



Cornwall
Pension
Fund

Annual Report

2014-15

Contacts

Information about Pension Fund Strategy and Investment Issues

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The Cornwall Pension Fund is administered by Cornwall Council.



Cornwall Pension Fund annual report 2014-15

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Chairman's statement

It is a privilege to have been elected for a third year as Chairman of the Pensions Committee and I would like to take this opportunity to once again thank all the Members who have served on the Committee during the past year. A list of Members of the Committee who served during 2014-15 is shown on page 6. I would particularly like to express my thanks to the Employee and Employer representatives whom ensure that all stakeholders in the Fund are appropriately represented on the Committee.

Since 2012 the fund has made major changes to the investment strategy, the latest change being the Hedge Fund investment explained below. The overall strategy is to create a fund that whilst seeking to make investments giving the best returns also seeks on behalf of its members to create a stable fund that is resilient as possible to future changes in market conditions, world political events, inflation and interest rate movements.

The Committee again attended a number of training events during the year which were arranged by our various professional advisers and investment managers. These training sessions are designed to ensure that the Committee comply with the knowledge and skills framework and ensures that this knowledge is then utilised in the decision making process. As in previous years one of these training days was a joint enterprise with the committee of the Devon Pension Fund, which allows us to share ideas and best practise in our governance of our Funds.

The transition to the approved investment strategy was continued during the year and the details of the new strategies and managers are contained

in the following pages. Within our investment strategy is an exposure to the Hedge Fund asset class, which is there to aid with diversification across the portfolio. As part of this review of our Hedge Fund allocation, we took the opportunity to investigate whether we could build a solution that could not only be beneficial to our Fund, but also to the wider Local Government Pension Scheme (LGPS) community, where we could all benefit from collaboration by reducing costs. I am pleased to say that this is exactly what our new mandate with MAN/FRM provides, and we have already been joined by the Clywd Pension Fund and with our collectivisation we have seen a reduction in our costs.

The industry has seen the vision our Hedge Fund platform can provide for the LGPS community, as this has been reflected in the Cornwall Pension Fund winning the CIO European Innovation Award for Asset Allocation and the Institutional Investor UK & Ireland Award for Best Use of Hedge Funds in 2015.

The other major change that has been implemented is the creation of a Local Pension Board (LPB) for the Cornwall Pension Fund. The LPB is a requirement of the Pensions Act 2013 and came into being on 1 April 2015. The role of the LPB is to ensure that the Fund complies with the relevant regulations and that due process is followed on decisions taken by the Committee. The creation of the LPB is welcomed by the Committee, as it will aid in ensuring that good governance of the Cornwall Pension Fund is undertaken and I look forward to working with the LPB in the future.



I would also like to mention the very professional officers in the investments and administration teams who have run the Fund carefully and skilfully this last year - thank you on behalf of the Committee

As ever the world of pensions never sits still and we await the Government's responses to the consultation of cost saving and collaboration within the LGPS as well as preparing for the next triennial valuation which takes place in April 2016.

Derek Holley

Chairman, Cornwall Pensions Committee

Auditor's opinion

Independent auditor's statement to the members of Cornwall Council on the Pension Fund financial statements

We have examined the pension fund financial statements of Cornwall Council for the year ended 31 March 2015 under the Audit Commission Act 1998, which comprise the Fund Account, the Net Assets Statement and the related notes.

This statement is made solely to the members of Cornwall Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Statement 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 work, for this report, or for the opinions we have formed.

Respective responsibilities of Head of Business Planning and Development and the auditor

As explained more fully in the Statement of the Head of Business Planning and Development's Responsibilities, the Head of Business Planning and Development is responsible for the preparation of the pension fund's financial statements, in accordance with applicable law, proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view.

Our responsibility is to state to you our opinion on the consistency of the pension fund financial statements included in the pension fund annual report with the pension fund financial statements included in the Statement of Accounts of Cornwall Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition we read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of Chairman's Statement, Governance, Fund Management, Performance of the Fund and Regulatory Statements.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's annual Statement of Accounts describes the basis of our opinions on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included within the annual Statement of Accounts of Cornwall Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

John Golding Partner

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

Hartwell House, 55-61 Victoria Street
Bristol BS1 6FT

25 September 2015

Committee membership and attendance

During the year ended 31 March 2015 there were four meetings of the Pensions Committee and one annual employers meeting.

Member attendance at Committee meetings during 2014-15	Committee meetings attended
Cllr Derek Holley (Chairman)	4
Cllr Sue James (Vice Chairman)	4
Cllr John Coombe	2
Cllr Bernie Ellis	3
Cllr Hilary Frank	2
Cllr Tom French	2
Cllr Brian Hobbs	4
Cllr Joanna Kenny	3
Cllr Patrick Lambshead	3
Cllr Viv Lewis	3
Member nominated representatives	
Sharon Foster	4
Andy Stott	3
Employers' representatives	
Chris Wilson	4
Daniel Sloman	4

Fund employers on 31 March 2015			
	Active	Ceased	Total
Cornwall Council	1	-	1
Designated bodies	30	1	31
Scheduled bodies	63	5	68
Admitted bodies	30	13	43
Total	124	19	143

Scheme membership

Contributors and pensioners on 31 March					
	2011	2012	2013	2014	2015
Contributors					
Cornwall Council	12,602	11,196	9,207	9,740	8,766
Other Bodies	3,572	4,391	6,176	7,563	8,498
Total Number of Contributors	16,174	15,587	15,383	17,303	17,264
Pensioners					
Receiving Benefits	9,410	10,101	10,666	11,101	11,691
Deferred Benefits	13,588	15,108	14,949	17,035	18,711
Total Number of Pensioners	22,998	25,209	25,615	28,136	30,402

On 31 March 2015 there were 124 employers in the Fund with active members (114 in the previous year). During the year the number of employees in the Scheme decreased by 39 (0.2%) to 17,264. The number of pensioners being paid increased by 590 (5.3%) to 11,691.

The number of early retirements through redundancy or for reasons of efficiency or employers' discretion was 189 (112 in the previous year). The number of ill-health early retirements was 14 (last year 18), which equates to 0.8 per 1,000 active members.

Committee

The Scheme of Delegation

Cornwall Council has set up a Pensions Committee to exercise its functions as the Administering Authority for the Local Government Pension Scheme in Cornwall. This responsibility includes managing the investments of the Fund.

The Pensions Committee has agreed to delegate certain of its responsibilities for managing the Fund's investments to the Head of Business Planning and Development. This Scheme of Delegation sets out the limits of that delegation.

The Committee has also delegated day-to-day management of the Fund's investments to professional investment managers. Legally binding agreements govern the relationship between Cornwall Council and the investment managers.

Irrespective of whether or not the Committee decides to delegate a function to an officer, it is essential that those making a decision receive proper advice from suitably qualified people or organisations (usually the Head of Business Planning and Development or the Fund's investment consultants and advisers).

Nothing in this Scheme of Delegation can override the responsibility of Members and Officers to comply with Cornwall Council's Constitution, Financial Regulations, or Standing Orders.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations provide the legal framework governing investments by the Pension Fund. Any decisions or actions taken by the Committee, Members or officers must comply with these regulations.

Role of the Committee

The Pensions Committee exercises the functions of Cornwall Council as administering authority for the Local Government Pension Scheme in Cornwall. The Pensions Committee comprises voting members representing Cornwall Council, the employers and the employee unions. The Committee is supported by professional advisers and officers who principally oversee how the Scheme is run and how the assets of the Fund are managed. A large part of the work involves monitoring how the fund managers perform and the investments which they are responsible for.

One requirement in managing the Fund and reducing any risk, as far as possible, is to make sure the assets are spread over different asset classes, in different countries and between fund managers. We need to get the balance right between the desire for improved returns and the possible 'risk' of those returns dropping due to investment conditions. In addition, the Committee acknowledges the responsibility as a major shareholder. The task of exercising voting rights is delegated to fund managers who report back to the Committee on the actions taken at the next meeting. The Committee will also consider pension issues as they arise.

Delegation to Officers – Head of Business Planning and Development

At its meeting on 17 September 2014, the Committee agreed a Scheme of Delegation to the Head of Business Planning and Development.

This is included in the Governance Policy Statement included later in this Report but can be summarised as follows:

The Committee retains responsibility for the following items:

- The Fund's investment strategy
- The Statement of Investment Principles
- Approval of all policies
- The appointment of investment managers, consultants and the custodian
- Approval of the Annual Business Plan
- Approval of Annual Report and Accounts
- Acceptance of the triennial valuation report produced by the Fund Actuary
- Appointment of AVC providers

The Committee delegates to the Head of Business Planning and Development responsibility for the following items:

- Managing and monitoring the investment managers, consultants and custodian
- Managing the Fund's cash assets directly held by the Administering Authority
- Transferring assets between the Administering Authority, the investment managers and custodian
- Accounting for all investment transactions
- Within limits, authorising expenditure from the Fund
- Paying the fees of the investment managers and the custodian
- When necessary, exercising the Fund's voting rights after consulting the Chairman and Vice Chairman
- Admitting organisations into the Pension Scheme after consulting the Chairman and Vice Chairman

Role of the Local Pension Board

As required by Regulation 106 of the Local Government Pension Scheme Regulations 2013 Cornwall Pension Fund has established a local pension board, the role of which is to;

- assist Cornwall Council (CC) as Scheme Manager –
 - to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS
 - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
 - in such other matters as the LGPS regulations may specify.
- secure the effective and efficient governance and administration of the LGPS for the Cornwall Pension Fund
- provide the Scheme Manager with such information as it requires in order to ensure that any member of the LPB or person to be appointed to the LPB does not have a conflict of interest.

The Pension Board does not carry out a delegated decision making function on behalf of the Administering Authority. Instead the Pension Board will carry out an oversight function to ensure that such decisions are properly compliant with regulations, guidance and internal policies.

Regulatory framework

The Annual Report

The Local Government Pension Scheme Regulations 2013 require administering authorities to prepare a document known as “the pension fund annual report”. From 1 April 2014, this report must contain information about the fund on the following:

- The management and financial performance during the year;
- The authority’s investment policy and a review of performance of the fund assets;
- Administration arrangements;
- A statement by the Actuary of the assets, liabilities and funding level;
- The current version of the Governance Compliance Statement;
- The Fund Account and Net Asset Statement and supporting notes and disclosures in accordance with proper practices;
- The current version of the Statement of Investment Principles;
- The current version of the Communications Statement;
- The current version of the Funding Strategy Statement; and
- Other material considered appropriate.

The Scheme and benefits available

The Local Government Pension Scheme is a statutory scheme, established by an Act of Parliament and governed by regulations made under the Superannuation Act 1972. The Local Government Pension Scheme Regulations 2013 came into force on 1 April 2014. Membership of

the LGPS is open to all employees of local authorities except teachers, fire-fighters and police, who have their own separate schemes.

Pensions and entitlements are still fully protected in law. The Scheme is open to all employees under age 75, whether they work full-time or part-time. Cornwall Council automatically enrolls all employees into the Fund, as long as they have a contract of employment of more than three months duration. Employees with a contract of employment for less than three months may now join the LGPS upon application. All members of the scheme can choose to leave at any time. Employees contribute between 5.5% and 12.5% depending upon their rate of actual pensionable pay in accordance with a pay band contained in the Regulations. In exchange for this contribution rate, employees earn a pension of 1/49th of their pensionable pay for that year. This amount is then added to their pension account and at the end of every scheme year, this amount is increased to take into account the cost of living. This process happens each year until retirement when all the revalued pension accounts are added together to produce a total pension.

Employees also have the option to contribute at half the normal percentage rate and then earn a pension at the rate of 1/98th of their career average pay but, still retain the same death in service and ill-health provisions as an employee paying the normal percentage rate. Pensionable pay includes basic pay plus any overtime and bonuses. Employers contribute at a rate set by the fund actuary and the rates applicable to 31 March 2015 are shown at the end of this report. Further information regarding the various benefits offered can be found on the Cornwall Pension Fund website at www.cornwallpensionfund.org.uk

The Regulations relating to the Fund's Assets

The regulations relating to the management and investment of the Fund's assets are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Under these regulations, we have to consider the different types of investments and their suitability, and to report regularly on all transactions. We must also get proper advice on investment matters. The more significant limits on investments expressed as a percentage of the total value of the fund are shown below.

- Up to 35% of the value of the Fund can be: the limit on what we can invest in open-ended investment schemes; the amount that we can invest in unit trusts managed by one manager (this category now includes a single contract in a managed fund with an insurance company or other similar organisation); and the total value of securities that we can transfer under a stock-lending arrangement we allow; or invested in insurance contracts.
- Up to 30% of the value of the Fund can be: all contributions to partnerships.
- Up to 15% of the value of the Fund can be: the amount that we can invest in unlisted securities of companies.
- Up to 10% of the value of the Fund can be: the size of a single holding (other than in government securities and the local authority mutual investment trust); or the amount of money that we can invest in or lend to an individual institution or local authority.

- Up to 5% of the value of the Fund can be: invested in sub-underwriting contracts.

The Pension Act 1995 applies to occupational pension schemes, from 6 April 1997.

The local authority scheme, while described as an occupational pension scheme, is required to meet further standards. Local authorities are expected to follow examples of good practice, in particular to do with releasing information to pension scheme members.

Regulation changes

Communities and Local Government (CLG) is the government department responsible for the ongoing maintenance of the Local Government Pension Scheme (LGPS).

April 2014 heralded a major structural change to the LGPS with the introduction of effectively a brand new pension scheme. Traditionally the LGPS had been a final salary type pension scheme but from April 2014 this changed to providing future benefits based upon Career Average Revalued Earnings (CARE). All employees that were contributing as at 31 March 2014 were automatically transferred into the new LGPS. However, any employee that had already left employment with preserved benefits, or had retired and were drawing their pension, were not affected by this change. The other unfunded public sector pension schemes like Fire, Teachers and NHS changed to a CARE basis from April 2015. The LGPS was amended a year early in an attempt to mitigate increases to employee contribution rates for the lower paid employees.

Protections were put in place for employees with benefits that had been earned under the "old" LGPS

up to 31 March 2014 and included keeping the link to the rate of final pay at leaving employment or retirement and a normal retirement age of 65 years.

The main features of the new LGPS are:

- Benefits based upon career average pay.
- Accrual rate of 1/49th from April 2014 based upon CARE.
- Membership between April 2008 and March 2014 still earns a pension at the rate of 1/60th per year of service and for membership prior to April 2008 earns a pension at the rate of 1/80th plus a cash lump sum of 3/80th. All of this is still based upon Final Pay at retirement or date of leaving.
- Pensionable pay now including non-contractual overtime.
- Normal retirement age moving from age 65 years to the employee's State Pension Age which for some employees will be age 66 or 67 years.
- Membership qualifying period for pension increasing from 3 months to 2 years.
- Option for employees to pay a half contribution rate in exchange for a pension accrual rate of 1/98th (50:50 Option).
- Employee contribution rate based upon actual pay and varying between 5.5% and 12.5 %, meaning those earning over £43,000 per annum paying higher contributions.
- Part time employees paying contributions based upon actual pay as opposed to their full time equivalent pay, which for some employees will lower their contribution rate.
- Employee has option to retire between ages 55 and 60 without requiring their employer's consent.

- Benefits earned up to 31 March 2014 will be protected and based upon final salary at time of retirement.
- Scheme closed to Councillors but existing Councillors already contributing can remain in pensionable membership until their current period of office ends.

Benefits that did not change include:

- Death in service benefit remaining at 3 times pay.
- Dependant's pensions still payable for life at a 1/160th accrual rate.
- Option at retirement to exchange pension for cash at the rate of £12 cash for each £1 of pension given up.
- Immediate unreduced benefits for employees leaving at age 55 or over on grounds of efficiency or redundancy.
- 3 different Tiers of ill-health retirement.
- Flexible retirement option for employees aged 55 or over but this provision still requires the employer's consent.
- Option to increase main scheme benefits by paying Additional Voluntary Contributions (AVC) or buying Additional Pension.

More of our larger employers have now reached their Staging Date under the Automatic Enrolment legislation and have therefore enrolled more of their employees into the LGPS. This has helped to maintain our active membership over the year and therefore assisted in maintaining a positive cash flow. It is now the turn of our smaller employers to start reaching their Staging Dates over the next couple of years however, owing to their smaller workforce, this will have a minimal effect upon our active membership numbers.

There were 9 new employers admitted to the Cornwall Pension Fund during the year, of which 6 were academies, bringing the total number of academies in the Fund to 54. Recent trends have been for some of our existing academies to merge together and form multi academy trusts which reduce the number of separate employers we have in the fund but still maintain the same membership numbers. In addition, a number of local authority schools that convert to academy status are now deciding to join an existing academy instead of becoming a new separate academy. The Government has provided more certainty over their guarantee to Administering Authorities for covering any pension liabilities that exist if an academy were to close. This has enabled the Cornwall Pension Fund to classify academies as "secure" employers, similar to the Local Authority, and thereby limit any increase in their employer contribution rate following future triennial actuarial valuations.

