilities, the timescale over which benefits will be paid, and financial and demographic factors affecting the liabilities, such as inflation and improving longevity.</p> <p>The Pension Fund Committee and Council officers challenged the contribution strategy with the Actuary, in order that it takes into account of risk factors for the Fund including strength of covenant. Discussions have also taken place with admitted bodies in relation to the affordability of contributions and the strengths of their covenants.</p>

Principle	Evidence of Compliance
<p>Principle 4 Performance assessment:</p> <ul style="list-style-type: none"> • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members. 	<p>Partially compliant</p> <p>The performance of the Fund and its individual managers are monitored on a regular basis.</p> <p>The quality of advisers is assessed on a qualitative basis and is subject to periodic retender in order to ensure value for money.</p> <p>The Pension Fund Committee does not yet have a formal process in place to measure its own effectiveness.</p>
<p>Principle 5 responsible ownership:</p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> • adopt, or ensure their investment managers adopt, the Financial Reporting Council's (FRC) Stewardship Code 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. 	<p>Compliant</p> <p>The Pension Fund Committee encourages its investment managers to adopt the Financial Reporting Council's (FRC) Stewardship Code on the responsibilities of shareholders and agents on the Fund's behalf and all relevant managers comply.</p> <p>This Investment Strategy Statement includes a statement on the Fund's policy on responsible ownership.</p> <p>The Fund will publish an annual summary of voting and engagement activity.</p>
<p>Principle 6 responsible ownership:</p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> • 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. • should provide regular communication to scheme members in the form they consider most appropriate. 	<p>Compliant</p> <p>The Fund maintains minutes of all Pension Fund Committee meetings and documents all key decisions through the EDN and ODN process. Minutes are available on the Fund website.</p> <p>The Council holds a formal annual meeting for members and also meets periodically with sponsoring employer bodies. A member representative attends Committee meetings.</p> <p>The Investment Strategy Statement is published on the Fund's website and is available to members on request. Other information on the Scheme is available to members on the Fund's website.</p>

Glossary of Terms

Absolute return

A fund that aims to achieve a positive return irrespective of movements in the equity and bond markets.

Alternatives

Typically seen as an “unconventional” asset class – i.e. an asset class, other than traditional asset classes such as equities, bonds, property and cash.

Bonds

A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate. Seen as a good “matching” asset for a pension scheme.

De-risking

Moving from growth to matching assets to reduce risk.

Diversifying fixed income

A bond like investment that is return seeking and provides a different source of return other than equities.

Equities

A share in a company. Seen as a “risky” or “growth” asset from a pension scheme perspective.

Flight path

The expected change in the Fund’s funding position over time, allowing for contributions and investment returns.

Funding basis

The assumptions used by the Scheme Actuary to place a value on the Fund’s liabilities (the value of the benefits to be paid out of the Fund).

Funding level

The difference in the value of the Fund’s assets and liabilities. Assesses the financial health of the Fund.

Illiquid alternatives

An asset which is not easily traded (i.e. cannot be converted into cash quickly and with minimal impact to the price received)

Liquid asset

An asset which is easily traded (i.e. can be converted into cash quickly and with minimal impact to the price received)

Stochastic modelling

Stochastic modelling is a form of financial modelling that includes one or more random variables. The purpose of such modelling is to estimate how probable outcomes are within a forecast to predict conditions for different situations.

Target funding plan

The “targeted” investment strategy assuming a favourable funding position has been reached. It should be noted that whilst a specific asset allocation may be targeted, in practice this may change over time depending upon market opportunities and Fund specific events (e.g. make-up of the liability profile – proportion of pensioners / non pensioners etc).

Trigger point

Instigates a change in the growth / defensive split of the Fund based on the Fund’s funding position at a point in time.

Responsible Investment Policy

1. Introduction

The Cheshire Pension Fund (“the Fund”) is a long term investor aiming to deliver a sustainable Pension Fund for all stakeholders.

Cheshire West and Chester Council (“the Council”) as the administering authority of the Fund has a fiduciary duty to act in the best, long-term, interests of the Fund’s employers and scheme members. The Fund believes that in order to fulfil this duty, it must have a clear policy on how it invests in a responsible manner.

Responsible Investment is a fundamental part of the Fund’s overarching investment strategy as set out in the Investment Strategy Statement. That is, to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the scheme. The Fund believes that consideration of Environmental, Social and Corporate Governance (“ESG”) factors are fundamental to this, particularly where they are likely to impact on the overarching investment objective.

