

# Annual Report

## 2017-18

Published by:

**Cheshire Pension Fund**

Cheshire West and Chester Council, HQ,  
Council Offices, 4 Civic Way Ellesmere Port  
CH65 0BE

[www.cheshirepensionfund.org](http://www.cheshirepensionfund.org)

### Accessing Cheshire Pension Fund information and services

Pension Fund information is also available in Audio, Braille, Large print and other formats. If you would like a copy in a different format or another language please email us at: [pensions@cheshirewestandchester.gov.uk](mailto:pensions@cheshirewestandchester.gov.uk) Tel: **01244 976000** Fax: **01244 972087**

# Contents

|            |  |
|------------|--|
| <b>3</b>   | Introduction   |
| <b>4</b>   | Management & Financial Performance                                 |
| <b>6</b>   | Risk Management  |
| <b>9</b>   | Financial Performance  |
| <b>18</b>  | Administration Report  |
| <b>27</b>  | Investment Policy & Performance                                    |
| <b>44</b>  | Governance Arrangements  |
| <b>49</b>  | Governance Compliance Statement                                    |
| <b>51</b>  | Member Training  |
| <b>53</b>  | Local Pension Board Annual Report                                  |
| <b>59</b>  | Statement of Accounts  |
| <b>105</b> | Pension Fund Accounts Reporting Requirement                        |
| <b>107</b> | Cheshire Pension Fund ("the Fund") Actuarial Statement for 2017/18 |
| <b>147</b> | Scheme Advisory Board Summary Information                          |
| <b>148</b> | Funding Strategy Statement   |
| <b>180</b> | Investment Strategy Statement                                      |
| <b>189</b> | Responsible Investment Policy                                      |
| <b>192</b> | Communications Policy Statement                                    |
| <b>204</b> | Contacts and further information                                   |

## Introduction

# Welcome to the annual report for the Cheshire Pension Fund for the year ending 31st March 2018.



From a strategic point of view, the key focus for the Fund over the last twelve months has been preparing for the implementation of asset pooling, which becomes a regulatory requirement across the Local Government Pension Scheme (LGPS) from 1st April 2018.

The Cheshire Fund has worked with its LGPS Central Partners (Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Worcestershire and West Midlands) to establish a jointly owned, arms-length investment management company, LGPS Central Ltd; which over the next three to four years, will take over responsibility for day to day management of a combined investment portfolio of over £40billion.

The company operations will be regulated by the Financial Conduct Authority and overseen by the partner funds on both a collective basis (via a Joint Committee and Shareholder Forum), and locally, by their individual Pension Fund Committees. Partner funds are forecasting total savings in the order of £250m over the next 20 years as a result of scale economies, sharing of costs and expertise and improved efficiency.

The Cheshire Pension Fund Committee will continue to make key strategic decisions, including setting the overall investment and funding strategy, and will also be accountable to fund members, employers and local tax payers for the overall management and performance of the Fund. Scheme members will be largely unaffected, as their contributions and benefits are determined under national regulations, and will continue to be collected and administered as they are now.

The other key regulatory development during the year was the implementation in the United Kingdom, of the European Union Markets in Financial Instruments Directive II (MiFID II). This effectively removed the right for local authorities to be automatically treated as professional clients by banks, investment management companies and other financial institutions. Instead, individual authorities were given the opportunity to elect to be treated as professional clients, provided that they could satisfy service providers that they had the necessary experience and expertise to deal in more complex financial markets and products. The Fund was successful in satisfying this requirement.

During the year, two members of the Pension Fund Committee stood down; Councillor Peter Groves and Councillor David Newton (both representing Cheshire East Council). They were replaced by Councillor Geoff Baggott and Councillor Sam Corcoran. Councillor Newton was the Committee's longest serving member, with an association with the Fund going back more than thirty years. His knowledge and experience will be greatly missed, and we wish him well in his retirement.

The Cheshire Local Pensions Board has continued to provide support throughout the year, and provides important additional capacity in terms of oversight of a wide range of operational and compliance issues. The Pension Board's Annual Report is set out on pages 53 to 58, it sets out a fuller summary of their work over the past twelve months.

The Fund Accounts set out on page 59 to 104 show that the strong investment performance experienced during 2016-17, has continued. At the 31st March 2018, assets under management totalled £5.336 billion. Investment returns for the year were 6.3%, 4.4% ahead of the benchmark return of 1.9%, maintaining the Fund's track record of out-performance over 3, 5 and 10 year time periods.

As a result, the overall funding level has improved from 90% (at the last valuation on 31st March 2016), to around 94% at the end of 2017-18. This continued improvement has allowed some adjustment to the overall asset allocation, with a switch away from more risky asset classes (primarily equities), towards more defensive, fixed income securities (mainly index-linked bonds). This will help to protect the funding gains achieved and ensure that employers aren't exposed to unnecessary risk going forward.

Scheme membership has also continued to grow and is now in excess of 96,000, with a corresponding increase in the number of participating employers, which now totals 365. The administrative challenges presented by this continued growth are considerable, given the additional data requirements of the 2014 Career Average Revalued Earnings (CARE) Scheme, and the increased emphasis on data quality demanded by the new General Data Protection Regulation (due to take effect in May 2018), and new compliance standards introduced by the Pensions Regulator.

In view of these challenges, the Fund has undertaken a fundamental review of the benefits administration function, including the management structure, systems, processes and importantly, the way it engages with, and receives data from scheme employers. A major programme of change and improvement has commenced which, over the next two years will deliver a more efficient and effective operation, better able to deal with the demands presented by growing scheme membership, tighter regulation and changing customer expectations. Staff within the team will benefit from opportunities to learn new skills and broaden their experience, as well as working more flexibly.

Technology will be key to enabling much of the change, and over the coming months the Fund will work closely with colleagues across Cheshire West and Chester Council, to implement the 'Best for Business' financial systems replacement programme, as well as continuing to develop the Universal Pensions Management (UPM) platform which supports benefits administration and processing.

Finally, I'd like to thank everyone who has worked for, or with the Cheshire Pension Fund over the last twelve months for their support and continued commitment.

**Mark Wynn**  
**Chief Operating Officer**  
Cheshire West and Chester Council

# Management & Financial Performance

Scheme Management and Advisors (as at 31 March 2018)

## Administering Authority

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

## Cheshire West and Chester Council Officers

**Mark Wynn** Chief Operating Officer

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

## Pension Fund Committee

**Councillor Myles 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 Geoff Baggott** Cheshire East Council

**Councillor Sam Corcoran** 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)

**Adrienne Laing** (Bridgewater High)

**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**  
3rd Floor, 10 Portman Square, Marylebone, London, W1H 6AZ

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

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

**BlueBay Asset Management**  
77 Grosvenor Street, London, W1K 3JR

**Darwin Property Investment Management Limited**  
11 New Street, St Peter Port, Guernsey, GY1 2PF

**Janus Henderson Global Investors**  
201 Bishopsgate, London, EC2M 3AE

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

**Lexington Partners UK LLP**  
50 Berkeley Square, London, W1J 8HA

**M&G Investments**  
Laurence Pountney Hill, London, EC4R OHH

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

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

**Winton Capital Management**  
Grove House, 27 Hammersmith Grove, London W6 ONE

## 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

---

# 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 regular updates on the key risks facing the Fund.

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 2018/19 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/<br>Outcome  | Risk   | Controls  | Risk<br>Status |
|--------------------------|---|--|---|----------------|
| Governance               | <b>G3</b> Supported, 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"> <li>Administration Strategy defines employer roles/responsibilities and required performance standards</li> <li>Compliance management framework developed</li> <li>Pensions Consultative Forum working effectively and adding value</li> </ul>   | Amber          |
| Administration           | <b>A1</b> Digitally enabled interaction, communication and self-serve.<br><b>A3</b> Secure and efficient transmission of high quality data.<br><b>G3</b> Supported, empowered and enabled employers | Failure to deliver Monthly Interfacing functionality and secure employer buy-in/engagement.  | <ul style="list-style-type: none"> <li>Strong internal systems capability with successful track record of delivering major systems development projects</li> <li>Implementation rescheduled to take advantage of upgraded self-serve offer from current software provider</li> <li>Detailed project plan developed to introduce Employer Self-Serve including pre-launch testing and pilot running</li> </ul>   | Amber          |
| Administration           | <b>A2</b> Agile, customer focussed operating model.   | Failure to successfully implement planned changes to team structure and roles, and to secure operational flexibility to respond to changing workload demands/ pressures, leading to backlogs, and inability to deliver against agreed performance standards. | <ul style="list-style-type: none"> <li>Staffing levels within benefits team reviewed and additional resources recruited</li> <li>Current backlogs being addressed through overtime working</li> <li>Prioritisation of casework to ensure that urgent cases and payments to beneficiaries are not jeopardised</li> <li>Suite of analytical reports developed to monitor casework volumes and assign priorities</li> <li>Rolling programme for review of key operational processes to identify potential efficiency/productivity improvements</li> <li>Team structure and job roles redesigned to enable more flexible use of resources.</li> <li>Systems training undertaken to maximise functionality within Pensions database</li> </ul>   | Amber          |
| Administration           | <b>A3</b> Optimal use of technology to support transmission of high quality data.   | Lack of engagement from scheme members/ employers and poorly informed decision making due to poor quality data and/or ineffective communication  | <ul style="list-style-type: none"> <li>All key data items checked prior to benefits being put into payment</li> <li>Extensive data validation undertaken on employer annual returns</li> <li>On-line data validation and exception reporting undertaken within the UPM system</li> <li>Collaboration with other LGPS Funds to ensure consistency and quality of member and employer communications</li> <li>Employer Handbook, Factsheets and training available to ensure employers understand data requirements</li> <li>Systematic review of scheme documentation and correspondence undertaken to review disclosure compliance and plain English standards</li> <li>Common data audited for completeness, Data Improvement Plan developed to address accuracy, and assess quality of conditional data.</li> </ul> | Amber          |
| Financial Sustainability | <b>F2</b> Robust management of employer covenant  | Failure to exploit the savings opportunities and investment efficiencies offered by pooling  | <ul style="list-style-type: none"> <li>Employer risk measures monitored on a triennial basis with input from Scheme Actuary</li> <li>Engagement with employers to discuss affordability considerations/constraints during valuation process</li> <li>Stabilisation plans in place for long-term employers to mitigate contribute rate volatility</li> <li>Regular monitoring of employer contributions and follow up of breaches</li> <li>Appropriate bonds and guarantees required as part of admission process to protect fund against unsecured losses</li> <li>Tailored investment strategies to meet funding/risk requirements of different employers</li> <li>Monitoring of employer funding levels on a monthly basis with agreed de-risking triggers applied.</li> </ul>                                      | 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 Fund 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 Fund 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 Fund 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 Fund 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 Fund's expected parameters. By investing across a range of assets, including quoted equities and bonds, the Fund 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 Fund monitors and manages risks in these areas through a process of regular scrutiny of its providers. The Fund 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)<br>1 April 2017 - 31 March 2020 | 2017/18     | Secondary Rate (£)<br>2018/19 | 2019/20     |
|---|-------------|-------------------------------|-------------|
| 19.2%   | £34,739,000 | £39,038,000                   | £43,286,000 |

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 2017/18. The full statement of accounts are included from page 59 of this report.

| Fund Account                    | 2017-18        | 2016-17        | Notes  |
|---------------------------------|----------------|----------------|--|
|                                 | £000           | £000           |  |
| Net contributions               | 39,970         | 16,714         | In 2017/18 three Employers elected to pay their 3 year fixed deficit as lump sums with a combined total of £62m                            |
| Return on investments           | 348,960        | 847,609        | The decrease in the return on investments is attributable to lower investment returns of 6.3% during the year compared to 19.2% in 2016/17 |
| <b>Net increase in the Fund</b> | <b>358,104</b> | <b>835,987</b> |  |

| Net Assets Statement  | 2017-18          | 2016-17          | Notes   |
|-----------------------|------------------|------------------|---|
|                       | £000             | £000             |   |
| Pooled Funds          | 3,131,979        | 2,592,362        | Increase is attributable to a restructure from equities into pooled fund and investment returns.  |
| Equities              | 792,041          | 1,001,050        | The decrease is attributable to a restructure from equities into pooled funds, which were netted off by strong investment returns.  |
| Absolute Return Funds | 696,685          | 724,581          | The decrease is attributable to the phased divestment from Fund Manager Och Ziff during the year.   |
| Investment Properties | 352,701          | 293,350          | The increase is due to the acquisition of three new properties during the year with combined value of c£46m. The remainder of the change is due to increases in market values within portfolio. |
| Private Equity        | 183,905          | 201,246          | Decrease reflects the mature nature of existing private equity funds investments which returned net cash balances to the Fund in 2017-18.   |
| Loans                 | 5,052            | 18,379           | Decrease is attributable to a net return of investment from the loan funds (M&G UKFF).  |
| Cash                  | 169,882          | 144,096          | Cash held by investment managers and by the fund at the year-end will vary year on year.  |
| Other                 | 4,254            | 5,248            | Broadly comparable with prior year.   |
| <b>Total</b>          | <b>5,336,499</b> | <b>4,980,312</b> |   |

## Operational Expenses – Comparison of 2017-18 Forecasts to Actual

|  | 2017-18          | 2017-18        | 2017-18          |
|--|------------------|----------------|------------------|
|  | Forecast<br>£000 | Actual<br>£000 | Variance<br>£000 |
| <b>Administration / Oversight and Governance</b> |                  |                |                  |
| Employees*                                       | 1,777            | 1,541          | (236)            |
| Supplies and Services**                          | 846              | 1,037          | 191              |
| Actuarial Fees                                   | 242              | 205            | (37)             |
| Investment Advisor Expenses                      | 156              | 117            | (39)             |
| Capital Repayment                                | 99               | 99             | 0                |
| IT Costs   | 178              | 210            | 32               |
| Printing & Postage                               | 89               | 72             | (17)             |
| External Audit Fees                              | 29               | 29             | 0                |
| Legal Fees                                       | 50               | 50             | 0                |
| <b>Total</b>                                     | <b>3,466</b>     | <b>3,360</b>   | <b>(106)</b>     |
| <b>Investment Management</b>                     |                  |                |                  |
| External Fund Managers                           | 21,809           | 27,349         | 5,540            |
| Custodian  | 123              | 117            | (6)              |
| <b>Total</b>                                     | <b>21,932</b>    | <b>27,466</b>  | <b>5,534</b>     |

\*Employee costs were lower than expected due to staff vacancies and maternity leave.

\*\*Included within Supplies and Services were bad debt write offs in relation to rental properties totalling £127k

## 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    | 36,062         | 35,705         | 99.31%       | 357          | 0.69%        |
| Employer     | 183,254        | 182,092        |              | 1,162        |              |
| <b>Total</b> | <b>219,316</b> | <b>217,797</b> |              | <b>1,519</b> |              |

The Fund receives over 3,155 individual monthly contributions from over 280 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 60 monthly contributions were received late, of which 55 (92%) were subsequently received within 1 month and 5 (8%) was received between 1 and 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.

In total the fund recorded 60 late payments of contributions on the Breaches Log. Of the 26 only three resulted in an informal (amber) report to the Regulator due to the number of occasions that payments had been received late by the employer and one resulted in an informal (red) report to the regulator.

The remaining 56 contributions were received by the fund after the 22 day deadline, and therefore, had breached regulations requiring them to be included within the log.

## Analytical Review of 2017-18 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 2018.

| Fund Account                            | 2017-18          | 2017-18        |                  |
|---|------------------|----------------|------------------|
|   | Forecast<br>£000 | Actual<br>£000 | Variance<br>£000 |
| Contributions                           | 210,838          | 219,316        | 8,478            |
| Payments                                | (159,531)        | (172,489)      | (12,958)         |
| Admin/Oversight and Governance expenses | (3,466)          | (3,360)        | 106              |
| Net investment income                   | 34,380           | 34,741         | 361              |
| Investment expenses                     | (21,809)         | (27,466)       | (5,657)          |
| Change in market value                  | 139,993          | 315,168        | 175,175          |

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 2021.

The forecast figures for 2018-19 and 2019-20 have been updated in order to reflect the most up to date information.

## Forecast Fund Account for 3 Years – 2018-19 to 2020-21

| Fund Account                            | 2018-19          | 2019-20          | 2020-21   |
|---|------------------|------------------|-----------|
|   | Restated<br>£000 | Restated<br>£000 | £000      |
| Contributions                           | 152,871          | 156,918          | 196,037   |
| Payments                                | (167,223)        | (169,325)        | (181,825) |
| Admin/Oversight and Governance expenses | (3,329)          | (3,494)          | (3,291)   |
| Net investment income                   | 34,862           | 35,970           | 37,089    |
| Investment expenses                     | (23,983)         | (24,785)         | (25,443)  |
| Change in market value                  | 119,153          | 124,556          | 125,622   |
| Net increase in the fund                | 112,351          | 119,840          | 148,189   |

Contributions and payments are based on current expectations, the 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.

## Net Assets Statement for 3 Years – 2018-19 to 2020-21

| Net Assets Statement           | 2018-19          | 2019-20          | 2020-21          |
|--------------------------------|------------------|------------------|------------------|
|                                | £000             | £000             | £000             |
| Pooled Funds                   | 3,165,668        | 3,210,291        | 3,254,274        |
| Equities                       | 841,366          | 879,984          | 919,733          |
| Absolute Return Funds          | 713,267          | 730,315          | 747,236          |
| Investment Properties          | 372,793          | 384,312          | 395,907          |
| Private Equity                 | 180,285          | 192,707          | 205,844          |
| Loans – Private Debt           | 4,567            | 4,777            | 4,993            |
| Cash                           | 130,411          | 130,528          | 130,551          |
| <b>Total Investment Assets</b> | <b>5,408,357</b> | <b>5,532,914</b> | <b>5,658,538</b> |

The forecasts for total investment assets are based on the actual allocations at 31st March 2018 figures multiplied by the forecast returns for each asset class as provided by the Fund's investment advisor.

## Forecast Returns for 2018-19

| 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 - 2018-19 to 2020-21

|  | 2018-19          | 2019-20          | 2020-21       |
|--|------------------|------------------|---------------|
|  | Restated<br>£000 | Restated<br>£000 | £000          |
| <b>Administration/Oversight and Governance</b> |                  |                  |               |
| Employees                                      | 1,878            | 1,935            | 1,993         |
| Supplies and Services                          | 475              | 490              | 504           |
| Actuarial Fees**                               | 257              | 465              | 272           |
| Investment Advisor Expenses                    | 163              | 118              | 122           |
| IT Costs                                       | 287              | 213              | 220           |
| Capital Repayment Costs*                       | 99               | 99               | 0             |
| External Audit Fees                            | 29               | 31               | 32            |
| Printing & Postage                             | 89               | 92               | 94            |
| Legal Fees                                     | 50               | 53               | 55            |
|  | <b>3,329</b>     | <b>3,494</b>     | <b>3,291</b>  |
| <b>Investment Management</b>                   |                  |                  |               |
| External Fund Managers                         | 23,983           | 24,785           | 25,443        |
| Custodian                                      | 117              | 117              | 117           |
| <b>Total</b>                                   | <b>24,100</b>    | <b>24,902</b>    | <b>25,560</b> |

\*The capital repayment cost is for the costs associated with the new administration software system implemented during 2014-15, which will be repaid over a period of 5 years. The first of which was paid in 2015-16 with the last payment due in 2019-20.

\*\* Actuarial fees in 2019-20 are higher due to this being a valuation year.

The 2018-19 and 2019-20 Budgets have been restated to incorporate increases resulting from changes to the staffing structure, additional costs associated with the setting up of asset pooling and costs associated with operational developments within the Fund.

## Pension Overpayments

The Cheshire Pension Fund pays around 27,800 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

|   | 2017-18  | 2016-17  | 2015-16  | 2014-15  | 2013-14  | 2012-13  | Total    |
|---|----------|----------|----------|----------|----------|----------|----------|
| Overpayments Recovered                            | £33,850  | £48,700  | £52,000  | £35,000  | £32,000  | £35,000  | £236,550 |
| Overpayments written off                          |          |          | £5,000   |          |          |          | £5,000   |
| Deaths  | £2,944   | £2,500   |          | £7,000   |          | £11,000  | £23,444  |
|   |          |          |          |          |          |          |          |
| Annual Payroll                                    | £141,304 | £136,864 | £133,155 | £129,111 | £124,638 | £118,983 | £784,055 |
| Write offs as % of payroll                        | 0.03%    | 0.004%   | 0.004%   | 0.005%   | 0.00%    | 0.01%    |          |
| Number of cases written off                       | 4        | 2        | 10       | 8        | 0        | 26       |          |
| Number of cases recovered*                        | 35       | 41       | 57       | 37       | 35       | 46       |          |
| Number of cases in the process of being recovered | 4        | 6        | 6        |          |          |          |          |

\*These payments are being recovered by instalment payments

# Administration Report 2018

During 2017/18 the Fund has undertaken a fundamental review of the administration systems and processes, and the way that the administration database is used, in order to highlight the areas which require improvement and development.

A business process review was undertaken in order to identify these issues and the findings from this discovery exercise have been grouped into key improvement themes, a detailed action plan is being developed to coordinate the various work streams required to improve efficiency within the Fund, increase engagement with stakeholders and re-design the internal teams to allow greater flexibility in utilising resources, whilst simultaneously improving the quality of data held by the Fund.

A significant transformational change is underway to move the Fund away from receiving annual, 'per member' data from Employers, to receiving monthly information.

The Fund has also undertaken a considerable amount of work in order to highlight issues with the quality of data held and the actions required to improve it.

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

## Review of Benefits Administration

During 2017/18 the Fund undertook a detailed business process review of the entire benefits administration service, and the wider pensions team, in order to identify areas for development and improvement. The review highlighted that a major programme of change was required in order to improve the efficiency and effectiveness of the Fund and to be better able to deal with the demands which result from growing membership, increased administrative complexity and regulatory scrutiny and changing customer expectations.

**The review identified five main improvement themes summarised in the table below:**

| Theme                        | Development and Improvement Required  |
|------------------------------|---|
| Customer Services            | Develop a customer contact strategy to improve engagement with stakeholders and re-design the methods by which stakeholders can contact the Fund to embrace digital capabilities. |
| Demand Management            | Outline core services which the Fund will provide to its stakeholders and identify added value services.  |
| Technology/Systems           | Enhance the use of technology to maximise efficiency.   |
| Team Culture and Performance | Introduce a multi-functional and flexible team which can adapt to changes in demand of workload.  |
| Process Re-Design            | Re-design how services are delivered to maximise efficiency and customer satisfaction.  |

The Fund will be commencing a Change Management Programme, known as Project Chrysalis, in 2018/19 in order to address the challenges outlined above. Some of this work had already commenced in 2017/18.

## Technology and Pensions Administration System Development

The Pensions section currently uses the Universal Pensions Management (UPM) pensions administration software supplied by Civica, utilising benefits calculation, task management, document imaging, document production and workflow functionality.

The Fund has been working with Civica throughout the year in order to implement a transformational development, known as Monthly Interfacing. This functionality will allow the Fund to replace the current annual process of receiving 'per member' data from Employers and replace it with monthly information from Employers containing pay and contributions data. The Monthly Interfacing process also includes details of new starters, changes to members details and leavers thereby allowing the Fund to have one consistent method of receiving this information.

The system development for Monthly Interfacing will be implemented in the early part of 2018/19 and the Fund will commence the project to transition Employers onto the new system shortly thereafter.

The Fund has also implemented Employer Self-Serve which is functionality that allows Employers to view their members details held in the Fund's database, via a secure online portal. This portal will be the conduit to allow Employers to upload the Monthly Interfacing files each month.

The introduction of Monthly Interfacing and Employer Self-Serve will significantly improve the quality of data held by the Fund which in turn will translate into an improved service for members.

Pensions payroll is processed through the Council's Oracle payroll system. The Council is currently developing a Best for Business system which will replace Oracle in the 2018/19. The new Best for Business system will be used for finance, payroll and human resources functions and will drive efficiencies by simplifying processes and procedures and allowing us to speed up workflows.

The Pension Fund has a dedicated website [www.cheshirepensionfund.org](http://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.

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 Strategy

The Administration Strategy sets out the responsibilities of both the Fund and Employers, in accordance with Regulations and the Pensions Regulators Code of Practice.

These obligations include the requirement for Employers 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 strategy was implemented following consultation with all Employers in the Fund.

In light of the Fund's change management programme, and the introduction of Monthly Interfacing, the 'Strategy will need to be reviewed and updated. The Fund will work with the Pensions Consultative Forum in order to produce a revised strategy by the autumn of 2018, which will then be issued to all Employers for comment before being published by 1 April 2019.

Once the revised strategy is available the Fund will implement a suite of reports so to highlight the Fund's and Employer's performance against the key performance indicators which will be set out within it. The output from these performance reports will form the basis of regular dialogue with Employers and will be used to drive through performance improvement on both sides.

An important responsibility for Employers is that they each employer have 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.

## Data Quality, Cyber Security and General Data Protection Regulation (GDPR)

Good quality data is if the right benefits are to be paid to the right members at the right time. In order to improve the quality of data held, the Fund has taken the following steps:

- Reviewed the Record Keeping and Disclosure Regulations to ensure that the Fund's communications were compliant and contained all the necessary information required.
- Reviewed key administration processes to ensure that they are streamlined and efficient and that they comply with record keeping and disclosure regulations.
- Commissioned, Civica, the Funds database provider to undertake a number of training sessions with staff to ensure that data was being captured within the correct fields so that the Funds could maximise the use of automation within the administration database.
- Benchmarked the common data held by the Fund, demonstrating that the data was above 99% accurate in most cases. This work will continue into 2018/19, along with a review of the Scheme Specific Data, so that the Fund can respond to questions which will be included in the Pensions Regulators 2018 Scheme Return on data quality.
- Developed a Data Improvement Plan which detailed the operational improvements required in order to improve the timing of receipt and quality of data held by the Fund.

The Fund has robust systems and processes to protect the safety and security of data held by the Fund, both within the administration database and in shared drives. An important aspect of the safety of data is the Fund's approach to cyber security.

The Fund administration database and other IT system are operated utilising the network and computer systems of Cheshire West and Chester Council who manage and maintain all systems in line with their PSN (Public Service Networks) accreditation. This standard mandates adherence to best practice principles and managing and securing ICT systems and data.

The General Data Protection Regulation (GDPR) comes into effect from 25 May 2018 and harmonises data protection regulations across Europe.

The Fund commenced a comprehensive programme of work in the autumn of 2017 to ensure compliance with the new regulations.

Data quality and cyber security are both important issues for the Fund and a keen focus area for the Local Pension Board, along with the Fund's progress in meeting the requirements of the General Data

Protection Regulations. All of which have been closely monitored by the Local Pension Board during 2017/18 and who will continue to receive regular updates into 2018/19 and beyond.

## Member Engagement

The Fund is continually interacting with its membership and, following the success of its first series of roadshows held in 2016/17, the Fund held further events throughout 2017/18. The roadshows were held 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 550 people attending across the 9 sessions which were held. 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 in order to maximise their pension.

The Fund will also be running similar sessions during 2018/19.

## Guaranteed Minimum Pension (GMP)

With the introduction of the Single tier state pension in 2016, the LGPS will no longer be contracted-out of the state second pension. As a consequence, HMRC will no longer track contracted-out rights and have issued closure schedules to pension schemes to enable them to compare the GMP figures held on their systems to that of HMRC. This is known as the GMP reconciliation. This exercise needs to be completed by December 2018, therefore the Fund has had to undertake a reconciliation of all GMP values held by HMRC to its own records to ensure that they agree and is in the process of resolving any variances.

The project continues to make good progress and, at the time of writing the Fund has reconciled more than 51,000 member GMP values with that held by HMRC.

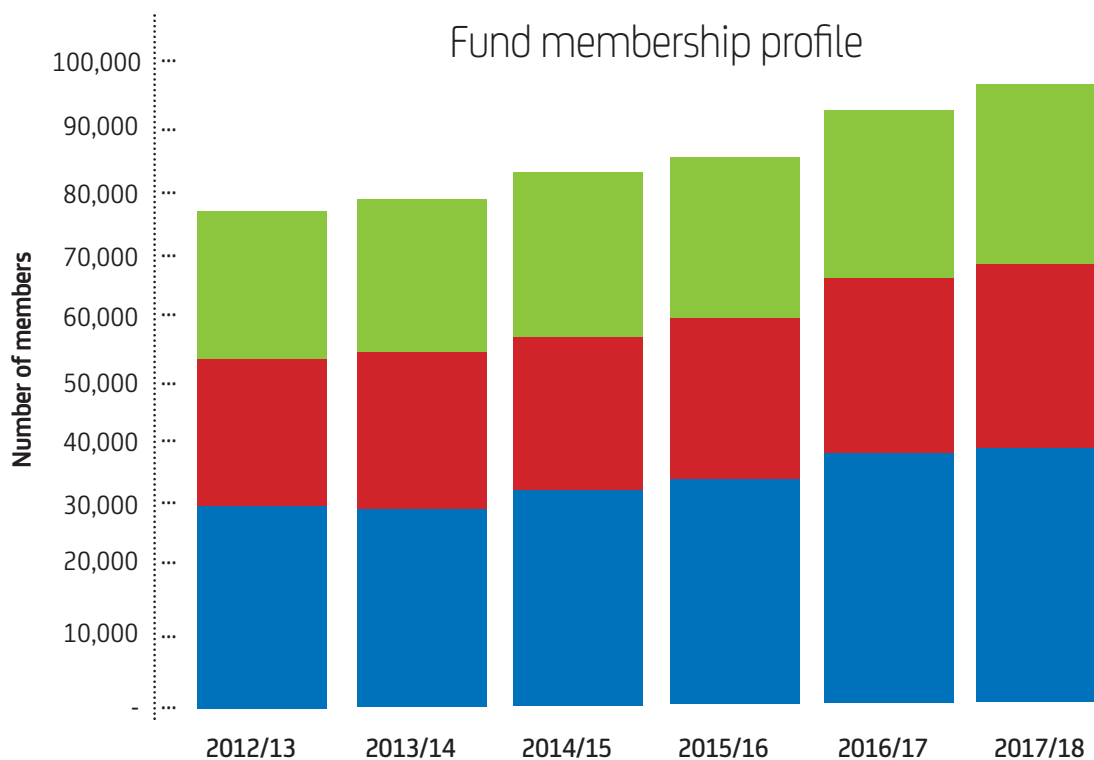
Additionally, the Fund has been working with its software provider, Civica and an implementation partner, Intellica, to identify members where GMP values do not correspond and where this occurs, send a query to HMRC. To date the Fund has queried a total of 31,250 cases with HMRC and expects to submit a further 3,500 during 2018.