A change to the LGPS (Management and Investment of Funds) Regulations 2009 occurred with effect from 1 April 2013. The limit of the amount of the Fund that could be invested in Limited Partnership agreements was increased from 15% to 30%. This increase to the limit is designed to enable more investment from Funds into alternative style investment classes, such as Infrastructure and Private Equity Funds, which are generally accessed through Limited Partnership agreements.

Work programme and future

During 2015-16 there are a number of key objectives that will be focussed upon. The transition of the investment strategy has fundamentally been

completed, with the remaining allocations required in the more illiquid alternative asset classes. Therefore, the Fund will continue to seek the best opportunities in the illiquid asset classes, such as infrastructure, to continue the journey to the approved asset allocations.

The most fundamental change that will need to be successfully implemented is the new governance structures that have been applied by the Pensions Act 2013 and came into being on the 1 April 2015. The Pensions Act 2013 created a national scheme advisory board, whose remit is to advise the Secretary of State, who is responsible for the LGPS, on issues relating to the scheme. The Scheme Advisory Board is also there to provide advice and guidance to a Local Pension Board.

The Pension Board is a new entity that is designed to ensure that the Scheme Administrator is following due process. The membership of the Pension Board is made up of employee and employer representatives and a major focus for the year will be to ensure that the representatives receive the appropriate training to effectively undertake their duties and the Board has the correct policies and procedures in place.

In addition, the Pensions Act 2013, now provides a remit for the Pensions Regulator to oversee certain aspects of the LGPS. This will also bring benefits to the membership and should aid in providing good governance of the Fund.

The Cornwall Pension Fund is currently contracted-out of the State Second Pension. As a result, for the 2015/2016 financial year, employees and employers pay a reduced amount of National Insurance contributions on earnings between £5,824 and £40,040.

Governance

The reduction in National Insurance equates to a rebate of 1.4% for employees and 3.4% for employers. In exchange for this rebate, employees have a deduction made to their State Pension called a Guaranteed Minimum Pension (GMP) however, this is paid to them as part of the pension they receive from the Cornwall Pension Fund.

The introduction of a new single tier State Pension from April 2016 means that the Government has decided to end the concept of contracting-out. As a result, employees and employers will no longer receive the National Insurance rebate and we will have to reconcile the GMP amounts we hold for current and former employees with those held by HMRC. This will be an extremely onerous exercise and for this reason, HMRC has allowed us until 2018 to complete it.

Throughout 2015/2016 preparation will be made towards the next triennial actuarial valuation as at March 2016. This will involve various data cleansing checks both within the office and with the fund actuary.

In addition, the Fund is embedding a new employer asset tracking system, which will underpin the methodology and form the basis of the 2016 valuation. This new way of tracking employer's assets will be more robust, accurate and transparent for all the participating employers in the Fund.

As part of a renewal of our administration software contract through a national framework agreement, we are looking to implement a member self-service facility for our employees. This will allow employees to access their membership records over the internet and process an estimate of their own retirement calculations. This will provide employees with more control over their pension entitlement and hopefully

reduce the number of estimate requests that need to be processed by the administration team.

As outlined in the previous two year's annual reports, the Secretary of State announced a formal review of the future structure of the LGPS. The first stage of the process was for the Government to issue a call for evidence from all interested parties. As part of this review there were initially a number of objectives that they wished to consider on either a high or secondary level. The two main objectives were to deal with fund deficits and improve investment returns. The secondary objectives were to reduce investment fees; improve the flexibility of investment strategies; provide access to higher quality resources; provide more in-house investment capabilities; and to improve the cost effectiveness of the administration process. The Pensions Committee considered these objectives and responded to the call for evidence in July, which closed in September 2013. The Government received 133 responses to the call for evidence. After this process, the Secretary of State commissioned Hymans Robertson to undertake a cost-benefit analysis of proposals for reform, although Hymans Robertson was not requested to make recommendations from this analysis. On 1 May 2014, the Department for Communities and Local Government issued a formal consultation, based upon the call for evidence and the cost benefits analysis.

The consultation established 3 main proposals which were:

- Establish common investment vehicles to provide funds with a mechanism to access economies of scale, helping them to invest more efficiently in listed and alternative assets and to reduce investment costs.

- Significantly reducing investment fees and other costs of investment by using passive management for listed assets, since the aggregate fund performance has been shown to replicate the market.
- Keeping asset allocation with the local fund authorities, and making available more transparent and comparable data to help identify the true cost of investment and drive further efficiencies in the Scheme. As part of the consultation, respondents to the consultation were also invited to submit any feasible proposals for the reduction of fund deficits. Once again the Pensions Committee has responded to this formal consultation and we still await a government response to this consultation.

However, in the Chancellors summer budget 2015 the following announcement was made:

'2.19 Local Government Pension Scheme pooled investments

– The government will work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool.'

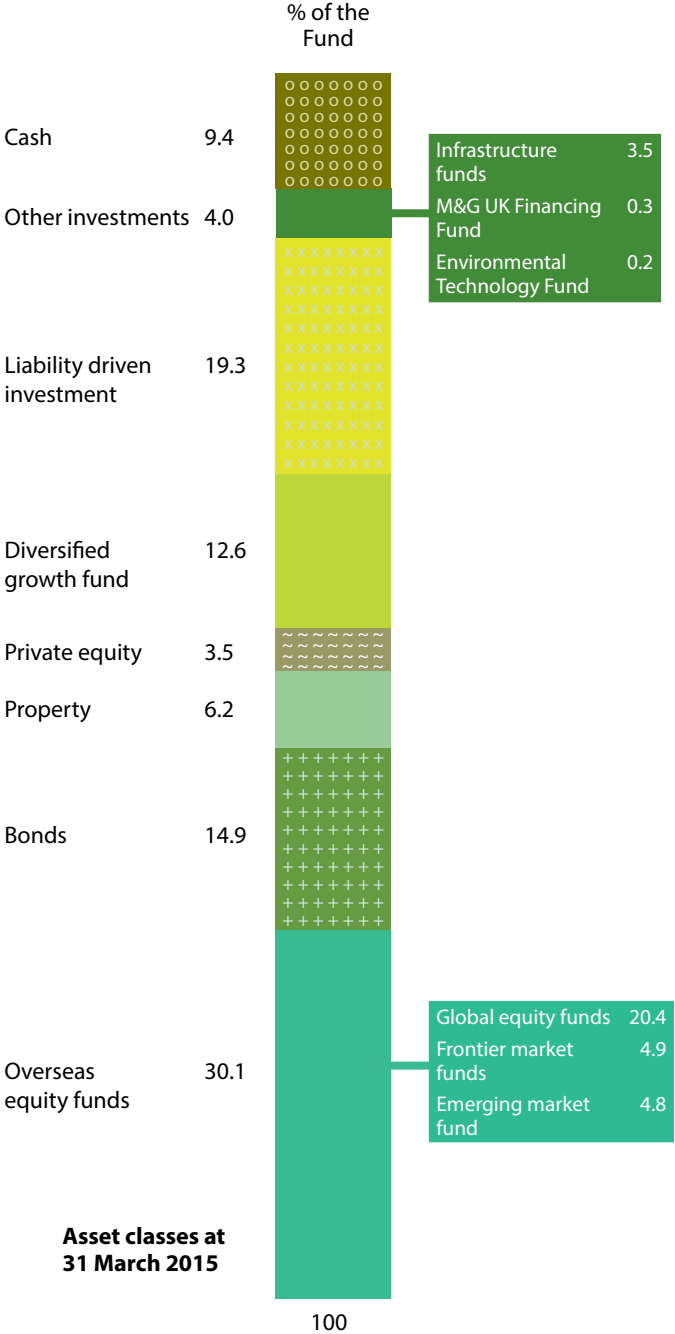
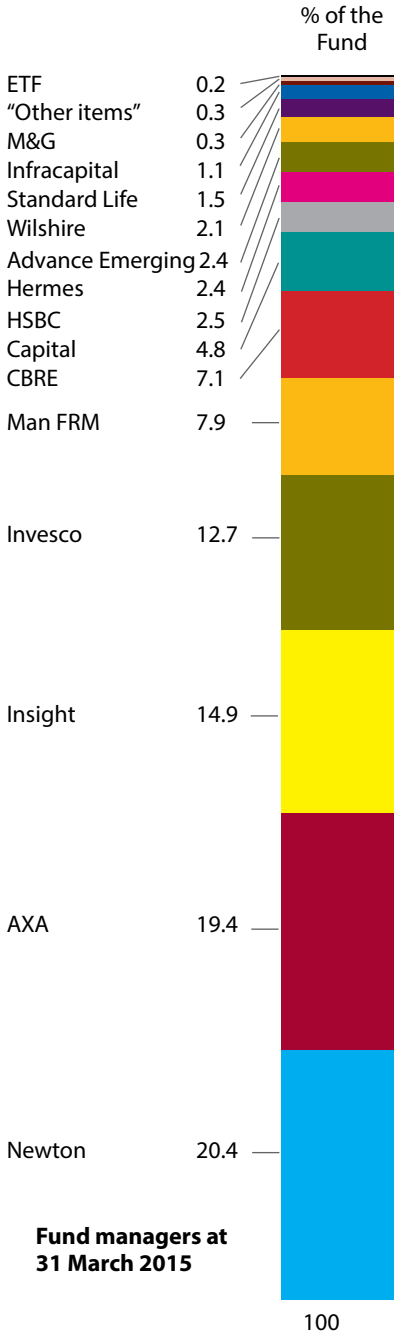
We therefore, now await a further consultation to be issued to which the Fund will undoubtedly respond, as we have in previous consultations.

Fund Management

Fund allocations

Manager Activity

ETF	Investor in environmental technologies
"Other items"	Internal cash and accruals
M&G	A financing fund set-up to make medium term loans to UK companies
Infracapital	Investor in infrastructure-related companies
Standard Life	Investor in companies not listed on the stock exchange (private equity)
Wilshire	Investor in companies not listed on the stock exchange (private equity)
Advance Emerging	Actively manage a range of funds in frontier equity markets
Hermes	Investor in infrastructure-related companies
HSBC	Actively manage investment in companies in frontier equity markets
Capital	Actively manage the shares of companies in emerging markets
CBRE	Actively manage a range of UK property unit trusts
Man FRM	Actively manage a range of hedge funds
Invesco	Investor in derivatives in fixed income, equities & commodities markets
Insight	Actively manage UK interest-bearing stocks (unit trust bonds)
AXA	Investor in assets that have a link to CPI and provide inflation protection
Newton	Actively manage the shares of companies in all equity markets



Performance of the Fund

Annual market commentary

Cornwall Pension Fund Investment Managers Report from Newton Investment Management Limited for the year ended 31 March 2015

During the 12-month period under review, equities registered strong positive returns in all major regions in sterling terms, albeit with heightened market volatility in the second half of 2014. The declining price of oil was a particular feature of markets as weak demand coincided with improved global supply conditions. The lower oil price ensured inflation expectations fell to low levels, supporting the decline in bond yields already fostered by falling global growth expectations. However, large net oil-exporting emerging markets suffered as equity indices declined on dampening growth and earnings prospects.

With global macroeconomic data remaining relatively lacklustre, once again it was monetary intervention that was the dominant factor in pushing asset prices higher. The surprise ramping up of the Bank of Japan's quantitative easing programme in late October, helped indices to rally from their October lows. In January 2015, the Swiss central bank caused significant volatility with its decision to step away from its policy to set a ceiling for the Swiss franc's exchange rate with the euro. Soon afterwards, the European Central Bank finally announced a programme to buy €60 billion of European financial assets every month until September 2016. European equities performed well, as investors rerated assets, in anticipation of this new liquidity. Bond yields unsurprisingly headed lower, with many dipping into negative territory.

Meanwhile, the US Federal Reserve, having ended its bond-buying programme in November, hopes that the US economy is sufficiently recovered that

it can begin to raise interest rates later in 2015. The North American stock market generated a solid enough local-currency return despite the end of monetary easing. However, the pronounced strength of the US dollar meant that, in sterling terms, the return was even more favourable.

Economic growth in China continued to slow, with the country reporting its weakest pace of growth for 24 years in 2014, as the government attempted to move the economy away from credit-dependent investment towards consumption-led growth. Interest rates in China were cut for the first time in two years during the period, along with other monetary actions, in an attempt to stimulate activity. In Russia, the weaker oil price and imposition of sanctions resulted in the rouble going into freefall.

Against this backdrop, the equity markets (MSCI AC World Index) returned +18.4% in sterling terms and the other market indices movements over the year to 31 March 2015 in sterling terms were:

Asset Class	Index	%
UK Equities	FTSE All Share	6.6
North America	FTSE AW North America Index	25.1
Europe	FTSE AW Europe (ex UK) Index	7.5
Japan Equities	FTSE World Japan Index	27.1
Asia Pacific	FTSE AW Asia Pacific (ex Japan) Index	12.8
Emerging Markets	FTSE Emerging Market Index	13.2
UK Government	FT British Government All Stocks	13.9
UK Government	FTA British Government Index Linked	18.5
Global Government	JP Morgan Global Government Bond ex-UK Index	7.6
	Cash (UK Interbank 7 day)	0.4

Industrial sector performance against the FTSE Indexes for the year to 31 March 2015 were:

	%
Oil & Gas	1.9
Telecommunication	7.2
Industrials	8.3
Basic Materials	6.7
Consumer Goods	9.5
Consumer Services	10.5
Technology	7.0
Health Care	13.4
Financials	5.9

Newton has an active investment approach and looks to invest in high-quality securities around the world. It uses themes in seeking to identify good investment opportunities, as well as areas of risk.

For and on behalf of
Newton Investment Management Limited
Regulated by the Financial Conduct Authority
July 2015

We are grateful to Newton Investment Management Ltd for supplying the background information on world stock markets.

Performance of the Fund

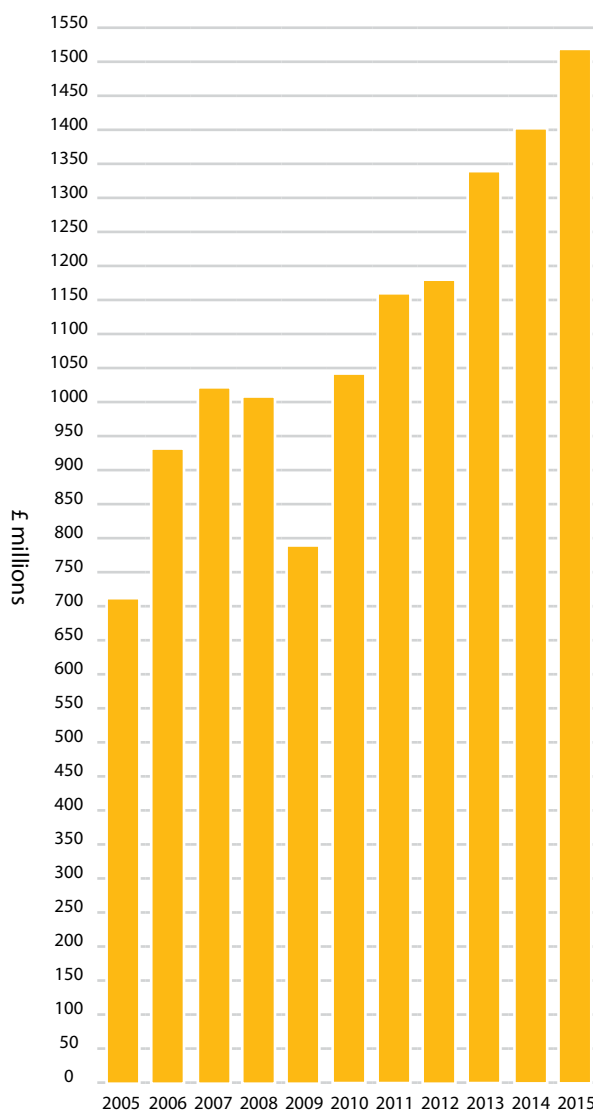
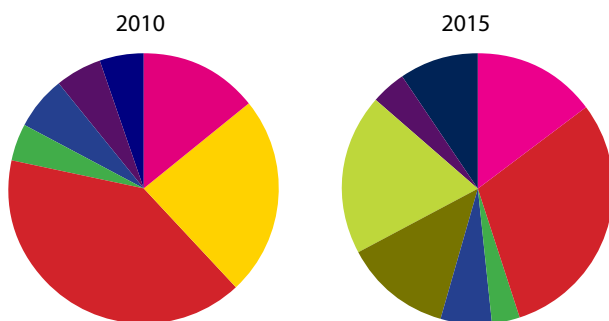
Market values

The market value of the Fund's investments, cash and other assets, on 31 March 2015, was £1,522 million, compared with a value of £1,409 million on 31 March 2014. The chart opposite shows the movement of market values (including cash and other assets) since 2005.