The Fund’s approach aims to ensure that consideration of ESG factors is embedded in the investment process, utilising the various tools available to manage ESG risks and to harness opportunities presented by ESG factors.

2. What is our policy on Responsible Investment?

The Fund’s core principles of responsible investment are:

1. We will apply long-term thinking to deliver long-term sustainable returns.
2. We will seek sustainable returns from well-governed assets.
3. We will use an evidence-based long term investment appraisal to inform decision-making in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.

3. What will we do to ensure that these core principles are met?

Core Principle	Associated Actions
We will apply long-term thinking to deliver long-term sustainable returns	<p>The Fund’s long-term investment objectives will be detailed in the Investment Strategy Statement.</p> <ul style="list-style-type: none">- The Fund will set longer-term performance objectives for its investment managers.- The Fund will seek to ensure that its long term interests are aligned with that of its investment managers on all issues including on ESG considerations.- Policies relating to ESG will be considered as part of the Fund’s long term investment planning process, following a thorough and robust investment appraisal.
We will seek sustainable returns from well-governed assets	<p>The Fund will apply a robust approach to stewardship, linked to the Fund’s belief that engagement can positively and effectively influence behaviours.</p> <ul style="list-style-type: none">- The Fund will engage with companies when engagement will add value to the Fund.- The Fund is committed to compliance with the UK Stewardship Code¹ and working within the spirit of the United Nations Principles of Responsible Investment (“UNIPRI”).- We will hold our investment managers to account to ensure compliance with this policy.- The Fund is committed to collective engagement through its membership of the Local Authority Pension Fund Forum (LAPFF), the LGPS Central pool and other opportunities that arise from time to time.- The Fund will exercise its voting rights in all markets where practicable.
We will use an evidence-based long term investment appraisal to inform decision-making in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.	<p>The Fund will consider the potential financial impact of ESG related issues on an ongoing basis (e.g. climate change or executive remuneration).</p> <ul style="list-style-type: none">- The Fund will consider the potential financial impact of investment opportunities that arise from ESG related factors (e.g. investment in renewable energies or housing infrastructure).- The Fund will consider investment opportunities that have positive impacts and recognises that the changing external environment presents new opportunities i.e. Renewable energy and social impact investments.

¹ The Fund is committed to the UK Stewardship Code and is developing a statement of compliance for assessment by the Financial Reporting Council. A draft statement is included in Appendix 1.

4. How will we monitor our performance on Responsible Investment?

The Fund will ultimately be transparent and accountable in terms of its performance on Responsible Investment. **This will be achieved through the following approach:**

- The Fund will publish its Investment Strategy Statement on its website in line with the scheme regulations.
- Decisions relating to the setting of investment policy will be explained.
- The Fund will publish its RI policy on its website. This policy will be reviewed on an ongoing basis and formally consulted on at least every three years.
- The Fund will monitor closely its appointed investment managers whom the Fund rely on to implement its RI policy.
- The Fund will undertake an annual review of corporate governance, voting and engagement activity undertaken by the Fund and its underlying managers.
- The Fund will publish an annual summary of voting and engagement activity
- The Fund will ensure that its decision makers are properly trained and kept abreast of ESG issues in order to make informed decisions.
- The Fund will include ESG as standing item on Pensions Investment Sub Committee (or equivalent) agendas (with a view to reporting on manager performance in relation to ESG investing, and noting any hot topics / issues arising).
- The Fund will undertake a fundamental review of any specific ESG issues that are considered by the Investment Sub Committee to be of potentially material financial impact.
- The Fund will consider and respond to feedback from stakeholders in relation to issues of concern.

5. Responsible Investment and LGPS Central

From 1 April 2018 the implementation of the Fund's investment strategy will be undertaken by LGPS Central, an investment management company set up by 8 Local Authorities (including Cheshire West and Chester Council) in line with the latest scheme regulations. The Fund will seek to ensure that LGPS Central is set up in order to deliver objectives of this policy alongside that of the other Funds involved.

It is expected that the Fund's ability invest in a responsible way will be enhanced through LGPS Central due to the inherent benefits of scale, collectivism and innovation that will result from the project.