The Fund has also identified circa 8,500 queries which require closer inspection. This work is well underway and the Fund has made good use of the latest analytical tools to maximise efficiencies wherever possible.

## 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



|                  |        |        |        |        |        |        |
|------------------|--------|--------|--------|--------|--------|--------|
| Total Membership | 77,570 | 79,940 | 83,243 | 86,401 | 93,440 | 96,825 |
| Pensioners       | 23,474 | 24,319 | 24,817 | 25,799 | 26,641 | 27,764 |
| Deferred Members | 23,413 | 24,160 | 24,194 | 24,707 | 27,161 | 28,532 |
| Active Members   | 30,683 | 31,461 | 34,232 | 35,895 | 39,638 | 40,529 |

|  | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|--|---------|---------|---------|---------|---------|
| Number of Employers<br>(who paid contributions<br>during the year) | 177     | 210     | 226     | 254     | 283     |

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 |

### 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.

As can be seen from the table below the 90% target was met with all casework with the exception of deferments as the Fund continues to make progress in reducing the backlog of deferred retirement cases.

The performance on the deferred casework has improved over the year with 61.7% of cases being processed within the benchmark compared to 57.9% in 2016/17.

The backlog of outstanding deferred cases, which stood at c2,200 in the spring of 2017 this has been reduced to less than 400 at the 31 March 2018. In addition to the historic backlog the Fund continues to receive high numbers of new deferred cases and processed c3,500 new cases during the year.

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 2017 – 31st March 2018

| Process   | Target for completion (days) | Number of Cases Completed | % processed within target |
|---|------------------------------|---------------------------|---------------------------|
| Letter detailing Transfer In Quote              | 10                           | 358                       | 91.3                      |
| Letter detailing Transfer Out Quote             | 10                           | 501                       | 92.8                      |
| Process and Pay Refund                          | 5                            | 948                       | 91.9                      |
| Letter notifying estimate of retirement benefit | 10                           | 1,979                     | 98.9                      |
| Letter notifying actual retirement benefit      | 5                            | 803                       | 96.3                      |
| Letter acknowledging death of member            | 5                            | 1,397                     | 95.7                      |
| Letter notifying amount of dependant's benefits | 5                            | 799                       | 96.3                      |
| Calculate and notify deferred benefits          | 10                           | 3,215                     | 61.7                      |
| <b>Total</b>                                    |                              | <b>10,000</b>             |                           |

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

## Pensions Staffing Structure

The Pensions Team sits within the Finance Service of Cheshire West and Chester Council, it deals with the day to day management of the Fund, including the administration of scheme membership. A staffing restructure was completed during 2017/18 which is designed to maximise the service to the customers of the Fund, ensure the quality of data held and allow the pensions section to adapt to changing working practices such as digital and flexible and mobile working and automation.

The restructure was completed by 31 March and work is ongoing to re-align the specific teams within the new structure. As it currently stands the Fund 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 processing scheme admissions and cessations, 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 44 (42 in 16/17) full time equivalent (FTE) posts in the Pensions section with 34 (33 in 16/17) staff responsible for pensions administration. This equates to a staff to fund-member ratio of one FTE employee to 2,848 (2,832 in 16/17) Members, based on the total fund membership of 96,825 (93,440 16/17).

Of the remaining 10 staff, 5 are based in the Finance and Investments section and 4 in Employer Liaison and Communication with the Pension Fund Manager bringing the total to 10.

## 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 deferred members increasing by the largest percentage. It is positive to note that despite continued pressure on public sector finances that the number of active members in the scheme has increased year on year, as increasing numbers of employers are now obliged to auto-enrol new employees into the scheme.

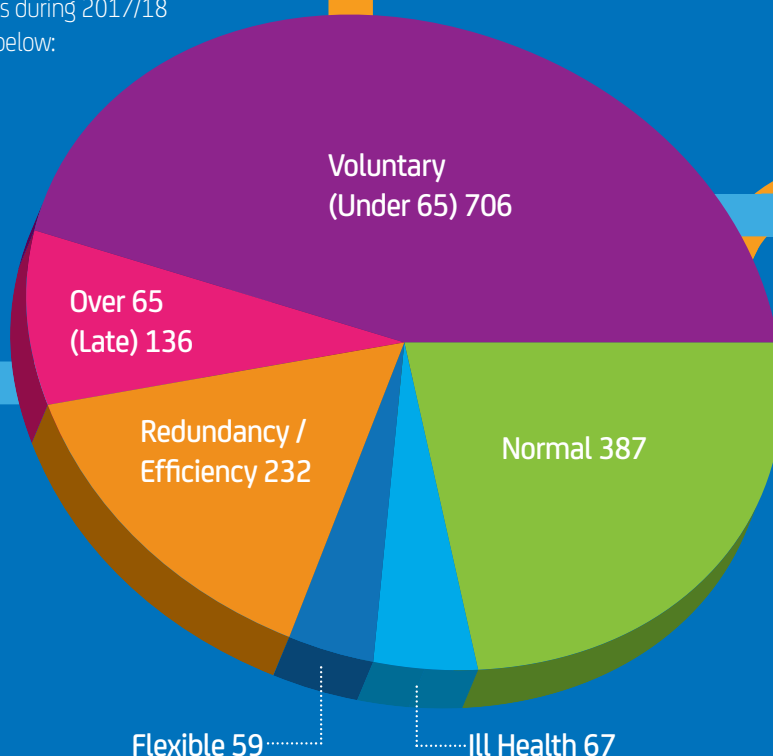
| Membership Category (at 31st March each year) | March 2014    | % change    | March 2015    | % change    | March 2016    | % change    | March 2017    | % change    | March 2018    | % change    |
|---|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|
| Actives                                       | 31,461        | 2.5%        | 34,232        | 8.8%        | 35,895        | 4.9%        | 39,638        | 10.4%       | 40,529        | 2.2%        |
| Pensioners                                    | 24,319        | 3.6%        | 24,817        | 2.0%        | 25,799        | 4.0%        | 26,641        | 3.3%        | 27,764        | 4.0%        |
| Deferreds                                     | 24,160        | 3.2%        | 24,194        | 0.1%        | 24,707        | 2.1%        | 27,161        | 9.9%        | 28,532        | 4.8%        |
| <b>Total</b>                                  | <b>79,940</b> | <b>3.1%</b> | <b>83,243</b> | <b>4.1%</b> | <b>86,401</b> | <b>3.8%</b> | <b>93,440</b> | <b>8.1%</b> | <b>96,825</b> | <b>4.5%</b> |

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     | 4             | 0.00  | 4             |
| 5-10         | 0             | 0     | 0             | 0     | 26            | 0.09  | 26            |
| 10-15        | 0             | 0     | 0             | 0     | 54            | 0.19  | 54            |
| 15-20        | 352           | 0.87  | 8             | 0.03  | 76            | 0.27  | 436           |
| 20-25        | 1,573         | 3.88  | 306           | 1.07  | 44            | 0.16  | 1,923         |
| 25-30        | 2,733         | 6.74  | 1,370         | 4.80  | 1             | 0.00  | 4,104         |
| 30-35        | 3,536         | 8.72  | 2,491         | 8.73  | 8             | 0.03  | 6,035         |
| 35-40        | 4,526         | 11.17 | 3,064         | 10.74 | 15            | 0.05  | 7,605         |
| 40-45        | 4,887         | 12.06 | 3,656         | 12.81 | 32            | 0.12  | 8,575         |
| 45-50        | 6,967         | 17.19 | 5,365         | 18.80 | 70            | 0.25  | 12,402        |
| 50-55        | 5,602         | 13.82 | 4,878         | 17.10 | 153           | 0.55  | 10,633        |
| 55-60        | 6,924         | 17.08 | 6,169         | 21.62 | 1,417         | 5.10  | 14,510        |
| 60-65        | 2,755         | 6.80  | 1,127         | 3.95  | 5,464         | 19.68 | 9,346         |
| 65-70        | 534           | 1.32  | 76            | 0.27  | 6,730         | 24.24 | 7,340         |
| 70-75        | 137           | 0.01  | 21            | 0.07  | 5,529         | 19.91 | 5,687         |
| 75-80        | 3             | 0     | 1             | 0.01  | 3,374         | 12.15 | 3,378         |
| 80-85        | 0             | 0     | 0             | 0     | 2,525         | 9.09  | 2,525         |
| 85-90        | 0             | 0     | 0             | 0     | 1,444         | 5.20  | 1,444         |
| 90-95        | 0             | 0     | 0             | 0     | 636           | 2.29  | 636           |
| 95-100       | 0             | 0     | 0             | 0     | 147           | 0.53  | 147           |
| 100-105      | 0             | 0     | 0             | 0     | 11            | 0.04  | 11            |
| 105+         | 0             | 0     | 0             | 0     | 4             | 0.01  | 4             |
| <b>Total</b> | <b>40,529</b> |       | <b>28,532</b> |       | <b>27,764</b> |       | <b>96,825</b> |

## Retirements during 2017/18

There were 1,587 retirements during 2017/18 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 beneficiary's 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 The Pensions Ombudsman (TPO) for help when dealing with a complaint.

TPAS is usually focussed on complaints before the IDRP has been completed, whilst TPO usually deals with complaints that have been through IDRP.

From April 2018, TPAS dispute resolution function is moving to TPO to simplify the customer journey and lead to improve complaint handling. Customers will be able to access all pension dispute resolution in one place.

Fortunately such instances are few and far between, in the last year there have been two IDRP cases raised against the Administering Authority. The outcomes of these were two not upheld.

# Investment Policy & Performance

## Investment Management

Management of Cheshire Pension Fund's assets is determined within the context 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 provide further detailed information about how the Fund manages its assets.

In summary, the Fund manages four distinct investment strategies. This ensures that each of the Fund's 365 scheme employers (283 employers who contributed to the fund in year) has access to an investment strategy that meets their long term funding requirements. Two of the four investment strategies are managed dynamically, meaning that the level of investment risk can be

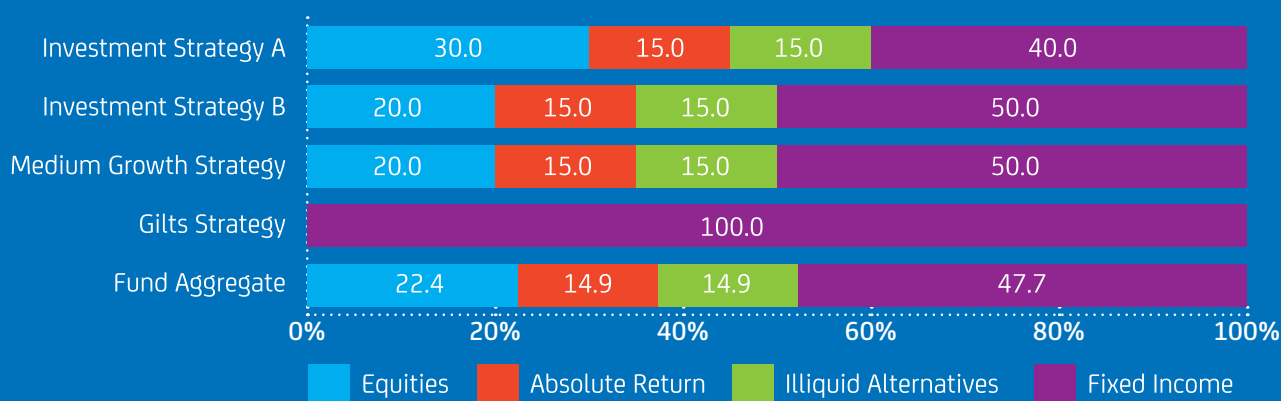
adjusted if the funding level moves ahead of or behind the long term funding plan. In practice this means that the Fund monitors funding level progression against pre agreed trigger points that can prompt an increase or decrease in the level of growth and defensive assets held. Asset allocations are 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](http://www.cheshirepensionfund.org).

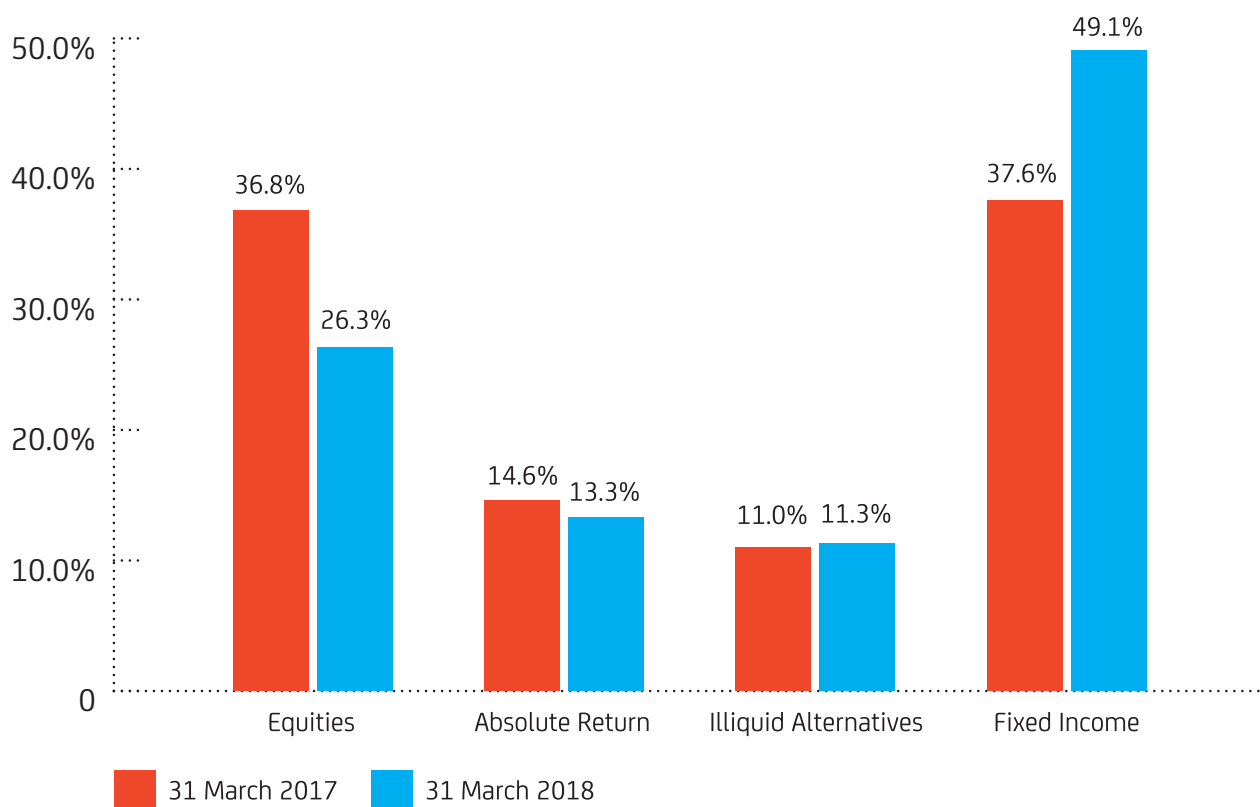
## Strategic Asset Allocation

The strategic asset allocations across the four investment strategies changed during 2017-18 as funding levels improved and de-risking points were triggered. The strategic asset allocation as at the 31st March 2018 for each investment strategy is shown in the chart below, alongside a weighted aggregated asset allocation at whole fund level.



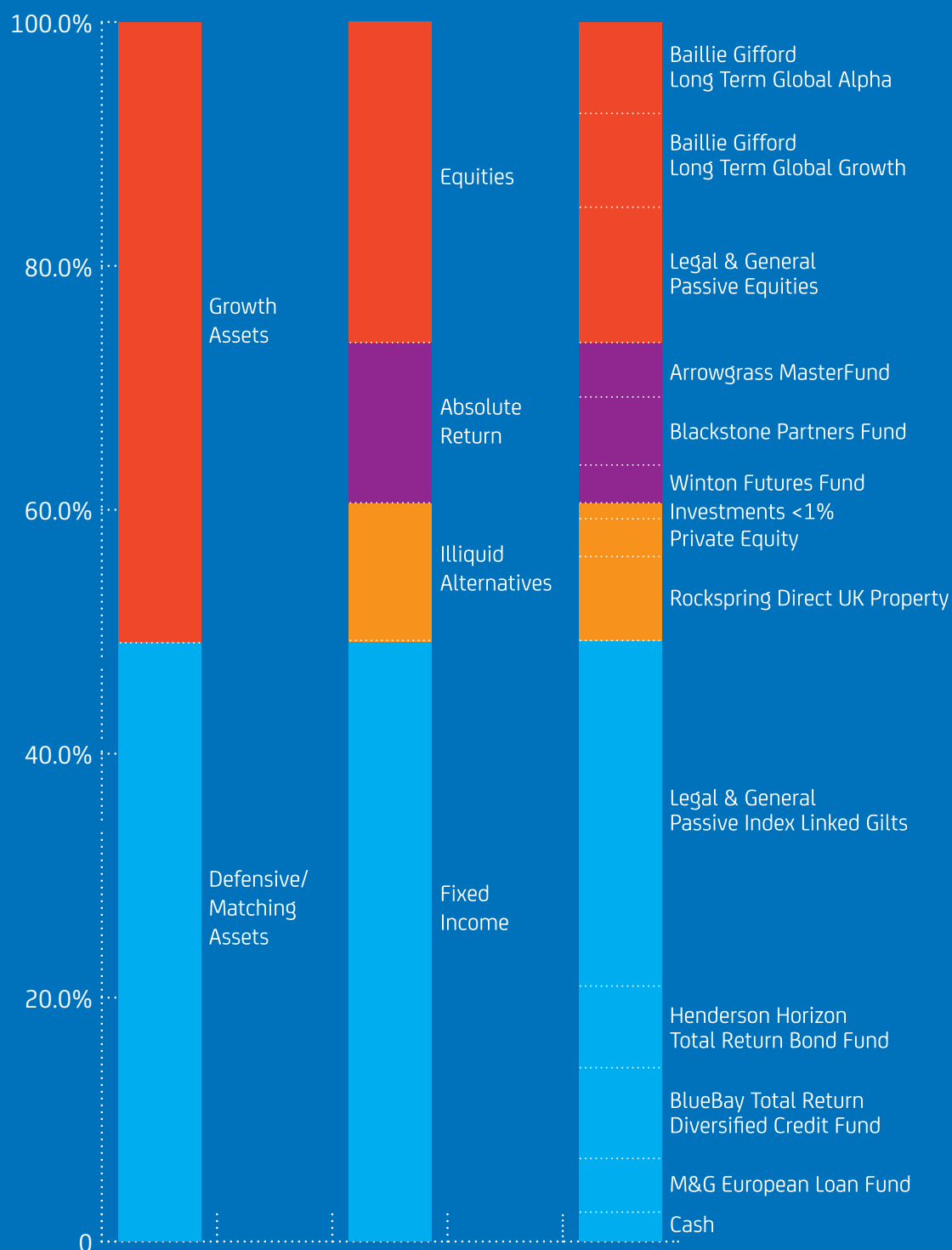
## Actual Asset Allocation

The market value of the Fund's investments, cash and other assets, as at 31 March 2018, was £5.336 billion, compared with a value of £4.980 billion as at 31 March 2017. The chart below shows the distribution of assets across the main investment categories which change year on year as a result of changes to the strategic asset allocation, the performance of the underlying asset classes and managers and rebalancing across managers and asset classes.





The detailed distribution of assets by category and by manager at 31 March 2018 is set out in the following chart.



Investments which make up less than 1% of the funds total assets include:

M&G UK Financing Fund  
M&G Debt Opportunities Fund  
Darwin Leisure Property Fund  
Darwin Leisure Development Fund  
Och Ziff Overseas Fund

## Details of Largest Equity Investments as at 31 March 2018

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 2018 (£) | Percentage of Total Fund Assets (%) |
|----------------------------------|-----------------------------------|-------------------------------------|
| AMAZON.COM INC                   | 57,420,026                        | 1.1%                                |
| ALIBABA GROUP HOLDING LTD ADR    | 38,271,910                        | 0.7%                                |
| TENCENT HOLDINGS LTD             | 36,329,768                        | 0.7%                                |
| FACEBOOK INC                     | 30,991,264                        | 0.6%                                |
| ILLUMINA INC                     | 28,608,708                        | 0.5%                                |
| TESLA INC                        | 23,299,844                        | 0.4%                                |
| BAIDU INC ADR                    | 23,099,401                        | 0.4%                                |
| ALPHABET INC-CL C                | 22,006,813                        | 0.4%                                |
| NVIDIA CORP                      | 21,286,700                        | 0.4%                                |
| NETFLIX INC                      | 19,332,077                        | 0.4%                                |
| KERING                           | 17,876,074                        | 0.3%                                |
| AIA GROUP LTD                    | 14,473,500                        | 0.3%                                |
| CTRIPOCOM INTERNATIONAL LTD ADR  | 13,999,326                        | 0.3%                                |
| INTUITIVE SURGICAL INC           | 13,352,525                        | 0.3%                                |
| ASML HOLDING NV                  | 12,291,225                        | 0.2%                                |

In addition the Pension Fund invests into two Equity Funds which positively track the appropriate equity index. As the Fund invests in units in these pooled funds it does not directly own the underlying company equities.

## Property Holdings

The Fund holds direct UK property assets totalling £353m in a diversified portfolio of UK retail, industrial, office and other 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   |
|--|-----------------------------|------|
| 154-162 Tottenham Court Road, London                 | Retail                      | 32.7 |
| City Gateway, Parkville Road, Southampton            | Student Accommodation/Other | 28.7 |
| South Liberty Lane, Ashton Vale, Bristol             | Industrial                  | 22.2 |
| Tweedbank Retail Park, Berwick upon Tweed            | Out of Town Retail          | 20.5 |
| 1,3 & 5a/2/4 Haymarket & Humberstone Gate, Leicester | Retail                      | 19.3 |
| Transigo, Gables Way, Thatcham                       | Industrial                  | 19.1 |
| Maybrook Retail Park, Sturry Road, Canterbury        | Out of Town Retail          | 17.5 |
| Shand House, Newport Road, Cardiff                   | Student Accommodation/Other | 16.9 |
| Lansdown Industrial Estate, Cheltenham               | Industrial                  | 16.3 |
| Fort Wallington Industrial Estate, Fareham           | Industrial                  | 15.2 |

## Economic Background

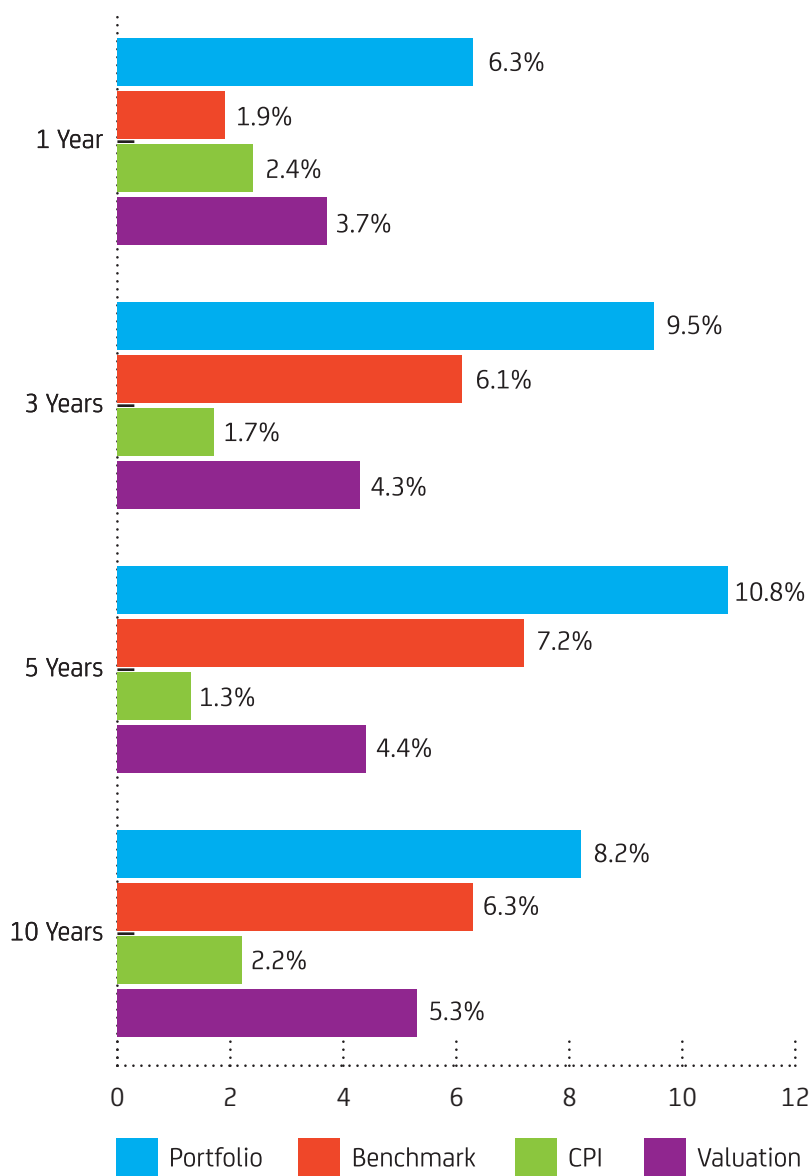
Over the 12 month period to 31 March 2018, growth assets generally performed well against a backdrop of broad economic expansion, while defensive assets saw lower returns. Over the first quarter of 2018, however, equity markets experienced a correction. This shift in market sentiment was largely a reaction to a combination of escalating trade and geo-political tensions along with expectations of monetary tightening, especially in the US.

Even though economic activity and business, as well as consumer, confidence improved significantly over the year, concerns have started to surface that some economies, most notably the US, might be starting to overheat which would accelerate the tightening cycle by central banks. Persistent geopolitical tensions over the year, both on the Korean peninsula and in the Middle East, as well as rising trade tensions between the US and China in the first quarter of 2018 also weighed on financial markets and fuelled a resurgence in volatility, which had been abnormally low in the prior year.

In the UK, Brexit continues to remain at the forefront of investors' minds. Since the triggering of Article 50 in March 2017 by Prime Minister Theresa May, some progress has been made but, complex negotiations with regards to a future trade deal and the Irish border lie ahead. The UK economy has held up reasonably well over 2017 with real GDP growth of 1.4% while the consensus forecast for 2018 is for 1.6% growth. An increase in inflation over the year prompted the Bank of England to increase the base rate in November 2017 for the first time in 10 years; the Consumer Price Index reached 3.0% at the end of the year even though inflation seemed to have peaked in November 2017 at 3.1% and has fallen back to 2.5% in March 2018. Currency volatility was a feature of the 12 month period, with sterling rallying against the yen and dollar, but falling against the Euro.