	% of the Fund	
	2010	2015
Unit Trust Bonds	14.4	14.9
UK equities	23.7	0.0
Overseas equities	40.4	30.1
Private equities	4.4	3.5
Property unit trusts	6.5	6.2
Diversified growth fund	0.0	12.6
Liability driven investment	0.0	19.3
Other investments	5.4	4.0
Cash	5.2	9.4
	100.0	100.0

NB: Other investments includes hedge funds, infrastructure funds, environmental technology and UK financing fund.

How the Fund's assets have been invested



Market values from 31 March 2005 to 31 March 2015

Income on the Fund

A meaningful assessment of future income must take account of how much we can expect income to increase with inflation and how far the growth in capital can increase the money available to pay out the Fund's liabilities.

During 2014-15, the income created by the Fund's investments, net of tax and before taking into account the movement on currency transactions, amounted to £9.064m and represented a return of 0.6% on the average market value. (The return achieved in 2013-14 was 1.4%). However, when the impact of foreign exchange transactions is included, the return on average market value for 2014-15 increases to 1.0%. It should be noted that income from equities is now automatically reinvested into the funds, which is why it has reduced.

General statistics

The UK clearing bank base rate remained unchanged throughout 2014-15 at 0.5%.

Year on year inflation decreased, as measured for:

	Year to March 2014	Year to March 2015
Retail Price Index (RPI)	2.5%	0.9%
Consumer Price Index(CPI)	1.6%	0.0%

Movements in financial market indices are shown on page 13.

Performance of the Fund

Fund manager performance

The Northern Trust Company, who are the Fund's custodian, also provide a comprehensive performance analysis service for the Fund and its portfolios. Analysis of performance by manager and by asset class are reported to the Pensions Committee at their quarterly meetings, along with a market commentary. The Committee scrutinise the report, along with officers and the Fund's advisers, and consider taking action should any developing under-performance trends occur.

Investment return as at 31 March 2015

	1 Year	3 Years	5 Years
Cornwall Pension Fund	7.29%	8.49%	7.18%
Benchmark	7.37%	8.80%	7.40%

The performance of the Fund as a whole, in 2014-15 was 0.08% below its specific benchmark (in 2013-14 it was 2.1% below the benchmark). However, now that the transition is nearing completion, the benchmark is in the process of being adjusted to take account of the investment strategy approved in June 2012.

The table below sets out the managers where there is sufficient meaningful data over the 5 year period. Our global equities manager (Newton) has performed well this year with a 1.81% return above its specific benchmark. The fund's emerging market equities manager (Capital), which Cornwall also historically held a global equities portfolio with, has underperformed by 1.45% on its specific benchmark.

Summary of Fund Manager Performance as at 31 March 2015

Key:
 Manager Performance %
 Benchmark performance %
 Difference %

	1 Year			3 Years			5 Years		
Capital	19.16	20.61	-1.45	15.28	14.67	0.61	10.54	9.74	0.80
CBRE	15.75	16.52	-0.77	8.20	9.95	-1.75	7.88	8.90	-1.02
Insight	12.84	13.08	-0.24	7.74	6.17	1.57	8.34	7.33	1.01
Newton	20.20	18.39	1.81	15.26	13.80	1.46	10.67	9.40	1.27

Data above shows performance after the deduction of managers' fees.
 The table excludes those fund managers for whom there is insufficient meaningful performance data.

The Fund also subscribes to a comparison of peer performance of other local authorities, which is undertaken by The World Markets Company (WM).

Performance of the Fund

Tables on equity and property unit trust holdings

Pooled equity funds on 31 March 2015	£m
Newton Global Equity X Shares	309.866
Capital International Emerging Markets Fund	73.205
HSBC Frontier Markets XC	38.016
Advance Frontier Opportunities Fund	35.768
Total pooled equity funds	456.855

Largest 10 Newton Global Equity X Shares holdings on 31 March 2015	%
Google Inc	3.2%
Apple Inc	3.0%
Microsoft Corporation	2.9%
Express Scripts Holding Company	2.6%
Bayer AG	2.4%
Citigroup Inc	2.3%
Novartis AG	2.3%
Accenture Plc	2.2%
Pfizer Inc	2.1%
Dollar General Corporation	2.1%

Largest 10 Capital International Emerging Markets Fund holdings on 31 March 2015	%
Taiwan Semiconductor MFG	2.9%
Bank Of China Ltd	2.8%
China Overseas Land & Investment Ltd	2.4%
China Mengniu Dairy Co Ltd	1.9%
China Pacific Insurance Group	1.9%
AIA Group Ltd	1.7%
Delta Electronics Inc	1.7%
Bharti Airtel Ltd	1.6%
Samsonite International	1.4%
China Everbright International Ltd	1.4%

Largest 10 HSBC Frontier Markets XC holdings on 31 March 2015	%
Credicorp	3.5%
Vietnam Dairy Products	3.0%
Robinsons Land	2.8%
John Keells Holdings	2.8%
National Bank Of Kuwait	2.7%
Engro Corporation	2.5%
Banco Macro	2.4%
Banco Davivienda	2.4%
Aramex	2.3%
United Bank	2.2%

Largest 10 Advance Frontier Opportunities Fund holdings on 31 March 2015	%
VinaCapital Vietnam Opportunity Fund	8.1%
BofAML Fondul Proprietatea	6.9%
Advance Copernico Argentina Equity Fund	6.7%
Sustainable Capital Nigeria Fund	6.3%
Sustainable Capital Africa Consumer Fund	6.0%
SCM Africa Fund	5.3%
Avaron Emerging Europe Fund	5.3%
Africa Emerging Markets Fund	5.2%
Ashmore Middle East Equity Fund	5.1%
Vietnam Holding Limited	4.9%

Performance of the Fund

Property unit trusts on 31 March 2015	£m	%
Global Alpha Fund	11.916	12.5%
West End of London Property Unit Trust	10.867	11.4%
Industrial Property Investment Fund	8.516	8.9%
Schroder UK Property Fund	8.459	8.9%
Blackrock UK Property Fund	8.292	8.7%
Standard Life UK Shopping Centre Fund	6.854	7.2%
Ardstone UK Regional Office Fund	5.923	6.2%
Henderson UK Shopping Centre Fund	5.407	5.7%
The Palmer GVA Unit Trust	4.395	4.6%
CBRE UK Property Fund (Guernsey)	3.926	4.1%
Curlew Student Trust	3.870	4.1%
UBS Triton Property Unit Trust	3.766	3.9%
Henderson UK Retail Warehouse Fund	3.060	3.2%
M&G Secured Property Income Fund	2.720	2.8%
Rreef UK Property Ventures Fund No.3	2.329	2.4%
FRXL Co-Investment	1.591	1.7%
Quercus Healthcare Property Unit Trust	1.486	1.6%
Palmer Capital Development Fund III	0.630	0.7%
FRXL Co-Investment 2	0.480	0.5%
M&G Real Estate Debt Fund II Feeder	0.457	0.5%
M&G Real Estate Debt Fund III	0.397	0.4%
Total Property Unit Trusts	95.341	100.0%

An analysis of fund assets and investment income

Fund assets, by class, on 31 March 2015	UK £m	Non-UK £m	Global £m	Total £m
Equities	-	146.989	309.866	456.855
Bonds	226.159	-	-	226.159
Property (direct holdings)	-	-	-	-
Alternatives	88.138	-	120.956	209.094
Cash and cash equivalents	143.689	-	-	143.689
Diversified growth fund	-	-	192.239	192.239
Liability driven investment	294.207	-	-	294.207
Total	752.193	146.989	623.061	1522.243

Fund investment income by class, during 2014-15	UK £m	Non-UK £m	Global £m	Total £m
Equities	-	0.023	-	0.023
Bonds	5.111	-	-	5.111
Property (direct holdings)	-	-	-	-
Alternatives	3.359	-	6.573	9.932
Cash and cash equivalents	-	-	-0.230	-0.230
Other	-	-	-	-
Total	8.470	0.023	6.343	14.836

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Fund Account	2014-15		2013-14 (Restated) ¹		Notes
Dealing with Members, Employers and Others Directly Involved in the Fund	£m	£m	£m	£m	
Contributions and Transfers In					
From Employers					
Normal Contributions	42.912		39.591		6
Deficit Recovery Contributions	12.335		10.072		6
Additional Contributions	2.523		1.388		6
From Members					
Normal Contributions	16.140		15.297		6
Additional Contributions	0.322		0.422		6
Receipts on Account of Joiners					
Transfers In from Other Pension Funds	3.148		3.540		6
Other Income	0.008		0.018		6
Total Contributions		77.388		70.328	
Benefits and Other Payments					
Benefits Payable					
Pensions	(50.572)		(47.863)		6
Lump Sums	(10.375)		(9.938)		6
Death Benefits	(1.267)		(1.050)		6
Payments To and on Account of Leavers					
Refunds On Contributions	(0.111)		(0.004)		6
Transfers Out	(3.290)		(2.609)		6
Total Payments		(65.615)		(61.464)	
Net Additions from Dealings with Members		11.773		8.864	
Management Expenses		(7.587)		(7.594)	7
Returns on Investments					
Investment Income	14.836		20.111		8
Irrecoverable Tax Paid on Investment Income	-		(0.430)		8
Other Income	-		0.063		8
Profit and Loss on Disposal of Investments and Changes in Market Value of Investments	94.505		38.677		10
Gain on Currency Transactions	-		6.448		8
Net Returns on Investment		109.341		64.869	
Net Increase / (Decrease) in the Net Assets Available for Benefits During the Year		113.527		66.139	
Opening Net Assets of the Scheme		1,408.716		1,342.577	
Closing Net Assets of the Scheme at 31 March		1,522.243		1,408.716	

These accounts summarise the transactions of the Fund during the year, both for benefits and investments, and show the position of the Fund on 31 March 2015. They provide information about the financial position, performance and financial adaptability of the Fund and show how we have managed the Fund and what assets were in the Fund at the period end. Liabilities to pay pensions and other benefits in the future are not included but are dealt with in the Actuarial data included in Notes 4 and 17.

¹ See Pension Fund Management Expenses under Accounting Policies (Note 3)

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Net Assets Statement	31 March 2015	31 March 2014	
Investment Assets	£m	£m	Notes
UK Equities	-	0.004	10
Private Equities	53.571	48.743	10
Pooled Investment Vehicles			
Global Equity Funds	309.866	527.168	10
Diversified Growth Fund	192.239	176.834	10
UK Equity Index Fund	-	73.576	10
Frontier Market Funds	73.784	68.739	10
Emerging Market Fund	73.205	59.985	10
Unit Trust Bonds	226.159	199.449	10
Liability Driven Investment	294.207	99.809	10
Property Unit Trusts (UK)	83.425	75.680	10
Property Unit Trusts (Global)	11.916	4.546	10
Infrastructure Funds	52.866	19.971	10
Hedge Funds ¹	-	18.867	10
M & G UK Financing Fund	4.713	5.749	10
Environmental Technology Fund	2.603	3.404	10
Other Assets			
Cash with Custodian ¹	133.450	14.596	
Investment Income Receivable	4.101	4.326	5 & 15
Fee Rebate Due	0.068	-	15
Income Tax Receivable	0.089	0.552	5 & 15
Investment Liabilities	-	-	
Total Investment Net Assets	1,516.262	1,401.998	
Current Assets			
Cash at Bank	2.596	3.109	
Administration Income Receivable	0.363	0.441	15
Contributions Receivable	6.304	5.797	15
Pension Strain, Income Receivable	0.963	0.517	15
Cash held by Administrators of MF Global	-	1.871	15
Current Liabilities			
Administration Expenses Payable	(3.148)	(3.017)	15
Pension Lump Sums Payable	(1.097)	(2.000)	15
Current Assets less Current Liabilities	5.981	6.718	
Net Assets of the Scheme as at 31 March	1,522.243	1,408.716	

¹ £120 Million of the Cash with Custodian, is cash which was transferred to the Fund's new hedge fund manager (Man FRM) and was awaiting investment at 31 March 2015. It has since been fully invested.

1. Description of the Fund

Local Government Pension Schemes (LGPS) are required to be funded and the Fund is required to be sufficient to meet the estimated future pension entitlements of current and past employees. It is actuarially re-valued every three years to establish the contributions to be made by the employing authorities to achieve this objective. Transfers into or out of the Fund are sums received from, or paid to, other pension schemes. These relate to new and former members' periods of pensionable employment, where transferable.

After meeting pension payments and other benefits, the balance of the Pension Fund is invested in a range of investments. The fund 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 2009 (as amended).

The Pensions Committee is responsible for all matters relating to the Pension Fund. The membership includes two member-nominated representatives and two representatives of the employers in the scheme. The Pensions Committee has approved a scheme of delegation to the Head of Business Planning and Development. Whereas the Pensions Committee approves all policies, the Head of Business Planning and Development is empowered to invest monies of the Pension Fund. The Pensions Committee receives investment advice from an external advisor. A Statement of Investment Principles, setting out how the Fund's investments are managed, can be viewed on the Pension Fund website at www.cornwallpensionfund.org.uk.

2. Contributors and Pensioners

All employees (except teachers and fire fighters who have their own schemes) are entitled to join the scheme. Individuals have the right to seek alternative pension arrangements if they so wish. On 31 March 2015 there were 124 employers in the Fund with active members (114 in the previous year).

The number of active members has slightly reduced from 2014 but the number of pensioners and deferred members has increased, possibly reflecting the effect of austerity measures across the public sector. A summary of the number of contributors and pensioners is shown on page 6 of this report.

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Prior to 01 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service.

From 01 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is reviewed annually, in line with the Consumer Prices Index.

3. Accounting Policies

These accounts summarise the Fund's transactions for 2014-15 and its position at the year ending 31 March 2015. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15, based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Fund's Administering Authority is Cornwall Council and the Council's professional staff, who prepared these accounts, followed the same accounting policies, principles and practices that have been adopted for the Council's own Statement of Accounts for 2014-15.

Fund Account – Revenue Recognition and Expense Items

Contributions, Investment Income and Expenses

These are included on an accruals basis, where these amounts have been determined on the closure of accounts. The accounts have been prepared on a going concern basis.

These accruals do not include the Fund's liabilities to pay pensions and other benefits, in the future, to all the present contributors to the Fund. These liabilities are taken account of in the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined at these valuations.

Employer deficit 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.

Investment income for pooled funds is reinvested within the funds and is reflected in the unit price.

Transfer Values to/from Other Funds

Transfer Values to/from Other Funds for individuals, are included in the accounts on the basis of the actual amounts received and paid in the year. Block transfers would be accrued, if they straddled the year end.

Pension Fund Management Expenses

Pension Fund Management Expenses have been prepared in accordance with the CIPFA guidance, Accounting for Local Government Pension Scheme Management Costs, and as such have been split into administrative expenses, oversight and governance costs and investment management expenses. The comparator figures for 2013/14 have been restated to reflect this. Management expenses reported for this period have increased from £3.826m to £7.594m (see Note 7) and Profit and Loss on disposal of investments and changes in market value of investments has increased by £3.768m to £38.677m to reflect the investment fees and transaction costs which were deducted at source.

Administrative Expenses

Administrative Expenses are accounted for on an accruals basis. The staff costs of the pension administration team are charged direct to the Fund.

Oversight and Governance Costs

Oversight and Governance Costs are accounted for on an accruals basis. These include the staff costs of the investments team, advisors to the fund and other services which help the Fund provide effective oversight and governance.

Investment Management Expenses

Investment Management Expenses are accounted for on an accruals basis and comprise expenses which are incurred in relation to the management of pension fund assets. Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of the mandate at the end of the period has been used.

Taxation

For taxation purposes 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. As Cornwall Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities, including expenditure on investment expenses.

Net Assets Statement

Financial Assets

Financial assets are included in the net assets statement on a fair value basis 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 and any gains or losses arising from changes in the fair value are recognised in the fund account.

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Market valuations of quoted securities are based on bid values, representing the price a third party would pay the Pension Fund in an arm's length transaction for the investment, at the reporting date.

For quoted, pooled investment vehicles this would be the price a third party would pay for units in the particular fund. A fair value may be employed where that value cannot be ascertained or where it would be considered more appropriate. Fair value is the amount for which an asset can be exchanged, or a liability settled, between unrelated, willing, knowledgeable parties in an arm's length transaction.

Unquoted pooled investment vehicles and securities are included at fair value based on their respective fund manager's valuation. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

Foreign Currency Transactions

Investments held in foreign currencies are converted at the closing rates of exchange, as at the financial year-end date.

Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash in hand and deposits with financial institutions which are repayable on demand without penalty. They are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

Additional Voluntary Contributions

Cornwall Pension Fund provides an AVC scheme for its contributors, the assets of which are invested separately from Cornwall Pension Fund. The Fund has no involvement in the management of these assets and, for this reason, they are not included in Cornwall Pension Fund's financial statements. Further details are provided in Note 16.

The Actuarial Present Value of Promised Retirement Benefits

The Actuarial Present Value of Promised Retirement Benefits is disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, Cornwall Pension Fund has included a note disclosing the actuarial present value of retirement benefits (Notes 4 and 17).