6. Engagement versus Exclusion

Cheshire Pension Fund has never sought to implement a policy that explicitly excludes certain types of investments, companies or sectors except where they are barred by UK law. The Fund believes that its influence as a shareholder is better deployed by engaging with companies, in order to influence behaviour and enhance shareholder value. The Fund believes that this influence would be lost through a divestment or screening approach. The Fund actively engages with companies through its investment managers and membership of the Local Authority Pension Fund Forum ("LAPFF").

Ultimately the Fund will always retain the right to disinvest from certain companies or sectors in the event that all other approaches are unsuccessful and it is determined that the investment is no longer aligned with the interests of the Fund or that the issue poses a material financial risk.

7. Exercise of Voting Rights

The Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds. The Fund delegates responsibility for voting to its appointed investment managers who are required to vote wherever the Fund has a voting interest. Wherever practicable, votes must be cast in accordance with industry best practice as set out in the Combined Code of Corporate Governance with a clear focus on enhancing long term shareholder value.

In order to ensure that the governance practices employed by the Fund's investment managers are aligned to that of the fund, investment manager's quarterly performance reports are required to include a specific briefing on corporate governance, detailing all votes cast on the Fund's behalf. This is reported to the Investment Sub Committee on a quarterly basis and any exceptions or examples non-compliance are addressed directly with the Fund's managers.

The Fund is committed to the UK Stewardship Code and is developing a statement of compliance for assessment by the Financial Reporting Council. A draft statement is included in Appendix 1.

Appendix 1 - Stewardship Code Compliance - Draft Statement

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

The Fund takes its responsibilities as a shareholder seriously and has made a commitment to the informed exercise of its ownership rights as detailed in the Investment Strategy Statement

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

The Fund expects its fund managers to have effective policies addressing potential conflicts of interest. In respect of conflicts of interest within the Fund, Committee members are required to make declarations of interest annually.

Principle 3: Institutional investors should monitor their investee companies.

Day-to-day responsibility for managing the Fund's equity holdings is delegated to our appointed fund managers and the Fund expects them to monitor companies, intervene where necessary, and report back regularly on activity undertaken.

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

Responsibility for day-to-day interaction with companies is delegated to the Fund's investment managers, including the escalation of engagement when necessary. The Fund intends to consider whether there are any themes that it would like to prioritise in relation to engagement activity and will escalate its activity; On occasion, the Fund may itself choose to escalate activity; this will typically be through our membership of the LAPFF in the first instance but will also involve investment managers and where possible other like-minded investors.

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

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. This is achieved through our LAPFF membership, together with initiatives proposed by our investment managers or other advisors.

The Fund will do everything practicable in order to bring its influence to bear including working collaboratively with Public and Private Sector pension schemes in order to exert influence as shareholders on relevant issues.

The Fund will report the outcomes of this collective engagement to the Pension Fund Committee.

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

The Fund is reliant on the investment managers' own policies, although it expects managers to vote in line with the Combined Code. The Fund expects managers to exercise all votes associated with its equity holdings.

On a general basis, the Fund will support resolutions which are consistent with the Combined Code and represent best practice. In overseas markets, the Fund expects that managers will take account of local best practice principles. Where resolutions or issues fall short of the expected standards, the Fund expects managers will either abstain or vote against, depending on the individual circumstances of the company and the issues presented.

The policy is reviewed at least annually in order to take account of regulatory developments. Controversial issues may be discussed at Committee meetings.

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

The Fund will report on its stewardship activity to the Committee annually.

In addition, quarterly reports of voting actions are posted on the Fund's website.

The Fund will provide an annual report on how the Fund satisfies its UK Stewardship Code obligations requirements.

Communications Policy Statement

Introduction

This is the Communications Policy Statement of the Cheshire Pension Fund (the Fund), administered by Cheshire West and Chester Council (the Administering Authority).

This Statement provides an overview of how the Fund will communicate with its customers (members and employers) and stakeholders. An effective communications strategy is vital for the Fund to meet its objective of providing a high quality and consistent service.

Scheme communications are a critical activity; they are the external face of the Fund and provide a key link with its customers and stakeholders.

The Fund continuously looks at ways to enhance its communication offering to the various audiences and this Communication Policy Statement will be reviewed annually and a revised version will be published following any material change.

Regulatory Framework

This Statement has been produced in accordance with Regulation 61 of the Local Government Pension Scheme Regulations 2013. This Regulation states that:

61. (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with —

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers

(2) In particular the statement must set out its policy on —

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers.