## 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.



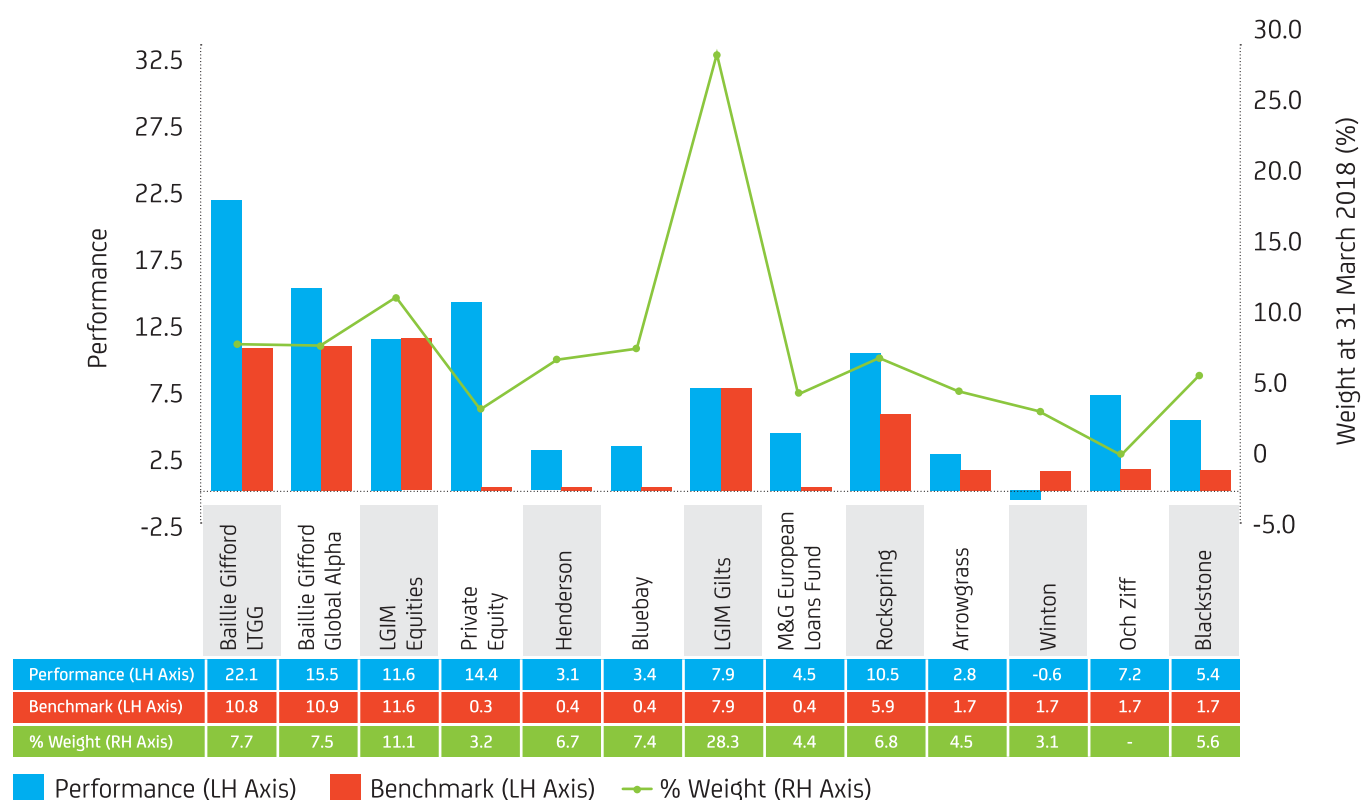
The following chart tracks the cumulative impact of long term fund performance (since the 2004 actuarial valuation) relative to the following key measures; the strategic benchmark, CPI and the return assumptions from each valuation period.



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 2018.



Notes: Excludes contributions from Managers who are no longer used (at 31 March 2018). 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 Long Term Global Growth | Active global equities                 | FTSE ALL World Index          | b/m +3%           | 2005      |
| Baillie Gifford Global Alpha            | Active global equities                 | MSCI All Countries World      | b/m +2%           | 2011      |
| LGIM Equities                           | Passive global equities                | Tailored b/m                  | Track index       | 1994      |
| Private Equity                          | Private Equity fund of fund and direct | LIBID                         | 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, Adams Street Partners and Lexington.



## Investment Fees

The Fund is committed to 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. The table below shows the fees paid to managers in each asset class, including those underlying fees that the Fund is not required to report in the statement of accounts.

|                           | Management Fees<br>£000 | Performance and Other Fees<br>£000 | Underlying fees within Fund of Fund Structures<br>£000 | Total Fees inc. Underlying<br>£000 | Estimated 12 Month Performance | Net Impact on Asset Value of Investment Returns, minus all fees<br>£ |
|---------------------------|-------------------------|------------------------------------|--|------------------------------------|--------------------------------|--|
| <b>Pooled Investments</b> | 3,817                   | 419                                | -  | 4,236                              | +2.5%                          | +77m   |
| <b>Equities</b>           | 2,596                   | 2,953                              | -  | 5,549                              | +20.0%                         | +149m  |
| <b>Absolute Return</b>    | 7,421                   | 4,052                              | 4,452  | 15,925                             | +3.9%                          | +36m   |
| <b>Private Equity</b>     | 2,943                   | 161                                | 5,591  | 8,695                              | +3.2%                          | +2m  |
| <b>Direct Property</b>    | 980                     | 19                                 | -  | 998                                | +13.0%                         | +25m   |
| <b>Loans</b>              | 1,395                   | 541                                | -  | 1,936                              | +3.3%                          | +2m  |
| <b>Cash and Other</b>     | 117                     | 52                                 | -  | 169                                | 0                              | 0  |
| <b>Total Fund</b>         | <b>19,270</b>           | <b>8,196</b>                       | <b>10,043</b>  | <b>37,509</b>                      | <b>+6.3%</b>                   | <b>+291m</b>   |

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 stock, 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               |
|---------------------------------|------------------------|-------------------------|
| <b>Baillie Gifford</b>          | Segregated Equity      | Bank of New York Mellon |
| <b>BlueBay Asset Management</b> | Fixed Income           | Brown Brothers Harriman |
| <b>Henderson</b>                | Fixed Income           | BNP Paribas             |
| <b>M&amp;G</b>                  | Secured Loans          | State Street            |
| <b>Arrowgrass</b>               | Absolute Return        | CITCO Fund Services     |
| <b>Och Ziff</b>                 | Absolute Return        | CITCO Fund Services     |
| <b>Winton</b>                   | Absolute Return        | CITCO Fund Services     |
| <b>Blackstone</b>               | Absolute Return        | CITCO Fund Services     |
| <b>Legal &amp; General</b>      | 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 2018

|                                    | UK | Overseas | Total | %     |
|------------------------------------|----|----------|-------|-------|
| <b>Number of Companies</b>         | 3  | 109      | 112   | N/A   |
| <b>Votes Cast in Favour</b>        | 93 | 1,254    | 1,347 | 94.3  |
| <b>Votes Cast Against</b>          | 0  | 53       | 53    | 3.8   |
| <b>Votes Abstained / Withheld</b>  | 0  | 27       | 27    | 1.9   |
| <b>Total number of Resolutions</b> | 93 | 1,334    | 1,427 | 100.0 |

### Statement of Compliance with the UK Stewardship Code for Institutional Investors

The Fund is committed to the UK Stewardship Code and has submitted a statement of compliance to the Financial Reporting Council. The Fund's 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><b>Principle 1 Effective Decision Making:</b></p> <p>Administering authorities should ensure:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</li> </ul> | <p><b>Compliant</b></p> <p>Decisions are taken by the Chief Operating Officer advised by the Pension Fund Committee.</p> <p>The Committee has support from Council officers with sufficient experience to assist them. The Committee also seeks advice from professional actuarial and investment advisers to ensure it can be familiar with the issues concerned when making decisions.</p> <p>The Committee is able to make 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><b>Principle 2 Clear objectives:</b></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><b>Compliant</b></p> <p>The Committee has established objectives for the Fund which takes account of the nature of Fund liabilities and the contribution strategy. This involved discussions with the Actuary to enable 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><b>Principle 3 Risk and liabilities:</b></p> <ul style="list-style-type: none"> <li>• In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</li> <li>• These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</li> </ul>  | <p><b>Compliant</b></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><b>Principle 4 Performance assessment:</b></p> <ul style="list-style-type: none"> <li>• Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.</li> <li>• 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.</li> </ul>   | <p><b>Partially compliant</b></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><b>Principle 5 Responsible Ownership:</b></p> <p>Administering authorities should</p> <ul style="list-style-type: none"> <li>• adopt, or ensure their investment managers adopt, the Financial Reporting Council's (FRC) Stewardship Code on the responsibilities of shareholders and agents.</li> <li>• include a statement of their policy on responsible ownership in the Investment Strategy Statement.</li> <li>• report periodically to scheme members on the discharge of such responsibilities.</li> </ul> | <p><b>Compliant</b></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 but not all of the managers comply fully with the ISC Principles.</p> <p>This Investment Strategy Statement includes a statement on the Fund's policy on responsible ownership.</p>   |
| <p><b>Principle 6 Transparency and Reporting:</b></p> <p>Administering authorities should</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• should provide regular communication to scheme members in the form they consider most appropriate.</li> </ul>   | <p><b>Compliant</b></p> <p>The Pension Fund Committee maintains minutes of meetings which are available on the Council website.</p> <p>The Council meet regularly with sponsoring employer bodies and 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 strategic objectives include:

The FSS sets out the objectives of the Fund's funding strategy, such as:

- Ensuring 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;
- Ensuring that employer contribution rates are reasonably stable where appropriate;
- Minimising 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
- Reflecting 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
- Using 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 without directly impacting 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.

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

During the year the Fund welcomed 35 new employers into the scheme, 22 schools converted to academies, 2 town Council passed a resolution to join the scheme, 1 college and 10 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 10 new admitted bodies, admission agreements and pension indemnity bonds were put in place by 8, 1 has a ceding employer guarantee and for the remaining 1 it has been determined that a bond is not required. These are to be reviewed on an annual basis.

During the year the fund had 11 employers who ceased membership of the Cheshire Pension Fund and all were admitted bodies.

# 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.

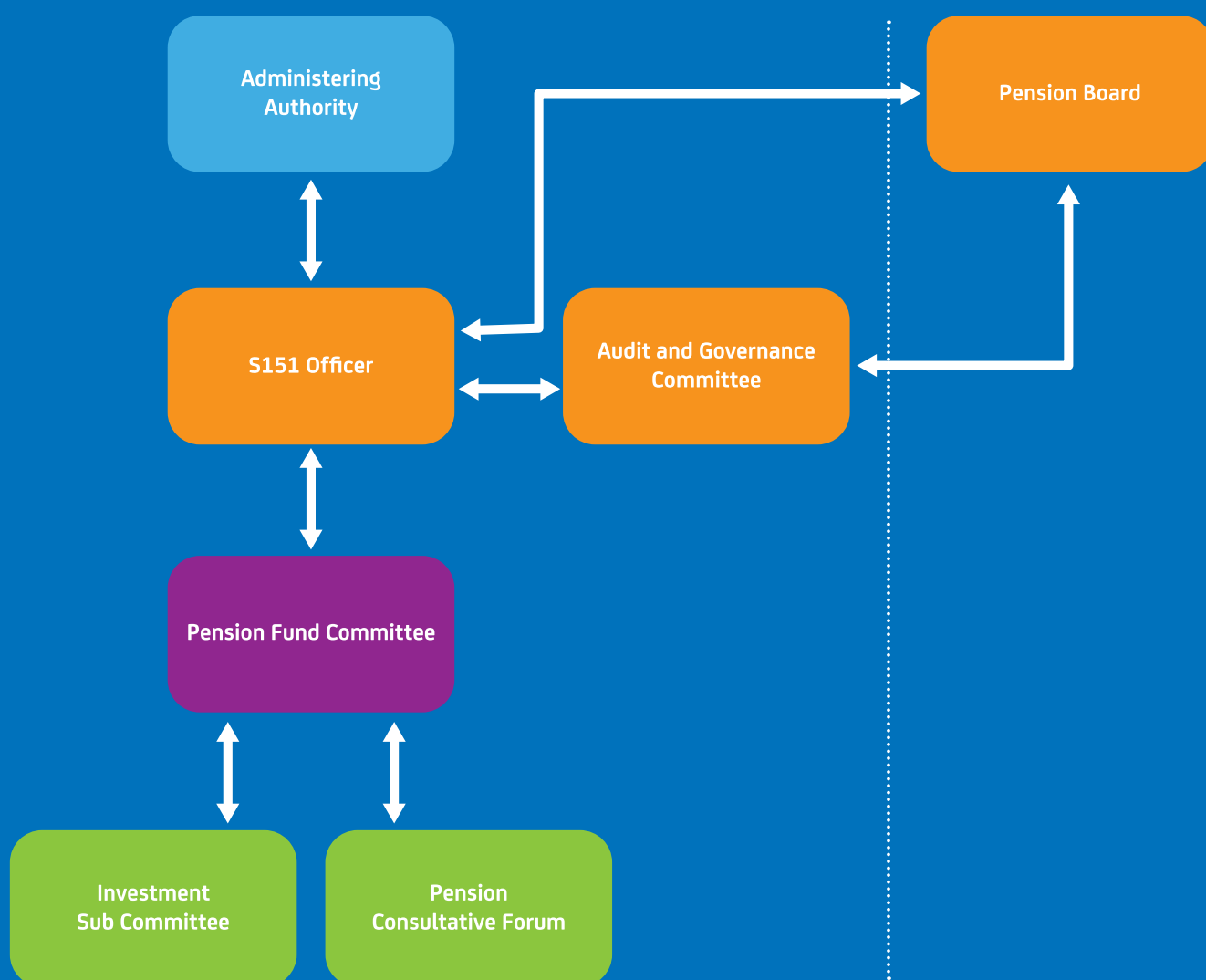
The Full Council reviews the discharge of its responsibilities through the Council's Audit and Governance Committee.

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 current Governance arrangements and in particular the Terms of Reference for the Pension Fund Committee and the Investment Sub Committee are transitional. The Full Council has agreed changes to the Terms of Reference for both bodies and these will be implemented once all investment assets are transferred under the management of LGPS Central Ltd. The transfer of assets will be phased, commencing in the summer of 2018 and is expected to be completed in 18-24 months.





### 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 is open to all members of the Full Committee and ensures that the Pension Fund Committee limited governance time is utilised in the most efficient manner, with this sub-committee focussing 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.<br>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

Membership of the Investment Sub Committee (ISC) is the same as for the Pension Fund Committee. 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   | Compliance | Evidence of Compliance  |
|---|------------|---|
| <b>Structure</b>  |            |   |
| 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.   | Partial    | Decisions are made by the Section 151 Officer, who is supported by the Pension Fund Committee. The Committee's key responsibilities are to advise the Section 151 Officer on the Management of the Fund. The Pension Fund Committee (PFC) Terms of Reference  |
| 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.   | Partial    | The Pension Fund Committee (PFC), Local Pension Board (LPB) and Pensions Consultative Forum (PCF) Terms of Reference  |
| That where a secondary committee or Board has been established, the structure ensures effective communication across both levels.   | Compliant  | The ISC meet 4 times per year, before the PFC. Minutes from the ISC are presented to the PFC. The LPB meet 4 times per year after the meetings of the PFC. LPB Minutes are reviewed by the PFC and vice versa.  |
| <b>Representation</b>   |            |   |
| That all key stakeholders are afforded the opportunity to be represented within the governance structure. These include:<br>i) Scheme employers (including non-local government employers e.g. admitted bodies)<br>ii) Scheme members (including deferred and pensioner scheme members)<br>iii) Independent professional observers, and<br>iv) Expert advisors (on an ad hoc basis) | Partial    | The key stakeholders are represented within the governance structure as outlined in the relevant terms of reference, as follows:<br>i) PFC<br>ii) PFC and LPB<br>iii) PFC and ISC. LPB have the option to invite advisors as required.  |
| <b>Voting</b>   |            |   |
| The policy on voting rights is clear and transparent.   | Compliant  | Voting rights remain with councillors on the main PFC because the Councils as the primary scheme employers carry the risk and costs of the scheme whereas employee costs are fixed by statute.<br><br>Neither the ISC or the LPB have any voting rights but makes recommendations to the PFC.<br><br>The PCF does not have voting rights as they are not members of the administering body. However, the PCF chairman and Employee representative are members of the Local Pension Board, and will bring the perspectives of all stakeholders on the PCF to the main committee. |

| Principle  | Compliance | Evidence of Compliance  |
|--|------------|---|
| <b>Training / Facility Time / Expenses</b>   |            |   |
| 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. | Compliant  | There is a clear published policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process  |
| Where such a policy exists, it applies equally to all members of the main and sub committees and Board.  | Compliant  | <ul style="list-style-type: none"> <li>The policy applies equally to all members on PFC, ISC and LPB</li> </ul>   |
| <b>Meetings (Frequency / Quorum)</b>   |            |   |
| The main committee meets at least quarterly.   | Compliant  | The PFC meets quarterly with additional special meetings as and when required.  |
| <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 Consultative Forum will also meet up to a maximum of 4 times per year.</p>                          | Compliant  | Meetings take place quarterly and are synchronised with the PFC.  |
| <b>Access</b>  |            |   |
| That subject to any rules in the council's constitution, all members of main and secondary committees, Boards or forums have equal access to committee papers, documents and advice that is considered at meetings of the main committee.                      | Compliant  | <p>All committee, Board and Forum documents are reported to the PFC. The LPB will review the PFC, ISC and PCF minutes/papers on a regular basis.</p> <p>The PCF will be presented with minutes and papers of the PFC, ISC and LPB as necessary in accordance with their work plan.</p>                              |
| <b>Scope</b>   |            |   |
| That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.  | Compliant  | <p>Cheshire West and Chester is fully compliant with this principle by bringing both investments, administration and benefits and wider governance issues under the remit of the PFC.</p> <p>The introduction of the ISC allowed the PFC to focus on the wider management of the fund and not just investments.</p> |
| <b>Publicity</b>   |            |   |
| 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.                   | Compliant  | Cheshire West and Chester is fully compliant with this principle by publishing statements in the Annual Report and our Website.   |



## 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 was 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 2017-18 the following sessions were held for all members of the PFC and LPB:

| Date              | Topic   | Delivered by  |
|-------------------|---|---|
| 7 July 2017       | Investment Portfolio Review / De-risking                                  | Hymans Robertson  |
| 22 September 2017 | LGPS Central Pool   | Hymans Robertson<br>Mercer<br>Aon Hewitt Investment Consulting<br>DCLG<br>Programme Board members |
| 24 November 2017  | De-risking / Potential Investment Strategies<br>Residential Opportunities | Hymans Robertson / Mercer<br>M and G  |

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:

- LGA Trustees Conference – 29-30 June 2017
- LGC Investment Summit – 6-8 September 2017
- LGA – Trustee Fundamentals Course – 1 day in October, November and December 2017
- Annual Pensions Conference – CIPFA – 22 November 2017
- LGC Investment Conference – 1-2 March 2018
- Cross Pool Open Session – Scheme Advisory Board – 27 March 2018

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**

**Chief Operating Officer** S151 Officer



# Local Pension Board – Annual Report 2017-18

## Introduction

Welcome to the second annual report for the Local Pension Board (LPB) for the year ending 31 March 2018.

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

This has been another challenging year for the Fund itself with increasing membership, increased scheme complexity and increasing scrutiny from the Pensions Regulator and the Scheme Advisory Board. The Fund undertook an in depth review of how it delivers its service and from the results of the review have commenced an ambitious programme of change for 2018/19 and beyond.

The Board have assisted the Fund in developing key work programmes to meet the challenges outlined above and have received regular updates on key pieces of work such as the Fund's approach to improving data quality and meeting the requirements of the General Data Protection Regulation.

The Board have also been monitoring the Fund's progress on developing the way that it delivers its service, including the development of the administration database in order to maximise automation of the casework.

The Board receives a comprehensive set of standard performance information from across pensions which allow the Board to monitor the Fund's performance and make recommendations to the Committee about any necessary actions.

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 which 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 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. The Board took part in the Scheme Advisory Board's survey of Local Pension Boards in the autumn of 2017 and was able to provide positive feedback to the SAB on the Board's own performance.

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/governance-of-the-cheshire-pension-fund/pension-board/](http://www.cheshirepensionfund.org/governance-of-the-cheshire-pension-fund/pension-board/)**

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

**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    | Adrienne Laing     | Bridgewater High School           |
| Employer    | Cllr Robert Bisset | Cheshire West and Chester Council |
| Member      | Geoff Wright       | UNISON                            |
| Member      | Neil Harvey        | GMB                               |
| Chairperson | Peter Raynes       | Independent (non-voting)          |

## Summary of 2017/18 and plans for 2018/19

Below is a summary of key achievements during the year and the Board's plans for the year ahead.

### Performance Management Framework

At each meeting the Board receives a 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.

During the year the Board reviewed the structure of the framework and determine that it remained fit for purpose. Board members did request that an additional section be included within the framework to highlight the processes which will be followed once the Fund transfers assets to the LGPS Central Pool.

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 79 new breaches identified during 2017/18, the majority of which relate to late payment of contributions. The Fund have also amended processes within the administration database during the year which have allowed it to capture breaches relating to casework.

### 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.

During 2018 the SAB issued a survey for completion by both the Board and the Pension Fund Committee Chair independently. Both the Board and the Committee completed the questionnaire and were able to demonstrate the Board was well run and was adhering to the requirements expected by the SAB.

As a result of undertaking this exercise the Board recognised that it did not have its own Risk register and immediately set about producing one. A draft Risk Register was presented to the Board at its meeting on 6 February 2018.

## The Pensions Regulator – Code of Practice

The Board continue to monitor the Fund's progress in complying with the requirements of the Pensions Regulator and have received detailed feedback on specific areas as outlined below:

| Area                               | Requirement   | Fund Approach   |
|------------------------------------|---|---|
| Data Quality                       | The TPR will be including specific questions about Data Quality in the 2018 scheme return | <p>The Fund has commenced a comprehensive programme of work in order to benchmark and cleanse the data it holds.</p> <p>The Fund is also transforming the way it received information from Employers, moving to a monthly system of obtaining information from the current annual process, which will allow queries to be resolved more quickly and will allow the fund to prevent non-compliant information from being received from employers.</p> <p>In addition, the Fund have commenced a development programme with its database provider in order to maximise the level of automation in the processing of casework.</p> |
| General Data Protection Regulation | GDPR is applicable in the UK from 25 May 2018   | <p>The Fund has a comprehensive programme of work in progress in order to meet the GDPR requirements.</p> <p>The Local Government Association are developing key template documents for Fund and the administration database will receive an upgrade to ensure compliance.</p>  |
| Cyber Security                     | The Fund has a duty to protect the security of the pensions database                      | The Fund's database is managed by the Administering Authorities Information Technology Department who have robust systems and processes in place to guard against cyber security threats.   |

The Board received regular reports on both of the issues above throughout the year and will continue to monitor progress into 2018/19 and beyond where required.

## The Transparency Code

The Scheme Advisory Board developed the Transparency Code which was formally launched in May 2017. The purpose of the Code is to encourage Investment Managers to provide key information relating to costs and expenses and supply them to Funds on a timely basis. The Board monitored the Fund's progress in obtaining confirmation from its segregated Investment Managers that they had signed up to the code. The SAB is still in the process of developing a template for alternative assets.

## Markets in Financial Instruments Directive II (MiFID2)

The Markets in Financial Instruments Directive 2014/65 (MiFID2) required the Fund to 'opt-up' to professional client status with all of its investment managers by the 3 January 2018. The Board monitored the Fund's progress with completing this task which was achieved by the deadline.

## Responsible Investing

Board members contributed to a number of training sessions, with the Committee where the Fund's approach to RI was discussed.

Each year the Pension Fund reviews its Investment Strategy Statement, which includes a specific Policy document on Responsible Investing. The Fund continued with its existing Responsible Investing training programme and during the year a number of sessions and meetings with both the Board and the Committee took place to ensure that all relevant investment issues and considerations were discussed and the views of members recorded.

An assessment of the Fund's equity portfolio and its associated carbon footprint was considered during the year and steps were taken to allow Pension Fund members to actively engage with the Fund via the website on ethical and responsible investing issues. An increased number of RI related queries and representations from Fund members were received by the Fund over the past year and these were reported to the Board regularly.

To improve transparency and openness, details of all investments held by the Fund are now published on the website every quarter. Early discussions have taken place with LGPS Central pooling partners to agree a common Responsible Investment and Voting policy in advance of assets transferring to the custody of the pool.

## 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 work with the Fund to ensure that it delivers an efficient service for all stakeholders, with particular emphasis on administration and communication. The Forum's membership is made up of representatives from the main employers and employer groups within the Fund.

As well as acting at the Chair of the Board, Peter Raynes is also the Chair of the PCF providing an important link between the Board and the Forum.

The Forum will be key to assisting the Fund in developing new ways of working which will improve efficiency for both the Fund and Employers.

## 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.

## Member Engagement

The Board has a facility on the Fund's website to allow members to contact them with any questions. The Board received 3 questions from a pensioner member via this facility during the year on a variety of topics and provided a response to each one.

## 2018/19 Work Plan

The Board will continue to monitor the Fund's progress in improving the data quality of the Fund and in meeting the requirements of GDPR. In addition, the Board will monitor progress on the various work strands designed to ensure that the Fund improves the efficiency of how it delivers the service going forward which includes critical developments to the administration database, changes to the way the team is structured and how the Fund interacts with its stakeholders.

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.

## 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 2017-18.

The table below summarises the meetings which have taken place including attendance by members of the Board.

|                 | 25 Apr 17 | 06 Jun 17 | 25 Jul 17 | 07 Nov 17 | 06 Feb 18 | Percentage |
|-----------------|-----------|-----------|-----------|-----------|-----------|------------|
| Peter Raynes    | ✓         | ✓         | ✓         | ✓         | ✓         | 100%       |
| Cllr Rob Bisset | ✓         | ✗         | ✓         | ✓         | ✓         | 80%        |
| Adrienne Laing  | ✓         | ✓         | ✓         | ✓         | ✓         | 100%       |
| Geoff Wright    | ✓         | ✗         | ✓         | ✓         | ✓         | 80%        |
| Neil Harvey     | ✓         | ✓         | ✓         | ✓         | ✓         | 100%       |

The meeting on the 6 June was dedicated to the review of draft Statement of Accounts for 2016/17 to ensure that they had been produced in accordance with statutory requirements and best practice. This is an important part of the Fund's governance process for the production of the Statement of Accounts.

The meeting took place ahead of the Pension Fund Committee's own review of the draft accounts and provided assurance to the Committee that they could recommend the draft accounts to be presented to the Audit and Governance Committee.

### Skills and Development Activities

The Board and Committee have again attended several joint training sessions during the year which, as well as developing Board members knowledge, have also helped the 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 event which was delivered by the LGPS Central Pool and included an update on the pooling process, both locally and nationally, as well as setting out the vision for the new company.

A summary of the training provided for the Board, including attendance, during 2017-18 is shown below.

| Date              | Topic   | Delivered   | Attendees                                   |
|-------------------|---|---|---|
| 7 July 2017       | Investment Portfolio Review / De-risking                                  | Hymans Robertson  | Peter Raynes<br>Neil Harvey<br>Geoff Wright |
| 22 September 2017 | LGPS Central Pool   | Hymans Robertson<br>Mercer<br>Aon Hewitt Investment Consulting<br>DCLG<br>Programme Board members | Peter Raynes<br>Neil Harvey                 |
| 24 November 2017  | De-risking / Potential Investment Strategies<br>Residential Opportunities | Hymans Robertson / Mercer<br>M and G  | Peter Raynes<br>Neil Harvey<br>Geoff Wright |

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:

- CIPFA / Barnett Waddingham – Local Pension Boards 2 years On – 28 June 2017
- LGA Trustees Conference – 29-30 June 2017
- PLSA LPB Seminar – 11 July and 19 September 2017
- LGC Investment Summit – 6-8 September 2017
- LGA – Trustee Fundamentals Course – 1 day in October, November and December 2017
- LPB Autumn Seminar – CIPFA/Barnet Waddingham – 6 November 2017
- Annual Pensions Conference – CIPFA – 22 November 2017
- LGC Investment Conference – 1-2 March 2018
- Cross Pool Open Session – Scheme Advisory Board – 27 March 2018

## Budget

The Board agreed a notional budget of £10k for 2017-18 to assist with its operation. This included costs for training, external advice, expenses and travel costs.