The accounts for the year ended 31 March 2015 mostly use the valuations for the Fund's assets based on the figures provided by the Fund's custodian, The Northern Trust Company.

Under the Pension Fund Regulations, employers' contribution rates are set to enable the Fund to meet, eventually, 100% of its overall liabilities to pay benefits for both local authorities and other bodies (see Note 4).

The 'Cash with Custodian' stated in the Net Assets Statement, as at 31 March 2015, includes all monies held externally by fund managers on behalf of the Fund and reflects all commitments in respect of transactions realised and unrealised as at that date.

Critical Judgments in Applying Accounting Policies

Unquoted Investments

It is important to recognise the highly subjective nature of determining the fair value of some unquoted investments. The Pension Fund owns investments in several unquoted funds, as listed in Note 12. Private equities, hedge funds, infrastructure and the environmental technology fund are inherently based on forward-looking estimates and judgments involving many factors. They are all valued by their own investment managers using guidelines set out by the British Venture Capital Association. The values of these investments are shown in Note 12.

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are explained in Notes 4 and 17. The estimate of fund liability is subject to significant variances based on changes to the underlying assumptions.

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

These Financial Statements contain estimated figures that are based on assumptions and judgements made by our investment managers about the future or that are otherwise uncertain. These estimates and assumptions affect the amounts reported for the assets and liabilities at balance sheet date and the amounts reported for revenues and expenses during the year. Estimates are made taking into account historical experience, current trends and other relevant factors. However the nature of estimation means that actual outcomes could differ from the assumptions and estimates.

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The items in the Net Assets Statement at 31 March 2015, for which there is a significant risk of material adjustment in the forthcoming year, are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of consulting actuaries, Hymans Robertson, is engaged to provide the fund with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in the individual assumptions can be measured. A 0.5% increase in the real discount rate assumption would reduce the pension liability by £249m. A 0.25% increase in assumed earnings inflation would increase the liability by £48m and a 1 year increase in life expectancy would increase the liability by £76m.</p> <p>More details on the Actuary's assumptions and projections are shown in notes 4 and 17.</p>
Private Equities, Infrastructure and Environmental Technology Fund	<p>These investments are valued at fair value in accordance with British Venture Capital Association guidelines. They are not publicly listed and as such there is a degree of estimation involved in the valuation.</p>	<p>There is a risk that these investments may be under- or over-stated in the accounts.</p>
Hedge Funds	<p>The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of 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.</p>	<p>There is a risk that these investments may be under- or over-stated in the accounts.</p>

Events after the Reporting Date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

No material events have occurred.

4. Actuarial Statement for 2014-15

(This note has been prepared by the Fund's Actuary, Hymans Robertson)

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014/15. 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). In summary, the key funding principles are as follows:

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

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- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 70% 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 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £1,343 million, were sufficient to meet 74% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £460 million.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 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 actuarial valuation report dated 28 March 2014.

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 2013 valuation were as follows:

Financial assumptions	31 March 2013	
	Nominal % p.a.	Real % p.a.
Discount rate	4.5%	2.0%
Pay increases	4.3%	1.8%
Price inflation/Pension increases	2.5%	-

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 2010 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 as follows:

	Males	Females
Current Pensioners	22.2 years	24.4 years
Future Pensioners ¹	24.4 years	26.8 years

¹ Future pensioners are assumed to be aged 45 at the 2013 valuation

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from Cornwall Council, administering authority to the Fund.

Experience over the period since April 2013

Experience has been worse than expected over the year to 31 March 2015 (excluding the effect of any membership movements). Real bond yields have fallen dramatically and the effect of this has been only partially offset by the effect of strong asset returns, meaning that funding levels are likely to have worsened and deficits increased over this period.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.

Steven Scott FFA

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
22 May 2015

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5. Specific Items

Under standard accounting practices, dividends and interest due to the fund, as at 31 March 2015, have been accrued in these accounts. This accrual amounts to £4.101m compared with £4.326m as at 31 March 2014.

The Pension Fund includes, as admitted bodies, several limited companies. In the event that any of these companies cease to trade and staff are made redundant, there is a potentially unfunded liability to pay immediate benefits to all redundant staff aged 55 and above. In certain cases, guarantees have been obtained from other organisations that they would accept responsibility for any such liability.

The tax debtor for amounts receivable as at 31 March 2015 stood at £0.089m, of which £0.025m was in respect of monies due on property unit trusts. At 31 March 2014 the debtor was £0.552m, with £0.012m due on property unit trusts.

6. Analysis of Total Contributions and Benefits

The total contributions receivable and benefits payable during the year ending 31 March were:

Contributions and Benefits	Cornwall Council £m	Scheduled Bodies £m	Designatory Bodies £m	Admitted Bodies £m	2015 £m	2014 £m
Contributions Receivable						
Employers' normal	24.010	15.144	1.179	5.102	45.435	40.979
Employers' fixed deficit	6.700	3.502	0.158	1.975	12.335	10.072
From Employees (normal and additional)	8.932	5.384	0.406	1.740	16.462	15.719
Transfers In	2.205	0.896	0.026	0.021	3.148	3.540
Other Income	0.007	-	-	0.001	0.008	0.018
Total Income	41.854	24.926	1.769	8.839	77.388	70.328
Benefits Payable						
Pensions	42.670	4.263	0.687	2.952	50.572	47.863
Lump Sums	6.887	1.990	0.156	1.342	10.375	9.938
Death Benefits	0.839	0.238	0.087	0.103	1.267	1.050
Payments on Account of Leavers						
Refunds of Contributions	0.055	0.041	-	0.015	0.111	0.004
Transfers Out	2.987	0.155	0.002	0.146	3.290	2.609
Total Expenditure	53.438	6.687	0.932	4.558	65.615	61.464

A full list of all participating bodies to the fund can be found in our Funding Strategy Statement.

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7. Management Expenses

For the years ended 31 March, the analysis of management expenditure was as follows:

Management Expenses	2015 £m	2014 £m
Administrative Costs	0.675	0.678
Investment Management Expenses		
Management Fees	4.866	4.710
Performance Fees	0.776	0.615
Transaction Costs	0.421	0.463
Custody Fees	0.053	0.082
Oversight and Governance Costs	0.796	1.046
Total Investment and Administration Expenses	7.587	7.594

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the costs of investment acquisitions and in proceeds from the sales of investments (see note 10).

Included in Oversight and Governance Costs is £0.024m for the year to 31 March 2015 (£0.024m for the year to 31 March 2014) which relates to the external audit of the Pension Fund accounts.

8. Investment Income

The income to the Fund generated by the Fund's investments, net of tax, amounted to £14.836m. This reduction on the previous year is due to funds in which the dividends are reinvested and hence not returned to the Fund directly. Investment income for the years ended 31 March was received from the following sectors:

Investment Income	2015 £m	2014 £m
UK Equities	-	1.024
Overseas Equities	0.023	4.236
Fixed Interest Securities	-	0.002
Pooled Investment Vehicles		
Unit Trust Bonds	5.111	6.864
Private equities and infrastructure	0.801	0.463
Property Unit Trusts	3.359	3.316
Gain on foreign currency transactions when trading overseas equities ¹	5.772	3.315
Interest on cash deposits ¹⁺²	(0.230)	0.891
Gross Investment Income	14.836	20.111
Other Income		
Commission Recapture ³	-	0.001
Stock Lending ³	-	0.062
Gain/(Loss) on passive currency overlay ³	-	6.448
Less		
Irrecoverable Taxation ³	-	(0.430)
Net Investment Income	14.836	26.192

¹ These two figures have been corrected for 2014, the total for investment income has not changed

² There was an overestimate of interest on cash deposits of £0.254m in 2014. Interest actually received in 2015 was £0.024m

³ Due to the Fund's strategic move to pooled investment vehicles, it no longer participates directly in stock lending, commission recapture, passive currency overlay and does not directly incur irrecoverable taxation.

9. Securities Lending

The Pension Fund had an arrangement with its custodian, The Northern Trust Company, to lend stock from within the various portfolios held. However, during 2013-14 the Fund changed its investment strategy and all the individual equity holdings were sold. The Fund's equity exposure is now completely in pooled investment vehicles. This means that the Fund will no longer receive income on securities lending because it has no individual securities to lend. All stock on loan at 31 March 2014 has been returned and sold and all collateral held by the Fund at that date was also returned.

Some income was received in 2013-14, before the equities were sold and this is included with the investment income in Note 8 above for 2014.

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10. Valuation of Investments

Note 3 explains the accounting policies for the basis of valuation. The following table shows the change to investment assets in the year:

Investment Assets	Value 1 April 2014 £m	Purchases at cost £m	Sales Proceeds £m	Profit / Loss and Change in Market Value £m	Value 31 March 2015 £m
Equities					
UK Equities	0.004	-	(0.005)	0.001	-
Overseas Equities	-	-	-	-	-
Private Equities	48.743	12.945	(9.235)	1.118	53.571
Fixed Interest Securities					
Overseas Government Bonds	-	-	-	-	-
Pooled Investment Vehicles					
Global Equity Funds	527.168	-	(317.593)	100.291	309.866
Diversified Growth Fund	176.834	0.902	(0.808)	15.311	192.239
UK Equity Index Fund	73.576	-	(76.075)	2.499	-
Frontier Market Funds	68.739	0.045	(0.690)	5.690	73.784
Emerging Market Fund	59.985	8.000	(0.577)	5.797	73.205
Unit Trust Bonds	199.449	8.184	(3.093)	21.619	226.159
Liability Driven Investment	99.809	265.900	-	(71.502)	294.207
Property Unit Trusts (UK)	75.680	17.008	(18.615)	9.352	83.425
Property Unit Trusts (Global)	4.546	5.459	-	1.911	11.916
Infrastructure Funds	19.971	33.858	(2.677)	1.714	52.866
Hedge Funds	18.867	-	(19.271)	0.404	-
M & G UK Financing Fund	5.749	-	(1.270)	0.234	4.713
Environmental Technology Fund	3.404	0.065		(0.866)	2.603
Currency Funds	-	-	-	-	-
Derivatives					
Equity Futures (Net)	-	-	-	-	-
Forward Currency (Net)	-	-	-	-	-
Total Investment Assets (excluding Other Assets on the Net Assets Statement)	1,382.524	352.366	(449.909)	93.573	1,378.554
Realised gain on equity futures	-			-	-
Other adjustments for revaluation of debtors and other funds ¹	-			0.932	-
Other Assets and Liabilities	19.474			-	137.708
Total Investment Assets as per Net Assets Statement	1,401.998			94.505	1,516.262

¹ The £0.932m adjustment includes movements in the market value of recoverable tax. It equates to the sterling value of recoverable tax at the time that the income was received, and the value of outstanding amounts in local currencies not yet received from the relevant tax authorities. These values change on a constant basis in line with movements in currencies.

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The comparative table for 2013-14:

Investment Assets (Restated) ¹	Value 1 April 2013 £m	Purchases at cost £m	Sales Proceeds £m	Profit / Loss and Change in Market Value £m	Value 31 March 2014 £m
Equities					
UK Equities	227.058	8.286	(233.673)	(1.667)	0.004
Overseas Equities	447.301	229.968	(684.863)	7.594	-
Private Equities	54.949	4.264	(7.633)	(2.837)	48.743
Fixed Interest Securities					
Overseas Government Bonds	5.012	-	(5.035)	0.023	-
Pooled Investment Vehicles					
Global Equity Funds	-	575.605	(61.042)	12.605	527.168
Diversified Growth Fund	50.671	125.989	(0.743)	0.917	176.834
UK Equity Index Fund	67.523	-	-	6.053	73.576
Frontier Market Funds	-	68.000	(0.030)	0.769	68.739
Emerging Market Fund	48.643	-	(0.473)	11.815	59.985
Unit Trust Bonds	199.975	477.462	(471.099)	(6.889)	199.449
Liability Driven Investment	44.348	61.220	-	(5.759)	99.809
Property Unit Trusts (UK)	73.016	6.011	(10.751)	7.404	75.680
Property Unit Trusts (Global)	-	4.697	-	(0.151)	4.546
Infrastructure Funds	9.245	10.879	(1.880)	1.727	19.971
Hedge Funds	15.985	-	(0.197)	3.079	18.867
M & G UK Financing Fund	6.417	-	(0.973)	0.305	5.749
Environmental Technology Fund	3.663	0.248	-	(0.507)	3.404
Currency Funds	27.777	-	(27.315)	(0.462)	-
Derivatives					
Equity Futures (Net)	(0.162)	-	-	0.162	-
Forward Currency (Net)	(4.675)	-	-	4.675	-
Total Investment Assets (excluding Other Assets on the Net Assets Statement)	1,276.746	1,572.629	(1,505.707)	38.856	1,382.524
Realised gain on equity futures	-			0.530	-
Other adjustments for revaluation of debtors and other funds ²	-			(0.709)	-
Other Assets and Liabilities	48.004			-	19.474
Total Investment Assets as per Net Assets Statement	1,324.750			38.677	1,401.998

¹ Restated due to management expenses

² The £0.709m adjustment includes movements in the market value of recoverable tax. It equates to the sterling value of recoverable tax at the time that the income was received, and the value of outstanding amounts in local currencies not yet received from the relevant tax authorities. These values change on a constant basis in line with movements in currencies.

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The fund managers' portfolios (including cash held awaiting investment) were valued as follows:

Fund Manager	31 March 2015		31 March 2014	
	£m	% of Total	£m	% of Total
Advance Emerging	35.768	2.4%	34.000	2.4%
AXA Investment Managers	294.207	19.4%	100.709	7.2%
Capital International	73.205	4.8%	247.684	17.8%
CBRE Global Investors	107.874	7.1%	93.428	6.7%
Environmental Technology Fund	2.603	0.2%	3.404	0.2%
Hermes Investment Management	36.261	2.4%	-	0.0%
HSBC	38.016	2.5%	34.739	2.5%
Infracapital Partners	16.610	1.1%	20.022	1.4%
Insight Investment Management	226.159	14.9%	199.449	14.2%
Invesco Perpetual	192.239	12.7%	176.834	12.6%
Legal and General Investment Management	-	0.0%	73.576	5.2%
Man FRM	120.000	7.9%	-	0.0%
M & G UK Financing Fund	4.713	0.3%	5.749	0.4%
Millennium Global Investments	-	0.0%	-	0.0%
Newton Investment Management	309.866	20.4%	339.636	24.2%
Permal (formerly Fauchier Partners)	-	0.0%	18.867	1.3%
Standard Life Investments	22.869	1.5%	19.357	1.4%
Wilshire Associates	31.614	2.1%	29.445	2.1%
Total Investments with external managers	1,512.004	99.7%	1,396.899	99.6%
Accruals and In-house Cash with Custodian	4.258	0.3%	5.099	0.4%
Total Investment Assets	1,516.262	100.0%	1,401.998	100.0%

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11. Analysis of Managed Fund Type Investments

For the purpose of these accounts, Managed Fund holdings are those pooled products issued by an investment house in order to gain an exposure to a particular investment area, such as overseas fixed interest or to a geographical area such as Pacific Basin or Far East emerging markets. They occasionally take the form of an investment or unit trust and could have a restricted membership for the purpose of tax exemption.

The market values of managed funds held were:

Managed Funds	31 March 2015	31 March 2014
	£m	£m
Private Equities	53.571	48.743
Pooled Investment Vehicles		
Global Equity Funds	309.866	527.168
Diversified Growth Fund	192.239	176.834
UK Equity Index Fund	-	73.576
Frontier Market Funds	73.784	68.739
Emerging Market Fund	73.205	59.985
Unit Trust Bonds	226.159	199.449
Liability Driven Investment	294.207	99.809
Property Unit Trusts (UK)	83.425	75.680
Property Unit Trusts (Global)	11.916	4.546
Infrastructure Funds	52.866	19.971
Hedge Funds	-	18.867
M & G UK Financing Fund	4.713	5.749
Environmental Technology Fund	2.603	3.404
Total Managed Funds	1,378.554	1,382.520

12. Analysis of Quoted and Unquoted Holdings

The quoted and unquoted holdings as at 31 March are shown in the table below.

Investment Assets	Unquoted £m	Quoted £m	2015 £m	Unquoted £m	Quoted £m	2014 £m
UK Equities	-	-	-	-	0.004	0.004
Private Equities	53.571	-	53.571	48.743	-	48.743
	53.571	-	53.571	48.743	0.004	48.747
Pooled Investment Vehicles						
Global Equity Funds	-	309.866	309.866	-	527.168	527.168
Diversified Growth Fund	-	192.239	192.239	-	176.834	176.834
UK Equity Index Fund	-	-	-	-	73.576	73.576
Frontier Market Funds	35.768	38.016	73.784	34.000	34.739	68.739
Emerging Market Fund	-	73.205	73.205	-	59.985	59.985
Unit Trust Bonds	-	226.159	226.159	-	199.449	199.449
Liability Driven Investment ¹	-	294.207	294.207	99.809	-	99.809
Property Unit Trusts (UK)	83.425	-	83.425	75.680	-	75.680
Property Unit Trusts (Global)	11.916	-	11.916	4.546	-	4.546
Infrastructure Funds	52.866	-	52.866	19.971	-	19.971
Hedge Funds	-	-	-	18.867	-	18.867
M & G UK Financing Fund	4.713	-	4.713	5.749	-	5.749
Environmental Technology Fund	2.603	-	2.603	3.404	-	3.404
	191.291	1,133.692	1,324.983	262.026	1,071.751	1,333.777
Total Investment Assets (excluding Other Assets shown on the Net Assets Statement)	244.862	1,133.692	1,378.554	310.769	1,071.755	1,382.524

¹ The Fund's investment with AXA, was listed on the Irish Stock Exchange on 18 February 2015.