The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

Minimum standards

Under the Occupational Pension Schemes (Disclosure of Information Regulations) 1996, administrators of the Local Government Pension Scheme (LGPS) are required to provide the following:

- A copy of the scheme regulations and any overriding legislation, on request, — either through providing a personal copy, a copy for inspection or details of how to obtain a copy; members, prospective members, their spouses, beneficiaries and recognised trade unions are entitled to this information.
- Basic information about the scheme must be given automatically to every prospective member before starting, or, if this is not practical, within two months of joining. This information must also be provided on request — unless issued within the previous 12 months — to current members, prospective members, spouses, beneficiaries and recognised trade unions within two months of receipt of a written request.
- Details of any material changes to the LGPS notified to all members and beneficiaries (except excluded persons, that is, deferred pensioners whose present address is unknown) where possible before the change takes effect. Otherwise the change must be notified not later than three months after it has taken effect.
- an annual benefit statement to all active, deferred and pension credit members.

Key Objectives

The Cheshire Pension Fund recognises that communicating with scheme stakeholders and customers is a critical activity for the Fund and has established communication practices that exceed the minimum standards required by legislation and include these in our communication strategy.

The Fund has identified the following key objectives of its Communications Policy Statement:

- Provide clear, jargon free and timely communication to its customers and stakeholders
- Recognise that different styles and methods of communication suit different customers and stakeholders
- Use the most effective communication medium for the audience receiving the information
- Adapt its communication where possible following feedback from customers and stakeholders
- Seek continuous improvement in the way it communicates
- Inform its customers and stakeholders to enable them to make the decisions they need to make regarding pensions.
- Inform customers and stakeholders about the management and administration of the Fund
- Consult major stakeholders on changes to regulations, policies and procedures that affect the Fund and its stakeholders
- Promote the LGPS as an attractive benefit to scheme members and an important tool in recruitment to employers
- Support employers to enable them to fulfil their responsibility to communicate and share information with members in relation to the Scheme.
- Deliver the communication policy in a cost effective way and encourage the use of electronic/online/ multimedia communication and information sharing
- Evaluate the effectiveness of the communication objectives
- Treat information security with the upmost importance.

This comprehensive list of objectives have been distilled into one underlying core value statement which is employed when considering every piece of communications the Fund delivers:

The Cheshire Pension Fund's communication objective is to deliver:

**The Right Message
At the Right Time
To the Right Customer
Using the Right Media
At the Right Cost**

Cheshire Pension Fund - key audience groups

The Fund communicates with a diverse group of different customers and stakeholders. For the purposes of this communications policy statement, we have categorised these into key audience groups.

The Communication Policy recognises that the objectives and key messages to these groups may differ and also recognises that different styles and methods of communication will suit the different audience groups.

The Fund will use the most effective communication medium for each audience group and will adapt its communication where possible following feedback from its audience.



Objectives and Key Messages

The Fund has identified a number of core objectives and key messages for the following key audience groups that will provide a framework and consistent 'theme' for all communication to each of the groups. The Fund recognises that the objectives and key messages to the audience groups may change over time and may be reactive to events for example a change in the regulations or the benefits package. The Communications Policy Statement and its objectives will be reviewed and updated at least annually and when there is a material change.

Audience group	Objective	Message
Active Members	<ul style="list-style-type: none"> • Promote the LGPS as an attractive benefit to members • Improve the understanding of how the LGPS works • Inform scheme members of their pension rights and benefits • Improve business efficiency and reduce queries and complaints through improved communication • Comply with statutory obligations 	<ul style="list-style-type: none"> • The full benefit package the LGPS offers in addition to the basic pension • Difference between post and pre 2014 scheme and benefits • Pre 2014 benefits remain unchanged • What it costs • Retirement Age • 50:50 contribution option • Employer also pays in to the scheme on the members behalf • Impact of any changes in legislation • The Pension Fund is a centre of excellence for technical and strategic advice on LGPS pension issues • The Pension Fund is managed and administered efficiently within a robust governance framework
Prospective Members	<ul style="list-style-type: none"> • Improve take up of the LGPS, but acknowledging and respecting that prospective scheme members have the right to choose whether they join or not; • Promote the LGPS as an attractive benefit to members • Improve the understanding of how the LGPS works • Inform 	<ul style="list-style-type: none"> • The full benefit package the LGPS offers in addition to the basic pension • Opt outs can re-join the scheme • What it costs • 50:50 contribution option • Employer also pays in to the scheme on the members behalf • Impact of auto-enrolment • Understand the impact of any changes in legislation • The Pension Fund is a centre of excellence for technical and strategic advice on LGPS pension issues • The Pension Fund is managed and administered efficiently within a robust governance framework