In its third year of operation the Board incurred costs of £9.7k with £7.9k spent on training, £1.8k 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: [www.cheshirepensionfund.org/governance-of-the-cheshire-pension-fund/pension-board/](http://www.cheshirepensionfund.org/governance-of-the-cheshire-pension-fund/pension-board/)

# Statement of Accounts 2017-18

| Cheshire Pension Fund - Fund Account for the year ended 31 March 2018                               |        |                  |                  |
|---|--------|------------------|------------------|
|   | Notes  | 2017-18          | 2016-17          |
|   |        | £000             | £000             |
| <b>Contributions and Benefits</b>   |        |                  |                  |
| <b>Contributions Receivable</b>   |        |                  |                  |
| From Employers  |        | 183,254          | 151,192          |
| From Employees  |        | 36,062           | 35,239           |
| <b>Total Contributions Receivable</b>   | 6/6a   | <b>219,316</b>   | <b>186,431</b>   |
|   |        |                  |                  |
| <b>Transfers in from Other Schemes</b>  | 7      | 14,007           | 10,589           |
|   |        |                  |                  |
| <b>Benefits Payable</b>   |        |                  |                  |
| Pensions  |        | -141,305         | -136,865         |
| Lump Sums   |        | -27,591          | -25,980          |
| Death Benefits  |        | -3,593           | -3,679           |
| <b>Total Benefits Payable</b>   | 8      | <b>-172,489</b>  | <b>-166,524</b>  |
|   |        |                  |                  |
| <b>Payments to and on account of Leavers</b>  |        |                  |                  |
| Refund of Contributions   |        | -586             | -670             |
| Transfers to Other Schemes  |        | -20,278          | -13,112          |
|   | 9      | <b>-20,864</b>   | <b>-13,782</b>   |
|   |        |                  |                  |
| <b>Net Additions / (withdrawals) from dealing with members</b>                                      |        | <b>39,970</b>    | <b>16,714</b>    |
|   |        |                  |                  |
| <b>Management Expenses</b>  | 10/10a | -30,826          | -28,336          |
|   |        |                  |                  |
| <b>Returns on Investments</b>   |        |                  |                  |
|   |        |                  |                  |
| <b>Investment Income</b>  | 11     | 34,741           | 34,307           |
|   |        |                  |                  |
| <b>Taxes on Income</b>  | 12a    | -949             | -998             |
|   |        |                  |                  |
| <b>Profits and losses on disposal of investments and changes in the market value of investments</b> | 13f    | 315,168          | 814,300          |
|   |        |                  |                  |
| <b>Net Returns On Investments</b>   |        | 348,960          | 847,609          |
|   |        |                  |                  |
| <b>Net Increase/ (Decrease) in the Fund During the Year</b>   |        | 358,104          | 835,987          |
| Opening Net Assets of the Scheme  |        | 4,997,115        | 4,161,128        |
| <b>Closing Net Assets of the Scheme</b>   |        | <b>5,355,219</b> | <b>4,997,115</b> |

### Cheshire Pension Fund - Net Assets Statement for the year ended 31 March 2018

|                               | Notes        | 2017-18          | 2016-17          |
|-------------------------------|--------------|------------------|------------------|
|                               |              | £000             | £000             |
| <b>Investment Assets</b>      |              |                  |                  |
| Pooled Investment Vehicles    | 13/f, 18/19  | 3,131,979        | 2,592,362        |
| Equities                      | 13/f, 18/19  | 792,041          | 1,001,050        |
| Absolute Return Funds         | 13b/f, 18/19 | 696,685          | 724,581          |
| Investment Properties         | 16           | 352,701          | 293,350          |
| Private Equity                | 13c/f 18/19  | 183,905          | 201,246          |
| Loans                         | 13d/f, 18/19 | 5,052            | 18,379           |
|                               |              | <b>5,162,363</b> | <b>4,830,968</b> |
| Cash                          | 13e/f, 18/19 | 169,882          | 144,096          |
| Other Investment Balances     |              | 4,284            | 5,387            |
|                               | 13f, 18/19   | <b>5,336,529</b> | <b>4,980,451</b> |
|                               |              |                  |                  |
| <b>Investment Liabilities</b> |              |                  |                  |
| Derivative Contracts          | 14, 18/19    | -30              | -139             |
|                               |              |                  |                  |
| <b>Total Net Investments</b>  | <b>17</b>    | <b>5,336,499</b> | <b>4,980,312</b> |
|                               |              |                  |                  |
| <b>Long Term Assets</b>       | 22           | 10,613           | 9,758            |
|                               |              |                  |                  |
| <b>Current Assets</b>         | 23           |                  |                  |
| Cash at Bank                  |              | 2,382            | 3,673            |
| Debtors                       |              | 15,952           | 14,588           |
| Payments in Advance           |              | 0                | 7                |
|                               |              |                  |                  |
| <b>Current Liabilities</b>    | 24           |                  |                  |
| Creditors                     |              | -7,052           | -7,622           |
| Receipts In Advance           |              | -3,175           | -3,601           |
|                               |              |                  |                  |
| Net Current Assets            |              | 8,107            | 7,045            |
| <b>Total Net Assets</b>       |              | <b>5,355,219</b> | <b>4,997,115</b> |



## 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 contributing into 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 (Chief Operating Officer - Corporate Services), who undertakes the day to day management of the Fund. The Chief Operating Officer 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 Council's 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 2017 the four strategies were as follows:

|                        |  |
|------------------------|--|
| Growth Strategy A      | 70% Growth / 30% Diversifying and Matching |
| Growth Strategy B      | 60% Growth / 40% Diversifying and Matching |
| Medium Growth Strategy | 50% Growth / 50% Diversifying and Matching |
| Gilts Strategy         | 0% Growth / 100% Diversifying and Matching |

During the 2017-18 financial year, two changes were made to the strategic asset allocation within Growth Strategies A and B, in line with the Fund's Risk Management Strategy. Strategy A was de-risked from 70% growth/30% matching asset allocation at the start of the year to end the year at 60%/40%. This was managed via two de-risking actions as the Strategy Funding levels increased through the two pre-defined trigger points of 85% and 89% funding levels. The de-risking was achieved through a disinvestment from equities with a corresponding increased investment in Index Linked Gilts. In similar fashion, Strategy B moved from a 60% growth/40% matching asset allocation at the start of the year to finish at 50%/50%. Two de-risking actions were implemented, reflecting the achievement of the two funding levels of 93% and 97%. As for Strategy A the de-risking was achieved by disinvesting from equities and purchasing more Index Linked Gilts. In addition, the Fund made some changes to the managers responsible for implementing the strategy:

- Throughout 2017-18 phased disinvestment from Och Ziff continued, implementing the decision made in February 2017 to redeem its full investment with this manager. During the year the Fund received £74m, with just a residual £5.6m still to be returned. The proceeds received in 2017-18 have been predominately re-invested with other managers within the Absolute Return portfolio within the Fund, with the remainder held in cash, pending re-investment.
- In May 2017, the Fund made a new £30m commitment to the Darwin Leisure Development Fund. This will help to ensure the Fund's investments across the various illiquid alternatives portfolio is adequately diversified.

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 Bank of New York 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.

Bank of New York Asset Servicing reported that for the year ending 31 March 2018 the Fund achieved a return from its investments of 6.3% (+19.2% in 2016-17) compared with the Fund's tailored benchmark return of +1.9% (+15.8% in 2016-17). For the three years ending 31 March 2018 the Fund achieved an annualised return of +9.5% per annum against the Fund's benchmark return of 6.1% 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.

In the year to 31 March 2018 a total of 283 employer organisations including the Administering Authority itself, contributed into the Fund. The number of employers making contributions into the Fund for 2016-17 has been restated as in previous years this figure was the number of employers with active members.

| Cheshire Pension Fund                                  | 31-Mar-18     | 31-Mar-17       |
|--|---------------|-----------------|
|  |               | <b>Restated</b> |
| Number of employers making contributions into the fund | <b>283</b>    | <b>254</b>      |
| <b>Number of employees in the scheme</b>               |               |                 |
| Cheshire West and Chester Council                      | 8,015         | 7,794           |
| Other employers  | 30,360        | 29,842          |
| <b>Total</b>   | <b>38,375</b> | <b>37,636</b>   |
| <b>Number of pensioners</b>                            |               |                 |
| Cheshire West and Chester Council                      | 2,345         | 2,106           |
| Other employers  | 25,419        | 24,535          |
| <b>Total</b>   | <b>27,764</b> | <b>26,641</b>   |
| <b>Number of deferred pensioners</b>                   |               |                 |
| Cheshire West and Chester Council                      | 4,117         | 3,717           |
| Other employers  | 24,415        | 23,444          |
| <b>Total</b>   | <b>28,532</b> | <b>27,161</b>   |
| Undecided Leavers                                      | 2,154         | 2,002           |
| <b>Total Membership</b>                                | <b>96,825</b> | <b>93,440</b>   |

## 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 2018. 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. The 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 scheme handbook which is available from the Fund or visit the website [www.cheshirepensionfund.org](http://www.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:

|          | 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 final pensionable salary.  |
| Lump sum | Automatic lump sum of 3 x pension.<br>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.<br>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 2017-18 financial year and its position as at year ending 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 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.

## 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 Property Investment
- Janus Henderson Investors

Performance related fees amounted to £6.7m in 2017-18 (£6.7m in 2016-17) 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 2017-18 was £1.8m relating to fees due for the quarter ending 31 March 2018 (£1.068m in 2016-17).

## 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 Bank of New York Mellon pricing policy.

### i) Freehold and leasehold properties

The Scheme's freehold and leasehold investment properties were valued by an external valuer, Savills. 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:

- (i) For investment property: that the property would be sold subject to any existing leases.
- (ii) 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 Scottish Widows, Standard Life and Equitable Life as its AVC providers.

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 2018 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 £184m (£201m 2016-17). 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 £697m (£725m in 2016-17). 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 £74m in cash during the year, with a residual balance of £5.6m still to be received as at 31 March 2018. The majority of the proceeds of the redemption have been or will be reinvested across the Fund's existing managers.

LGPS Central Ltd has been set up as an arms-length company to manage the pooled investment assets of eight LGPS funds across the centre of England. The Cheshire Pension Fund is one of the eight partner funds, all of whom hold equal shares in the company. LGPS Central Ltd started trading on 3rd April 2018 and all partner funds will gradually start to migrate assets to the company over the next few years. The Cheshire Pension Fund's first transfer of funds is likely to be triggered by the launch of LGPS Central's Global Actively Managed mandate which is expected to start operating from October 2018. The Cheshire Pension Fund currently has two actively managed global mandates with a total value of £805m as at 31 March 2018.

To enable the formation of the company a number of staff post year end have transferred from partners funds to LGPS Central Ltd under the Transfer of Undertakings Protection of Employment (TUPE) Regulations. Continued access to the LGPS for these staff has been

secured through an admission agreement between LGPS Central Ltd and the West Midlands Pension Fund, with all eight partner funds acting as co-guarantors of the admission agreement. While all transferring staff move on a fully funded basis from their current LGPS employers, a past service deficit will arise immediately on transfer where staff are slotted in to posts in the Company which attract a higher salary than their previous positions. This is due to the revaluation of any final salary element of their benefit entitlement. In line with their responsibilities under the admission agreement all Partner Funds have agreed to fund this deficit on an equal basis. The Cheshire Pension Fund's share of the deficit is expected to be in the region of £30k.

On 7 June 2018 the department store chain House of Fraser announced it was closing 31 out of its existing 59 stores as part of a rescue plan for the company through a Company Voluntary Arrangement (CVA) process. The CVA was approved on 22 June 2018 and one of the stores confirmed for closure was the House of Fraser store in Grimsby which is owned by the Cheshire Pension Fund. As a consequence of this the fair value of the property held in the Statement of Accounts has decreased by £7.5m from 31st March 2018 to 30th June 2018. The Fund's property manager, Rockspring are pro-actively exploring options for the property including re-letting, reconfiguring and redeveloping the property and are optimistic that the valuation figure will increase with time.



| Note 6 – Contributions Receivable                    | 2017-18        | 2016-17        |
|--|----------------|----------------|
|  | £000           | £000           |
| Employees Normal Contributions                       | 36,062         | 35,239         |
| Employers Normal Contributions                       | 106,715        | 93,841         |
| Employers Deficit Funding                            | 70,085         | 54,044         |
| Employers Cost of Early Retirements (pension strain) | 6,454          | 3,307          |
| <b>Total Employers Contributions</b>                 | <b>183,254</b> | <b>151,192</b> |
| <b>Total Contributions</b>                           | <b>219,316</b> | <b>186,431</b> |

The 2017-18 deficit funding figure of £71m includes payments of £45m from Cheshire East Council, £10.4m from Warrington Borough Council and £6.7m from Halton Borough Council who elected to pay their full 3 year deficit contribution relating to the period 2017-2020 as a lump sum.

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 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 Contributions Receivable | 2017-18           |                   | 2016-17           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Employers<br>£000 | Employers<br>£000 | Employers<br>£000 | Employers<br>£000 |
| Scheme Employers                               | 143,891           | 25,052            | 91,790            | 24,215            |
| Cheshire West & Chester Council                | 22,703            | 7,101             | 43,355            | 6,956             |
| Community Admission Body                       | 13,248            | 2,975             | 12,589            | 3,058             |
| Transferee Admission Body                      | 3,412             | 934               | 3,458             | 1,010             |
| <b>Total</b>                                   | <b>183,254</b>    | <b>36,062</b>     | <b>151,192</b>    | <b>35,239</b>     |

| Note 7 – Transfers in from other Pension Funds | 2017-18       | 2016-17       |
|--|---------------|---------------|
|  | £000          | £000          |
| Transfers from other Local Authorities         | 10,163        | 8,537         |
| Transfers from other pension funds             | 3,844         | 2,052         |
| <b>Total</b>                                   | <b>14,007</b> | <b>10,589</b> |

| Note 8 – Benefits payable       | 2017-18        | 2016-17        |
|---------------------------------|----------------|----------------|
|                                 | £000           | £000           |
| Scheme Employers                | 106,499        | 102,818        |
| Cheshire West & Chester Council | 48,290         | 46,254         |
| Community Admission Body        | 12,276         | 12,319         |
| Transferee Admission Body       | 5,424          | 5,133          |
| <b>Total</b>                    | <b>172,489</b> | <b>166,524</b> |

| Note 9 – Payment to and on account of leavers | 2017-18       | 2016-17       |
|---|---------------|---------------|
|   | £000          | £000          |
| Individual Transfers                          | 20,278        | 13,112        |
| Refunds to Members leaving service            | 586           | 670           |
| <b>Total</b>                                  | <b>20,864</b> | <b>13,782</b> |

The large increase in transfers between 2016-17 and 2017-18 is due to a combination of staff moving to employers outside the Fund, increased efficiency in processing transfers and the impact of freedom and choice, which allows members to transfer to an external pension and access their benefits.

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  | 2017-18       | 2016-17       |
|--------------------------------|---------------|---------------|
|                                | £000          | £000          |
| Investment management expenses | 27,466        | 25,564        |
| Administration costs           | 2,147         | 1,771         |
| Oversight and governance costs | 1,213         | 1,001         |
| <b>Total</b>                   | <b>30,826</b> | <b>28,336</b> |

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 | 2017-18       | 2016-17       |
|---|---------------|---------------|
|   | £000          | £000          |
| Management fees and expenses              | 20,379        | 18,538        |
| Performance related fees                  | 6,708         | 6,729         |
| Custody fees                              | 117           | 117           |
| Transaction costs                         | 262           | 180           |
| <b>Total</b>                              | <b>27,466</b> | <b>25,564</b> |

| Note 10b – External Audit Costs      | 2017-18   | 2016-17   |
|--------------------------------------|-----------|-----------|
|                                      | £000      | £000      |
| Payable in respect of external audit | 29        | 29        |
| Payable in respect of other services | 4         | 2         |
| <b>Total</b>                         | <b>33</b> | <b>31</b> |

Fees in respect of other services relates to work completed in respect of the IAS19 process for the years 2015-16 and 2016-17 which is recharged to the Authorities in the Fund.

| Note 11 – Investment Income             | 2017-18       | 2016-17       |
|---|---------------|---------------|
|   | £000          | £000          |
| Dividends from Equities                 | 6,262         | 8,655         |
| Net Rents from Properties               | 19,640        | 14,745        |
| Income from Fixed Interest Securities   | 7,346         | 8,642         |
| Income from Pooled Investment Vehicles: |               |               |
| Property                                | 708           | 480           |
| Stock Lending                           | 378           | 1,175         |
| Interest from Cash Deposits             | 261           | 164           |
| Other                                   | 146           | 446           |
| <b>Total</b>                            | <b>34,741</b> | <b>34,307</b> |

| Note 12a – Taxes on income       | 2017-18    | 2016-17    |
|----------------------------------|------------|------------|
|                                  | £000       | £000       |
| Withholding tax - Equities       | 309        | 408        |
| Withholding tax – Private Equity | 640        | 590        |
| <b>Total</b>                     | <b>949</b> | <b>998</b> |

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 2017-18 amounts to £949k and is shown as a tax charge, compared to £998k in 2016-17.

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 13 – Investments   | 2017-18          | 2016-17          |
|---|------------------|------------------|
|   | £000             | £000             |
| <b>Equities</b>   |                  |                  |
| Overseas Quoted   | 776,524          | 977,049          |
| UK Quoted   | 14,202           | 24,001           |
| UK Unquoted   | 1,315            | 0                |
| <b>Pooled Investments</b>                                     |                  |                  |
| UK Government Index Linked Gilts                              | 1,498,609        | 866,728          |
| Fixed Income – Multi Strategy                                 | 743,395          | 652,680          |
| UK Equity Listed  | 588,104          | 813,025          |
| Secured Loans   | 232,313          | 225,026          |
| UK Property   | 60,604           | 26,665           |
| Overseas Unit Trusts – Property                               | 8,954            | 8,238            |
| <b>Absolute Return Funds</b>                                  | 696,685          | 724,581          |
| <b>Investment Properties</b>                                  | 352,701          | 293,350          |
| <b>Private Equity</b>   | 183,905          | 201,246          |
| <b>Cash Deposits</b>  | 169,882          | 144,096          |
| <b>Loans</b>  | 5,052            | 18,379           |
| <b>Derivative Contracts:</b>                                  |                  |                  |
| <b>Other investment balances:</b>                             |                  |                  |
| Outstanding dividends entitlements and withholding tax claims | 4,284            | 5,387            |
| <b>Total</b>  | <b>5,336,529</b> | <b>4,980,451</b> |
| Investment Liabilities  |                  |                  |
| <b>Derivative Contracts:</b>                                  |                  |                  |
| Forward currency contracts                                    | -30              | -139             |
| <b>Total</b>  | <b>5,336,499</b> | <b>4,980,312</b> |

During the year the Fund disinvested £375m from Baillie Gifford and £245m from LGIM equity holdings with a corresponding investment of £620m in LGIM Index linked gilts. This reflected both a standard rebalancing within the portfolio as well as the implementation of the Fund's de-risking strategy as funding level triggers were reached.

In May 2017, the Fund made a new £30m commitment to the Darwin Leisure Development Fund.

These changes have impacted upon the year on year comparison figures for UK listed and overseas listed equities, UK Government Index Linked Gilts, Fixed Income, Investment Properties and absolute return funds.

## Note 13a – Fixed Income Multi Strategy

The Fund has invested in two pooled fixed income investment vehicles managed separately by Janus Henderson Investors and BlueBay. The market value invested with each manager as at the 31 March 2018 was £353m (£293m in 2016-17) and £390m (£360m in 2016-17) respectively. In May 2017 a further commitment of £50m was made to Janus Henderson Investors as part of a standard portfolio rebalancing exercise. 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                  | 2017-18        | 2016-17        |
|----------------------------------|---------------------------|----------------|----------------|
|                                  |                           | £000           | £000           |
| Blackstone                       | Hedge Fund of Funds       | 295,388        | 282,445        |
| Arrowgrass Capital Partners      | Multi Strategy Hedge Fund | 236,238        | 205,139        |
| Winton Capital                   | Commodity Trading Advisor | 165,059        | 159,658        |
| Och Ziff Capital Management      | Multi Strategy Hedge Fund | 0              | 77,339         |
| <b>Total</b>                     |                           | <b>696,685</b> | <b>724,581</b> |

Throughout 2017-18 the phased disinvestment from Och Ziff continued, implementing the decision made in February 2017 to redeem its full investment with this manager. During the year the Fund received £74m, with just a residual £5.6m held in the cash instruments balance still to be returned as at 31 March 2018. Part of the monies received were re-invested in Arrowgrass Capital Partners with an additional commitment of £26m in February 2018.

| Note 13c – Private Equity | Number of Funds | 2017-18        | 2016-17        |
|---------------------------|-----------------|----------------|----------------|
|                           |                 | £000           | £000           |
| Adam Street Partners      | 17              | 78,067         | 95,181         |
| Pantheon Ventures         | 10              | 104,367        | 102,787        |
| Lexington                 | 1               | 1,471          | 3,278          |
| <b>Total</b>              | <b>28</b>       | <b>183,905</b> | <b>201,246</b> |

### 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 2018 £32m of this commitment had been drawn down and the Fund had received £37m in distributions. The market value as at 31 March 2018 was £2.176m.

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 2018 the full £30m of the commitment had been drawn down. The market value as at 31 March 2018 was £2.191m. 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 2018 was £5m.

| Note 13e – Cash  | 2017-18        | 2016-17        |
|------------------|----------------|----------------|
|                  | £000           | £000           |
| Cash Deposits    | 47,193         | 22,071         |
| Cash Instruments | 122,689        | 122,025        |
| <b>Total</b>     | <b>169,882</b> | <b>144,096</b> |

On 16 March 2018 the Cheshire Pension Fund Committee agreed a revised plan to re-invest monies divested from Och Ziff with other managers within the Fund's Absolute Return portfolio. As a consequence, a new commitment of £25m with Arrowgrass Capital Partners was in progress as at 31 March 2018, with funds transferred to the Manager and held in a cash holding account, pending investment in units in the Manager's Masterfund on 3 April 2018. The £25m is included in the Cash Instruments figure above.

## Note 13f – Reconciliation of movements in Investments and Derivatives

|   | Fair Value at<br>31 March<br>2017 | Purchases at<br>cost and<br>derivative<br>payments | Sales proceeds<br>and derivative<br>receipts | Change in Fair<br>value | Fair Value at<br>31 March<br>2018 |
|---|-----------------------------------|--|--|-------------------------|-----------------------------------|
|   | £000                              | £000   | £000   | £000                    | £000                              |
| Pooled Investment Vehicles  | 2,592,362                         | 710,293  | -249,140                                     | 78,464                  | 3,131,979                         |
| Equities  | 1,001,050                         | 113,210  | -476,667                                     | 154,448                 | 792,041                           |
| Absolute Return Funds   | 724,581                           | 142,478  | -206,132                                     | 35,758                  | 696,685                           |
| Investment Properties   | 293,350                           | 52,015   | -18,451                                      | 25,787                  | 352,701                           |
| Private Equity  | 201,246                           | 21,366   | -40,162                                      | 1,455                   | 183,905                           |
| Loans   | 18,379                            | 691  | -16,485                                      | 2,467                   | 5,052                             |
|   | 4,830,968                         | 1,040,053  | -1,007,037                                   | 298,379                 | 5,162,363                         |
|   |                                   |  |  |                         |                                   |
| Derivative Contracts:   | 0                                 | 10   | -6   | -4                      | 0                                 |
| Forward currency contracts  | 0                                 |  |  |                         | 0                                 |
|   | 4,830,968                         | 1,040,063  | -1,007,043                                   | 298,375                 | 5,162,363                         |
|   |                                   |  |  |                         |                                   |
| Cash and Cash Equivalents   | 144,096                           | 8,993  |  | 16,793                  | 169,882                           |
|   | 4,975,064                         | 1,049,056  | -1,007,043                                   | 315,168                 | 5,332,245                         |
| Outstanding dividend<br>entitlements, accrued interest<br>and recoverable withholding tax | 5,387                             |  |  |                         | 4,284                             |
|   | 4,980,451                         | 1,049,056  | -1,007,043                                   | 315,168                 | 5,336,529                         |
| <b>Investment Liabilities</b>   |                                   |  |  |                         |                                   |
| Derivative Contracts:   |                                   |  |  |                         |                                   |
| Forward currency contracts  | -139                              |  |  |                         | -30                               |
| <b>Net Investments</b>  | <b>4,980,312</b>                  | <b>1,049,056</b>                                   | <b>-1,007,043</b>                            | <b>315,168</b>          | <b>5,336,499</b>                  |



## Note 13f – Reconciliation of movements in Investments and Derivatives

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

| Note 14 - Analysis of Derivatives  | Asset           | Liability       | Asset           | Liability       |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                    | 2017-18<br>£000 | 2017-18<br>£000 | 2016-17<br>£000 | 2016-17<br>£000 |
| Forward Foreign Exchange Contracts | -               | -30             | -               | -139            |
| <b>Total</b>                       | <b>-</b>        | <b>-30</b>      | <b>0</b>        | <b>-139</b>     |

#### 2017-18 Forward Foreign Exchange Contracts

| Contract                 | Settlement Date | Currency Bought | Currency Sold | Asset    | Liability  |
|--------------------------|-----------------|-----------------|---------------|----------|------------|
|                          |                 | £000            | £000          | £000     | £000       |
| Forward OTC              |                 | 5,666 GBP       | 8,000 USD     | -        | -30        |
| <b>Total Derivatives</b> |                 |                 |               | <b>-</b> | <b>-30</b> |

#### 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    | -        | -139        |
| <b>Total Derivatives</b> |                 |                 |               | <b>-</b> | <b>-139</b> |

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 -£30k (-£139k in 2016-17).

### 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 2018 the Fund earned £378k (£1.175m 2016-17) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £80.4m (£104.5m 2016-17) and the value of collateral held was £85m (£112.2m 2016-17).

## Note 16 Property Holdings

The fund's investment in property portfolio comprises investments in pooled property funds and a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are below:

| Note 16a - Property Income            | 2017-18       | 2016-17       |
|---------------------------------------|---------------|---------------|
|                                       | £000          | £000          |
| Rental Income                         | 21,708        | 18,834        |
| Rental Income Accruals                | -32           | -664          |
| Rental Adjustment on Sale             | 585           | -1,002        |
| Direct Operating Expenses             | -2,621        | -2,423        |
| <b>Balance at the end of the year</b> | <b>19,640</b> | <b>14,745</b> |

| Note 16b - Fair Value of Investment Properties | 2017-18        | 2016-17        |
|--|----------------|----------------|
|  | £000           | £000           |
| Balance at the start of the year               | 293,350        | 317,285        |
| Additions                                      | 49,075         | 0              |
| Disposals                                      | -12,550        | -26,680        |
| Net gain / loss on fair value                  | 22,826         | 2,745          |
| <b>Balance at the end of the year</b>          | <b>352,701</b> | <b>293,350</b> |

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 £2.2m (£3m in 2016-17). 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 | 2017-18       | 2016-17       |
|-----------------------------|---------------|---------------|
|                             | £000          | £000          |
| No later than one year      | 921           | 2,729         |
| Between one and five years  | 8,091         | 6,180         |
| Later than five years       | 11,794        | 11,176        |
| <b>Total</b>                | <b>20,806</b> | <b>20,085</b> |

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    | 2017-18          | 2017-18      | 2016-17          | 2016-17      |
|---|------------------|--------------|------------------|--------------|
|   | £000             | %            | £000             | %            |
| Legal & General                         | 2,086,680        | 39.1         | 1,679,653        | 33.7         |
| Baillie Gifford                         | 804,519          | 15.1         | 1,018,494        | 20.5         |
| BlueBay                                 | 390,436          | 7.3          | 360,049          | 7.2          |
| Rockspring Property Investment Managers | 362,947          | 6.8          | 303,018          | 6.1          |
| Henderson                               | 352,959          | 6.6          | 292,632          | 5.9          |
| Blackstone                              | 295,388          | 5.5          | 282,445          | 5.7          |
| M&G Investments                         | 238,380          | 4.5          | 245,417          | 4.9          |
| Arrowgrass Capital Partners             | 261,239          | 4.9          | 205,139          | 4.1          |
| Winton Capital                          | 165,059          | 3.1          | 159,658          | 3.2          |
| Pantheon                                | 104,367          | 2.0          | 102,787          | 2.1          |
| Adams Street Partners                   | 78,067           | 1.5          | 95,181           | 1.9          |
| Darwin                                  | 60,604           | 1.1          | 26,665           | 0.5          |
| Bank of New York Mellon                 | 41,577           | 0.8          | 19,752           | 0.4          |
| Deutsche Bank (Money Market)            | 42,682           | 0.8          | 54,566           | 1.1          |
| Fidelity (Money Market)                 | 42,400           | 0.8          | 51,801           | 1.0          |
| Och Ziff Capital Management             | 5,531            | 0.1          | 79,370           | 1.6          |
| Lexington Capital Partners              | 1,471            | 0.0          | 3,278            | 0.1          |
| LGPS Central                            | 2,000            | 0.0          | 0                | 0.0          |
| GMO                                     | 193              | 0.0          | 407              | 0.0          |
| <b>Total</b>                            | <b>5,336,499</b> | <b>100.0</b> | <b>4,980,312</b> | <b>100.0</b> |

During 2017-18 the fund redeemed £375m from Baillie Gifford with a corresponding investment into Legal and General Index Linked Gilts. This reflected both a standard rebalancing within the portfolio as well as the implementation of the Fund's de-risking strategy as funding level triggers were reached. In addition, £245m was divested from Legal and General Equities and invested in Legal and General Index Linked Gilts. This change reflected a further de-risking step in as another funding level trigger was met.

An additional £50m was invested with Janus Henderson Investors during the year as part of a standard rebalancing exercise. In May 2017, the Fund made a new £30m commitment to the Darwin Leisure Development Fund to diversify its property holdings.

Throughout 2017-18 phased disinvestment from Och Ziff continued, implementing the decision made in February 2017 to redeem its full investment with this manager. During the year the Fund received £74m, with a residual cash balance of £5.6m still to be returned as at 31 March 2018. Part of the monies received were re-invested in Arrowgrass Capital Partners with an additional commitment of £26m in February 2018.

#### Note 17a – Concentrations of Investments

The CIPFA Code of Practice requires disclosure where there is a concentration of investment which exceeds 5% of the total value of the net assets of the scheme. Six investments fall into this category as follows:

| Security Description                             | Market Value<br>31 Mar 18 | Total Fund | Market Value<br>31 Mar 17 | Total Fund |
|--|---------------------------|------------|---------------------------|------------|
|  | £000                      | %          | £000                      | %          |
| Legal & General - Over 5 Yr Index Linked Gilts   | 1,498,609                 | 28.08%     | 866,728                   | 17.40%     |
| Bluebay - Total Return Diversified Fund          | 390,436                   | 7.32%      | 360,049                   | 7.23%      |
| Janus Henderson - Horizon Total Return Bond      | 352,959                   | 6.61%      | 292,632                   | 5.88%      |
| Legal & General - World Equity Index             | 291,804                   | 5.47%      | 414,350                   | 8.32%      |
| Legal & General - FTSE RAFI AW 3000 Equity Index | 296,300                   | 5.55%      | 398,676                   | 8.01%      |
| Blackstone Partners - Class A1 Initial Series    | 295,388                   | 5.54%      | 212,427                   | 4.27%      |

## 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   |
| Forward foreign exchange derivatives                         | Level 2             | Market forward exchange rates at the year-end  | Exchange rate risk   | Not required   |
| Pooled investments - overseas unit trusts and property funds | Level 2             | Closing bid price where bid and offer prices are published<br>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<br>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 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<br>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<br>Revenue multiple<br>Discount for lack of marketability<br>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 values reported in the Level 3 valuations represent the most accurate estimation of the portfolio value as at 31 March 2018. Any subjectivity related to the investment value is incorporated into the valuation.