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13. Derivatives

Due to the Fund being fully invested in pooled funds, it no longer holds derivatives, although fund managers might employ derivatives as part of their own fund strategy.

14. Single Investments over 5% of Asset Class

At 31 March, the Fund had holdings in the following funds which exceeded 5% of the total value of net assets (comparative data for the previous year also shown):

	31 March 2015 £m	% of total	31 March 2014 £m	% of total
Newton Global Equity X Shares Fund	309.866	20.4%	339.530	24.1 %
AXA IM Smart Matching Solutions Fund A	294.207	19.3%	99.809	7.1 %
Insight Investment UK Corporate All Maturities Bond Fund	226.159	14.9%	199.449	14.2 %
Invesco Balanced Risk 8 Accumulation Shares	192.239	12.6%	176.834	12.6%
Capital International Global Equity Share Class C Fund ¹	-	0.0%	187.638	13.3 %
Legal and General - UK Equity Index Fund ¹	-	0.0%	73.576	5.2 %

¹ The holdings in Capital International Global Equity Share Class C Fund and Legal and General – UK Equity Index Fund were sold before 31 March 2015.

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15. Debtors and Creditors

The table below summarises the various debtors and creditors lines shown in the Net Assets Statement:

	31 March 2015 £m	31 March 2014 £m
Debtors		
Investment income receivable	4.101	4.326
Fee Rebate Due	0.068	-
Income tax receivable	0.089	0.552
Administration income receivable	0.363	0.441
Contributions receivable		
Employees contributions	1.327	1.290
Employers contributions	4.519	4.052
Added Years payments	0.458	0.455
Pension strain income receivable ¹	0.963	0.517
Cash held by administrators of MF Global ²	-	1.871
Total Debtors	11.888	13.504
Creditors		
Administration expenses payable	(3.148)	(3.017)
Pension lump sums payable ³	(1.097)	(2.000)
Total Creditors	(4.245)	(5.017)

¹ Income due from Fund employers in respect of pension strain costs for a number of employees who were permitted to retire either normally or early under the regulations.

² MF Global was the Fund's futures broker in connection with the Millennium currency overlay on the Fund (the overlay itself has since been removed). They have been in default with the clearing house and they are under administration through KPMG. The money lodged with MF Global at the time, for the futures margin account, was effectively frozen pending work by the Administrators. We have received 98.8% of our claim back from the client money pool to date. The Administrators cannot confirm the timing or quantum of any further payments hence no debtor has been recognised.

³ These are lump sum payments, made early in April 2015, in respect of staff leaving the employment of certain Fund employers, at the end of March 2015.

These debtors and creditors can be further analysed between public and private sector bodies, as follows:

	31 March 2015 £m	31 March 2014 £m
Debtors		
Central Government bodies	0.151	0.506
Local authorities	5.448	4.678
Public corporations	-	-
Other entities and individuals	6.289	8.320
Total Debtors	11.888	13.504
Creditors		
Central Government bodies	(0.010)	(0.179)
Local authorities	(1.501)	(1.513)
NHS bodies	-	-
Other entities and individuals	(2.734)	(3.325)
Total Creditors	(4.245)	(5.017)

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16. Additional Voluntary Contributions (AVC)

The Fund has two AVC providers, Equitable Life and Standard Life. Equitable Life's funds are closed to new entrants. The value of the fund investments, at 31 March 2015, was £2.797m. The fund movements for the year were as follows:

	Value at 01 April 2014 £m	Contributions £m	Investment Return £m	Paid Out £m	Value at 31 March 2015 £m
Standard Life	1.780	0.210	0.168	(0.091)	2.067
Equitable Life	0.808	0.017	0.030	(0.125)	0.730

The change to the Pension Regulations, in April 2006, allows employees to pay more into their AVC account and to receive the proceeds as cash at retirement, providing tax limits are not exceeded. The amount of benefits paid out, shown in the table above, reflects the volume of employees leaving employment with immediate access to their pension benefit. These contributions are excluded from the Pension Fund accounts as they do not feature in the financial reporting requirements, as outlined in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 section 4(2)(b).

17. Actuarial present value of Promised Retirement Benefits

(this note prepared by the Fund's Actuary, Hymans Robertson)

CIPFA's Code of Practice on Local Authority Accounting 2014-15 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.

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 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 Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the Cornwall Pension Fund, which is in the remainder of this note.

Year ended	31 March 2015 £m	31 March 2014 £m
Present value of Promised Retirement Benefits	2,534	2,089

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. I estimate this liability at 31 March 2015 comprises £1,317m in respect of employee members, £389m in respect of deferred pensioners and £828m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted that the above figures are appropriate for the Administering Authority only, for preparation of the accounts of the Pension Fund. 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 as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2015 is to increase the actuarial present value by £356m.

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Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 March 2015 % p.a.	31 March 2014 % p.a.
Inflation/Pensions Increase Rate	2.4%	2.8%
Salary Increase Rate	4.3%	4.6%
Discount Rate	3.2%	4.3%

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.2 years	24.4 years
Future Pensioners ¹	24.4 years	26.8 years

¹ Future pensioners are assumed to be aged 45 at the 2013 valuation

Please note that the assumptions are identical to those used for the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 40% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 70% of the maximum tax-free cash for post-April 2008 service.

Steven Scott FFA

Fellow of the Institute and Faculty and Actuaries

For and on behalf of Hymans Robertson LLP

22 May 2015

18. Contingent Asset

Cornwall Pension Fund has ongoing claims against some European countries for tax withheld on foreign income dividends. KPMG, who submitted these claims in 2007, are still pursuing these claims on behalf of the Fund.

These claims are made on the basis that, within the European Union, all member states should enjoy the same tax status. Resident investors should not be classed differently to non-residents. Court cases such as those known as 'Manninen' and 'Fokus' have added to the strength of the arguments. The value of these claims is in excess of £250,000.

Also in 2007, claims were made against the HM Revenue and Customs for potential tax recovery in respect of manufactured dividends on equity stock lent out through the stock lending programme. Further claims were registered in the High Court in 2009-10 and again in 2012-13. These claims, to date, have a value in excess of £1.6m. According to our tax advisers, KPMG, recent developments offer some optimism on the success of the claims.

All these claims noted above are being pursued through group action along with other pension funds. Apart from the claim from the Spanish Government, no accruals have been included in the accounts for these tax claims because outcomes are uncertain, although the amounts are significant.

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19. Performance

The Fund's custodian, The Northern Trust Company, provides a comprehensive performance analysis service for the Fund and its portfolios. In addition, the Fund subscribes to a comparison of peer performance of other local authorities, which is undertaken by The World Markets Company (WM).

During the year ended 31 March 2015 the total return for the combined Fund was 7.3% compared to the benchmark index return of 7.4%. The returns for the individual fund managers, in this period, are shown in the following table:

	For the year ending:			
	31 March 2015		31 March 2014	
	Portfolio Return	Benchmark Return	Portfolio Return	Benchmark Return
Fund Manager Performance Returns	%	%	%	%
Advance Emerging Markets	5.2%	8.7%	N/A	N/A
Capital International	19.2%	20.6%	8.2%	8.4%
Capital International Emerging Markets	8.5%	12.9%	N/A	N/A
CBRE Global Investors	15.8%	16.5%	9.8%	11.8%
HSBC Frontier Equity	9.4%	8.7%	N/A	N/A
Insight Investment Management	12.8%	13.1%	1.7%	(1.5)%
Legal and General Investment Management	N/A	N/A	8.9%	8.8%
Newton Investment Management ¹	20.2%	18.4%	6.8%	6.7%
Overall Return on Other Investments	8.5%	5.5%	1.6%	5.5%
Total Fund	7.3%	7.4 %	4.7%	6.7 %

¹ Performance figures for 31 March 2014 restated

The performance returns shown above are for the main funds. Private equity funds and other 'alternative' investments are not shown separately because the investments are not fully drawn down and therefore meaningful internal rates of return are not available.

20. Taxation

The Fund is exempt from UK income tax on interest and from capital gains tax on the proceeds of the sale of investments. It is unable to reclaim any UK tax paid on UK Equity Dividends.

The Fund is also exempt from Australian and United States' withholding tax on dividends from investments and recovers withholding tax deducted in most European countries.

For further information on potential claims see note 18.

21. Related Party Transactions

Cornwall Council is the administering authority for the purpose of the Fund, under the Local Government Pension Scheme (Administration) Regulations 2008. The majority of investments are managed by external fund managers, although during the year a small proportion was held as cash and controlled by Cornwall Council within a Pension Fund, nominated, money market account. Transactions with the Fund in respect of employees in the Scheme are shown in Note 6.

Senior officers of the Pension Fund are members of the Fund as employee contributors. Also, as at 31 March 2015, there were 7 Pensions Committee members contributing to the Fund and there was 1 pensioner member of the Fund.

Included in Management Expenses (see Note 7) are charges amounting to £0.930m incurred for the internal costs of providing these services during the year to 31 March 2015 (£0.978m for the year to 31 March 2014). For the year to 31 March 2015 this is composed of £0.675m Administrative Costs and £0.255m Oversight and Governance Costs (£0.678m Administrative Costs and £0.300m Oversight and Governance Costs for the year to 31 March 2014).

The Council made payments to each Cornwall Council elected Member serving on the Pensions Committee, in accordance with the Council's Member's Allowances Scheme. These payments were met by Cornwall Council and declared in their statutory accounts.

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Cornwall Council's Head of Business Planning and Development is the key officer serving on the Pensions Committee. There is no direct charge to the Fund for her services but a contribution towards the cost is included in the recharge (from Cornwall Council as Administering Authority) at the notional rate of 10% of the Head of Business Planning and Development salary. This equates to £0.010m for year to 31 March 2015 (£0.010m for the year to 31 March 2014). The Head of Business Planning and Development receives no additional salary or remuneration for undertaking this role.

22. Nature and extent of risks arising from Financial Instruments

The Cornwall Council Pension Fund's objective is to generate positive investment returns for a given level of risk. Therefore the Fund holds financial instruments such as equities, bonds and cash and cash equivalents in a number of different investment vehicles. In addition, debtors and creditors arise as a result of its operations. The value of these financial instruments in the financial statements approximates to their fair value.

The main risks from the Fund's holding of financial instruments are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk and foreign currency risk.

The Fund's investments are managed on behalf of the Fund by the appointed fund managers. Each fund manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus.

The Pensions Committee has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each manager and considers and takes advice on the nature of the investments made and associated risks.

The Fund's investments are held either by The Northern Trust Company, who act as custodian on behalf of the Fund or with the custodian appointed by the pooled investment vehicle.

Because the Fund adopts a long-term investment strategy, the high level risks described below will not alter significantly during the year unless there are significant strategic or tactical changes in the portfolio.

Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed through its investments in equities, bonds and investment funds, to all these market risks. The aim of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return from the investment portfolio.

In general, market risk is managed through the diversification of the investments held by asset class, investment mandate guidelines and fund managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee.

Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate caused by factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general.

Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital; the maximum risk being determined by the fair value of the financial instruments. The fund managers mitigate this risk through diversification, in line with their own investment strategies and mandate guidelines.

Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of return experienced in each asset class, as observed and provided by State Street Global Services during the year to 31 March 2015. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables remain constant.

Movements in market prices would have increased or decreased the net assets, at 31 March 2015, by the amounts shown overleaf:

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As at 31 March 2015	Value £m	Volatility of return %	Value on Increase £m	Value on Decrease £m
UK Equities	-	11.10%	-	-
Global Equities	456.855	9.15%	498.657	415.053
Property	95.341	3.88%	99.040	91.642
Bonds	226.159	7.80%	243.799	208.519
Other pooled investment vehicles and private equities	600.199	4.53%	627.388	573.010
Cash with Custodian and at Bank	136.046	0.01%	136.060	136.032
Total Investment Assets ¹ (including Cash at Bank, excluding Investment Debtors)	1,514.600	5.58%	1,599.115	1,430.085

¹ The percentage change for total assets includes the impact of correlation across asset classes. Therefore, the values on increase and decrease do not add to the totals.

The comparative data for the previous year are as follows:

As at 31 March 2014	Value £m	Volatility of return %	Value on Increase £m	Value on Decrease £m
UK Equities	73.580	12.49%	82.770	64.390
Global Equities	655.892	13.77%	746.208	565.576
Property	80.226	2.32%	82.087	78.365
Bonds	199.449	4.59%	208.604	190.294
Other pooled investment vehicles and private equities	373.377	5.54%	394.062	352.692
Cash with Custodian and at Bank	17.705	0.02%	17.709	17.701
Total Investment Assets ¹ (including Cash at Bank, excluding Investment Debtors)	1,400.229	7.47%	1,504.826	1,295.632

¹ The percentage change for total assets includes the impact of correlation across asset classes. Therefore, the values on increase and decrease do not add to the totals.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates which will affect the value of fixed interest and index linked securities. The amount of income receivable from cash balances will be affected by fluctuations in interest rates.

Foreign Currency Risk

Foreign currency risk represents the risk that the fair value of financial instruments when expressed in sterling, the Fund's base currency, will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on investments denominated in a currency other than sterling. For a sterling based investor, when sterling weakens, the sterling value of foreign currency denominated investments rises. As sterling strengthens, the sterling value of foreign currency denominated investment falls.

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Foreign Currency Risk - Sensitivity Analysis

The following table analyses the Fund's currency exposure as at 31 March 2015 by currency. The percentage change shows the potential volatility of each currency against sterling as observed and provided by State Street Global Services. Movements in currency rates would have increased or decreased the value of the assets by the amounts shown.

Overseas Assets as at 31 March 2015	Value £m	Potential Percentage Change	Value on Increase £m	Value on Decrease £m
Euro	21.306	6.15%	22.616	19.996
US Dollar	118.258	7.78%	127.460	109.056
Total Overseas Assets ¹	139.564	6.85%	149.118	130.010

¹The percentage change for total currency includes the impact of correlation across the underlying currencies. Therefore, the values on increase and decrease do not add to the totals.

The comparative data for the previous year are as follows:

Overseas Assets as at 31 March 2014	Value £m	Potential Percentage Change	Value on Increase £m	Value on Decrease £m
Czech Republic Koruna	0.003	8.8%	0.003	0.003
Euro	26.015	6.3%	27.657	24.373
Hong Kong Dollar	0.002	8.0%	0.002	0.002
Japanese Yen	0.042	11.5%	0.047	0.037
Norwegian Krone	0.031	8.8%	0.034	0.028
Swiss Franc	0.021	7.4%	0.023	0.019
Taiwan Dollar	0.003	5.6%	0.003	0.003
US Dollar	92.843	8.1%	100.335	85.351
Total Overseas Assets ¹	118.960	6.6%	126.857	111.063

¹The percentage change for total currency includes the impact of correlation across the underlying currencies. Therefore, the values on increase and decrease do not add to the totals.

Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk.

The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties (including brokers, custodian and investment managers) minimises the credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's contractual exposure to credit risk is represented by the net payment or receipt that remains outstanding and the cost of replacing the position in the event of a counterparty default. Bankruptcy or insolvency of the Custodian may affect the Fund's access to its assets. However, all assets held by the Custodian are ring-fenced as client assets and therefore cannot be claimed by creditors of the Custodian. The Fund manages its risk by monitoring the credit quality and financial position of the Custodian.

The Fund's bond portfolio has significant credit risk through its underlying investments. This risk is managed through diversification across corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed in line with Cornwall Council's Treasury Management Policy, which sets out the permitted counterparties and limits. The Fund invests surplus cash with the Custodian in diversified, money market funds.

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The Fund's bond investments are held in units of a fund run by the fund manager, Insight Investment Management Limited. Therefore, actual holdings in specific securities cannot be identified. However, the credit risk within the bond portfolio, at the year end, can be analysed in terms of proportions using standard industry credit ratings. This analysis, is set out below:

Insight Investment Management Ltd	At 31 March 2015 %	At 31 March 2014 %
Rating		
AAA	11.5%	15.7%
AA	7.4%	12.1%
A	19.3%	26.6%
BBB	42.0%	33.1%
BB and below	5.6%	3.8%
Unrated	0.0%	0.2%
Insight EMD Fund	2.6%	3.0%
Insight Short-dated High Yield Bond Fund	1.0%	3.6%
Insight Liquidity Fund	5.0%	0.0%
Cash and other ¹	5.6%	1.9%
Total - Insight investment exposure	100.0%	100.0%

¹ includes forward currency, unsettled trades, margin and cash accounts

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. A substantial portion of the Fund's investments consist of readily-realizable securities (in particular equities and fixed income investments) even though a significant proportion is held in pooled investment vehicles. However, the main liability of the Fund is the benefits payable, which fall due over a long period and the investment strategy reflects the long term nature of these liabilities. Therefore the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes which are subject to longer redemption periods and cannot be considered as liquid as the other investments. The Fund maintains a cash balance to meet working requirements.