Audience group	Objective	Message
Deferred Members (including opt outs)	<ul style="list-style-type: none"> • Inform scheme members of their pension rights and benefits • Promote the LGPS as an attractive benefit to members • Improve the understanding of how the LGPS works • Improve business efficiency and reduce queries and complaints through improved communication • Comply with statutory obligations 	<ul style="list-style-type: none"> • The full benefit package the LGPS offers in addition to the basic pension • Opt outs can re-join the scheme • Difference between post and pre 2014 scheme and benefits • Pre 2014 benefits remain unchanged • What it costs • Retirement Age • 50:50 contribution option • Employer also pays in to the scheme on the members behalf • Impact of auto-enrolment • Keep personal details up to date • Understand the impact of any changes in legislation • The Pension Fund is a centre of excellence for technical and strategic advice on LGPS pension issues • The Pension Fund is managed and administered efficiently within a robust governance framework
Pensioner Members	<ul style="list-style-type: none"> • Reaffirm pensioners of their pension rights and benefits • Improve business efficiency and reduce queries and complaints through improved communication 	<ul style="list-style-type: none"> • Benefits remain unchanged • Pensions Increase • Pay Dates • Keep personal details up to date • Dependants pension and nomination process • Contact Tax Office with tax queries • Impact of any changes in legislation • The Pension Fund is a centre of excellence for technical and strategic advice on LGPS pension issues • The Pension Fund is managed and administered efficiently within a robust governance framework
Employing Authorities	<ul style="list-style-type: none"> • Employers understand how the scheme works • Ensure employers have the necessary information to provide their employees with information about the LGPS • Employers actively promote the LGPS as an important tool in the attraction and retention of employees • Raise employers knowledge and awareness of the key drivers of changes to their pension liabilities and the strategy to fund these liabilities • Inform employers about the management and administration of the Fund • Employers understand their roles and responsibilities and comply with their statutory obligations as a scheme employer • Improve working relationships and data flows • Employers deliver accurate and timely data within the published employer targets 	<ul style="list-style-type: none"> • Employers have a responsibility to provide employees with information about the LGPS. • Employers should promote the LGPS • Employers should understand how the Scheme works • Employers should understand the impact of any changes in legislation • Employers must deliver their LGPS responsibilities and comply with their statutory obligations as a scheme employer • Employers have a responsibility to provide accurate and timely data • Employers should engage with the Pension Fund as earlier as possible if outsourcing any staff • The Pension Fund is a centre of excellence for technical and strategic advice on LGPS pension issues • The Pension Fund is managed and administered efficiently within a robust governance framework

Communication deliverables

Media, tools and channels of communication

The Fund will provide its customers and stakeholders with a comprehensive range of communication deliverables and will strive to use the most effective communication medium for each audience group and will adapt its communication where possible following feedback from its audience.

How the Fund will communicate with Active Members

Description	Service
Scheme Booklet	A scheme booklet describing scheme benefits with explanatory notes. It is provided by employers to all new starters. The booklet is revised to reflect legislation changes and all new active members receive a copy from their employer. The booklet is available on the website.
Employee Factsheets	The booklet is supported by a range of Employee Factsheets that provide more detail on topics such as increasing benefits and making nominations. These factsheets can be sent out to individual members and are also available to download from our website.
Annual Benefit Statements	Once a year we send all members a benefit statement direct to their home address. This summarises the basic information we hold about them such as date of birth, hours of work, pay for pension purposes and gives estimates of the current and future value of the member's benefits.
Newsletter – Your Pension	Each year to accompany the Annual Benefit Statement a newsletter is produced which keeps the members updated on the LGPS and gives information about their Annual Benefit Statement.
Website	The core information about the Scheme is held on our website: www.cheshirepensionfund.org There is a dedicated area for active members. We also publish news updates as soon as is practical. This enables members to gain information as it becomes available. Electronic copies of all relevant forms, scheme literature, policies and reports are also available to download. Plus links to other organisations e. g. AVC providers.
Pension Road shows	We run information sessions in members' places of work. These are run on request in conjunction with employers. These Road shows can be run on a surgery basis with appointments for members and prospective members. This is particularly useful for employers with small numbers of staff. We run more specialist sessions for members that may be affected by issues such as restructure and the effect this could have on their pension benefits.