### Note 18a – Fair Value Hierarchy

The valuation of investment assets and liabilities has 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. Estimated market values or 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).

# Note 18a – Assets carried at fair value

|   | Quoted Market Price | Using observable inputs | With significant unobservable inputs |                  |
|---|---------------------|-------------------------|--------------------------------------|------------------|
| Values at 31 March 2018                                     | Level 1             | Level 2                 | Level 3                              | Total            |
|   | £000                | £000                    | £000                                 | £000             |
| <b>Financial and Non-financial Assets</b>                   |                     |                         |                                      |                  |
| Fair value through profit and loss                          | 1,375,904           | 3,176,581               | 609,878                              | 5,162,363        |
| <b>Total Assets</b>   | <b>1,375,904</b>    | <b>3,176,581</b>        | <b>609,878</b>                       | <b>5,162,363</b> |
|   |                     |                         |                                      |                  |
| <b>Financial Liabilities</b>                                |                     |                         |                                      |                  |
| Financial Liabilities at fair value through profit and loss |                     | -30                     |                                      | -30              |
| <b>Total Financial Liabilities</b>                          | <b>0</b>            | <b>-30</b>              | <b>0</b>                             | <b>-30</b>       |
| <b>Net Assets</b>   | <b>1,375,904</b>    | <b>3,176,551</b>        | <b>609,878</b>                       | <b>5,162,333</b> |

|   | 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             |
| <b>Financial and Non-financial Assets</b>                   |                     |                         |                                      |                  |
| Fair value through profit and loss                          | 1,526,273           | 2,731,960               | 572,735                              | 4,830,968        |
| <b>Total Assets</b>   | <b>1,526,273</b>    | <b>2,731,960</b>        | <b>572,735</b>                       | <b>4,830,968</b> |
|   |                     |                         |                                      |                  |
| <b>Financial Liabilities</b>                                |                     |                         |                                      |                  |
| Financial Liabilities at fair value through profit and loss |                     | -139                    |                                      | -139             |
| <b>Total Financial Liabilities</b>                          | <b>0</b>            | <b>-139</b>             | <b>0</b>                             | <b>-139</b>      |
| <b>Net Assets</b>   | <b>1,526,273</b>    | <b>2,731,821</b>        | <b>572,735</b>                       | <b>4,830,829</b> |



## Note 18b – Transfers between levels 1 and 2

No assets were transferred between level 1 and 2 during the year

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

|                       | Market Value 1 April 2017 | Transfers into Level 3 | Transfers out of Level 3 | Purchases     | Sales          | Unrealised Gains/ (Losses) | Realised Gains/ (Losses) | Market Value 31 March 2018 |
|-----------------------|---------------------------|------------------------|--------------------------|---------------|----------------|----------------------------|--------------------------|----------------------------|
|                       | £000                      | £000                   | £000                     | £000          | £000           | £000                       | £000                     | £000                       |
| Fixed income          | 3,960                     |                        |                          |               |                | 6,252                      |                          | 10,212                     |
| Secured Loans         | -                         |                        |                          |               |                |                            |                          | -                          |
| Absolute return funds | 78,925                    |                        |                          |               |                | -12,463                    |                          | 66,462                     |
| Private equity        | 196,500                   |                        |                          | 1,315         |                | -17,312                    |                          | 180,503                    |
| Property              | 293,350                   |                        |                          | 52,015        | -18,451        |                            | 25,787                   | 352,701                    |
|                       | <b>572,735</b>            | <b>-</b>               | <b>-</b>                 | <b>53,330</b> | <b>-18,451</b> | <b>-23,523</b>             | <b>25,787</b>            | <b>609,878</b>             |

## 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 2018                      |   |   | 31 March 2017                      |   |   |
|                              | £000                               | £000                                    | £000                                    | £000                               | £000                                    | £000                                    |
| <b>Financial Assets</b>      |                                    |   |   |                                    |   |   |
| Pooled Investments           | 3,131,979                          |   |   | 2,592,362                          |   |   |
| Equities                     | 792,041                            |   |   | 1,001,050                          |   |   |
| Absolute Return Funds        | 696,685                            |   |   | 724,581                            |   |   |
| Private Equity               | 183,905                            |   |   | 201,246                            |   |   |
| Loans                        | 5,052                              |   |   | 18,379                             |   |   |
| Cash                         |                                    | 169,295                                 |   |                                    | 143,400                                 |   |
| Other Investment balances    |                                    | 3,970                                   |   |                                    | 5,073                                   |   |
| Debtors                      |                                    | 28,947                                  |   |                                    | 28,277                                  |   |
|                              | <b>4,809,662</b>                   | <b>202,212</b>                          |   | <b>4,537,618</b>                   | <b>176,750</b>                          |   |
| <b>Financial Liabilities</b> |                                    |   |   |                                    |   |   |
| Derivative contracts         | -30                                |   |   | -139                               |   |   |
| Creditors                    |                                    |   | -7,052                                  |                                    |   | -7,622                                  |
| <b>TOTAL</b>                 | <b>4,809,632</b>                   | <b>202,212</b>                          | <b>-7,052</b>                           | <b>4,537,479</b>                   | <b>176,750</b>                          | <b>-7,622</b>                           |

| Note 18e – Net Gains and Losses on Financial Instruments | 2017-18        | 2016-17        |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Financial Assets</b>                                  |                |                |
| Fair value through profit and loss                       | 270,125        | 813,629        |
| Loans and receivables                                    | 19,311         | 70,603         |
|  |                |                |
| <b>Financial Liabilities</b>                             |                |                |
| Fair value through profit and loss                       | -434           | -22,423        |
| Loans and receivables                                    |                | 0              |
| <b>Total</b>   | <b>289,002</b> | <b>861,809</b> |

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 2017-18 reporting period:

| Asset Type                  | Potential market movements |
|-----------------------------|----------------------------|
|                             | % (+ / -)                  |
| Private Equity              | 26.0                       |
| Global Equities - Emerging  | 30.1                       |
| Global Equities - Developed | 19.7                       |
| UK Equities                 | 18.1                       |
| Property Unit Trusts        | 15.0                       |
| High Yield                  | 10.2                       |
| Absolute Return Funds       | 4.6                        |
| Corporate Bonds             | 3.6                        |
| Government Bonds            | 8.8                        |
| Cash                        | 4.1                        |

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                                    | Value at 31 March 2018 | Percentage Change | Change in Value on increase | Change in Value on decrease |
|---|------------------------|-------------------|-----------------------------|-----------------------------|
|   | £000                   | %                 | £000                        | £000                        |
| Global Equities - Developed                   | 1,148,657              | 19.7              | 226,285                     | -226,285                    |
| Government Bonds                              | 1,889,045              | 8.8               | 166,236                     | -166,236                    |
| Absolute Return Funds                         | 696,686                | 4.6               | 32,048                      | -32,048                     |
| UK Equities                                   | 58,608                 | 18.1              | 10,608                      | -10,608                     |
| Corporate Bonds                               | 413,563                | 3.6               | 14,888                      | -14,888                     |
| High Yield                                    | 236,680                | 10.2              | 24,141                      | -24,141                     |
| Private Equity                                | 183,903                | 26.0              | 47,815                      | -47,815                     |
| Global Equities - Emerging                    | 168,746                | 30.1              | 50,793                      | -50,793                     |
| Cash  | 172,114                | 4.1               | 7,057                       | -7,057                      |
| Property Unit Trusts                          | 8,954                  | 15.0              | 1,343                       | -1,343                      |
| Investment Income Due                         | 3,970                  | 0.0               | 0                           | 0                           |
| Net Derivative Assets                         | -30                    | 0.0               | 0                           | 0                           |
| Equities - LGPS Central Ltd                   | 1,315                  | 0.0               | 0                           | 0                           |
| Loans - LGPS Central Ltd                      | 685                    | 0.0               | 0                           | 0                           |
| <b>Total assets available to pay benefits</b> | <b>4,982,896</b>       |                   | <b>581,214</b>              | <b>-581,214</b>             |

### 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 2018 and 31 March 2017 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                     | 2017-18          | 2016-17          |
|--------------------------------|------------------|------------------|
|                                | £000             | £000             |
| Corporate and Government Bonds | 2,242,004        | 1,519,408        |
| Cash and cash equivalents      | 59,814           | 35,708           |
| Cash balances                  | 85,068           | 106,358          |
| <b>Total</b>                   | <b>2,386,886</b> | <b>1,661,474</b> |

## 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 £2,242m fair value of the bond mandates managed by Janus Henderson Investors, BlueBay and Legal and General are particularly sensitive to movements in interest rates. This sensitivity is measured by their duration of 4.9, 3.56 and 24.9 years respectively.

A 1% increase in the prevailing level of interest rates would decrease the aggregate fair value of these mandates by £402.5m (£210.2m in 2016-17). 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 Janus Henderson Investors, 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<br>at 31 March 2018 | Effect of Asset Values |                 |
|---|----------|-------------------------------------|------------------------|-----------------|
|   |          |                                     | +100 BPS               | -100 BPS        |
| Cash and Cash Equivalents               |          | 84,814                              |                        |                 |
| Cash Balances                           |          | 85,068                              |                        |                 |
| Fixed Income - Janus Henderson          | 4.9      | 352,959                             | 17,648                 | -17,648         |
| Fixed Income - BlueBay                  | 3.56     | 390,436                             | 11,713                 | -11,713         |
| Fixed Income - Legal and General        | 24.9     | 1,498,609                           | 373,154                | -373,154        |
| <b>Total change in assets available</b> |          | <b>2,411,886</b>                    | <b>402,515</b>         | <b>-402,515</b> |

| Asset Type                              | Duration | Carrying amount<br>at 31 March 2017 | Effect of Asset Values |                 |
|---|----------|-------------------------------------|------------------------|-----------------|
|   |          |                                     | +100 BPS               | -100 BPS        |
| Cash and Cash Equivalents               |          | 35,708                              |                        |                 |
| Cash Balances                           |          | 106,357                             |                        |                 |
| Fixed Income - Janus 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        |
| <b>Total change in assets available</b> |          | <b>1,661,474</b>                    | <b>210,176</b>         | <b>-210,176</b> |

| Income Source                            | Duration | Carrying amount<br>at 31 March 2018 | Effect of Asset Values |           |
|--|----------|-------------------------------------|------------------------|-----------|
|  |          |                                     | +100 BPS               | -100 BPS  |
| Cash deposit / cash and cash equivalents | 0.25     | 261                                 | 1                      | -1        |
| Fixed Income Securities                  |          | 7,346                               |                        |           |
| <b>Total change in assets available</b>  |          | <b>7,607</b>                        | <b>1</b>               | <b>-1</b> |

| Income Source                            | Duration | Carrying amount<br>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                               |                        |          |
| <b>Total change in assets available</b>  |          | <b>8,806</b>                        | <b>0</b>               | <b>0</b> |

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 Fund 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 2018 and 31 March 2017:

| Currency Exposure - Asset Type                | Gross Exposure | Hedging Exposure | Net Exposure   |
|---|----------------|------------------|----------------|
| <b>2017-18</b>                                | <b>£000</b>    | <b>£000</b>      | <b>£000</b>    |
| Overseas Listed Equities                      | 786,252        |                  | 786,252        |
| Overseas Unquoted Securities                  | 183,903        |                  | 183,903        |
| Absolute Return Funds Overseas Fixed Interest | 5,531          | -5,789           | -258           |
| Overseas Unit Trusts                          | 9,115          |                  | 9,115          |
| <b>Total</b>                                  | <b>984,801</b> | <b>-5,789</b>    | <b>979,012</b> |

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

## Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisers, the Fund 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:

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

| Net Currency Exposure - Asset Type     |                                | Asset Values   | Change to net Assets available to pay benefits |                 |
|--|--------------------------------|----------------|--|-----------------|
|  |                                | 2017-18        | +13%   | -13%            |
|  |                                | £000           | £000   | £000            |
| <b>Overseas Listed Equities:</b>       |                                | <b>786,251</b> | <b>102,215</b>                                 | <b>-102,215</b> |
|  | Of which from USD              | 527,936        | 68,632   | -68,632         |
|  | Of which from JPY              | 29,307         | 3,810  | -3,810          |
|  | Of which from HKD              | 53,520         | 6,958  | -6,958          |
|  | Of which from SEK              | 12,482         | 1,623  | -1,623          |
|  | Of which from CHF              | 10,321         | 1,342  | -1,342          |
|  | Of which from DKK              | 4,850          | 631  | -631            |
|  | Of which from ZAR              | 15,990         | 2,079  | -2,079          |
|  | Of which from other currencies | 131,845        | 17,140   | -17,140         |
|  |                                |                |  |                 |
| <b>Overseas Unquoted Securities:</b>   |                                | <b>183,903</b> | <b>23,907</b>                                  | <b>-23,907</b>  |
|  | Of which from USD              | 162,015        | 21,062   | -21,062         |
|  | Of which from EUR              | 21,888         | 2,845  | -2,845          |
|  |                                |                |  |                 |
| <b>Absolute Return Funds Overseas:</b> |                                |                |  |                 |
|  | Of which from USD*             | -258           | -33  | 33              |
|  |                                |                |  |                 |
| <b>Overseas Unit Trusts:</b>           |                                |                |  |                 |
|  | Of which from EUR              | 9,115          | 1,185  | -1,185          |
|  |                                |                |  |                 |
| <b>Total</b>                           |                                | <b>979,011</b> | <b>127,274</b>                                 | <b>-127,274</b> |



| Net Currency Exposure - Asset Type     |                                | Asset Values     | Change to net Assets available to pay benefits |                 |
|--|--------------------------------|------------------|--|-----------------|
|  |                                |                  | +13%   | -13%            |
|  |                                | 2016-17          |  |                 |
|  |                                | £000             | £000   | £000            |
| <b>Overseas Listed Equities:</b>       |                                | <b>982,820</b>   | <b>127,767</b>                                 | <b>-127,767</b> |
|  | 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         |
|  |                                |                  |  |                 |
| <b>Overseas Unquoted Securities:</b>   |                                | <b>201,246</b>   | <b>26,162</b>                                  | <b>-26,162</b>  |
|  | Of which from USD              | 173,319          | 22,531   | -22,531         |
|  | Of which from EUR              | 27,927           | 3,631  | -3,631          |
|  |                                |                  |  |                 |
| <b>Absolute Return Funds Overseas:</b> |                                |                  |  |                 |
|  | Of which from USD*             | 4,596            | 597  | -597            |
|  |                                |                  |  |                 |
| <b>Overseas Unit Trusts:</b>           |                                |                  |  |                 |
|  | Of which from EUR              | 8,397            | 1,092  | -1,092          |
|  |                                |                  |  |                 |
| <b>Total</b>                           |                                | <b>1,197,059</b> | <b>155,618</b>                                 | <b>-155,618</b> |

\*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, Janus Henderson Investors 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       | % of Fair Value of Fixed Income Assets |
|--------------------|------------------|--|
|                    | <b>2017-18</b>   |  |
|                    | <b>£000</b>      | <b>£000</b>                            |
| AAA                | 90,005           | 4.0                                    |
| AA                 | 1,529,578        | 68.0                                   |
| A                  | 85,759           | 4.0                                    |
| BBB                | 91,783           | 4.0                                    |
| Below BBB          | 325,654          | 15.0                                   |
| Cash               | 93,852           | 4.0                                    |
| NR                 | 6,667            | 0.0                                    |
| Loans              | 18,707           | 1.0                                    |
| <b>Total</b>       | <b>2,242,005</b> | <b>100.0</b>                           |

| S&P Quality Rating | Fair Value       | % of Fair Value of Fixed Income Assets |
|--------------------|------------------|--|
|                    | <b>2016-17</b>   |  |
|                    | <b>£000</b>      | <b>£000</b>                            |
| 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                                    |
| <b>Total</b>       | <b>1,519,407</b> | <b>100.0</b>                           |
| <b>Total</b>       | <b>2,242,005</b> | <b>100.0</b>                           |

## Secured Loans

The Fund also invests in secured loans through dedicated mandates managed by M and G, whilst the Janus Henderson Investors and BlueBay Fixed Income mandate also have 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:

| 2017-18      | Fair Value     | % of Fair Value of Assets |
|--------------|----------------|---------------------------|
| Rating       | £000           |                           |
| BBB          | 0              | 0.0                       |
| BBB-         | 0              | 0.0                       |
| BB+          | 6,969          | 3.0                       |
| BB           | 18,585         | 8.0                       |
| BB-          | 46,463         | 20.0                      |
| B+           | 39,493         | 17.0                      |
| B            | 95,248         | 41.0                      |
| B-           | 23,231         | 10.0                      |
| NR           | 2,323          | 1.0                       |
| <b>Total</b> | <b>232,312</b> | <b>100.0</b>              |

| 2016-17       | Fair Value     | % of Fair Value of Assets |
|---------------|----------------|---------------------------|
| Rating        | £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                         |
| <b>Total</b>  | <b>225,026</b> | <b>100.0</b>              |

Deposits were not made with banks and financial institutions unless they were rated independently and meet the Fund's credit criteria. The Fund 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 2018 was £85.1m (31 March 2017 £106.4m) and was held in the Deutsche Bank and Fidelity money market accounts, in addition to this £25m was held by Arrowgrass Capital Partners in a cash holding account pending investment. 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.

| 2017-18 Counterparty  | Moodys Rating | £000           | % of cash balances |
|---|---------------|----------------|--------------------|
| Bank of New York Mellon (Money Market Cash / Cash Accounts) | P-1           | 84,227         | 49.6               |
| Fidelity Worldwide Investment (Money Market)                | Aaa-mf        | 42,400         | 25.0               |
| Deutsche Bank Advisors (Money Market)                       | Baa2          | 42,668         | 25.1               |
| Cash in Transit   | NR            | 587            | 0.3                |
| <b>Total</b>  |               | <b>169,882</b> | <b>100.0</b>       |

| 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                |
| <b>Total</b>  |               | <b>142,065</b> | <b>100.0</b>       |

### c) Liquidity risk

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

The Fund 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 2018 the value of illiquid assets was £199m, which represented 3.72% of the total fund assets (31 March 2017 £287m which represented 5.76% of the total fund assets).

In terms of liquidity risk, the Fund had £169.9m (2016-17 £144.1m) of cash balances as at 31 March 2018 and net current assets of -£8.1m (£7.1m in 2016-17). The Funds net cash flow, before taking account of investments and excluding management expenses, as at 31 March 2018 was +£39.7m (+£16.7m in 2016-17). 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<br>31 March 2018 | % of Fair Value of collateral<br>31 March 2018 | Fair Value of collateral<br>31 March 2017 | % of Fair Value of collateral<br>31 March 2017 |
|-------------------------------|---|--|---|--|
| Moody's rating                | £000                                      | %  | £000                                      | %  |
| Aaa                           | 15,823                                    | 19   | 22,479                                    | 20   |
| Aa1                           | 2,576                                     | 3  | 78,462                                    | 70   |
| Aa2                           | 66,576                                    | 78   | 11,209                                    | 10   |
| <b>Grand Total</b>            | <b>84,975</b>                             | <b>100</b>                                     | <b>112,150</b>                            | <b>100</b>                                     |
|                               |   |  |   |  |
| <b>Value of Stock on Loan</b> | <b>80,364</b>                             |  | <b>104,541</b>                            |  |

During the year ended 31 March 2018 the Fund earned £378k (£1.175m 2016-17) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £80.4m (£104.5m 2016-17) and the value of collateral held was £85m (£112.2m 2016-17).

## 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 31 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

|                                   | Current Pensioners |            |
|-----------------------------------|--------------------|------------|
| Assumed life expectancy at age 65 | 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 2017-18 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

|                               | 2017-18       | 2016-17      |
|-------------------------------|---------------|--------------|
| Long Term Debtors:            | £000          | £000         |
| Contributions due - Employers | 10,143        | 9,053        |
| Sundry Debtors                | 470           | 705          |
| <b>Total</b>                  | <b>10,613</b> | <b>9,758</b> |

|  | 2017-18       | 2016-17      |
|--|---------------|--------------|
| Analysis of Long Term Debtors:                 | £000          | £000         |
| Due from Cheshire West and Chester Council     | 10,143        | 8,954        |
| Due from Bodies External to Central Government | 470           | 798          |
| Due from Other Local Authorities               | 0             | 6            |
| <b>Total</b>                                   | <b>10,613</b> | <b>9,758</b> |

The Fund has long term debtors for early retirement contributions from scheme employers who have the option of paying over five years, The sundry debtors figure relates to a 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      | 2017-18       | 2016-17       |
|-------------------------------|---------------|---------------|
| Current Debtors and cash:     | £000          | £000          |
| Contributions due - Employers | 12,167        | 11,513        |
| Contributions Due - Employees | 2,843         | 2,848         |
| Sundry Debtors                | 1,115         | 251           |
| Payments in Advance           | 0             | 7             |
| Provision for Doubtful Debt   | -173          | -24           |
| Cash balances                 | 2,382         | 3,673         |
| <b>Total</b>                  | <b>18,334</b> | <b>18,268</b> |

| Analysis of Current Assets                     | 2017-18       | 2016-17       |
|--|---------------|---------------|
| Current Debtors:                               |               |               |
| Due from Other Local Authorities               | 6,778         | 7,695         |
| Due from Bodies External to General Government | 5,096         | 3,468         |
| Due from Cheshire West and Chester Council     | 4,234         | 3,423         |
| Other Debtors                                  | 17            | 25            |
| Central Government Bodies                      | 0             | 1             |
| Less Provision for Doubtful Debt               | -173          | -24           |
| <b>Total</b>                                   | <b>15,952</b> | <b>14,588</b> |

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.



| Note 24 – Current Liabilities | 2017-18       | 2016-17       |
|-------------------------------|---------------|---------------|
|                               | £000          | £000          |
| Sundry Creditors              | 4,790         | 4,275         |
| Benefits Payable              | 2,262         | 3,347         |
| Receipts in Advance           | 3,175         | 3,601         |
| <b>Total</b>                  | <b>10,227</b> | <b>11,223</b> |

| Analysis of Creditors                        | 2017-18      | 2016-17      |
|--|--------------|--------------|
|  | £000         | £000         |
| Due to Bodies External to General Government | 4,360        | 4,195        |
| Other Creditors                              | 2,170        | 1,688        |
| Due to Cheshire West and Chester             | 0            | 1,451        |
| Central Government Bodies                    | 15           | 15           |
| Due to Other Local Authorities               | 507          | 273          |
| <b>Total</b>                                 | <b>7,052</b> | <b>7,622</b> |

## Note 25 – Additional Voluntary Contributions (AVCs)

The AVC providers to the members of the Fund are Scottish Widows, 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 Scottish Widows, Standard Life and Equitable Life for the year to 31 March 2018 is shown below, along with a prior year comparator.

|                                     | Scottish Widows | Standard Life | Equitable Life | Total        |
|-------------------------------------|-----------------|---------------|----------------|--------------|
|                                     | £000            | £000          | £000           | £000         |
| Contributions received in year 2018 | 420             | 268           | 2              | <b>690</b>   |
| Contributions received in year 2017 | 352             | 278           | 2              | <b>632</b>   |
| Fair value at 31 Mar 2018           | 3,243           | 2,779         | 509            | <b>6,531</b> |
| Fair value at 31 Mar 2017           | 3,159           | 2,745         | 529            | <b>6,433</b> |

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 2017-18 the Fund paid £3.2k to the Council for interest accrued on these balances.

The Council is one of the largest employers and contributed £20.9m into the Fund in 2017-18 (2016-17 £44.3m). 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 £13.513m (2016-17 £12.377m) 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 £0.9m was owed from the Council (2016-17 £1.5m owing to the Council) for Fund transactions processed through the Administering Authority's accounts payable and receivable systems.

LGPS Central Ltd has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands including Cheshire. It is jointly owned in equal shares by the eight administering authorities participating in the Pool. No services were provided by LGPS Central Ltd during 17-18 as operation only commenced in April 2018.

£1,315k has been invested in share capital and £685k in a loan to LGPS Central Ltd during the year. These are the balances at year end.

£426k (£86k 2016-17) has been spent by Cheshire Pension Fund on setting up LGPS Central Ltd during the year. These costs were borne by West Midlands Pension Fund and then recharged equally to the administering authorities. A total of £513k is due to be refunded to Cheshire Pension Fund by LGPS Central Ltd during 18-19 reflecting the cost of setting up the enterprise to the end of March 18.

The Administering Authority incurred costs of £2.147m to administer the Fund in 2017-18 (2016-17 £1.771m) as well as £1.213m for oversight and governance costs (2016-17 £1.001m) 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 Chief Operating Officer, who undertakes the day to day management of the Fund. The Chief Operating Officer 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.

From January 2004 elected members who were offered membership of the Scheme under their respective Council's scheme of allowances were eligible to join the Scheme. From the introduction of the new scheme in 2014 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 ceased membership of the scheme from 12th May 2015 including those members of the Pension Fund Committee who had been active members of the Scheme.

There are six 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 P. Findlow and Councillor M. Wharton). In addition, Committee member P. Matthews was an active member of the Fund as at 31 March 2018.

There are three members of the Local Pension Board who were active members of the Fund as at 31 March 2018; G. Wright, N. Harvey and A Laing. 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 Chief Operating Officer and the Pension Fund Manager.

Prior to 2014-15 the posts of Director of Resources and Head of Finance (now Chief Operating Officer) 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 Councils structure during 2014-15 and all responsibilities for the management of the Pension Fund transferred to the then Director of Finance now Chief Operating Officer. 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-Mar-18    | 31-Mar-17    |
|------------------------------------|--------------|--------------|
|                                    | £000         | £000         |
| Short term benefits                | 108          | 107          |
| Long term/post-retirement benefits | 3,211        | 3,071        |
| <b>Total</b>                       | <b>3,319</b> | <b>3,178</b> |

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 £559m (2016-17 £518m) in private equity funds.

During 2017-18 the Fund made new commitments to two private equity funds. \$50m was committed to the Adams Street Partners 2017 Global Fund, a Fund of Fund investment which will provide global exposure across Private Equity Primary and Secondary and Co-investments. The Fund also made another \$50m investment to the Adams Street Partners Secondaries 6 Fund. This additional investment will target Private Equity secondary investments and help the Fund address its existing underweight allocation to the vintage years 2009 to 2015, thereby further diversifying the portfolio.

As at 31 March 2018 the Fund had actually invested £369m (2016-17 £373m) and therefore had an outstanding commitment of £190m (2016-17 £145m). 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 13 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 9 employers with Parent Company Guarantees or Deeds of Guarantee in place. The bonds or guarantees 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 2017-18 the fund has recognised bad and doubtful debts of £173k (£24k in 2016-17) for possible and actual non-recovery of rental income on its investment properties of £173k (£20k in 2016-17) and non-recovery of pensioner death overpayments totalling £0k (£2k in 2016-17) and £0k for other debtors (£2k in 2016-17).