The majority of the Fund's invested assets could be realised within a three month period. The exceptions to this would be private equities, hedge funds, infrastructure, the environmental technology fund and the UK financing fund. At 31 March 2015, these amounted to £113.753m, which represented 7.5% of the Fund's investment assets (at 31 March 2014, these amounted to £96.734m, which represented 6.9% of the Fund's investment assets).

Fair Value Hierarchy

The Fund is required to classify its investments using a fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. Fair value is the value at which the investments could be realised within a reasonable timeframe. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. The fair value hierarchy has the following levels:

- Level 1 – Unadjusted, quoted prices in an active market for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Inputs, other than quoted prices under Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability, used to measure fair value, that rely on the reporting entity's own assumptions concerning the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

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The following table sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy, as held by the Fund's custodian, at 31 March 2015:

Investment Assets as at 31 March 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities				
UK Active Quoted	-	-	-	-
Private Equities	-	-	53.571	53.571
Pooled Investment Vehicles				
Global Equity Funds	309.866	-	-	309.866
Diversified Growth Fund	-	192.239	-	192.239
UK Equity Index Fund	-	-	-	-
Frontier Market Funds	38.016	35.768	-	73.784
Emerging Market Fund	73.205	-	-	73.205
Unit Trust Bonds	-	226.159	-	226.159
Liability Driven Investment	-	294.207	-	294.207
Property Unit Trusts (UK)	-	83.425	-	83.425
Property Unit Trusts (Global)	-	11.916	-	11.916
Infrastructure Funds	-	-	52.866	52.866
Hedge Funds	-	-	-	-
M & G UK Financing Fund	-	4.713	-	4.713
Environmental Technology Fund	-	-	2.603	2.603
Other Assets				
Cash with Custodian	133.450	-	-	133.450
Investment Income Receivable	4.101	-	-	4.101
Fee Rebate Due	0.068	-	-	0.068
Income Tax Receivable	0.089	-	-	0.089
Investment Liabilities	-	-	-	-
Total Investment Assets	558.795	848.427	109.040	1,516.262

The comparative table for 31 March 2014 is shown below:

Investment Assets as at 31 March 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities				
UK Active Quoted	0.004	-	-	0.004
Private Equities	-	-	48.743	48.743
Fixed Interest Securities	-	-	-	-
Pooled Investment Vehicles				
Global Equity Funds	527.168	-	-	527.168
Diversified Growth Fund	-	176.834	-	176.834
UK Equity Index Fund	73.576	-	-	73.576
Frontier Market Funds	34.739	34.000	-	68.739
Emerging Market Fund	59.985	-	-	59.985
Unit Trust Bonds	-	199.449	-	199.449
Liability Driven Investment	-	99.809	-	99.809
Property Unit Trusts (UK)	-	75.680	-	75.680
Property Unit Trusts (Global)	-	4.546	-	4.546
Infrastructure Funds	-	-	19.971	19.971
Hedge Fund of Funds	-	-	18.867	18.867
M & G UK Financing Fund	-	5.749	-	5.749
Environmental Technology Fund	-	-	3.404	3.404
Other Assets				
Cash with Custodian	14.596	-	-	14.596
Investment Income Receivable	4.326	-	-	4.326
Income Tax Receivable	0.552	-	-	0.552
Investment Liabilities	-	-	-	-
Total Investment Assets	714.946	596.067	90.985	1,401.998

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23. Financial Instrument Disclosures

The net assets of the Fund are made up of the following categories of financial instruments:

	31 March 2015 £m	31 March 2014 £m
Financial Assets		
Loans and Receivables	147.934	31.209
Financial assets at fair value through profit or loss	1,378.554	1,382.524
Total Financial Assets	1,526.488	1,413.733
Financial Liabilities		
Financial liabilities measured at amortised cost	(4.245)	(5.017)
Financial liabilities at fair value through profit or loss	-	-
Total Financial Liabilities	(4.245)	(5.017)

All investments are disclosed at fair value. Therefore, carrying value and fair value are the same. The gains and losses recognised in the Fund Account, in relation to financial instruments, are made up as follows:-

Income, Expense, Gains and Losses	Loans and receivables £m	Financial assets at fair value through profit or loss £m	Payables £m	Financial liabilities at fair value through profit or loss £m	Total £m
As at 31 March 2015					
Interest expense	(0.230)	-	-	-	(0.230)
Losses on derecognition	-	(1.089)	-	-	(1.089)
Reductions in fair value	-	(159.526)	-	-	(159.526)
Fee expense	-	-	-	-	-
Total expense in Fund Account	(0.230)	(160.615)	-	-	(160.845)
Interest and dividend income	-	15.066	-	-	15.066
Gains on derecognition	-	88.247	-	-	88.247
Increases in fair value	-	166.873	-	-	166.873
Total income in Fund Account	-	270.186	-	-	270.186
Net gain/(loss) for the year	(0.230)	109.571	-	-	109.341

The previous year's data were as follows:

Income, Expense, Gains and Losses (Restated) ¹	Loans and receivables £m	Financial assets at fair value through profit or loss £m	Payables £m	Financial liabilities at fair value through profit or loss £m	Total £m
As at 31 March 2014					
Interest expense	-	-	-	-	-
Losses on derecognition	-	(2.256)	-	-	(2.256)
Reductions in fair value	-	(240.852)	-	-	(240.852)
Fee expense	-	-	-	-	-
Total expense in Fund Account	-	(243.108)	-	-	(243.108)
Interest and dividend income	0.891	18.853	-	-	19.744
Gains on derecognition	-	224.127	-	-	224.127
Increases in fair value	-	59.431	-	4.675	64.106
Total income in Fund Account	0.891	302.411	-	4.675	307.977
Net gain/(loss) for the year	0.891	59.303	-	4.675	64.869

¹ Restated due to management expenses

Funding Strategy Statement as approved March 2014

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Cornwall Pension Fund ("the Fund"), which is administered by Cornwall 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 11th March 2014.

1.2 What is the Cornwall 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 Cornwall Pension Fund, in effect the LGPS for the Cornwall Council area, to make sure it:

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

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

1.3 Why does the Fund need a Funding Strategy Statement?

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

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

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

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

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

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework of which includes:

- the LGPS Regulations;

- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's policies on admissions and cessations;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles (see Section 4).

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, and in what circumstances you might need to pay more. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

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

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

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

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

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

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

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

If you have any other queries please contact Matthew Trebilcock, Pension Investments Manager in the first instance:

Email mtrebilcock@cornwall.gov.uk or telephone 01872 323286.

2 Basic Funding issues

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

2.1 How does the actuary calculate a contribution rate?

Employer contributions are normally made up of two elements:

- a) the estimated cost of future benefits being built up from year to year, referred to as the "future service rate"; plus
- b) an adjustment for the difference between the assets built up to date and the value of past service benefits, referred to as the "past service adjustment". If there is a deficit the past service adjustment will be an increase in the employer's

total contribution; if there is a surplus there may be a reduction in the employer's total contribution. Any past service adjustment will aim to return the employer to full funding over an appropriate period (the "deficit recovery period").

2.2 How is a deficit (or surplus) calculated?

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

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

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

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

2.3 How are contribution rates calculated for different employers?

The Fund's actuary is required by the Regulations to report the Common Contribution Rate, for all employers collectively at each triennial valuation, combining items (a) and (b) above. This is based on actuarial assumptions about the likelihood, size and timing of benefit payments to be made from

the Fund in the future, as outlined in Appendix E.

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

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

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

2.4 What else might affect the employer's contribution?

Employer covenant, and likely term of membership, are also considered when setting contributions: more details are given in Section 3.

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

If an employer is approaching the end of its participation in the Fund then its contributions may be amended appropriately, so that the assets meet

(as closely as possible) the value of its liabilities in the Fund when its participation ends.

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

2.5 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, 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, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the DCLG regarding the terms of academies' membership in LGPS Funds.

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

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer - community admission bodies ("CAB") or those providing a service on behalf of a scheme employer - transferee admission bodies ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

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

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

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments

does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;

- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Fund will consider a risk assessment of that employer using

a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc. This helps the Fund establish a picture of the financial standing of the employer, i.e. its ability to meet its long term Fund commitments.

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

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

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

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, there are a number of methods which the Administering Authority may permit, in order to improve the stability of employer contributions. These include, where circumstances permit:-

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

These and associated issues are covered in this Section.

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

3.2 The effect of paying contributions below the theoretical level

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than the theoretical contribution rate. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the choice of method,
- lower contributions in the short term will be assumed to incur a greater loss of investment returns on the deficit. Thus, deferring a certain amount of contribution will lead to higher contributions in the long-term, and
- it will take longer to reach full funding, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	Local Authorities	Colleges,Housing Associations etc	Academies	Open to new entrants	Closed to new entrants	(all)
Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to "gilts basis" see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Future service rate	Projected Unit Credit approach (see Appendix D – D.2)				Attained Age approach (see Appendix D – D.2)	Projected Unit Credit approach (see Appendix D – D.2)
Stabilised rate?	Yes – see Note (b)	Yes - see Note (b)	Yes	No	No	No
Maximum deficit recovery period – Note (c)	20 years	20 years	20 years	20 years	Shorter of: Future working lifetime of employees, and 15 years	Shorter of: Future working lifetime of employees, and Outstanding contract term
Deficit recovery payments – Note (d)	Monetary Amount	Monetary Amount	Monetary Amount	% of payroll or Monetary Amount	Monetary amount	% of payroll or monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Preferred approach: contributions kept at future service rate. However, reductions may be permitted by the Admin. Authority	Preferred approach: contributions kept at future service rate. However, reductions may be permitted by the Admin. Authority		Reduce contributions by spreading the surplus over the remaining contract term
Phasing of contribution changes	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	3 years - Note (e)	3 years - Note (e)	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

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

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding, the Administering Authority may vary the discount rate used to set employer contribution rate. In particular contributions may be set for an employer to achieve full funding on a more prudent basis (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

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

On the basis of extensive modelling carried out for the 2013 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Precepting Bodies	Colleges & Universities Housing Associations Other large bodies
Max cont increase	+0.5% of pay (expressed as a monetary amount)	+1.0% of pay (expressed as a monetary amount)
Max cont decrease	-0.5% of pay (expressed as a monetary amount)	-1.0% of pay (expressed as a monetary amount)

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

Note (c) (Deficit Recovery Periods)

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2014 for the 2013 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative spreading periods, for example where there were no new entrants.

Where stabilisation applies, the resulting employer contribution rate would be amended to comply with the stabilisation mechanism.

For employers with no (or very few) active members at this valuation, the deficit should be recovered by a fixed monetary amount over a period to be agreed with the body or its successor, not to exceed 3 years.

Note (d) (Deficit Recovery Payments)

For employers where stabilisation is not being applied, the deficit recovery payments for each employer covering the three year period until the next valuation will be set as payments in monetary terms. However, the Administering Authority reserves the right to amend these rates between valuations, for instance where:

- the employer is relatively mature, i.e. has a large deficit recovery contribution rate (e.g. above 15% of payroll), in other words its payroll is a smaller proportion of its deficit than is the case for most other employers, or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Phasing in of contribution changes)

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

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

Note (f) (Regular Reviews)

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

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary

levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy employers)

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

- a) The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;
- b) The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;
- c) The new academy will be allocated an initial asset share from the 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 asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;
- d) The new academy's initial contribution rate will be calculated using market conditions, the council funding position and, membership data, all as at the day prior to conversion; The Fund's policies on academies are subject

to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS.

Note (h) (New Admission Bodies)

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

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

For all new Transferee Admission Bodies, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis.

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

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

Note (i) (New Transferee Admission Bodies)

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

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

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

i) Pooling

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

ii) Letting employer retains pre-contract risks

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

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate and doesn’t pay any cessation deficit.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the transfer agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from;

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above;

- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

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

- Last active member ceasing participation in the Fund;
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

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

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event

has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- a) Where there is a guarantor for future deficits and contributions, the cessation valuation will normally be calculated using the ongoing basis as described in Appendix E;
- b) Alternatively, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee;
- c) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilt's cessation basis", which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund would look to any bond, indemnity or guarantee in place for the employer.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers

in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date

3.4 Pooled contributions

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

With the advice of the Actuary the Administering Authority allows smaller employers of similar types to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool. Transferee Admission Bodies are usually also ineligible for pooling.

Smaller admitted bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Grant Maintained Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools.

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

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the

satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended deficit recovery period, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

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

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (NB the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. 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 3 years
Community Admission Bodies and Designating Employers	- up to 3 years
Academies	- up to 3 years
Transferee Admission Bodies	- payable immediately.

3.7 Ill health early retirement costs

Admitted Bodies will usually have an 'ill health allowance'; Scheduled Bodies may have this also, depending on their agreement terms with the Administering Authority. The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

3.8 Ill health insurance

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

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

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

3.9 Employers with no remaining active members

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

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers

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;
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable

strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (SIP), which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out after each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall

short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate (see E3) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see A1).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 How does this differ for a large stable employer?

The Actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

- Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;

- Affordability – how much can employers afford;
- Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position;
- Stability – employers should not see significant moves in their contribution rates from one year to the next, and this will help to provide a more stable budgeting environment.

The key problem is that the key objectives often conflict. For example, minimising the long term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore a balance needs to be maintained between risk and reward, which has been considered by the use of Asset Liability Modelling: this is a set of calculation techniques applied by the Fund's actuary, to model the range of potential future solvency levels and contribution rates.

The Actuary was able to model the impact of these four key areas, for the purpose of setting a stabilisation approach (see 3.3 Note (b)). The modelling demonstrated that retaining the present investment strategy, coupled with constraining employer contribution rate changes as described in 3.3 Note (b), struck an appropriate balance between the above objectives. In particular the stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

Whilst the current stabilisation mechanism is to remain in place until 2017, it should be noted that this will need to be reviewed following the 2016 valuation.

4.5 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS is:

- “to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;
- to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and
- to take a **prudent longer-term view** of funding those liabilities.”

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2012) and to its Statement of Investment Principles.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA

guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers on 17 February 2014 for comment;
- b) Comments were requested within 14 days;
- c) Following the end of the consultation period the FSS was updated where required and then tabled before the Pensions Committee for approval.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at www.cornwallpensionfund.org.uk;
- 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 2016.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes,

or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the [Pensions Committee] and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund’s approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Statement of Investment Principles, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.cornwallpensionfund.org.uk.

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles (SIP) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- prepare and maintain a FSS and a SIP, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and

- monitor all aspects of the fund's performance and funding and amend the FSS/SIP as necessary and appropriate.

B2 The Individual Employer should:-

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

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations,

where circumstances suggest this may be necessary;

- advise on the termination of Admission Bodies' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's SIP remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

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

C2 Financial Risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term.	Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. 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. 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. Inter-valuation monitoring, as above. 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. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. 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.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic Risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

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. The results of the most recent reforms have been built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.

C5 Governance Risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions (under Regulation 38) between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way.	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
An employer ceasing to exist with insufficient funding or adequacy of a bond.	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <ul style="list-style-type: none"> Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). 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.

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

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

Employer contributions are normally made up of two elements:

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

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

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

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

D2 How is the Future Service Rate calculated?

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

The future service rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The calculation is on the “ongoing” valuation basis (see Appendix E), but where it is considered appropriate to do so the Administering Authority reserves the right to set a future service rate by reference to liabilities valued on a more prudent basis (see Section 3).

The approach used to calculate each employer’s future service contribution rate depends on whether or not new entrants are being admitted.

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

- a) Employers which admit new entrants

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

- b) Employers which do not admit new entrants

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

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

D3 How is the Solvency / Funding Level calculated?

The Fund’s actuary is required to report on the “solvency” of the whole Fund in a valuation which should be carried out at least once every three

years. As part of this valuation, the actuary will calculate the solvency position of each employer.

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

For the value of the employer’s asset share, see D5 below.

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

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

D4 What affects a given employer’s valuation results?

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

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

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

over the period between each triennial valuation.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

D5 How is each employer’s asset share calculated?

The Administering Authority does not account for each employer’s assets separately. Instead, the Fund’s actuary is required to apportion the assets of the whole Fund between the employers, at each triennial valuation.

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying

assumptions. The split is calculated using an actuarial technique known as ‘analysis of surplus’.

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

- the actual timing of employer contributions within any financial year;
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund.