Description	Service
Pre-Retirement Courses	Attendance at Face to face meetings, organised by a number of our employers that aim to explain the options available for members approaching retirement.
Ad Hoc Meetings	Ad hoc meetings will be held from time to time for various groups of members. These may be defined by type of member (contributor or retired) or location (for a specific employer or group of employers). The timing of these meetings will be dictated either by requests from employers or the need to consult and notify members of any changes that occur.
Helpdesk	A dedicated helpdesk for scheme members is operated by experienced staff of the Cheshire Pension Fund administration team. The team offer information on all aspects of scheme membership and benefits for all active, deferred and pensioner members.
Requests for information	Respond to requests for information providing accurate, timely and informative details of the Local Government Pension Scheme in the most appropriate method.
Annual Reports and Accounts	The audited accounts of the Cheshire Pension Fund are prepared as at 31st March each year and are published on the website. A summary of the Funds Report and Accounts is issued to all active scheme members on an annual basis.

How the Fund will communicate with Deferred Members

Description	Service
Annual Benefit Statement	A yearly summary of each member's details held including a current valuation of their deferred pension benefits. This is sent by post to their home address. This also acts as a prompt for members to notify us on any changes in circumstances including current nominations. Undelivered statements which are returned to the Fund allow us to trace missing members before their benefits are due for payment.
Newsletter – Pension Pending	An annual newsletter also sent by post accompanies the Benefit Statement. This provides members with any relevant changes to legislation and other news including how to contact the Fund.
Website	A dedicated section on the Funds' website is available for deferred members. This provides detailed and informative links allowing members to be kept up to date with the latest news and changes. A quick link allows all members to contact the Fund using an electronic form.

Description	Service
Helpdesk	Deferred members can contact the Fund helpdesk to discuss any issues or specific points regarding their membership. The team offer information on all aspects of scheme membership and benefits for all active, deferred and pensioner members.
E-mail, Fax and Post	The Fund readily accepts written correspondence received by E-mail, Fax and Post. It has a designated fax number, e-mail account with automatic acknowledgement and postal address.
Retirement Packs	A retirement pack consisting of an information factsheet, a statement of benefits and forms for completion and return is sent within six weeks of retirement to the member's home address. This provides all relevant information to allow a smooth transition from Deferred Membership to Pensioner.

How the Fund will communicate with Pensioner Members

Description	Service
Pay Advice and P60	Pay advices are issued at least three times per year in March, April and May. This coincides with the annual pensions increase and the annual HMRC tax notification changes. Throughout the rest of the year, a pay advice is only sent if the net pension changes by more than £1. Returned pay advice alerts the Fund to a change in circumstances, allowing us to trace missing members. Each member will receive a P60 by post by the end of May each year.
Newsletter – Cheshire Chat	An annual newsletter “Cheshire Chat” is also sent by post at the start of the new financial year. This provides pension members with details such as the annual rate of pensions’ increase, relevant changes to legislation, National Fraud Initiative and other news including how to contact the Fund or pensioner payroll contacts.
Website	A dedicated section on the Funds’ website is available for pension members. This provides detailed and informative links allowing members to be kept up to date with the latest news and changes. A quick link allows all pensioner members to contact the Fund using an electronic form.
Pension Helpdesk	Pensioners can contact the Fund helpdesk to discuss any issues or specific points regarding their pension. A dedicated payroll helpline is also available allowing pensioners to make tax and pay enquiries.
E-mail, Fax and Post	Pensioners can also send correspondence including changes of details such as address or bank details to both the Fund and the pension payroll by E-mail, Fax and Post.