## Note 30 – Investment Strategy Statement

The Investment Strategy Statement (ISS) 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](http://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](http://www.cheshirepensionfund.org)

# Pension Fund Accounts Reporting Requirement

## Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 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 2018 | 31 March 2017 |
|-----------------------|---------------|---------------|
| Active members (£m)   | 3,129         | 2,890         |
| Deferred members (£m) | 1,139         | 1,132         |
| Pensioners (£m)       | 2,352         | 2,449         |
| <b>Total (£m)</b>     | <b>6,620</b>  | <b>6,471</b>  |

The promised retirement benefits at 31 March 2018 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 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £120m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

## Financial assumptions

| Year ended (%p.a.)    | 31 March 2018 | 31 March 2017 |
|-----------------------|---------------|---------------|
| Pension Increase Rate | 2.4%          | 2.4%          |
| Salary Increase Rate  | 2.7%          | 2.7%          |
| Discount Rate         | 2.7%          | 2.6%          |

## 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 a 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 not 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 2018 | Approximate % increase to liabilities | Approximate Monetary amount (£) |
|---|---------------------------------------|---------------------------------|
| 0.5% p.a. increase in the Pension Increase Rate                 | 7%                                    | 470                             |
| 0.5% p.a. increase in the Salary Increase Rate                  | 2%                                    | 115                             |
| 0.5% p.a. decrease in the Real Discount Rate                    | 9%                                    | 627                             |

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 2018 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**

25 April 2018

For and on behalf of Hymans Robertson LLP



# Cheshire Pension Fund (“the Fund”)

## Actuarial Statement for 2017/18

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 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 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 and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

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

**Gemma Sefton FFA**

25 April 2018

For and on behalf of Hymans Robertson LLP

Hymans Robertson LLP

20 Waterloo Street, Glasgow, G2 6DB



Employers with active members participating in the Cheshire Pension Fund and their applicable Investment Strategy for the financial year ending 31 March 2018.

| Number | Centre Code     | Employer Name                                   | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |        |        | Employers Contributions | Total      |
|--------|-----------------|---|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|--------|--------|-------------------------|------------|
|        |                 |   |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's  | APC's  |                         |            |
| 1      | 9851101/9851771 | Cheshire West and Chester Council - St Wilfrids | B        | 1,543                    | 1,125             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0      | 0      | 12,039                  | 14,708     |
| 1      | 9851101/9851771 | Cheshire West and Chester Council               | B        | 334,896                  | 811,652           | 1,686,862         | 634,904           | 1,013,682         | 132,125           | 98,668             | 61,987              | 0                | 131                             | 70,245      | 32,216 | 32,616 | 13,253,738              | 18,163,720 |
| 1      | 9851101/9851771 | Schools Cheshire West & Chester                 | B        | 923,088                  | 924,487           | 287,537           | 15,740            | 32,466            | 0                 | 0                  | 0                   | 0                | -708                            | 4,255       | 0      | 1,298  | 7,065,836               | 9,253,999  |
| 2      | 9851102         | Cheshire East Council                           | A        | 1,013,092                | 1,340,290         | 1,907,123         | 651,465           | 901,599           | 277,605           | 54,850             | 89,729              | 0                | -2,801                          | 67,634      | 14,048 | 32,394 | 61,598,181              | 67,945,210 |
| 3      | 9851161         | Cheshire Fire                                   | B        | 16,997                   | 75,735            | 145,767           | 40,310            | 18,002            | 15,967            | 0                  | 0                   | 0                | -65                             | 0           | 1,200  | -204   | 1,470,976               | 1,784,684  |
| 4      | 9851381         | Halton Borough Transport                        | B        | 0                        | 0                 | 2,669             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 7                               | 0           | 34     | 0      | 11,888                  | 14,598     |
| 5      | 9851480         | Halton Borough Council - Judicium               | B        | 6,454                    | 16,736            | 1,655             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0      | 0      | 82,556                  | 107,401    |

| Number | Centre Code | Employer Name                            | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |        |        | Employers Contributions | Total      |
|--------|-------------|--|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|--------|--------|-------------------------|------------|
|        |             |  |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's  | APC's  |                         |            |
| 5      | 9851480     | Halton Borough Council                   | B        | 485,731                  | 941,594           | 1,319,971         | 408,569           | 144,794           | 134,015           | 47,254             | 20,406              | 0                | -398                            | 9,267       | 0      | 7,670  | 17,094,519              | 20,613,393 |
| 5      | 9851480     | Halton Lodge Primary (HBC)               | B        | 4,108                    | 4,811             | 2,986             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0      | 0      | 37,874                  | 49,779     |
| 5      | 9851480     | Halton Strictly Education (HBC)          | B        | 6,531                    | 9,670             | 6,630             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0      | 0      | 72,070                  | 94,900     |
| 6      | 9851581     | Warrington Borough Transport             | B        | 0                        | 968               | 4,084             | 3,432             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0      | 0      | 35,750                  | 44,234     |
| 7      | 9851680     | Warrington Borough Council - St Gregorys | B        | 6,938                    | 14,159            | 13,065            | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 18                              | 0           | 0      | 0      | 106,291                 | 140,471    |
| 7      | 9851680     | Warrington Borough Council               | B        | 743,038                  | 1,129,893         | 1,518,309         | 576,799           | 414,454           | 170,066           | 46,929             | 52,462              | 0                | -181                            | 24,197      | 10,457 | 21,087 | 24,086,042              | 28,793,552 |
| 8      | 9851913     | N W Fire Control Ltd                     | B        | 1,577                    | 25,655            | 64,138            | 27,258            | 4,129             | 6,237             | 0                  | 0                   | 0                | 60                              | 0           | 0      | 49     | 405,323                 | 534,426    |
| 9      | 9852004     | Alderley Edge Parish Council             | B        | 602                      | 1,379             | 1,722             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0      | 0      | 12,734                  | 16,438     |

| Number | Centre Code | Employer Name           | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|-------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                         |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 10     | 9852007     | Northwich Town Council  | B        | 0                        | 9,224             | 7,063             | 3,168             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 69,149                  | 88,604  |
| 11     | 9852008     | Winsford Town Council   | B        | 717                      | 6,496             | 0                 | 2,559             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 33,972                  | 43,744  |
| 12     | 9852011     | Nantwich Town Council   | B        | 1,480                    | 3,832             | 12,778            | 2,915             | 3,760             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 80,533                  | 105,299 |
| 13     | 9852020     | Knutsford Town Council  | B        | 133                      | 1,843             | 2,067             | 2,537             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 21,485                  | 28,065  |
| 14     | 9852029     | Penketh Parish Council  | B        | 3,167                    | 903               | 1,680             | 2,447             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 28,076                  | 36,272  |
| 15     | 9852042     | Bollington Town Council | B        | 1,682                    | 1,009             | 1,501             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 13,954                  | 18,146  |
| 16     | 9852044     | Middlewich Town Council | B        | 1,060                    | 1,961             | 5,117             | 0                 | 3,913             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 36,989                  | 49,040  |
| 17     | 9852048     | Poynton Town Council    | B        | 2,145                    | 840               | 3,512             | 2,600             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 30,315                  | 39,412  |

| Number | Centre Code | Employer Name                         | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|---------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                                       |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 18     | 9852080     | Disley Parish Council                 | B        | 874                      | 905               | 1,906             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 12,651                  | 16,336  |
| 19     | 9852084     | Winwick Parish Council                | B        | 1,107                    | 2,304             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | -69                             | 0           | 0     | 0     | 12,832                  | 16,174  |
| 20     | 9852086     | Prestbury Parish Council              | B        | 0                        | 1,133             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 4,064                   | 5,197   |
| 21     | 9852087     | Nether Alderley Parish Council        | B        | 464                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 1,656                   | 2,120   |
| 22     | 9852088     | Birchwood Town Council                | B        | 920                      | 4,663             | 2,164             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 26,698                  | 34,445  |
| 23     | 9852089     | Grappenhall & Thelwall Parish Council | B        | 1,462                    | 0                 | 3,620             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 16,166                  | 21,247  |
| 24     | 9852090     | Odd Rode Parish Council               | B        | 0                        | 0                 | 1,798             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 5,437                   | 7,235   |
| 25     | 9852092     | Congleton Town Council                | B        | 3,123                    | 14,724            | 8,298             | 0                 | 4,689             | 0                 | 0                  | 0                   | 0                | 0                               | 1,202       | 0     | 0     | 96,967                  | 129,003 |

| Number | Centre Code | Employer Name                | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total     |
|--------|-------------|------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|-----------|
|        |             |                              |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |           |
| 26     | 9852093     | Frodsham Town Council        | B        | 533                      | 1,098             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 5,955                   | 7,587     |
| 27     | 9852095     | Sandbach Town Council        | B        | 1,303                    | 2,218             | 5,920             | 248               | 3,508             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 39,621                  | 52,817    |
| 28     | 9852172     | Police & Crime Commissioner  | B        | 1,602                    | 386,720           | 1,660,806         | 225,854           | 151,156           | 31,281            | 11,364             | 0                   | 0                | -5,966                          | 20,513      | 1,335 | 577   | 7,130,915               | 9,616,157 |
| 29     | 9852504     | Priestley Sixth Form College | B        | 13,430                   | 36,242            | 14,809            | 644               | 4,409             | 0                 | 0                  | 0                   | 0                | -5                              | 0           | 1,963 | 0     | 282,225                 | 353,717   |
| 30     | 9852507     | Warrington Collegiate        | B        | 12,578                   | 28,735            | 30,984            | 11,387            | 12,530            | 3,531             | 0                  | 0                   | 0                | 0                               | 274         | 0     | 0     | 450,665                 | 550,685   |
| 31     | 9852510     | Macclesfield College         | B        | 17,352                   | 21,278            | 39,048            | 9,988             | 16,885            | 7,260             | 0                  | 13,110              | 0                | -60                             | 1,854       | 0     | 0     | 413,572                 | 540,287   |
| 32     | 9852513     | Reaseheath College           | B        | 75,579                   | 139,756           | 144,319           | 16,878            | 28,347            | 10,401            | 6,268              | 0                   | 0                | -2                              | 0           | 0     | 0     | 1,353,611               | 1,775,158 |
| 33     | 9852514     | Sir John Deanes College      | B        | 11,850                   | 24,520            | 20,241            | 7,074             | 4,118             | 8,209             | 0                  | 0                   | 0                | 74                              | 449         | 0     | 0     | 254,081                 | 330,615   |

| Number | Centre Code | Employer Name                       | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|-------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                                     |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 34     | 9852541     | Mid Cheshire College                | B        | 9,876                    | 15,190            | 10,376            | 6,099             | 5,429             | 695               | 0                  | 0                   | 0                | 0                               | 172         | 0     | 0     | 222,996                 | 270,833 |
| 35     | 9852710     | The Catholic High School Chester    | B        | 11,308                   | 18,551            | 6,645             | 0                 | 5,006             | 0                 | 0                  | 0                   | 0                | -24                             | 0           | 0     | 0     | 158,941                 | 200,427 |
| 36     | 9852711     | Wade Deacon High School             | B        | 10,069                   | 34,894            | 18,299            | 6,585             | 6,088             | 7,572             | 0                  | 0                   | 0                | -235                            | 0           | 0     | 0     | 286,341                 | 369,613 |
| 37     | 9852712     | Rudheath Community Primary School   | B        | 5,378                    | 9,111             | 1,875             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 65,111                  | 81,474  |
| 38     | 9852713     | Birchwood High School               | B        | 8,518                    | 19,728            | 10,828            | 2,642             | 4,943             | 0                 | 0                  | 0                   | 0                | 15                              | 2,943       | 0     | 0     | 161,245                 | 210,861 |
| 39     | 9852714     | Penketh High School                 | B        | 7,803                    | 23,582            | 10,881            | 5,359             | 0                 | 0                 | 0                  | 0                   | 0                | 7                               | 0           | 0     | 0     | 162,853                 | 210,485 |
| 40     | 9852715     | Worth Primary School                | A        | 3,352                    | 2,806             | 1,655             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 33,617                  | 41,429  |
| 41     | 9852716     | St Thomas More Catholic High School | A        | 7,906                    | 9,077             | 6,929             | 65                | 2,772             | 0                 | 0                  | 0                   | 0                | -96                             | 0           | 0     | 0     | 124,414                 | 151,067 |

| Number | Centre Code | Employer Name                         | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|---------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                                       |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 42     | 9852717     | Stapeley Broad Lane                   | A        | 4,965                    | 4,313             | 2,149             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 48,672                  | 60,099  |
| 43     | 9852723     | St Martins Academy Chester            | B        | 3,880                    | 1,509             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 16,104                  | 21,493  |
| 44     | 9852724     | Leighton Academy                      | A        | 5,802                    | 14,632            | 7,247             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 130,164                 | 157,845 |
| 45     | 9852725     | Warrington Collegiate Education Trust | B        | 251                      | 513               | 1,198             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 108,306                 | 110,268 |
| 46     | 9852726     | University Cathedral Free School      | B        | 2,701                    | 4,143             | 3,170             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 36,243                  | 46,257  |
| 47     | 9852727     | Cloughwood School                     | B        | 3,064                    | 12,639            | 12,145            | 2,277             | 264               | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 116,436                 | 146,825 |
| 48     | 9852728     | Holmes Chapel Primary School          | A        | 12,233                   | 2,025             | 4,600             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 76,608                  | 95,466  |
| 49     | 9852729     | Whirley Primary School                | A        | 5,023                    | 3,497             | 1,517             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 49,815                  | 59,851  |

| Number | Centre Code | Employer Name                        | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|--------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                                      |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 50     | 9852730     | Alsager School                       | A        | 16,310                   | 14,297            | 25,077            | 2,771             | 4,784             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 271,522                 | 334,760 |
| 51     | 9852731     | Sir William Stanier Community School | A        | 8,830                    | 22,545            | 19,512            | 0                 | 4,314             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 245,605                 | 300,804 |
| 52     | 9852732     | Over Hall Community Primary School   | B        | 9,522                    | 6,277             | 1,898             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 66,685                  | 84,383  |
| 53     | 9852733     | Ash Grove Academy                    | A        | 7,254                    | 7,478             | 3,274             | 3,128             | 4,540             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 91,566                  | 117,240 |
| 54     | 9852734     | Cranberry Academy                    | A        | 5,363                    | 2,280             | 2,052             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | -18                             | 0           | 0     | 0     | 47,562                  | 57,239  |
| 55     | 9852735     | St Michaels Community Academy        | A        | 12,317                   | 12,758            | 4,481             | 1,487             | 0                 | 0                 | 0                  | 0                   | 0                | -1                              | 0           | 0     | 0     | 137,784                 | 168,826 |
| 56     | 9852737     | Crewe Town Council                   | B        | 0                        | 154               | 4,967             | 0                 | 4,111             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 26,442                  | 35,674  |
| 57     | 9852738     | Adelaide School                      | A        | 1,483                    | 16,526            | 3,506             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | -4                              | 0           | 0     | 0     | 104,280                 | 125,791 |



| Number | Centre Code | Employer Name                        | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total     |
|--------|-------------|--------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|-----------|
|        |             |                                      |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |           |
| 58     | 9852739     | Parkroyal Community School           | A        | 13,095                   | 6,121             | 9,106             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 116,789                 | 145,110   |
| 59     | 9852740     | Vivo Care Choices Ltd                | B        | 149,030                  | 164,818           | 64,210            | 16,259            | 4,819             | 7,818             | 0                  | 0                   | 0                | 163                             | 0           | 0     | 0     | 1,531,631               | 1,938,746 |
| 60     | 9852741     | The Quinta Primary School            | A        | 8,281                    | 4,464             | 1,912             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 62,183                  | 76,841    |
| 61     | 9852742     | University Primary Academy Weaverham | B        | 2,320                    | 6,974             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 38,172                  | 47,465    |
| 62     | 9852743     | The Cavendish High Academy           | B        | 237                      | 29,753            | 6,705             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 1                               | 0           | 0     | 0     | 126,234                 | 162,930   |
| 63     | 9852744     | Wistaston Academy                    | A        | 12,431                   | 10,748            | 1,882             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 89,601                  | 114,662   |
| 64     | 9852745     | Appleton Parish Council              | B        | 1,093                    | 1,021             | 235               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | -25                             | 0           | 0     | 0     | 8,549                   | 10,873    |
| 65     | 9852746     | Stockton Heath Parish Council        | B        | 406                      | 959               | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 4,976                   | 6,341     |

| Number | Centre Code | Employer Name                     | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total     |
|--------|-------------|-----------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|-----------|
|        |             |                                   |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |           |
| 66     | 9852747     | ANSA Environmental Services       | A        | 12,776                   | 207,571           | 146,549           | 19,650            | 19,966            | 14,594            | 10,354             | 0                   | 0                | -187                            | 6,334       | 0     | 0     | 1,292,551               | 1,730,157 |
| 67     | 9852748     | Orbitas Bereavement Services      | A        | 2,351                    | 21,573            | 9,621             | 5,629             | 4,422             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 130,679                 | 174,275   |
| 68     | 9852749     | The Hermitage Trust               | A        | 8,528                    | 1,820             | 3,347             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 60,256                  | 73,951    |
| 69     | 9852750     | Tytherington School               | A        | 6,299                    | 25,486            | 12,706            | 2,765             | 0                 | 0                 | 0                  | 0                   | 0                | 22                              | 0           | 0     | 0     | 209,098                 | 256,376   |
| 70     | 9852751     | Pear Tree School                  | A        | 6,419                    | 5,779             | 1,343             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 66,523                  | 80,065    |
| 71     | 9852752     | The Oak View Primary Academy      | B        | 15                       | 852               | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 2,857                   | 3,724     |
| 71     | 9852752     | The Oak View Primary Academy NWAT | B        | 5,422                    | 9,757             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 51,037                  | 66,215    |
| 72     | 9852754     | Bridgewater Park Primary          | B        | 1,633                    | 6,186             | 1,473             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 30,382                  | 39,674    |

| Number | Centre Code | Employer Name                          | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|--|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |  |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 73     | 9852756     | Everybody Sport & Recreation           | A        | 51,432                   | 61,558            | 91,931            | 13,233            | 15,300            | 7,896             | 0                  | 0                   | 0                | -333                            | 264         | 976   | 174   | 750,358                 | 992,789 |
| 74     | 9852757     | Mersey Gateway Crossing Board          | B        | 0                        | 1,078             | 1,719             | 10,848            | 11,906            | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 82,024                  | 107,576 |
| 75     | 9852758     | Marlfields Primary Academy             | A        | 5,377                    | 3,490             | 1,523             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 47,524                  | 57,914  |
| 76     | 9852759     | St Bernards RC Primary School          | B        | 3,213                    | 7,523             | 584               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 43,549                  | 54,869  |
| 77     | 9852761     | Black Firs Primary School              | A        | 7,092                    | 8,694             | -245              | 0                 | 0                 | 0                 | 0                  | 3,091               | 3,544            | -23                             | 0           | 0     | 0     | 72,702                  | 94,856  |
| 78     | 9852762     | Smallwood CofE Primary Academy         | A        | 5,088                    | 2,556             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 38,672                  | 46,316  |
| 79     | 9852763     | Nether Alderley Primary School         | A        | 1,879                    | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 9,669                   | 11,548  |
| 80     | 9852764     | Broken Cross Primary Academy & Nursery | A        | 4,331                    | 3,638             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 40,038                  | 48,007  |

| Number | Centre Code | Employer Name                         | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total     |
|--------|-------------|---------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|-----------|
|        |             |                                       |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |           |
| 81     | 9852765     | Mossley CE Primary School             | A        | 9,716                    | 5,174             | 1,920             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 83,596                  | 100,406   |
| 82     | 9852766     | Ormiston Chadwick Academy             | B        | 9,033                    | 17,137            | 6,085             | 2,467             | 0                 | 0                 | 0                  | 0                   | 0                | -14                             | 0           | 0     | 0     | 123,786                 | 158,493   |
| 83     | 9852768     | Bridgewater High School               | B        | 7,676                    | 32,187            | 26,909            | 2,202             | 4,829             | 0                 | 0                  | 0                   | 0                | 8                               | 1,887       | 0     | 600   | 270,908                 | 347,207   |
| 84     | 9852769     | Transport Services Solutions Limited  | A        | 8,928                    | 9,884             | 19,057            | 2,649             | 10,127            | 6,934             | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 156,096                 | 213,675   |
| 85     | 9852897     | Riverside College                     | B        | 47,876                   | 58,333            | 59,657            | 2,809             | 14,390            | 8,607             | 0                  | 0                   | 0                | -179                            | 0           | 0     | 0     | 815,677                 | 1,007,170 |
| 86     | 9852912     | Poulton with Fearnhead Parish Council | B        | 0                        | 2,093             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 7,411                   | 9,504     |
| 87     | 9852918     | University Cof E Academy              | B        | 4,561                    | 19,274            | 32,016            | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 27                              | 0           | 0     | 0     | 187,111                 | 242,988   |
| 88     | 9852919     | Neston Town Council                   | B        | 648                      | 1,620             | 928               | 2,537             | 0                 | 0                 | 0                  | 0                   | 0                | 42                              | 0           | 0     | 0     | 18,008                  | 23,784    |

| Number | Centre Code | Employer Name                     | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|-----------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                                   |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 89     | 9852924     | The Fallibroome Academy           | A        | 18,130                   | 34,471            | 17,467            | 13,542            | 4,233             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 358,965                 | 446,808 |
| 90     | 9852925     | Brine Leas High School            | A        | 17,871                   | 24,803            | 10,279            | 2,598             | 4,851             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 241,802                 | 302,204 |
| 91     | 9852926     | Ormiston Bolingbroke Academy      | B        | 10,779                   | 15,794            | 10,249            | 0                 | 3,819             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 133,938                 | 174,579 |
| 92     | 9852927     | Winsford E-ACT Academy            | B        | 15,367                   | 14,466            | 16,793            | 0                 | 4,314             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 204,250                 | 255,190 |
| 93     | 9852928     | Sandbach High School & Sixth Form | A        | 9,371                    | 12,246            | 15,292            | 232               | 4,971             | 0                 | 0                  | 0                   | 0                | -208                            | 0           | 0     | 0     | 189,081                 | 230,985 |
| 94     | 9852932     | Christleton High School           | B        | 6,608                    | 22,289            | 10,997            | 3,742             | 1,831             | 6,354             | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 189,280                 | 241,101 |
| 95     | 9852934     | Bishops Blue Coat COE High School | B        | 12,961                   | 15,631            | 10,485            | 2,591             | 5,225             | 0                 | 0                  | 0                   | 0                | 0                               | 7,510       | 0     | 0     | 178,062                 | 232,464 |
| 96     | 9852935     | Congleton High School             | A        | 13,270                   | 15,482            | 9,325             | 2,133             | 5,022             | 593               | 3,838              | 5,665               | 6,318            | 0                               | 0           | 0     | 0     | 228,592                 | 290,238 |

| Number | Centre Code | Employer Name                      | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                                    |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 97     | 9852936     | Delamere Academy                   | B        | 6,452                    | 2,002             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 33,962                  | 42,416  |
| 98     | 9852937     | Mottram St Andrew Primary Academy  | A        | 7,034                    | 1,635             | 1,942             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 50,484                  | 61,094  |
| 99     | 9852942     | Brio Leisure                       | B        | 64,480                   | 51,758            | 58,281            | 19,254            | 14,242            | 15,380            | 0                  | 0                   | 0                | -1,526                          | 933         | 0     | 0     | 759,811                 | 982,614 |
| 100    | 9852943     | The Heath Academy                  | B        | 7,318                    | 23,859            | 28,980            | 10,232            | 0                 | 0                 | 0                  | 7,648               | 0                | -9                              | 0           | 0     | 0     | 267,257                 | 345,284 |
| 101    | 9852944     | Palacefields Academy               | B        | 6,394                    | 6,458             | 3,023             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 1,154       | 115   | 0     | 59,783                  | 76,927  |
| 102    | 9852946     | Macclesfield Academy               | A        | 4,889                    | 15,082            | 6,114             | 2,474             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 136,735                 | 165,294 |
| 103    | 9852947     | Lacey Green Primary                | A        | 9,179                    | 4,535             | 0                 | 0                 | 3,746             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 70,371                  | 87,831  |
| 104    | 9852948     | Holmes Chapel Comprehensive School | A        | 22,039                   | 23,251            | 17,925            | 0                 | 4,455             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 254,301                 | 321,971 |

| Number | Centre Code | Employer Name                    | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total     |
|--------|-------------|----------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|-----------|
|        |             |                                  |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |           |
| 105    | 9852956     | Wilmslow Town Council            | B        | 0                        | 1,016             | 0                 | 2,982             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 12,765                  | 16,763    |
| 106    | 9852957     | University Chester Academy Trust | B        | 0                        | 0                 | 1,870             | 12,160            | 4,843             | 6,889             | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 66,143                  | 91,905    |
| 107    | 9852958     | UCAN (Rudheath)                  | B        | 1,632                    | 13,771            | 9,131             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 99,044                  | 123,579   |
| 108    | 9852961     | Knutsford Academy                | A        | 7,490                    | 18,436            | 11,042            | 4,837             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 196,700                 | 238,505   |
| 109    | 9852962     | Livewire                         | B        | 60,952                   | 70,675            | 76,445            | 8,827             | 33,057            | 7,920             | 0                  | 0                   | 0                | -47                             | 121         | 1,727 | 0     | 818,516                 | 1,078,193 |
| 110    | 9852963     | Warrington Cultural Trust        | B        | 8,696                    | 10,415            | 14,893            | 4,124             | 827               | 0                 | 0                  | 0                   | 0                | -10                             | 0           | 0     | 0     | 124,868                 | 163,811   |
| 111    | 9852964     | Alsager Town Council             | B        | 2,743                    | 2,549             | 1,513             | 1,554             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 29,539                  | 37,898    |
| 112    | 9852965     | Neston High School               | B        | 16,367                   | 31,258            | 11,842            | 0                 | 4,314             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 247,559                 | 311,339   |

| Number | Centre Code | Employer Name                              | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|--|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |  |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 113    | 9852967     | Sandymoor School                           | B        | 6,562                    | 5,949             | 4,940             | 3,856             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 65,586                  | 86,893  |
| 114    | 9852968     | Tarporley High School & Sixth Form College | B        | 11,365                   | 10,099            | 14,363            | 0                 | 5,121             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 154,217                 | 195,165 |
| 115    | 9852970     | Eaton Bank School                          | A        | 13,136                   | 13,635            | 4,245             | 2,726             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 157,293                 | 191,036 |
| 116    | 9852971     | Lymm High School                           | B        | 18,791                   | 46,819            | 23,793            | 8,309             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 370,493                 | 468,205 |
| 117    | 9852972     | County High School, Leftwich               | B        | 10,585                   | 18,297            | 9,815             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 160,118                 | 198,815 |
| 118    | 9852973     | Kelsall Primary School                     | B        | 6,265                    | 2,532             | 650               | 0                 | 4,292             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 50,675                  | 64,413  |
| 119    | 9852974     | Handforth Parish Council                   | B        | 0                        | 0                 | 1,614             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 5,165                   | 6,779   |
| 120    | 9852976     | Kings Leadership Academy Warrington        | B        | 7,932                    | 11,875            | 11,172            | 4,164             | 4,904             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 129,677                 | 169,725 |



| Number | Centre Code | Employer Name                 | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|-------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                               |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 121    | 9852977     | Holmes Chapel Parish Council  | B        | 484                      | 263               | 653               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 4,862                   | 6,262   |
| 122    | 9852979     | Lymm Parish Council           | B        | 285                      | 149               | 1,437             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 6,277                   | 8,149   |
| 123    | 9852983     | University Academy Warrington | B        | 4,566                    | 17,179            | 7,711             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 112,510                 | 141,965 |
| 124    | 9852984     | Great Sankey High School      | B        | 10,648                   | 31,695            | 17,009            | 2,710             | 0                 | 6,867             | 0                  | 0                   | 0                | -165                            | 0           | 0     | 0     | 250,766                 | 319,531 |
| 125    | 9852985     | All Hallows Catholic College  | A        | 12,962                   | 14,786            | 10,883            | 1,227             | 2,286             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 700   | 500   | 192,726                 | 236,070 |
| 126    | 9852990     | Beamont Collegiate Academy    | B        | 2,903                    | 20,400            | 11,113            | 5,248             | 0                 | 0                 | 0                  | 0                   | 0                | -2                              | 0           | 0     | 0     | 147,498                 | 187,160 |
| 127    | 9853025     | Wistaston Parish Council      | B        | 0                        | 895               | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 3,209                   | 4,104   |
| 128    | 9854009     | Canal & River Trust           | C        | 0                        | 1,078             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 8,083                   | 9,160   |

| Number | Centre Code | Employer Name                  | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |        | Employers Contributions | Total   |
|--------|-------------|--------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|--------|-------------------------|---------|
|        |             |                                |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's  |                         |         |
| 129    | 9854012     | Cheshire Community Action      | B        | 0                        | 0                 | 2,227             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0      | 38,428                  | 40,654  |
| 130    | 9854014     | Making Space                   | C        | 0                        | 83                | 327               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0      | 534,503                 | 534,913 |
| 131    | 9854015     | Adoption Matters Northwest     | B        | 4,039                    | 15,555            | 35,037            | 42,461            | 9,666             | 6,324             | 0                  | 0                   | 0                | 0                               | 1,853       | 0     | 29,675 | 363,685                 | 508,294 |
| 132    | 9854019     | Warrington Voluntary Action    | A        | 0                        | 0                 | 0                 | 2,373             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0      | 16,001                  | 18,374  |
| 133    | 9854030     | Vision Support                 | C        | 0                        | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0      | 29,000                  | 29,000  |
| 134    | 9854032     | David Lewis Centre             | C        | 573                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0      | 755,701                 | 756,274 |
| 135    | 9854033     | Middlewich Joint Cemetary      | B        | 590                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0      | 2,237                   | 2,827   |
| 136    | 9854036     | Warrington Housing Association | B        | 5,897                    | 10,520            | 32,552            | 5,187             | 8,561             | 14,376            | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0      | 264,846                 | 341,939 |

| Number | Centre Code | Employer Name                          | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |        |       | Employers Contributions | Total     |
|--------|-------------|--|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|--------|-------|-------------------------|-----------|
|        |             |  |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's  | APC's |                         |           |
| 137    | 9854043     | Cheshire Sports Trust                  | B        | 0                        | 0                 | 2,696             | 2,696             | 0                 | 5,893             | 0                  | 0                   | 0                | 105                             | 0           | 0      | 0     | 33,601                  | 44,990    |
| 138    | 9854047     | Quality Care Commision Pool            | C        | 0                        | 0                 | 0                 | 2,728             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0      | 0     | 53,361                  | 56,089    |
| 139    | 9854051     | Norton Priory Museum Trust - Halton BC | B        | 0                        | 0                 | 1,857             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0      | 0     | 5,313                   | 7,170     |
| 139    | 9854051     | Norton Priory Museum Trust             | B        | 313                      | 2,163             | 5,792             | 2,434             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0      | 0     | 33,758                  | 44,460    |
| 140    | 9854060     | Youth Federation                       | C        | 0                        | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0      | 0     | 7,000                   | 7,000     |
| 141    | 9854065     | Kings School                           | B        | 0                        | 1,117             | 5,223             | 2,414             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0      | 2,349 | 112,676                 | 123,779   |
| 142    | 9854068     | University of Chester                  | B        | 78,506                   | 213,375           | 547,873           | 123,318           | 100,413           | 49,511            | 21,631             | 16,397              | 0                | 0                               | 13,455      | 11,046 | 2,342 | 3,805,219               | 4,983,087 |
| 143    | 9854071     | Silk Museum                            | A        | 2,697                    | 0                 | 2,175             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0      | 0     | 31,089                  | 35,961    |