The asset apportionment is capable of verification but not to audit standard. The Administering Authority recognises the limitations in the process, but it considers that the Fund actuary’s approach addresses the risks of employer cross-subsidisation to an acceptable degree.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

Changes in assumptions will affect the measured value of future service accrual and past service liabilities, and hence the measured value of the past service deficit. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The combination of all assumptions is described as the “basis”. A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower liability values and lower employer costs. A more prudent basis will give higher liability values and higher employer costs.

E2 What basis is used by the Fund?

The Fund’s standard funding basis is described as the “ongoing basis”, which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see Note (a) to 3.3.

E3 What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund’s investments. This “discount rate” assumption makes allowance for an anticipated out-performance of Fund returns relative to long term yields on UK Government bonds (“gilts”). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the purpose of the triennial funding valuation at 31 March 2013 and setting contribution rates effective from 1 April 2014, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.50% per annum greater than gilt yields at the time of the valuation. In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2016. Although this “pay freeze” does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, the salary increase assumption at the 2013 valuation has been set to 1% above the retail prices index (RPI) per annum. This is a change from the previous valuation, which assumed a two year restriction at 1% per annum followed by longer term growth at RPI plus 1.5% per annum.

c) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. This change was allowed for in the valuation calculations as at 31 March 2010. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

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

d) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with the peaked ONS projection model to future reductions in mortality rates. This is a higher allowance for future improvements than was made in 2010.

The combined effect of the above changes from the 2010 valuation approach, is to add around one year of life expectancy on average. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

e) General

The same financial assumptions are adopted for all employers, in deriving the past service deficit and the future service rate: as described in (3.3), these

calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Statement to the rates and adjustments certificate

The Common Rate of Contribution payable by each employing authority under Regulation 36(4)(a) of the Administration Regulations for the period 1 April 2014 to 31 March 2017 is 29.8% of pensionable pay.

Individual Adjustments are required under Regulation 36(4)(b) of the Administration Regulations for the period 1 April 2014 to 31 March 2017 resulting in Minimum Total Contribution Rates expressed as a percentage of pensionable pay. These are as set out in the adjacent table:

Employer	Minimum contribution for the year ended 31 Mar 2015
Major scheduled and resolution bodies	
Cornwall Council	16.5% plus £6,700k
Cornwall Development Company	16.2% plus £86k
Cornwall Housing Ltd	16.9% plus £426k
Cornwall Sea Fisheries	16.5% plus £13k
Council of the Isles of Scilly	16.1% plus £160k
Tamar Bridge & Torpoint Ferry	18.5% plus £78k
Minor employer pools	
Bodmin Town Council	17.7% plus £11.4k
Bude Stratton Town Council	17.7% plus £6.2k
Callington Town Council	17.7% plus £1.9k
Calstock Parish Council	17.7% plus £0.7k
Camborne Town Council	17.7% plus £2.0k
Camelford Town Council	18.5%
Cornwall Airport Ltd	15.9% plus £5k
Deviack Parish Council	17.7% plus £0.3k
Falmouth Town Council	17.7% plus £5.1k
Feock Parish Council	21.25%
Hayle Town Council	17.7% plus £1.3k
Helston Town Council	17.7% plus £2.6k
Launceston Town Council	17.7% plus £3.5k
Liskeard Town Council	17.7% plus £2k
Newquay Town Council	17.7% plus £1.0k
Padstow Town Council	21.38%
Penryn Town Council	17.7% plus £1.8k
Penzance Town Council	17.7% plus £6.3k
Redruth Town Council	18.6%
Roche Parish Council	21.53%
Saltash Town Council	17.7% plus £1.6k
St Agnes Parish Council	17.7% plus £0.8k
St Austell Town Council	17.7% plus £2.0k
St Blaise Town Council	17.7% plus £0.6k
St Ives Town Council	17.7% plus £1.8k
St Just-In-Penwith Town Council	17.7% plus £0.7k
Torpoint Town Council	17.7% plus £1.3k
Truro City Council	17.7% plus £10.5k
Wadebridge Town Council	17.7% plus £3.2k

Employer	Minimum contribution for the year ended 31 Mar 2015
Colleges	
Cornwall College	16.8% plus £500k
Falmouth University	15.6% plus £160k
Truro & Penwith College	15.9% plus £96k
Academies	
Acorn Academy Cornwall	21.7% plus £7.9k
Adventure Learning Academy Trust	19.3% plus £24.7k
An Daras Multi-Academy Trust	20.5% plus £5.1k
Archbishop Benson School	20.4% plus £4.3k
Aspire Academy Trust	17.8% plus £13.8k
Atlantic Centre of Excellence	22.3% plus £4.2k
Biscoverey Academy	23.9% plus £4.3k
Bodmin College	20.2% plus £4.5k
Bodriggy Academy	15.1% plus £5.5k
Bridge Multi-Academy Trust	19.8% plus £11.0k
Brunel Primary and Nursery Academy	17.3% plus £3.5k
Callington Community College	16.7% plus £26.7k
Camborne Science and International Academy	15.8% plus £21.4k
Charlestown Academy Trust	20.4% plus £2.6k
Creative Learning Academy Trust	21.9% plus £1.9k
Duchy Academy Trust	17.6% plus £6.1k
Falmouth School	19.9% plus £19.2k
Harrowbarrow School	18.9% plus £1.6k
Keskowethyans Multi-Academy Trust	19.5% plus £3.9k
Launceston College	21.0% plus £35.1k
Looe Community Academy Trust	23.5% plus £16.0k
Ludgvan School	19.1% plus £2.0k
Mounts Bay Academy	15.9% plus £10.8k
Nansloe Academy	18.3% plus £2.0k
Newquay Education Trust	17.6% plus £13.2k
Newquay Junior Academy	19.1% plus £1.5k
Penair School	17.8% plus £17.4k
Pencalenick School	20.0% plus £15.6k
Peninsula Learning Trust	24.8% plus £8.0k
Penryn College	17.3% plus £17.1k
Pilgrims Way Multi-Academy Trust	22.6% plus £5.8k

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Funding Strategy Statement

Notes

Contributions expressed as a percentage plus any cash amounts should be paid into Cornwall Council Pension Fund ('the Fund') at a frequency in accordance with the requirements of the Regulations.

Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentation using methods and factors issued by the Actuary from time to time.

Further sums may be required to be paid to the Fund by employers to meet the capital costs of any ill health retirements that exceed those included within the Actuary's assumptions.

The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund actuary.

The FSS of the Cornwall Council Pension Fund sets out the strategy of the Fund in relation to the phasing of any contribution rate increases. Where appropriate, employers' rates have therefore been phased in over the period detailed in the FSS. However, as noted in the FSS, in certain circumstances, the Administering Authority and the Actuary may agree other phasing-in periods where an employer, or group of employers, is undergoing significant structural changes.

Employers with no active members have had their residual liabilities in respect of deferred or pensioner members allocated to a successor body where applicable. In some cases, cessation valuations under Regulation 38 are to be carried out.

Employer	Minimum contribution for the year ended 31 Mar 2015
Academies (continued)	
Plymouth Cast	19.0% plus £11.3k
Pool Academy	15.9% plus £17.4k
Rainbow Multi-Academy Trust	18.6% plus £10.0k
Roseland Community College	14.1% plus £8.4k
Saints Way Multi-Academy Trust	19.4% plus £13.1k
Saltash.Net Academy Trust	17.5% plus £24.6k
Sir Robert Geffery's School	19.7% plus £2.1k
St Barnabas Multi-Academy Trust	20.9% plus £11.3k
St Breock Primary School	17.5% plus £4.4k
St Buryan Academy Primary School	21.4% plus £0.4k
St Columb Major Academy	20.3% plus £4.5k
St Columb Minor Academy	16.5% plus £6.3k
St Hilary School	18.7% plus £2.2k
St Ives Infant School	19.0% plus £2.8k
St Merryn School	19.2% plus £1.1k
St Mewan Community Primary School	19.9% plus £7.5k
St Michaels Catholic School Academy Trust	15.2%
St Pirans Cross Multi-Academy Trust	20.1% plus £9.4k
Tregolls School - an Academy	22.0% plus £7.3k
Trenance Learning Academy	19.4% plus £6.4k

Employer	Minimum contribution for the year ended 31 Mar 2015
Academies (continued)	
Trevithick Learning Academy	13.2% plus £4.7k
Trewirgie Infants School	18.2% plus £5.3k
Trewirgie Junior School	19.0% plus £4.5k
Truro & Penwith Academy Trust	16.7% plus £10.9k
Wadebridge Secondary School	22.8% plus £23.9k
Admitted bodies	
Addaction	21.38%
Aspens Services Ltd	23.8%
Blue Support Services Ltd	26.2%
BT Cornwall Ltd	24.6%
Careers South West Ltd	14.9% plus £521k
Churchill Contract Services Ltd (1)	21.8%
Churchill Contract Services Ltd (2)	25.6%
Churchill Contract Services Ltd (3)	16.0%
Churchill Contract Services Ltd (4)	17.5% plus £155
Coastline Housing	22.2% plus £164k
Compass Contract Services (UK) Ltd (1)	12.0%
Compass Contract Services (UK) Ltd (2)	24.2%
Compass Contract Services (UK) Ltd (3)	26.3%
Compass Contract Services (UK) Ltd (4)	22.8%
Cormac Solutions Ltd	16.5% plus £1,543.3k
Cornwall Care Ltd	24.9% plus £300k
Cory Environmental Ltd	21.7%
Devon & Cornwall Housing Ltd	22.6% plus £174k
Falmouth Exeter Plus	15.8% plus £37k
Falmouth Harbour Commissioners	19.2% plus £55k
Future Cleaning Services Ltd (1)	23.5%
Future Cleaning Services Ltd (2)	21.25%
Initial Catering Services	20.3%
Ocean Housing Group Ltd	27.6% plus £125k
Ocean Housing Ltd	24.9% plus £250k
Ocean Services (SW) Ltd	23.4% plus £127k
OCS Group	21.9%
RNLI	15.3%
Royal Institution of Cornwall	21.7%
Tempus Leisure Ltd	16.0% plus £176k

Employers with no active members

Age Concern	Penwith Respite Care Ltd
Camborne School of Metalliferous Mining	Restormel Regeneration Partnership
Camborne School of Mines	Serco Ltd
Cornwall Disabled Association	Southern Electric Contracting
Cornwall Water River Authority	St Mewan Parish Council
Devon and Cornwall Magistrates Service	Stonham
Devon and Cornwall Probation Service	The Trevithick Trust
Kerrier Groundwork Trust	Truro School
Landscapes Southwest Ltd	United Response
Newlyn Pier and Harbour Commissioners	

Governance Compliance Statement

As approved 18 June 2015.

The Local Government Pension Scheme Regulations 2013 (LGPS 2013 Regulations) require administering authorities to prepare a written statement setting out compliance with best practice governance principles.

The following statement sets out:

- the principles against which compliance is to be measured;
- the level of compliance by the Cornwall Pension Fund;
- evidence of compliance; and, if appropriate, reasons for non-compliance.

Section 1 sets out how the Administering Authority exercises its powers of delegation under the LGPS 2013 Regulations

Section 2 sets out details of the terms, structure and operational procedures relating to the local pension board established under the LGPS 2013 Regulations.

Section 1

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
A – Structure		
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	The terms of reference for the Pensions Committee clearly define its responsibilities in these areas
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	The Pensions Committee membership is: - with full voting rights: • 10 Cornwall Councillors • 2 representatives of the other employers • 2 member-nominated representatives appointed by the trade unions representing employees, deferred members and pensioners
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Applicable	The Pensions Committee has no secondary committee
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Applicable	The Pensions Committee has no secondary committee

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Governance Compliance Statement

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
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B – Representation

a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:		
i) employing authorities (including non-scheme employers, eg, admitted bodies);	Compliant	See A - Structure, section b) above.
ii) scheme members (including deferred and pensioner scheme members);	Compliant	The Pensions Committee includes 2 member-nominated representatives appointed by the trade unions, representing employees, pensioner and deferred pensioner members.
iii) independent professional observers; and	Compliant	The Committee is advised by an independent professional adviser who is invited to attend all meetings of the Pensions Committee and other relevant meetings.
iv) expert advisors (on an ad-hoc basis).	Compliant	The Fund has a contract with Hymans Robertson covering actuarial services and JLT Investment Consulting as investment advisors. Other advisors covering actuarial, benefit and investment services are available from the South West framework agreement on an ad-hoc basis, if required.
b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant	All members of the Pensions Committee are given equal access to meetings, training events and can fully contribute to the decision making process.

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
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C – Selection and role of lay members

a) That Committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	On appointment all new Pensions Committee members receive an information pack and induction training, setting out the status of the LGPS, and the role of the committee in respect of the fiduciary duties and the extent to which this committee differs from any other committee that Cornwall Council members may be involved with.
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D – Voting

a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	The constitution of the Pensions Committee and the Governance Statement sets out the voting rights of each organisation.
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Regulatory statements Governance Compliance Statement

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
E – Training, facility time and expenses		
a) 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 reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	<p>The Pensions Committee recognises the importance of training for members of the Committee and fully supports Myners' first principle. This states that decisions should only be taken by persons or organisations with the skill, information and resources necessary to take them effectively. In the Fund Business Plan provision is made for the cost of Member Training to further the achievement of this. In recognition of the need for specialist knowledge no substitutes are allowed on the Pensions Committee.</p> <p>Cornwall Council, as administering authority had fully embraced CIPFA's Knowledge and Skills framework for members of the committee as well as officers involved in the support to the Committee. As such, an extensive programme of training is undertaken, with events being held on a quarterly basis covering the range of topics identified within the Knowledge and Skills framework.</p> <p>Any expenses incurred by members of the Pensions Committee in attending training courses are reimbursed through Cornwall Council's arrangements Members' Allowance Scheme.</p>

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	All members of the Pensions Committee have equal access to training.
F – Meetings (frequency/quorum)		
a) That an administering authority's main committee or committees meet at least quarterly.	Compliant	There are four scheduled quarterly meetings of the Pensions Committee. Additional Committee meetings are arranged as necessary.
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not Applicable	The Pensions Committee has no secondary committee
c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not Applicable	The Pensions Committee does not include lay members, however an Annual Employers Meeting is held to which all employers are invited. The interests of scheme members are represented through the Member Nominated Representatives.
G – Access		
a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	All members of our Pensions Committee receive the same agenda and all reports and papers, including those treated as confidential.

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
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H – Scope

a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	The remit of the Pensions Committee includes all matters relating to the Local Government Pension scheme, including issues in relation to discretions.
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I – Publicity

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	The Governance Policy Statement was approved by the Pensions Committee in September 2014. The Statement is available on the Fund's website www.cornwallpensionfund.org.uk within the Fund's Annual Report.
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Section 2

Local Pension Board Compliance

Requirement	Compliance status	Evidence of compliance and justification for non-compliance
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A - LGPS 2013 Regulations

Where the Scheme manager is a committee of a local authority the local pension board may be the same committee if approval in writing has been obtained from the Secretary of State.	N/A	Cornwall Councils decision making functions are delegated to a pensions committee (see Section 1). The local pension board is constituted separately.
Where the administration and management of a Scheme is wholly or mainly shared by two or more administering authorities, those administering authorities may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.	N/A	Cornwall Council does not wholly or mainly share administration with any other administering authority and as a result cannot operate a joint local pension board.
Only employer and scheme member representatives shall be entitled to vote	Compliant	The local pension board terms of reference specify that all employer and scheme member representatives will be entitled to vote, but the independent Chair does not.
The administering authority has established a fair and transparent process for the appointment of local pension board members	Compliant	A fair and transparent process for the appointment of employer and scheme member representatives is included as an annex to the local pension board's terms of reference. The process allows all eligible individuals to put their names forward for consideration against a clearly defined set of criteria.