How the Fund will communicate with Pension Fund Staff

Description	Service
Induction	All new members of staff attend a Pensions induction course. Individual development plans are in place.
Training	Staff have individual Personal Development Plans and regular appraisals. They also attend internal, and where appropriate, external courses.
Performance Management	All Cheshire West and Chester Council employees are subject to the Council's performance management framework. Within this framework each employee is set an individual performance plan with objectives and competencies to be achieved, Measurement of performance/ratings, Development plan, Career Aspirations.
Pensions Qualifications	All staff are encouraged and supported to attain professional qualifications.
Service Plan	The Pensions Section has an Operational Plan which is actively managed and discussed in regular Management Team meetings. The plan includes key performance indicators and progress against the plan is reviewed monthly.
Pensions Management Team	Monthly meetings to discuss strategic plans and operational issues.
Section and Team Meetings	All members of staff attend regular Section and Team Meetings.
Intranet	All Pensions staff have access to the intranet containing procedure instructions, regular briefings, newsletter etc. Thus ensuring that information is available to all staff at their work location in a timely and efficient way.
Internet	Staff have access to the internet where this is required as part of their job.
Email	All members of the Team have an individual email account, allowing us to communicate efficiently and effectively.

How the Fund will communicate with Employing Authorities

Description	Service
Pensions Consultative Forum	The Pension Consultative Forum is a body representative of the major employers in the Fund, the Councils, Police, Fire and Rescue, Colleges and Housing Trusts. Meetings are held at least twice a year with the primary focus on reviewing how the Administration Authority is delivering its administration and management responsibilities.
Website	A password protected section on the Funds website is available for our employers. This provides detailed and informative links allowing employers to be kept up to date with the latest news and changes. Electronic copies of all relevant forms, scheme literature, policies and reports are also available to download, along with training documentation and tools. Plus links to other organisations e. g. Local Government Employers.
Employers guide	An administration manual is issued to all employers and provides all the information needed to take part effectively in the scheme. Regular updates to this manual are provided as the scheme rules change.
Employer Newsletter	A periodical newsletter providing legislation, operational items, technical updates and support is issued to Employers.
Employer Welcome Pack	Employer “Welcome” pack setting out details of the process for joining the Fund is issued to all new Employers.
Employer Training	Training covers the full range of administrative and Regulatory activities and is tailored to the needs of the particular employer.
Employer Meeting	A forum to discuss, manage and communicate major strategic issues, legislation changes and funding matters annually plus ad hoc meetings where business warrants.
Scheme literature	A range of publications for use by employers and scheme members including the scheme booklet and additional information leaflets.
Administration Forms	Standard forms with guidance notes to notify the Fund of key events affecting pension benefits.
Annual report and accounts	The audited accounts of the Cheshire Pension Fund are prepared as at 31st March each year and every employer receives a copy. They are also published on the website.

Communication with other organisations

The Fund regularly needs to communicate effectively with its partners and other organisations.

Description	Service
Prospective Employers	The Fund provides information to prospective Employers to ensure they understand the LGPS Regulations, their implications and the role of a Scheme Employer. The Fund will provide information required to facilitate a smooth transition in respect of prospective Employers to which LGPS Members may TUPE transfer, such as contractors providing a service to a Scheme Employer.
Pension Fund Committee	<p>The Pension Fund Committee meet at least quarterly and the Fund supports the Committee's governance responsibilities by producing agendas, agenda Items, minutes, discussion papers and briefing notes. All Committee papers are distributed one week before the Committee meeting.</p> <p>Topics regularly communicated to the Committee are Investment issues, Funding Level updates, Administration, Governance, Business Plan and Risk management and Audit.</p> <p>The Fund has developed an electronic decision making approval protocol to expedite decision making outside of the quarterly meeting cycle.</p> <p>The Fund publishes a Committee members training plan and members receive formal training at least 4 times a year, as well as attending a number of national conferences and seminars to ensure that they are fully informed to fully undertake their responsibilities.</p> <p>The Head of Finance and Senior Manager, Corporate Finance are in regular contact with the Chair of the Committee outside of the formal meetings, and ensure that the Committee are kept informed of issues that affect the Fund.</p>
Administering Authority's Senior Management	<p>The Senior Manager, Corporate Finance meets the Head of Finance on a weekly basis to provide information to evaluate the administration, management and governance of the Pension Fund.</p> <p>The Director of Resources and the Head of Finance receive the quarterly Committee minutes, agenda and agenda items as a matter of course.</p> <p>The Fund communicates and consults with senior management on changes to regulations, policies and procedures that affect the Pension Fund, employers and the Administering Authority.</p>
Professional Advisors	The Fund's management team meets with and has regular dialogue with its advisers (such as actuarial and investment advisers) to secure information and advice over a wide range of issues relating to the Fund.
Department of Communities and Local Government (CLG)	The owners of the LGPS, responsible for drafting and laying the LGPS regulations before Parliament. Cheshire Pension Fund responds to consultations and draft legislation and shares its response with employers and scheme members via the website.