| Number | Centre Code | Employer Name                            | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total     |
|--------|-------------|--|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|-----------|
|        |             |  |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |           |
| 144    | 9854081     | Deafness Support Network                 | C        | 625                      | 0                 | 0                 | 0                 | 4,250             | 0                 | 0                  | 0                   | 0                | 0                               | 2,260       | 0     | 0     | 137,184                 | 144,319   |
| 145    | 9854091     | Warrington Community Living              | B        | 3,331                    | 5,040             | 2,838             | 0                 | 2,585             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 218,900                 | 232,695   |
| 146    | 9854205     | Belong Limited                           | C        | 0                        | 0                 | 2,015             | 2,819             | 0                 | 0                 | 0                  | 0                   | 0                | -1                              | 0           | 0     | 0     | 618,259                 | 623,093   |
| 147    | 9854221     | Cheshire County Sports Club              | C        | 0                        | 1,221             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 12,160                  | 13,381    |
| 148    | 9854326     | Plus Dane (Cheshire) Housing Association | B        | 844                      | 7,760             | 67,847            | 5,992             | 5,920             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 320,621                 | 408,984   |
| 149    | 9854535     | Sandbach School                          | B        | 6,663                    | 21,421            | 22,970            | 2,968             | 4,900             | 0                 | 0                  | 0                   | 0                | 1,522                           | 0           | 0     | 0     | 205,754                 | 266,198   |
| 150    | 9854575     | Weaver Vale Housing Trust                | B        | 16,669                   | 46,217            | 262,663           | 40,911            | 49,420            | 0                 | 15,995             | 12,356              | 0                | 0                               | 2,123       | 0     | 0     | 1,748,908               | 2,195,263 |
| 151    | 9854719     | Hochtief                                 | B        | 1,045                    | 22                | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 3,199                   | 4,267     |

| Number | Centre Code | Employer Name                         | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total     |
|--------|-------------|---------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|-----------|
|        |             |                                       |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |           |
| 152    | 9854736     | Mears Care Limited                    | B        | 2,314                    | 1,353             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 15                              | 0           | 0     | 0     | 20,160                  | 23,842    |
| 153    | 9854753     | Lafarge Tarmac                        | B        | 22                       | 146               | 8,978             | 2,048             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 57,851                  | 69,045    |
| 154    | 9854760     | Kingsley & District Nursery           | B        | 424                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 1,872                   | 2,296     |
| 155    | 9854884     | ISS                                   | B        | 0                        | 1,221             | 1,384             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 0                       | 2,605     |
| 156    | 9854885     | Cheshire & Warrington Ent. Commission | C        | 0                        | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 23,000                  | 23,000    |
| 157    | 9854890     | Halton Housing Trust                  | C        | 2,514                    | 11,540            | 169,048           | 43,903            | 30,613            | 27,479            | 0                  | 13,808              | 0                | 43                              | 0           | 0     | 0     | 911,140                 | 1,210,088 |
| 158    | 9854891     | Cheshire Peaks & Plains Housing Trust | B        | 3,904                    | 15,805            | 70,612            | 10,810            | 14,045            | 12,883            | 0                  | 0                   | 0                | -542                            | 0           | 2,667 | 0     | 415,646                 | 545,829   |
| 159    | 9854906     | School Food Company                   | B        | 318                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 0                       | 318       |

| Number | Centre Code | Employer Name             | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total     |
|--------|-------------|---------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|-----------|
|        |             |                           |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |           |
| 160    | 9854923     | Eric Wright EP Schools    | B        | 627                      | 750               | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 4,224                   | 5,600     |
| 161    | 9854929     | Golden Gate Housing Trust | B        | 6,202                    | 41,027            | 243,701           | 60,902            | 29,515            | 9,971             | 9,144              | 1,065               | 0                | -169                            | 1,866       | 0     | 1,965 | 1,732,506               | 2,137,694 |
| 162    | 9854933     | Innovate Ltd Tytherington | B        | 285                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 40                      | 325       |
| 163    | 9854941     | Hall Cleaning Services    | B        | 313                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 561                             | 0           | 0     | 0     | 0                       | 874       |
| 164    | 9854945     | Bulloughs Cleaning Ltd    | B        | 157                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 0                       | 157       |
| 165    | 9854949     | Compass (Chartwell Ltd)   | B        | 498                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 0                       | 498       |
| 166    | 9854950     | Aspens Services           | B        | 1,327                    | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 1,212                   | 2,539     |
| 167    | 9854953     | Ringway Jacobs            | B        | 295                      | 1,586             | 42,543            | 20,363            | 14,546            | 3,998             | 0                  | 0                   | 0                | 11                              | 0           | 0     | 0     | 0                       | 83,342    |

| Number | Centre Code | Employer Name                                | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|--|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |  |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 168    | 9854954     | RM Estates Ltd                               | B        | 0                        | 1,765             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 5,814                   | 7,579   |
| 169    | 9854959     | Marketing Cheshire                           | B        | 0                        | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | -3,000                  | -3,000  |
| 170    | 9854960     | May Gurney Ltd                               | B        | 0                        | 15,367            | 39,589            | 5,550             | 0                 | 0                 | 0                  | 0                   | 0                | -96                             | 0           | 0     | 0     | 244,819                 | 305,230 |
| 171    | 9854966     | Plus Dane Housing Association                | B        | 904                      | 5,366             | 28,802            | 3,916             | 3,028             | 1,823             | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 0                       | 43,839  |
| 172    | 9854975     | Dataspire                                    | B        | 0                        | 2,098             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 3,275                   | 5,373   |
| 173    | 9854978     | Ringway Infrastructure Services (Salaried)   | B        | 0                        | 0                 | 914               | 4,669             | 4,718             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 0                       | 10,301  |
| 173    | 9854978     | Ringway Infrastructure Services (Operatives) | B        | 0                        | 2,821             | 18,724            | 7,401             | 4,066             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 0                       | 33,012  |
| 174    | 9854980     | Curzon Cinemas                               | B        | 0                        | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | -5,609                  | -5,609  |

| Number | Centre Code | Employer Name                 | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|-------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                               |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 175    | 9854986     | HQ Theatres                   | B        | 0                        | 775               | 3,621             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 16,714                  | 21,109  |
| 176    | 9854987     | Tommy Thumbs                  | C        | 132                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 586                     | 718     |
| 177    | 9854988     | Bulloughs - Collegiate        | B        | 1,311                    | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | -16                             | 0           | 0     | 0     | 0                       | 1,295   |
| 178    | 9854989     | Bulloughs - Brine Leas        | B        | 575                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 0                       | 575     |
| 179    | 9857000     | Wistaston Church Lane Academy | A        | 13,234                   | 9,207             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 109,823                 | 132,264 |
| 180    | 9857001     | Catering Academy - UAW        | B        | 333                      | 980               | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 7,320                   | 8,633   |
| 181    | 9857002     | Catering Academy - UCEA       | B        | 1,177                    | 3,003             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 303   | 10,702                  | 15,185  |
| 182    | 9857003     | Catering Academy - UPAW       | B        | 566                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 2,438                   | 3,004   |



| Number | Centre Code | Employer Name                     | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total     |
|--------|-------------|-----------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|-----------|
|        |             |                                   |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |           |
| 183    | 9857004     | Boughton Heath Academy            | B        | 6,016                    | 2,619             | 501               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 38,013                  | 47,150    |
| 184    | 9857005     | Mill View Primary School          | B        | 7,158                    | 3,305             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 43,442                  | 53,905    |
| 185    | 9857006     | Catalyst Choices CIC              | B        | 70,159                   | 108,458           | 44,063            | 3,873             | 8,373             | 7,225             | 0                  | 0                   | 0                | 400                             | 0           | 0     | 0     | 824,189                 | 1,066,740 |
| 186    | 9857007     | Widnes Academy                    | B        | 519                      | 5,849             | 4,165             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 38,968                  | 49,500    |
| 187    | 9857008     | Hungerford Primary Academy        | A        | 15,806                   | 13,335            | 6,220             | 0                 | 4,029             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 179,353                 | 218,743   |
| 188    | 9857009     | Sanctuary Housing Association     | C        | 2,108                    | 23,109            | 165,734           | 24,904            | 25,384            | 5,967             | 0                  | 0                   | 0                | 15                              | 2,647       | 0     | 0     | 1,858,919               | 2,108,787 |
| 189    | 9857010     | St Pauls Catholic Primary School  | A        | 5,907                    | 0                 | 2,011             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 39,473                  | 47,391    |
| 190    | 9857011     | St Albans Catholic Primary School | A        | 5,296                    | 4,090             | 1,574             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 51,862                  | 62,821    |

| Number | Centre Code | Employer Name                          | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|--|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |  |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 191    | 9857012     | Sandbach Primary Academy               | A        | 4,491                    | 2,099             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 33,353                  | 39,944  |
| 192    | 9857013     | Peover Superior Endowed Primary School | A        | 2,482                    | 1,063             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 18,010                  | 21,554  |
| 193    | 9857014     | Super Clean - Ashdene                  | A        | 324                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 2,168                   | 2,492   |
| 194    | 9857015     | Super Clean - Alsager                  | A        | 466                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 2,454                   | 2,920   |
| 195    | 9857018     | Turning Point Services Ltd             | B        | 0                        | 0                 | 4,067             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 4,710                   | 8,777   |
| 196    | 9857019     | Ivy Bank Primary School                | A        | 23,948                   | 5,527             | 2,237             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 153,799                 | 185,511 |
| 197    | 9857020     | Liverpool Mutual Homes                 | B        | 0                        | 0                 | 4,214             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 17,376                  | 21,591  |
| 198    | 9857021     | St Marys Catholic Primary School       | A        | 6,060                    | 2,153             | 929               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 43,877                  | 53,019  |

| Number | Centre Code | Employer Name                         | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|---------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                                       |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 199    | 9857022     | Civiance Ltd                          | A        | 2,957                    | 21,346            | 8,747             | 15,015            | 15,937            | 0                 | 0                  | 0                   | 0                | 0                               | 897         | 0     | 0     | 176,397                 | 241,297 |
| 200    | 9857023     | Mack Trading (Heaton Park) Limited    | B        | 138                      | 5,858             | 406               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 14                              | 0           | 0     | 0     | 24,145                  | 30,561  |
| 201    | 9857025     | Taylor Shaw - Bridgemere              | A        | 446                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 43                      | 489     |
| 202    | 9857026     | Bulloughs -Lymm                       | B        | 1,060                    | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 0                       | 1,060   |
| 203    | 9857027     | QWest Services Limited                | B        | 20,372                   | 30,194            | 23,179            | 8,412             | 2,416             | 0                 | 0                  | 0                   | 0                | -68                             | 0           | 0     | 0     | 379,617                 | 464,122 |
| 204    | 9857028     | St Augustines Catholic Primary School | B        | 388                      | 5,049             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | -45                             | 0           | 0     | 0     | 20,629                  | 26,021  |
| 205    | 9857032     | Taylor Shaw - Elworth                 | A        | 270                      | 190               | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 0                       | 460     |
| 206    | 9857033     | Shavington Academy                    | A        | 9,356                    | 11,931            | 1,922             | 0                 | 4,399             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 125,052                 | 152,660 |

| Number | Centre Code | Employer Name             | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|---------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                           |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 207    | 9857034     | The Berkeley Academy      | A        | 7,858                    | 8,853             | 1,877             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 91,889                  | 110,477 |
| 208    | 9857035     | Willaston Primary Academy | A        | 4,795                    | 3,967             | 3,198             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 57,958                  | 69,919  |
| 209    | 9857036     | The Russett School        | B        | 14,887                   | 18,257            | 4,146             | 2,451             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 159,026                 | 198,768 |
| 210    | 9857037     | Taylor Shaw - Leighton    | A        | 1,015                    | 134               | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 0                       | 1,149   |
| 211    | 9857038     | The Fermaine Academy      | B        | 663                      | 2,382             | 2,753             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 17,948                  | 23,746  |
| 212    | 9857039     | Macclesfield Town Council | B        | 882                      | 0                 | 1,743             | 2,854             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 17,643                  | 23,122  |
| 213    | 9857040     | Nantwich Primary Academy  | A        | 3,839                    | 5,038             | 121               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 45,010                  | 54,008  |
| 214    | 9857041     | Riverside Truck Rental    | B        | 0                        | 0                 | 1,347             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 6,176                   | 7,523   |

| Number | Centre Code | Employer Name                                 | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total     |
|--------|-------------|---|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|-----------|
|        |             |   |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |           |
| 215    | 9857042     | Shavington Primary School                     | A        | 9,672                    | 4,124             | 1,875             | 0                 | 3,683             | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 81,365                  | 100,720   |
| 216    | 9857043     | Upton Priory School                           | A        | 11,182                   | 14,545            | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 129,792                 | 155,519   |
| 217    | 9857044     | Your Housing Group                            | B        | 0                        | 0                 | 3,792             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 6,008                   | 9,800     |
| 218    | 9857045     | Edsential                                     | B        | 183,936                  | 48,013            | 22,614            | 13,435            | 10,345            | 6,356             | 9,930              | 0                   | 0                | -61                             | 2,553       | 100   | 499   | 1,214,437               | 1,512,157 |
| 219    | 9857046     | The Oaks Academy                              | A        | 9,841                    | 13,429            | 8,168             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 151,821                 | 183,259   |
| 220    | 9857047     | University Technical College (UTC) Warrington | B        | 2,125                    | 7,348             | 4,477             | 2,486             | 0                 | 0                 | 0                  | 0                   | 0                | -123                            | 0           | 0     | 0     | 52,235                  | 68,548    |
| 221    | 9857048     | Delamere and Oakmere Parish Council           | A        | 286                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 1,082                   | 1,368     |
| 222    | 9857049     | CG Cleaning - Bridgewater                     | B        | 0                        | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 1,796                           | 0           | 0     | 0     | 6,916                   | 8,711     |

| Number | Centre Code | Employer Name                         | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|---------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                                       |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 223    | 9857050     | Victoria Road Primary School          | B        | 7,015                    | 4,915             | 4,190             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 70,120                  | 86,240  |
| 224    | 9857051     | The Skills and Growth Company Limited | A        | 262                      | 1,740             | 16,626            | 9,797             | 44,108            | 7,706             | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 190,804                 | 271,043 |
| 225    | 9857052     | Wheelock Primary School               | A        | 7,174                    | 2,984             | 2,040             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 57,159                  | 69,358  |
| 226    | 9857053     | Monks Coppenhall Academy              | A        | 10,334                   | 17,935            | 0                 | 2,558             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 151,394                 | 182,222 |
| 227    | 9857054     | Marlborough Primary School            | A        | 12,754                   | 2,497             | 3,025             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 90,976                  | 109,251 |
| 228    | 9857055     | Churchil Contract Services Ltd        | B        | 902                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 3,061                   | 3,963   |
| 229    | 9857056     | Super Clean - Park Lane               | A        | 278                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 1,431                   | 1,709   |

| Number | Centre Code | Employer Name                       | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total  |
|--------|-------------|-------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|--------|
|        |             |                                     |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |        |
| 230    | 9857057     | Hartford Parish Council             | B        | 0                        | 785               | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 2,793                   | 3,578  |
| 231    | 9857058     | Crewe Engineering UTC               | A        | 1,485                    | 2,288             | 2,332             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 28,958                  | 35,063 |
| 232    | 9857059     | Acton CE Primary Academy            | A        | 3,443                    | 2,162             | 1,849             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 24                              | 0           | 0     | 0     | 37,320                  | 44,798 |
| 233    | 9857060     | Calveley Primary Academy            | A        | 2,277                    | 1,647             | 892               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 24                              | 0           | 0     | 0     | 23,737                  | 28,576 |
| 234    | 9857061     | Highfields Community Primary School | B        | 5,850                    | 4,106             | 1,728             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 58,278                  | 69,962 |
| 235    | 9857062     | St John's Wood Community School     | A        | 2,043                    | 4,719             | 3,407             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 48,601                  | 58,770 |
| 236    | 9857063     | Bridgewater High School Trading     | B        | 490                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 1,934                   | 2,424  |

| Number | Centre Code | Employer Name             | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|---------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                           |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 237    | 9857064     | Gorseybank Primary School | A        | 8,986                    | 7,141             | 906               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 81,564                  | 98,596  |
| 238    | 9857065     | PAM East                  | A        | 0                        | 0                 | 0                 | 2,205             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 8,689                   | 10,894  |
| 239    | 9857066     | PAM West                  | B        | 0                        | 668               | 4,350             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 18,666                  | 23,683  |
| 240    | 9857067     | Dolce (Rossmore)          | B        | 146                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 644                     | 790     |
| 241    | 9857068     | Dolce (Moulton)           | B        | 256                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 1,130                   | 1,386   |
| 242    | 9857069     | The Wilmslow Academy      | A        | 12,254                   | 5,077             | 975               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 92,181                  | 110,487 |
| 243    | 9857070     | Daresbury Primary School  | B        | 2,455                    | 5,259             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 30,581                  | 38,296  |



| Number | Centre Code | Employer Name                          | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|--|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |  |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 244    | 9857071     | Underwood West Academy                 | A        | 11,348                   | 22,322            | 9,127             | 2,591             | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 217,296                 | 262,684 |
| 245    | 9857072     | Adlington Primary School               | A        | 4,194                    | 404               | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 23,553                  | 28,151  |
| 246    | 9857073     | Bruche Community Primary School        | B        | 4,664                    | 4,811             | 1,883             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | -1                              | 0           | 0     | 0     | 44,461                  | 55,819  |
| 247    | 9857074     | Evelyn Street Community Primary School | B        | 8,361                    | 6,172             | 6,401             | 0                 | 4,458             | 0                 | 0                  | 0                   | 0                | 20                              | 0           | 0     | 0     | 92,891                  | 118,304 |
| 248    | 9857075     | Penketh Community Primary School       | B        | 2,368                    | 4,779             | 3,214             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | -1                              | 0           | 0     | 0     | 39,524                  | 49,884  |
| 249    | 9857076     | The Guinness Partnership               | B        | 5,372                    | 9,922             | 88,061            | 20,309            | 23,038            | 7,460             | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 460,409                 | 614,572 |
| 250    | 9857077     | Avenue Services                        | B        | 793                      | 3,347             | 7,116             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 39,681                  | 50,937  |

| Number | Centre Code | Employer Name                        | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|--------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                                      |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 251    | 9857078     | West Cheshire Facilities Managment   | B        | 501                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 30                              | 0           | 0     | 0     | 2,300                   | 2,832   |
| 252    | 9857079     | *Midshire Catering Ltd               | A        | 647                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 3,587                   | 4,234   |
| 253    | 9857080     | *Bunbury Aldersey CoE PS             | A        | 5,023                    | 3,914             | 241               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 603         | 0     | 0     | 50,376                  | 60,157  |
| 254    | 9857082     | *Queens Park High School             | B        | 7,895                    | 12,057            | 4,880             | 0                 | 2,642             | 0                 | 0                  | 0                   | 0                | -73                             | 0           | 0     | 0     | 106,791                 | 134,191 |
| 255    | 9857083     | *Great Sankey Primary Sch            | B        | 3,678                    | 5,918             | 1,179             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | -1                              | 0           | 0     | 0     | 42,644                  | 53,418  |
| 256    | 9857084     | *St Oswalds Worleston Primary School | A        | 5,706                    | 784               | 269               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 37,639                  | 44,399  |
| 257    | 9857085     | *Warmingham CoE Primary School       | A        | 1,917                    | 1,382             | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 20,309                  | 23,608  |

| Number | Centre Code | Employer Name  | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total     |
|--------|-------------|--|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|-----------|
|        |             |  |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |           |
| 258    | 9857086     | *Sir Thomas Boteler High School                        | B        | 4,716                    | 11,019            | 13,939            | 0                 | 2,436             | 0                 | 0                  | 0                   | 0                | -3                              | 639         | 0     | 0     | 118,294                 | 151,040   |
| 259    | 9857087     | *Offley Primary Academy                                | A        | 10,624                   | 5,251             | 1,402             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 93,106                  | 110,383   |
| 260    | 9857088     | *Barnton Primary School                                | B        | 14,494                   | 9,974             | 710               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 108,562                 | 133,740   |
| 261    | 9857089     | *Cheshire College South & West                         | B        | 39,311                   | 65,126            | 108,397           | 19,387            | 31,351            | 18,385            | 10,566             | 0                   | 0                | 0                               | 0           | 0     | 0     | 1,097,411               | 1,389,933 |
| 261    | 9857089     | *Cheshire College South & West - West Cheshire Version | B        | 34,782                   | 61,503            | 44,879            | 4,932             | 4,846             | 2,173             | 0                  | 12,496              | 0                | 0                               | 0           | 0     | 124   | 557,039                 | 722,775   |
| 262    | 9857090     | *ENGIE   | B        | 0                        | 1,844             | 1,379             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 3,092                           | 0           | 0     | 0     | 32,747                  | 39,062    |
| 263    | 9857091     | *Better Care Keys                                      | A        | 0                        | 405               | 10,098            | 1,587             | 3,022             | 0                 | 0                  | 0                   | 0                | -997                            | 0           | 0     | 0     | 45,793                  | 59,908    |

| Number | Centre Code | Employer Name             | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total   |
|--------|-------------|---------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|---------|
|        |             |                           |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |         |
| 264    | 9857092     | *Kingsmead Parish Council | B        | 644                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 2,368                   | 3,012   |
| 265    | 9857093     | *Wybunbury Delves Primary | A        | 6,201                    | 1,857             | 1,200             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 1                               | 0           | 0     | 0     | 51,560                  | 60,820  |
| 266    | 9857094     | *City West Housing Trust  | B        | 2,584                    | 13,922            | 76,005            | 9,229             | 5,473             | 3,116             | 0                  | 0                   | 0                | 172                             | 0           | 0     | 0     | 456,460                 | 566,962 |
| 267    | 9857095     | *CG Cleaning-Great Sankey | B        | 252                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 1,409                           | 0           | 0     | 0     | 6,426                   | 8,087   |
| 268    | 9857097     | *Gawsworth Primary School | A        | 4,287                    | 1,398             | 1,113             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 36,345                  | 43,143  |
| 269    | 9857101     | *Novus Networks Ltd       | A        | 0                        | 0                 | 690               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 3,004                   | 3,694   |
| 270    | 9857102     | *Enviroserve              | B        | 560                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 2,650                   | 3,210   |

| Number | Centre Code | Employer Name                        | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |             |       |       | Employers Contributions | Total     |
|--------|-------------|--------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|-------------|-------|-------|-------------------------|-----------|
|        |             |                                      |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years | ARC's | APC's |                         |           |
| 271    | 9857103     | *Warrington & Vale Royal College     | B        | 27,736                   | 51,662            | 50,630            | 15,300            | 26,680            | 5,234             | 0                  | 0                   | 0                | 4                               | 684         | 0     | 0     | 869,717                 | 1,047,648 |
| 272    | 9857104     | *CWP NHS Trust                       | B        | 0                        | 2,030             | 4,584             | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 34,615                  | 41,230    |
| 273    | 9857105     | *A M Services                        | A        | 745                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 8                               | 0           | 0     | 0     | 3,678                   | 4,430     |
| 274    | 9857107     | *Puss Bank School                    | A        | 5,004                    | 936               | 778               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 37,642                  | 44,360    |
| 275    | 9857108     | *Burtonwood Community Primary School | B        | 0                        | 1,523             | 743               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 8,593                   | 10,858    |
| 273    | 9857109     | *Chapelford Village Primary School   | B        | 179                      | 4,457             | 954               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 356         | 0     | 0     | 21,609                  | 27,554    |
| 277    | 9857110     | *Park Road Community Primary School  | B        | 526                      | 1,245             | 354               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0           | 0     | 0     | 8,313                   | 10,438    |

| Number | Centre Code | Employer Name                      | Strategy | Employee's Contributions |                   |                   |                   |                   |                   |                    |                     |                  |                                 |                |               |                | Employers Contributions | Total              |
|--------|-------------|------------------------------------|----------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|------------------|---------------------------------|----------------|---------------|----------------|-------------------------|--------------------|
|        |             |                                    |          | Up to £13,700            | £13,701 - £21,400 | £21,401 - £34,700 | £34,701 - £43,900 | £43,901 - £61,300 | £61,301 - £86,800 | £86,801 - £102,200 | £102,201 - £153,300 | £153,301 or more | Adjustments (to be apportioned) | Added Years    | ARC's         | APC's          |                         |                    |
| 278    | 9857111     | *Westbrook Old Hall Primary School | B        | 1,059                    | 2,593             | 633               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0              | 0             | 0              | 16,802                  | 21,086             |
| 279    | 9857112     | *The Grange School                 | B        | 3,690                    | 10,348            | 2,199             | 729               | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0              | 0             | 0              | 67,366                  | 84,333             |
| 280    | 9857116     | *Upton Heath CoE Primary School    | B        | 537                      | 707               | 163               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0              | 0             | 0              | 5,948                   | 7,356              |
| 281    | 9857117     | *Little Sutton CoE Primary School  | B        | 351                      | 352               | 121               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0              | 0             | 0              | 3,480                   | 4,305              |
| 282    | 9857118     | *Clutton CoE Primary School        | B        | 336                      | 0                 | 141               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0              | 0             | 0              | 2,008                   | 2,484              |
| 283    | 9857119     | *Brereton CoE Primary School       | A        | 524                      | 80                | 123               | 0                 | 0                 | 0                 | 0                  | 0                   | 0                | 0                               | 0              | 0             | 0              | 3,904                   | 4,632              |
|        |             | <b>Total</b>                       |          | <b>5,589,991</b>         | <b>8,812,277</b>  | <b>12,492,903</b> | <b>3,435,676</b>  | <b>3,515,674</b>  | <b>1,090,693</b>  | <b>346,792</b>     | <b>310,220</b>      | <b>9,862</b>     | <b>-5,715</b>                   | <b>251,144</b> | <b>78,583</b> | <b>134,017</b> | <b>176,800,346</b>      | <b>212,862,462</b> |

\* Employers who joined the Fund during 2017/18.

The figures have been rounded to the nearest pound. In addition to the contributions shown employers also contributed £6.5m towards the cost of Early Retirements. There are additional employers showing on the above breakdown due to some employers sharing a centre code.

# Scheme Advisory Board Disclosures 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 actively contributing (made contributions into the Fund in 2017-18) and ceased contributing (made no contributions into the Fund in 2017-18).

| 2017-18        | Actively Contributing | Ceased Contributing | Total      |
|----------------|-----------------------|---------------------|------------|
| Scheduled Body | 192                   | 33                  | 225        |
| Admitted Body  | 91                    | 58                  | 149        |
| <b>Totals</b>  | <b>283</b>            | <b>91</b>           | <b>374</b> |

- 2) The table below provides an analysis of fund assets as at 31 March 2018

|                            | UK               | Non-UK         | Global           | Total            |
|----------------------------|------------------|----------------|------------------|------------------|
|                            | £000             | £000           | £000             | £000             |
| Equities                   | 15,517           |                | 776,524          | 792,041          |
| Bonds                      | 352,959          |                | 2,477,150        | 2,830,109        |
| Property (direct holdings) | 413,304          |                |                  | 413,304          |
| Alternatives               | 248,709          | 854,075        | 28,379           | 1,131,163        |
| Cash                       | 85,655           |                | 84,227           | 169,882          |
| <b>Total</b>               | <b>1,116,144</b> | <b>854,075</b> | <b>3,366,280</b> | <b>5,336,499</b> |

- 3) The table below provides an analysis of investment income accrued as at the 31 March 2018

|                            | UK            | Non-UK     | Global       | Total         |
|----------------------------|---------------|------------|--------------|---------------|
|                            | £000          | £000       | £000         | £000          |
| Equities                   |               |            | 6,356        | 6,356         |
| Alternatives               | 7,724         | 708        |              | 8,432         |
| Property (direct holdings) | 19,693        |            |              | 19,693        |
| Cash                       | 221           |            | 39           | 260           |
| <b>Total</b>               | <b>27,638</b> | <b>708</b> | <b>6,395</b> | <b>34,741</b> |

# 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 (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

## 1.6 How do I find my way around this document?

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

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

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

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

- A. the regulatory background, including how and when the FSS is reviewed,
- B. who is responsible for what,
- C. what issues the Fund needs to monitor, and how it manages its risks,
- D. some more details about the actuarial calculations required,
- E. the assumptions which the Fund actuary currently makes about the future,
- F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Christine Mann, Pension Fund Manager in the first instance.

Email: [christine.mann@cheshirewestandchester.gov.uk](mailto:christine.mann@cheshirewestandchester.gov.uk)

Tel: 01244 972188.