Description	Service
Department for Work and Pensions (DWP)	Communication in relation to the contracting out details of scheme members and combined pension benefit forecasts.
Trade Unions (TU)	A TU representative attends both the Pension Fund Committee and the Pension Consultative Forum in a non-voting capacity to represent employees.
HM Revenue and Customs (HMRC)	Cheshire Pension Fund ensures it pays all benefits in compliance with both the Lifetime Allowance and Annual Allowance.
Regional Pension Officers Group	The Fund is represented at the Shrewsbury Pension Officers Group (SPOG) which meets quarterly to discuss all aspects of the LGPS. Knowledge sharing and collaborative working are key features of this groups discussions.
North West and Wales Pensions Group	The Fund is represented at the NWWPAG which meets every six months to discuss financial and investment issues relating to the LGPS.

Contacts and further information

In addition to the range of documents produced by the Fund explaining the benefits of the LGPS, for Scheme members and employers the Fund publishes a number of other key documents relating to the administration and governance of the Fund. These are as follows -

Funding Strategy Statement

LGPS Regulations require that all Administering Authorities publish a Funding Strategy Statement (FSS). The Fund's FSS sets out our commitment to meeting our liabilities while at the same time maintaining stable employer rates.

Governance Policy Statement

LGPS Regulations require all Administering Authorities to publish a Governance Policy Statement. The Funds Policy sets out how it delegates its responsibilities including duties and terms of reference and stakeholder representation.

Governance Compliance Statement

LGPS Regulations require that all Administering Authorities publish Governance Compliance Statement. The Policy defines to what extent the Fund complies with the best practice governance arrangements laid down by central government, including voting rights, stakeholder representation, and frequency of meetings, access to papers and any areas of non-compliance.

Statement of Investment Principles

LGPS Regulations require that all Administering Authorities publish a Statement of Investment Principles. A Statement of Investment Principles details the policy controlling how a pension fund invests and covers the following:

- Effective Decision Making
- Clear Objectives
- Focus on Asset Allocation
- Expert Advice
- Explicit Mandates
- Activism
- Appropriate Benchmarks
- Performance Measurement
- Transparency
- Regular Reporting

All of the documents are available on the Fund's website:
www.cheshirepensionfund.org/?page_id=763

Data Protection

To protect personal information held in relation to Scheme members, the Fund is registered under the Data Protection Act 1998 as part of Cheshire West and Chester Council. This allows members to check that their details held are accurate. The fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection grounds should contact the Cheshire Pension Fund on 01244 976000 or via e-mail at pensions@cheshirewestandchester.gov.uk

This authority is under a duty to protect the public fund it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

For queries relating to the Communication Strategy, or for more information regarding the Cheshire Pension Fund, please contact our helpdesk as follows:

Tel: **01244 976000**

Or Email: pensions@cheshirewestandchester.gov.uk

Or visit our website: www.cheshirepensionfund.org

Or write to us at

Cheshire Pension Fund

Cheshire West and Chester Council,

Council Offices, 4 Civic Way, Ellesmere Port, CH65 0BE.

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Independent auditor's report to the members of Cheshire West and Chester Council - Cheshire Pension Fund

We have audited the pension fund financial statements of Cheshire West and Chester Council ("the Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Corporate Services and auditor

As explained more fully in the Statement of Responsibilities, the Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Corporate Services; and the overall presentation of the pension fund financial statements.

In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and

the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

John Farrar

Associate Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
4 Hardman Square, Spinningfields, Manchester, M3 3EB
11 September 2017



Grant Thornton

Contacts and Further Information

For more information about the Cheshire Pension Fund, please contact our helpdesk as follows:

Tel: **01244 976000**

Email: pensions@cheshirewestandchester.gov.uk

Alternatively, you can contact a member of the Pensions Management Team as follows:

Director of Finance Mark Wynn Tel: **01244 972537**

Pension Fund Manager Christine Mann Tel: **01244 972188**

Pensions Development Manager Mark Futter Tel: **01244 972963**

Employer Liaison Manager Nick Jones Tel: **01244 972652**

Finance Manager, Investments Steve Tranter Tel: **01244 972533**

Fund Accountant Heidi Catherall Tel: **01244 972665**

Our website contains up-to-date information relating to the LGPS. The address is: www.cheshirepensionfund.org

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