## 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:

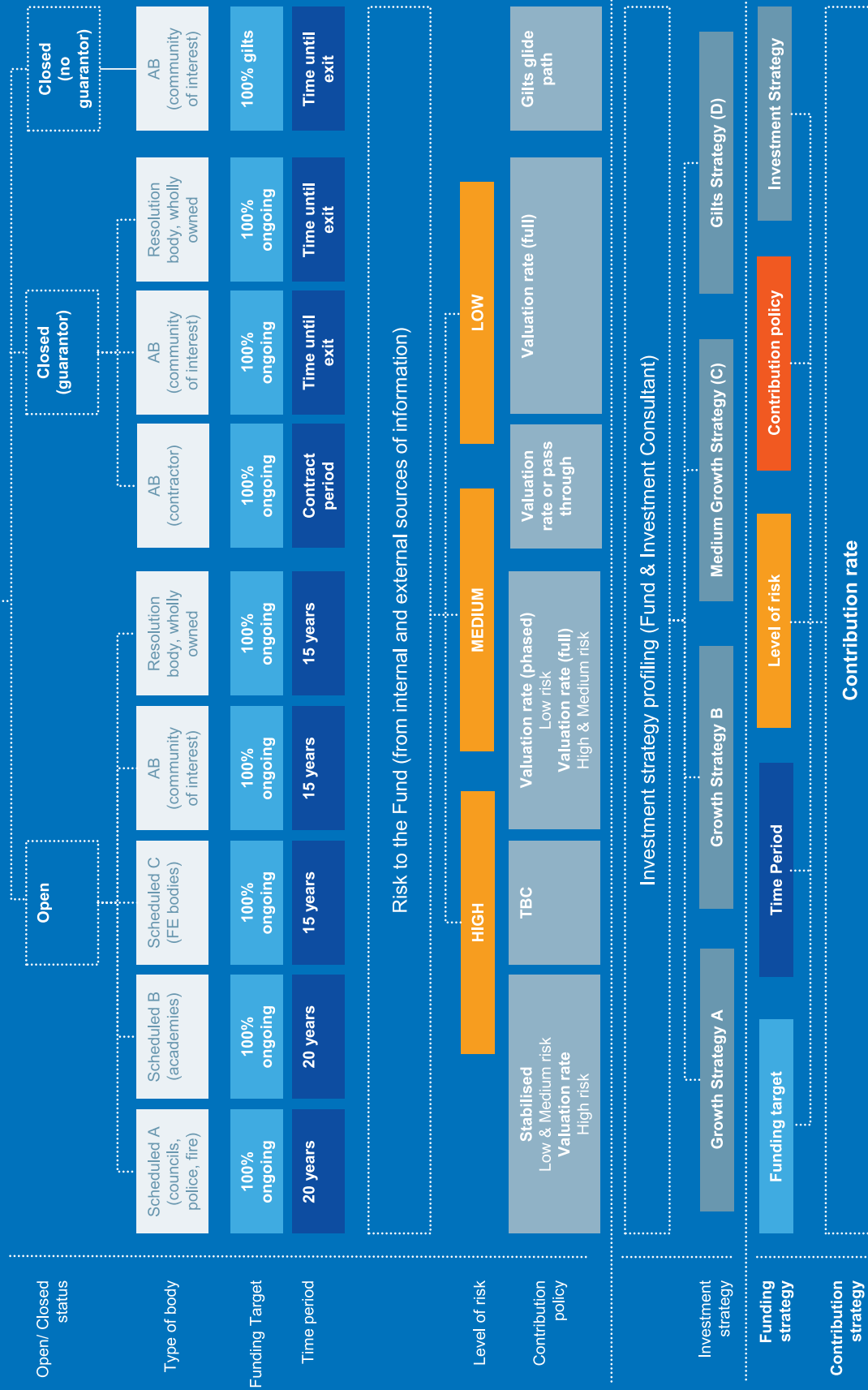
- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
  - lower contributions in the short term may lead to higher contributions in the long term; and
  - it may take longer to reach 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. |

## Draft overview of employer framework for 2016 valuation

### Employer





**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.

**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.

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 (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](http://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](http://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.

### C2 Financial Risks

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



| 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.<br>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.<br>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.<br>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.<br><b>However, there are protections where there is concern, as follows:</b><br><br>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).<br><br>For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts. |

## C4 Regulatory risks

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

## C5 Governance risks

| Risk  | Summary of Control Mechanisms   |
|---|---|
| Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants. | The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.<br>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations<br>Deficit contributions may be expressed as monetary amounts.   |
| Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way  | The Administering Authority maintains close contact with its specialist advisers.<br>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.<br>Actuarial advice is subject to professional requirements such as peer review.  |
| Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.   | The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.<br>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.  |
| An employer ceasing to exist with insufficient funding or adequacy of a bond.   | The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.<br><b>The risk is mitigated by:</b><br>Seeking a funding guarantee from another scheme employer, or external body, where ever possible (see Notes (h) and (j) to 3.3).<br>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.<br>Vetting prospective employers before admission.<br>Where permitted under the regulations requiring a bond to protect the Fund from various risks.<br>Requiring new Community Admission Bodies to have a guarantor.<br>Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3).<br>Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3). |

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

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

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

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

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

### D2 How is the Primary contribution rate calculated?

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

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

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

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

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

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

### D3 How is the Secondary contribution rate calculated?

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

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

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

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

- 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

|                                      |   |
|--------------------------------------|---|
| <b>Actuarial assumptions / basis</b> | The combined set of assumptions made by the actuary, regarding the future, to calculate the value of <b>the funding target</b> . The main assumptions will relate to the <b>discount rate</b> , salary growth, pension increases and longevity. More prudent assumptions will give a higher target value, whereas more optimistic assumptions will give a lower value.        |
| <b>Administering Authority</b>       | The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".  |
| <b>Admission Bodies</b>              | 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).   |
| <b>Covenant</b>                      | 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.  |
| <b>Designating Employer</b>          | 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.   |
| <b>Discount rate</b>                 | 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 <b>funding target</b> 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 <b>Primary and Secondary rates</b> . |
| <b>Employer</b>                      | An individual participating body in the Fund, which employs (or used to employ) <b>members</b> of the Fund. Normally the assets and <b>funding target</b> values for each employer are individually tracked, together with its <b>Primary rate</b> at each <b>valuation</b> .   |

|                              |   |
|------------------------------|---|
| <b>Funding target</b>        | The actuarially calculated present value of all pension entitlements of all <b>members</b> of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the <b>deficit</b> . It is calculated on a chosen set of <b>actuarial assumptions</b> .   |
| <b>Gilt</b>                  | 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.                   |
| <b>Guarantee / guarantor</b> | 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 <b>covenant</b> to be as strong as its guarantor’s.   |
| <b>Letting employer</b>      | 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.  |
| <b>LGPS</b>                  | 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. |
| <b>Maturity</b>              | 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.   |
| <b>Members</b>               | 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).  |



|                                    |   |
|------------------------------------|---|
| <b>Primary contribution rate</b>   | 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.  |
| <b>Profile</b>                     | The profile of an employer's membership or liability reflects various measurements of that employer's <b>members</b> , 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 <b>maturity</b> also.                              |
| <b>Guarantee / guarantor</b>       | A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal <b>valuation</b> . 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.   |
| <b>Scheduled Bodies</b>            | 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).   |
| <b>Secondary contribution rate</b> | The difference between the employer's actual and <b>Primary contribution rates</b> . In broad terms, this relates to the shortfall of its asset share to its <b>funding target</b> . See Appendix D for further details.  |
| <b>Stabilisation</b>               | 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.   |
| <b>Valuation</b>                   | 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:

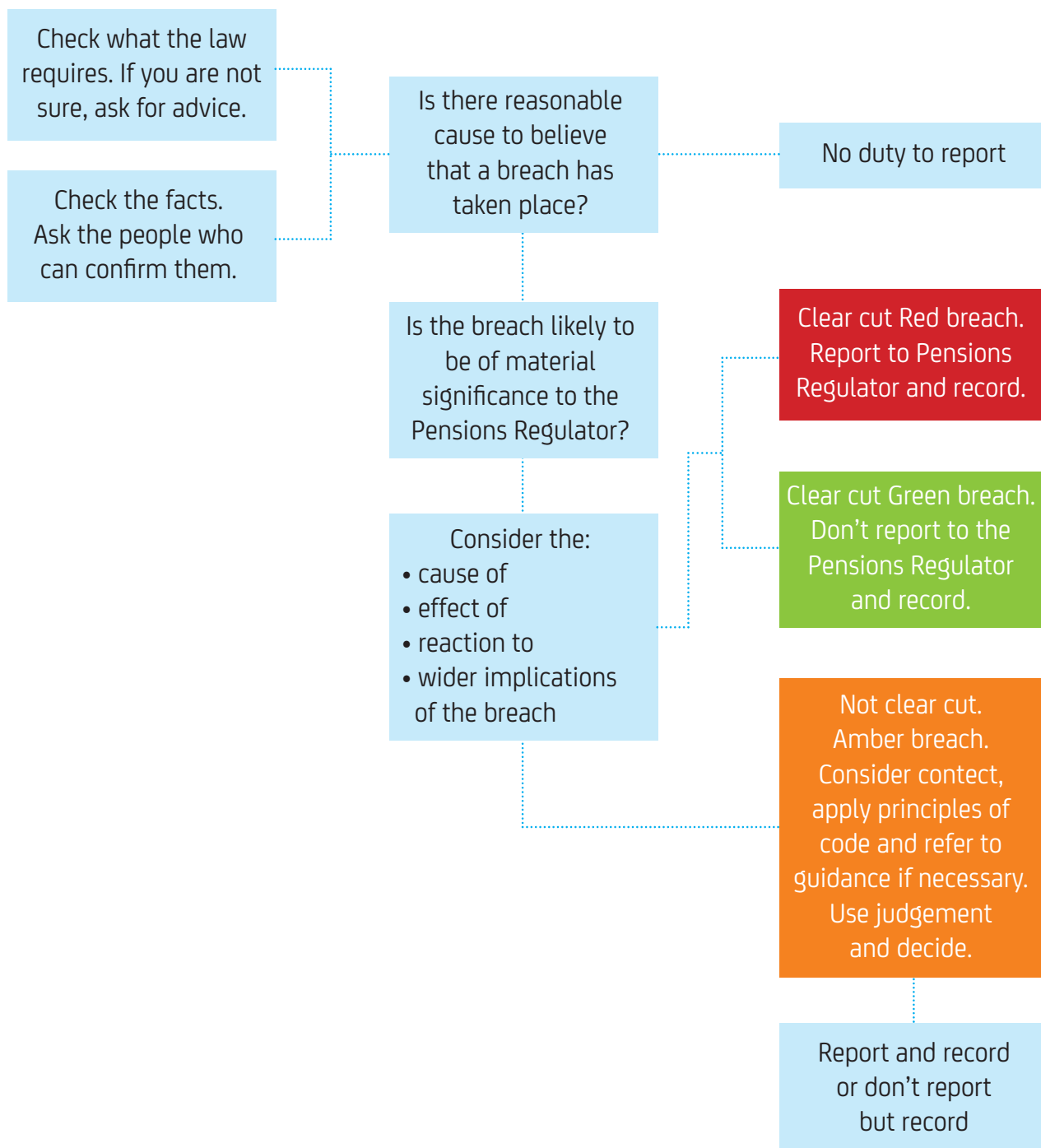
- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

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](mailto: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 selection and 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 improve 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 required 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. 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 2018 for each of the four investment strategies is shown in table 1.

**Table 1 – Strategic Asset Allocation**

|                                    |   | Investment Strategy (%) |           |               |       |
|------------------------------------|---|-------------------------|-----------|---------------|-------|
| Asset Class                        | Investment Objective  | Growth A                | Growth B  | Medium growth | Gilts |
| <b>Growth</b>                      |   | <b>60</b>               | <b>50</b> | <b>50</b>     | -     |
| Equity                             | <ul style="list-style-type: none"> <li>- Exposure to global equity markets.</li> <li>- Outperform global equity markets</li> <li>- Contains high conviction active strategy with meaningful outperformance target.</li> </ul> | 30                      | 20        | 20            | -     |
| Absolute Return                    | <ul style="list-style-type: none"> <li>- Exposure to global equity markets.</li> <li>- Outperform global equity markets</li> <li>- Contains high conviction active strategy with meaningful outperformance target.</li> </ul> | 15                      | 15        | 15            | -     |
| Liquid Alternatives                | <ul style="list-style-type: none"> <li>- Long term returns in excess of public equity markets</li> <li>- Access to assets that provide link to inflation</li> </ul>   | 15                      | 15        | 15            | -     |
| <b>Diversifying &amp; Matching</b> |   | <b>40</b>               | <b>50</b> | <b>50</b>     | -     |
| Diversifying Fixed Income          | <ul style="list-style-type: none"> <li>- Unconstrained exposure to fixed income</li> <li>- Focus on return generation</li> <li>- Flexible duration</li> </ul>   | 20                      | 20        | 20            | -     |
| Liability Aware                    | <ul style="list-style-type: none"> <li>- Access to assets which provide liability matching characteristics such as movements in interest rates and inflation</li> </ul>   | 20                      | 30        | 30            | 100   |

*The Fund allows asset allocations to fluctuate around the target allocations subject to the tolerances set out in table 2 overleaf.*

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.

**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 Allocations**

| Asset class               | Growth Strategies A&B <sup>1</sup> | Medium Growth |
|---------------------------|------------------------------------|---------------|
| Equities                  | 25.0%                              | 25.0%         |
| Absolute Return           | 17.5%                              | 17.5%         |
| Illiquid Alternatives     | 17.5%                              | 17.5%         |
| 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.

<sup>1</sup> Maximum allocations for Growth Strategy A and B reflect the maximum allocation that would apply where the investment strategy is on the last step as part of the risk management framework i.e. has moved through the 97% funding level trigger (see the Risk Management/De-risking Strategy on the Fund's website for further details).

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

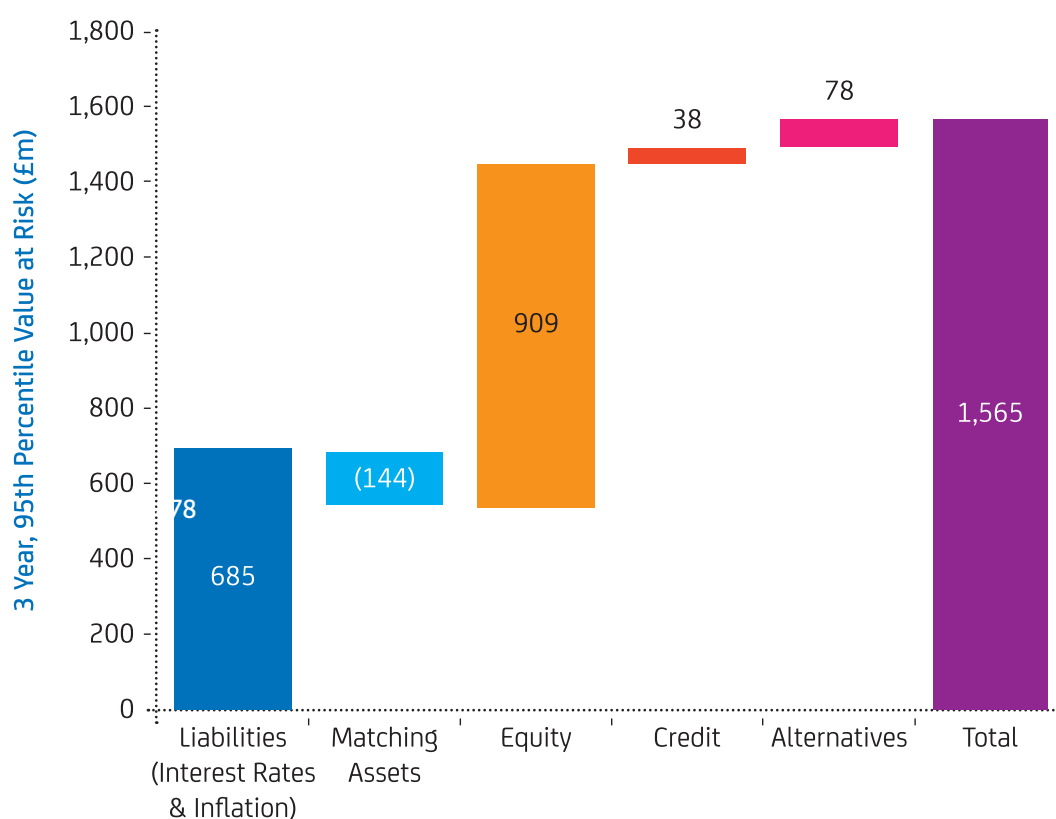
The Fund assesses risks both qualitatively and quantitatively, with the starting point being the investment strategy review which is undertaken every three years. The Fund's approach to risk is informed by the Pension Fund Committee, its professional advisors and officers of the Fund.

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 Pension Fund Manager being responsible for the oversight of this process.

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 31 March 2018) 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.£484m              |
| Rise in Inflation               | 1% increase in inflation                     | c.£650m              |
| Fall in interest rates          | 1% fall in interest rates                    | c.£746m <sup>2</sup> |
| Active Manager underperformance | 3% underperformance from all active managers | c.£71m               |

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.

<sup>2</sup> 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

LGPS Central Ltd has been set up as an arms-length company, accredited by the Financial Conduct Authority, to manage the pooled investment assets of eight LGPS funds across the centre of England. The Cheshire Pension Fund is one of the eight partner funds, all of whom hold equal shares in the company. LGPS Central started trading on 3rd April 2018 and all partner funds will gradually start to migrate assets to the company over the next few years. The Fund is participating in the LGPS Central pool with the belief that the Fund will benefit from lower investments costs achieved through the aggregation of assets. In addition, the Fund will have greater access to a broader range of investable asset classes, including new and innovative products and services. LGPS Central and the partner funds have put in place a robust governance framework to ensure the company operates effectively and delivers timely and transparent reporting to shareholders and client funds.

The Fund will retain full responsibility and control over its strategic investment allocation policy with LGPS Central being responsible for implementing the strategy via the engagement and dismissal of managers and the day to day monitoring of manager investment performance. Subject to satisfactory due diligence and value for money considerations being satisfied, the Fund intends to invest all its assets with LGPS Central but will maintain some cash balances locally.

## 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><b>Principle 1 effective decision making:</b></p> <p>Administering authorities should ensure:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</li> </ul> | <p><b>Compliant</b></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><b>Principle 2 clear objectives:</b></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><b>Compliant</b></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><b>Principle 3 risk and liabilities:</b></p> <ul style="list-style-type: none"> <li>• In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</li> <li>• These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</li> </ul>  | <p><b>Compliant</b></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><b>Principle 4 Performance assessment:</b></p> <ul style="list-style-type: none"> <li>• Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.</li> <li>• 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.</li> </ul>  | <p><b>Partially compliant</b></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><b>Principle 5 responsible ownership:</b></p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> <li>• adopt, or ensure their investment managers adopt, the Financial Reporting Council's (FRC) Stewardship Code on the responsibilities of shareholders and agents.</li> <li>• include a statement of their policy on responsible ownership in the Investment Strategy Statement.</li> <li>• report periodically to scheme members on the discharge of such responsibilities.</li> </ul> | <p><b>Compliant</b></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><b>Principle 6 responsible ownership:</b></p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• should provide regular communication to scheme members in the form they consider most appropriate.</li> </ul>  | <p><b>Compliant</b></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"><li>- The Fund will set longer-term performance objectives for its investment managers.</li><li>- 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.</li><li>- 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.</li></ul>  |
| 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"><li>- The Fund will engage with companies when engagement will add value to the Fund.</li><li>- The Fund is committed to compliance with the UK Stewardship Code<sup>1</sup> and working within the spirit of the United Nations Principles of Responsible Investment (“UNIPRI”).</li><li>- We will hold our investment managers to account to ensure compliance with this policy.</li><li>- 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.</li><li>- The Fund will exercise its voting rights in all markets where practicable.</li></ul> |
| 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"><li>- 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).</li><li>- 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.</li></ul>  |

<sup>1</sup> 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:

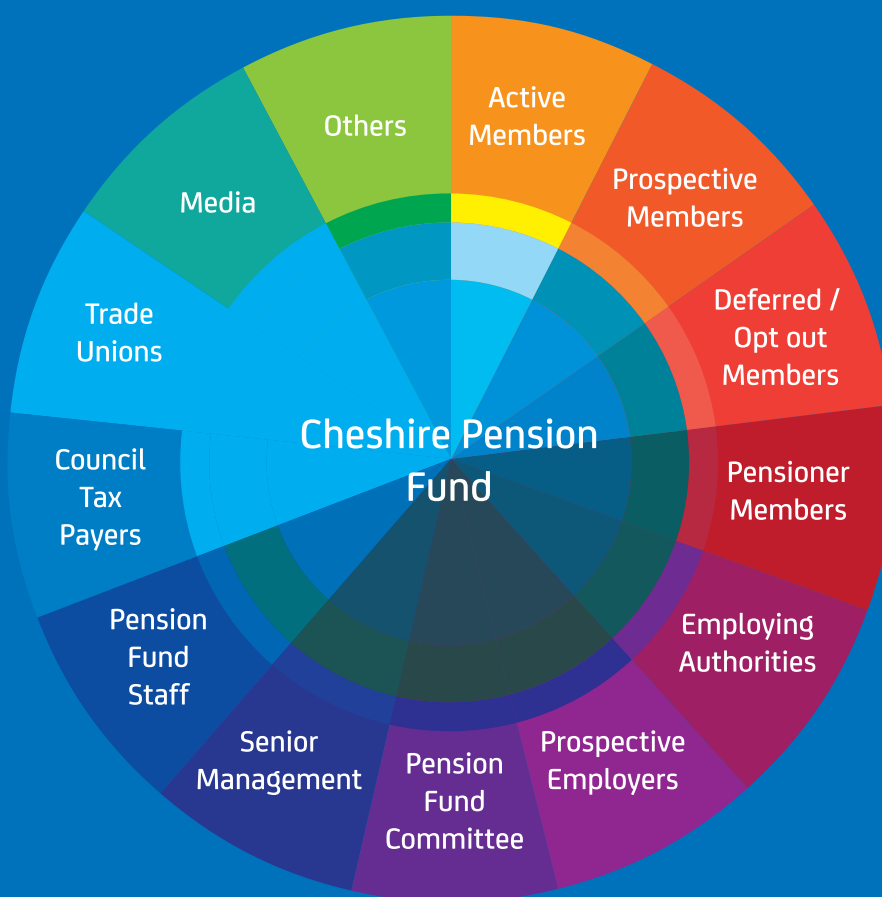
**The Right Message  
At the Right Time  
To the Right Customer  
Using the Right Media  
At the Right Cost**

## 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"> <li>• Promote the LGPS as an attractive benefit to members</li> <li>• Improve the understanding of how the LGPS works</li> <li>• Inform scheme members of their pension rights and benefits</li> <li>• Improve business efficiency and reduce queries and complaints through improved communication</li> <li>• Comply with statutory obligations</li> </ul>               | <ul style="list-style-type: none"> <li>• The full benefit package the LGPS offers in addition to the basic pension</li> <li>• Difference between post and pre 2014 scheme and benefits</li> <li>• Pre 2014 benefits remain unchanged</li> <li>• What it costs</li> <li>• Retirement Age</li> <li>• 50:50 contribution option</li> <li>• Employer also pays in to the scheme on the members behalf</li> <li>• Impact of any changes in legislation</li> <li>• The Pension Fund is a centre of excellence for technical and strategic advice on LGPS pension issues</li> <li>• The Pension Fund is managed and administered efficiently within a robust governance framework</li> </ul> |
| Prospective Members | <ul style="list-style-type: none"> <li>• Improve take up of the LGPS, but acknowledging and respecting that prospective scheme members have the right to choose whether they join or not;</li> <li>• Promote the LGPS as an attractive benefit to members</li> <li>• Improve the understanding of how the LGPS works</li> <li>• Inform employees of their prospective pension rights and benefits</li> </ul> | <ul style="list-style-type: none"> <li>• The full benefit package the LGPS offers in addition to the basic pension</li> <li>• Opt outs can re-join the scheme</li> <li>• What it costs</li> <li>• 50:50 contribution option</li> <li>• Employer also pays in to the scheme on the members behalf</li> <li>• Impact of auto-enrolment</li> <li>• Understand the impact of any changes in legislation</li> <li>• The Pension Fund is a centre of excellence for technical and strategic advice on LGPS pension issues</li> <li>• The Pension Fund is managed and administered efficiently within a robust governance framework</li> </ul>   |



| Audience group                               | Objective   | Message  |
|--|---|--|
| <b>Deferred Members (including opt outs)</b> | <ul style="list-style-type: none"> <li>• Inform scheme members of their pension rights and benefits</li> <li>• Promote the LGPS as an attractive benefit to members</li> <li>• Improve the understanding of how the LGPS works</li> <li>• Improve business efficiency and reduce queries and complaints through improved communication</li> <li>• Comply with statutory obligations</li> </ul>  | <ul style="list-style-type: none"> <li>• The full benefit package the LGPS offers in addition to the basic pension</li> <li>• Opt outs can re-join the scheme</li> <li>• Difference between post and pre 2014 scheme and benefits</li> <li>• Pre 2014 benefits remain unchanged</li> <li>• What it costs</li> <li>• Retirement Age</li> <li>• 50:50 contribution option</li> <li>• Employer also pays in to the scheme on the members behalf</li> <li>• Impact of auto-enrolment</li> <li>• Keep personal details up to date</li> <li>• Understand the impact of any changes in legislation</li> <li>• The Pension Fund is a centre of excellence for technical and strategic advice on LGPS pension issues</li> <li>• The Pension Fund is managed and administered efficiently within a robust governance framework</li> </ul>  |
| <b>Pensioner Members</b>                     | <ul style="list-style-type: none"> <li>• Reaffirm pensioners of their pension rights and benefits</li> <li>• Improve business efficiency and reduce queries and complaints through improved communication</li> </ul>  | <ul style="list-style-type: none"> <li>• Benefits remain unchanged</li> <li>• Pensions Increase</li> <li>• Pay Dates</li> <li>• Keep personal details up to date</li> <li>• Dependants pension and nomination process</li> <li>• Contact Tax Office with tax queries</li> <li>• Impact of any changes in legislation</li> <li>• The Pension Fund is a centre of excellence for technical and strategic advice on LGPS pension issues</li> <li>• The Pension Fund is managed and administered efficiently within a robust governance framework</li> </ul>   |
| <b>Employing Authorities</b>                 | <ul style="list-style-type: none"> <li>• Employers understand how the scheme works</li> <li>• Ensure employers have the necessary information to provide their employees with information about the LGPS</li> <li>• Employers actively promote the LGPS as an important tool in the attraction and retention of employees</li> <li>• Raise employers knowledge and awareness of the key drivers of changes to their pension liabilities and the strategy to fund these liabilities</li> <li>• Inform employers about the management and administration of the Fund</li> <li>• Employers understand their roles and responsibilities and comply with their statutory obligations as a scheme employer</li> <li>• Improve working relationships and data flows</li> <li>• Employers deliver accurate and timely data within the published employer targets</li> </ul> | <ul style="list-style-type: none"> <li>• Employers have a responsibility to provide employees with information about the LGPS.</li> <li>• Employers should promote the LGPS</li> <li>• Employers should understand how the Scheme works</li> <li>• Employers should understand the impact of any changes in legislation</li> <li>• Employers must deliver their LGPS responsibilities and comply with their statutory obligations as a scheme employer</li> <li>• Employers have a responsibility to provide accurate and timely data</li> <li>• Employers should engage with the Pension Fund as earlier as possible if outsourcing any staff</li> <li>• The Pension Fund is a centre of excellence for technical and strategic advice on LGPS pension issues</li> <li>• The Pension Fund is managed and administered efficiently within a robust governance framework</li> </ul> |



## 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: <a href="http://www.cheshirepensionfund.org">www.cheshirepensionfund.org</a><br>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   |
|--|---|
| <b>Prospective Employers</b>                       | 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.  |
| <b>Pension Fund Committee</b>                      | <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> |
| <b>Administering Authority's Senior Management</b> | <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>  |
| <b>Professional Advisors</b>                       | The Fund's management team meets with and has regular dialogue with its advisers (such as actuarial and investment advisors) to secure information and advice over a wide range of issues relating to the Fund.   |



| Description  | Service  |
|--|--|
| 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. |
| 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 Fund's 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](http://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](mailto: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](mailto:pensions@cheshirewestandchester.gov.uk)

Or visit our website: [www.cheshirepensionfund.org](http://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.

To promote accessibility for all, this document can be made available in other formats upon request.



## Independent auditor's report to the members of Cheshire West and Chester Council on the consistency of the pension fund financial statements included in the Pension Fund Annual Report

### Opinion

The pension fund financial statements of Cheshire West and Chester Council (the "Authority") for the year ended 31 March 2018 which comprise the Fund Account, the Net assets statement and the notes to the financial statements, including a summary of significant accounting policies, of Cheshire Pension Fund are derived from the audited pension fund financial statements for the year ended 31 March 2018 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 and applicable law.

### Pension Fund Annual Report - Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 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 work has been undertaken so that we might state to the members of the Authority 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.

## The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 26 July 2018.

### Chief Operating Officer's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the chief financial officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

### Auditor's responsibility

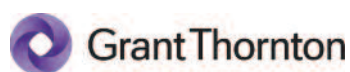
Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

#### John Farrar

for and on behalf of Grant Thornton UK LLP,  
Appointed Auditor 4 Hardman Square

Spinningfields Manchester M3 3EB

26 July 2018



## 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](mailto:pensions@cheshirewestandchester.gov.uk)

Alternatively, you can contact a member of the Pensions Management Team as follows:

**Chief Operating Officer** Mark Wynn **Tel:** 01244 972692 **Pension Fund Manager** Christine Mann **Tel:** 01244 972188