Regulatory statements

Governance Compliance Statement

Requirement	Compliance status	Evidence of compliance and justification for non-compliance
The local pension board consists of at least 4 members of whom 2 are employer representatives and 2 scheme member representatives	Compliant	<p>The structure of the local pension board is, as follows;</p> <ul style="list-style-type: none"> • 2 employer representatives drawn from any employer participating in the Cornwall Pension Fund • 2 scheme member representatives drawn from the active, deferred or pensioner membership of the Cornwall Pension Fund. • 1 independent Chair.
Employer and scheme member representatives have the capacity to represent their constituency.	Compliant	As part of the selection process, prospective pension board members are first assessed against their ability to commit the time to attend meetings, undertake training and effectively represent employers and members (as appropriate)
<p>Where the local pension board is not a joint body also exercising delegated decision making powers;</p> <p>a) no officer or elected member of the administering authority who is also responsible for the discharge of functions under LGPS 2013 may be a member of the local pension board, and</p> <p>b) any elected member of the administering authority who is a member of the pension board must be an employer or scheme member representative</p>	Compliant	<p>The local pension board terms of reference specify that;</p> <ol style="list-style-type: none"> 1. No officer or elected member of Cornwall Council who is either responsible for discharging any function in relation to the LGPS regulations or has delegated decision making authority in relation to LGPS matters may be a member of the Local Pension Board, and 2. the employer representatives may be elected members or officers of local authorities represented in the Cornwall Pension Fund

Requirement	Compliance status	Evidence of compliance and justification for non-compliance
No person to be appointed to the pension board may have a conflict of interest.	Compliant	The local pension board has its own policy on the managing of conflicts. Prospective members of the local pension board are required to declare any interests which are assessed as part of the appointment process as well as at any subsequent point that they arise.
No member of a pension board may have a conflict of interest.	Compliant	<p>The local pension board has its own policy on the managing of conflicts.</p> <p>Members of the local pension board are required to complete and keep up to date a register of interests.</p> <p>Members of the local pension board are required to provide any information requested by Cornwall Council in order to establish the existence or otherwise of a conflict of interests.</p>

Regulatory statements Governance Compliance Statement

Requirement	Compliance status	Evidence of compliance and justification for non-compliance
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B - Training

There is a clear policy on training which complies with the Pension Regulator's code of practice no. 14	Compliant	A training strategy exists detailing how Pension Board members will attain and maintain the appropriate level of knowledge and understanding to carry out their duties effectively. All pension board members are required to attend training.
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C - Expenses and facility time

There is a clear policy on the reimbursement of expenses and use of facility time	Compliant	Allowances and expenses will be in accordance with established practice for the committees of the County Council. It is expected that employers will facilitate reasonable paid absence to allow Local Pension Board members to fulfil their representative role.
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D - Conduct of members

The members of a Local Pension Board should have regard to the 'Seven Principles of Public Life' ("the Nolan Principles")	Compliant	The pension board's terms of reference requires members to abide by the Nolan Principles
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E - Reporting Breaches

There should be a policy in place for the reporting of breaches of the law.	Compliant	The pension board has a policy on breaches of law which is in line with the requirements of the Pensions Regulator
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F - Internal reporting

There should be a clear mechanism for the Pension Board to report its requests, recommendations or concerns	Compliant	The circumstances and mechanism for internal reporting form part of the board's terms of reference.
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Governance Policy Statement

As approved 18 June 2015.

Introduction

This is the Governance Policy Statement of the Cornwall Pension Fund, as required under the Local Government Pension Scheme Regulations 2013, Regulation 55.

Exercise of Administering Authority Function

Cornwall Council, on 20 May 2014, continued to support the agreement that the Pensions Committee will:

- exercise the functions of the Council as administering authority for the Local Government Pension Scheme in Cornwall; and
- establish a scheme of delegation to officers.

Membership of the Pensions Committee

The membership, with full voting rights, is as follows:

- ten Cornwall Councillors (politically balanced);
- two co-opted representatives of the other employers in the Scheme;
- Two Member-nominated representatives appointed by the trade unions representing the views of employees, deferred members and pensioners.

Period of Membership

The Council suggested that co-opted members are appointed for an initial period of four years. At the end of the four year period the individuals should be able to present themselves for reselection.

Frequency of meetings

The Committee meets quarterly, with additional meetings as and when required.

Scheme of Delegation from the Pensions Committee to the Head of Business Planning and Development

Pension Fund Investments

Cornwall Council has set up a Pensions Committee to exercise its functions as the Administering Authority for the Local Government Pension Scheme in Cornwall. This responsibility includes managing the investments of the Fund.

The Pensions Committee has agreed to delegate certain of its responsibilities for managing the Fund's investments to the Head of Business Planning and Development. This Scheme of Delegation sets out the limits of that delegation.

The Committee has also delegated day-to-day management of the Fund's investments to professional investment managers. Legally binding agreements govern the relationship between Cornwall Council and the investment managers.

Irrespective of whether or not the Committee decides to delegate a function to an officer, it is essential that those making a decision receive proper advice from suitably qualified people or organisations (usually the Head of Business Planning and Development or the Fund's investment consultants and advisers).

Nothing in this Scheme of Delegation can override the responsibility of Members and Officers to comply with Cornwall Council's Constitution, Financial Regulations, or Standing Orders.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations provide the legal framework governing investments by the Pension Fund. Any decisions or actions taken by the Committee, Members or officers must comply with these regulations.

Responsibilities retained by the Committee and not delegated to officers or Investment Managers

1. Determination of the Fund's investment strategy.
2. Approval of the Statement of Investment Principles, including the Fund's position on social, ethical and environmental issues relating to investments.
3. Approval of all policies – current policies cover:
 - a. Corporate governance and the exercise of voting rights;
 - b. Activism;
 - c. Admission of organisations into the Pension Scheme.
4. The appointment and removal of investment managers, the Fund actuary, investment consultants and the Fund custodian.
5. Approval of the Annual Business Plan.
6. Approval of the Annual Report and Accounts.
7. Acceptance of the triennial valuation report produced by the Fund actuary.
8. Appointment of AVC providers.

Investment responsibilities delegated to the Head of Business Planning and Development:

1. The management, monitoring and reporting to the Pensions Committee of the activities and the performance of the:
 - a. Investment Managers;
 - b. Investment Consultants and Advisers;
 - c. Fund Custodian.
 (Within any limits set by the Pensions Committee)
2. The management of the Fund's cash assets directly held by the Administering Authority.
3. The authorisation of cash or asset movements between the Administering Authority, the Fund Custodian and the investment managers.
4. Accounting for all investment transactions in compliance with standard accountancy and audit practice.
5. To re-balance to the target allocations approved in the Statement of Investment Principles, when deemed prudent to do so.
6. Authorising expenditure from the Fund in accordance with financial projections contained in the annual Business Plan or any higher amount as approved by the Committee (See 7. below).
7. The payment of fees to the investment managers and the custodian in accordance with their contractual agreements. The fees paid to the investment managers and to the custodian are linked to the performance of the market. They may also be performance related. For this reason, they are excluded from the limits of expenditure in 6 above.

8. The Committee has delegated the use of voting rights on the Fund's shareholdings to the investment managers. In exceptional circumstances the Head of Business Planning and Development may, in consultation with the Chairman and Vice-Chairman, request the investment managers to vote in a specific way.
9. The admission of organisations into the Pension Scheme - in accordance with approved policy and after consulting the Chairman and Vice Chairman of the Committee.
10. Under exceptional circumstances, taking urgent decisions regarding management of funds in the event that existing fund managers are unable to fulfil their responsibilities. This may, for example, relate to fund managers no longer carrying out the management function and selling that on to another organisation.
11. In consultation with specialist advisors determining, on a risk by risk basis, whether to pursue litigation cases to attempt to recover sums due in relation to taxation issues.
12. Authorisation to commit funds to existing alternative asset managers, to ensure that target allocations to the alternative asset classes are maintained.

Operation of the Cornwall Pension Fund Pension Board

As required by Regulation 106 of the Local Government Pension Scheme Regulations 2013 Cornwall Pension Fund has established a local pension board, the role of which is to;

- assist Cornwall Council (CC) as Scheme Manager
 - to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS
 - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
 - in such other matters as the LGPS regulations may specify.
- secure the effective and efficient governance and administration of the LGPS for the Cornwall Pension Fund
- provide the Scheme Manager with such information as it requires in order to ensure that any member of the LPB or person to be appointed to the LPB does not have a conflict of interest.

The pension board does not carry out a delegated decision making function on behalf of the Administering Authority. Instead the pension board will carry out an oversight function to ensure that such decisions are properly compliant with regulations, guidance and internal policies.

Regulatory statements Governance Policy Statement

The Composition of the pension board is as follows;

Representing	Number of members	Voting rights
Fund employers	2	Yes
Scheme Members	2	Yes
Independent Chair	1	No

Each member of the Local Pension Board will have an initial 2 year term of office to be extended to up to 4 years subject to review after the first 18 months.

No member, or prospective member, of the pension board may have a conflict of interest. All pension board members must declare any potential conflicts of interest prior to their appointment or at any point they arise. The pension board has a conflict of interest policy of which all members are aware and the board maintains a full declaration of interests.

All members of the pension board are required to subscribe to the Fund's training strategy which details how board members will attain the level of knowledge and understanding of their role required by The Pensions Regulator.

Where the pension board votes, by a majority, that a decision made by the pension committee or an officer exercising delegated powers, does not comply with certain principles they may refer that decision back to the relevant party. The Pension Investment Manager of the CPF must be informed of any such referral. The circumstances under which a decision may be referred back are that;

1. Under the CPF Scheme of Delegation, the decision maker did not have the power to make such a decision;

2. The decision was in breach of legislation and/or regulations;
3. The decision maker(s) did not follow professional advice given (or didn't take professional advice if it was a requirement to do so) and it is believed that this could result in a materially bad outcome for the CPF;
4. The decision making process did not follow one or more of the following principles:
 - The decision-maker(s) did not ask themselves the right questions;
 - The decision-maker(s) did not direct themselves correctly in law; in particular did not adopt a correct interpretation of the legislation and regulations relevant to the CPF;
 - The decision-maker(s) did not take into account all relevant facts and disregard any irrelevant facts;

If the Local Pension Board is dissatisfied with the response or resolution to the concern raised, it will seek the advice of the Section 151 officer of Cornwall Council. Where the decision-maker in question is the Section 151 officer or the LPB remains dissatisfied with the response or resolution, the concern will be escalated within the Council as far as possible before seeking the advice of the Scheme Advisory Board.

The fact that the LPB may have questioned a decision in this way does not affect the validity of that decision nor in any way prevent a decision from being acted upon.

Pension Fund administrative discretions and requirements

Responsibilities retained by the committee and not delegated to officers

Item	Regulation	Details
1.	A16 (10)	Discretion as to requirement for a medical examination before purchasing additional pension.
2.	T3 (13)	Discretion regarding abatement of pension.

Regulation prefix (A) refers to the Local Government Pension Scheme Regulations 2013.

Regulation prefix (T) refers to the Local Government Pension Scheme Regulations 2008, as covered by the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

Administrative responsibilities delegated to the Head of Business Planning and Development

Item	Regulation	Details	
1.	A40/43/46	Recipient of a Death Grant can be the member's nominee, personal representatives, relatives or dependants as decided on the merits of each case.	
2.	A Schedule 1	Decide on the evidence required to determine the financial dependence of a nominated co-habitee on a scheme member or the financial interdependence of a nominated co-habitee and scheme member.	
3.	A Schedule 1	For the payment of a child's pension, the treatment of education as continuous despite a break.	
4.	A34	Commutation of small pensions.	
5.	A71	Ability to charge interest on late payment of contributions.	
6.	T15	Ability to charge a member for information on AVC transfers if no election is subsequently made.	
7.	A36 (3)	Choice of medical practitioner for advice on ill-health retirements.	
8.	T15 (1)	Ability to extend time limit if employee wishes to pay off additional contributions by way of a lump sum.	<p>Regulation prefix (A) refers to the Local Government Pension Scheme Regulations 2013.</p> <p>Regulation prefix (T) refers to the Local Government Pension Scheme Regulations 2008 as covered by the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.</p>

Statement of Investment Principles as approved September 2014

1 Introduction

This Statement of Investment Principles ("the Statement") has been prepared for the Pensions Committee of Cornwall Council ("the Committee") in relation to the Cornwall Pension Fund ("the Fund") in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the Regulations"), as amended. The Regulations require administering authorities to prepare, maintain and publish a written statement of the principles governing decisions about investments.

The Statement outlines the principles governing the investment policy of the Fund and the activities undertaken by the Committee to ensure the effective implementation of these principles.

This Statement also details the Fund's compliance with the six CIPFA / Myners Principles for Investment Decision Making and Disclosure in the LGPS, the Fund's responsibilities in respect of the FRC UK Stewardship Code, as well as the Environmental, Social and Corporate Governance policies of the Fund's investment managers.

In preparing the Statement, the Committee have obtained and considered advice from a suitably qualified individual, employed by their investment consultants, JLT Employee Benefits, a trading name of JLT Benefit Solutions Limited, ("JLT"), whom they believe to have a degree of knowledge and

experience that is appropriate for the management of their investments.

The Committee will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Committee will review the Statement after any significant change in investment policy without delay, and before the end of a period of six months beginning with the date of that change.

2 Objectives

The primary objective for the Fund is as follows:

To provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, as required by the Local Government Pension Scheme (Benefits) Regulations 2007 (as amended).

In order that this primary objective can be achieved, the following funding and investment objectives have been agreed.

2.1 Funding Objectives – Ongoing Plan

To fund the Fund in such a manner that in normal market conditions, all accrued benefits are fully covered by the actuarial value of the Fund's assets and that an appropriate level of contributions is agreed by the administering authority and each employer body to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary increases.

The assumptions used correspond with the assumptions used in the latest Actuarial Valuation. The funding position will be reviewed on a regular

basis but at least at each triennial Actuarial Valuation. The Committee will be advised on the effect of any material changes to the Fund during the inter-valuation period.

2.2 Employer's Contribution Rate

The absolute level of the employer's contribution rate and its stability over time are important to the employers in the Fund. Attention will be paid to setting contribution rates which take account of the balance between affordability, stability and prudence. Investments will therefore be managed to ensure diversification and risk control, to assist the Fund in its endeavours to maintain low and stable employer's contribution rates.

2.3 Investment Objectives

To achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding objectives set out above on an ongoing basis.

To achieve these objectives, the Investment Responsibilities and Investment Strategy in Sections 3 and 4, respectively, have been agreed.

3 Investment Responsibilities

3.1 Committee's Duties and Responsibilities

Investments are monitored on a regular basis by the Committee. The authority to invest the monies of the Fund is delegated to the Head of Business Planning and Development who receives advice from the Fund's Officers, the Committee and the external advisers. Advice is received as required from professional advisers.

The Committee meet together to discuss items of decision and monitoring on a quarterly basis, with additional meetings as required.

The duties and responsibilities of the Committee include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement;
- The appointment and review of the investment managers and investment advisers;
- To receive from Officers an assessment and review of the performance of each investment manager on an annual basis;
- The setting and review of the investment parameters within which the investment managers can operate;
- The assessment of the risks assumed by the Fund at a total fund level as well as on a manager by manager basis;
- The approval and review of the asset allocation benchmark for the Fund;
- The compliance of the investment arrangements with the principles set out in the Statement.

Further details of the responsibilities of the Committee are included in section 4.2 and Appendix C, below.

3.2 Investment Adviser's Duties and Responsibilities

The Committee have appointed JLT as an independent investment adviser to the Fund. JLT provide advice as and when the Committee require it, as well as raising any investment-related issues, which they believe the Committee should be aware. Matters on which JLT expect to provide advice to the Committee include the following:

- Setting of investment objectives;
- Determining investment strategy and asset allocation;
- Determining an appropriate investment structure;
- Framing manager mandates;
- Selecting and replacing investment managers.

JLT are remunerated primarily on a time-cost basis. JLT do not receive commission or any other payments in respect of the Fund that might affect the impartiality of their advice. The Committee believe that this is the most appropriate adviser remuneration structure for the Fund.

JLT are authorised and regulated by the Financial Conduct Authority ("FCA").

The Committee also has an experienced investment professional appointed as a further independent adviser, who is also independent of JLT, to provide independent advice to the Committee on all aspects of its business.

3.3 Investment Managers' Duties and Responsibilities

The Committee, after considering appropriate investment advice, have appointed professional, authorised investment managers to manage the assets of the Fund.

The details of each manager's mandate are set out in Appendix B.

In particular, the investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

All of the investment managers engaged by the Committee are authorised and regulated by the FCA.

The investment managers are remunerated by *ad valorem* charges based on the value of the assets that they manage on behalf of the Fund. The Committee believe that this is the most appropriate basis for remunerating managers.

Some of the investment managers may also receive a performance-related fee for outperforming their benchmark. In such cases, the Committee believe that this serves to align the interests of the investment manager with the objectives of the Fund.

3.4 Summary of Responsibilities

A summary of the responsibilities of all relevant parties, including the Fund Actuary and the Fund administrators, in so far as they relate to the Fund's investments, is set out at Appendix C.

4 Investment Strategy

4.1 Setting Investment Strategy

The Committee have determined their investment strategy after considering the Fund's liability profile and their own appetite for risk.

The basis of the investment strategy is to divide the Fund's assets between a "growth" portfolio, comprising assets such as equities, property and infrastructure, and a "matching" portfolio, comprising assets such as bonds and liability driven investments ("LDI"). The basis of the split between these two portfolios is that growth assets are held in respect of the liabilities pertaining to active and deferred members, and matching assets are held in respect of pensioner liabilities. Thus, the Committee regard the basic distribution of the assets to be appropriate for the Fund's objectives and liability profile.

The Committee have established a benchmark allocation to each asset class. Whilst the Fund is in an interim position- moving towards its newly agreed strategy, the overall Fund benchmark, as set out in Appendix A, remains as in the 31 March 2012 edition of the Statement. Appendix A will be revised as the newly agreed strategy is implemented over time.

The Committee recognise the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. As a result, the Committee have appointed a 'diversified growth' investment manager to select and manage the allocations across asset classes for a proportion of the Fund's assets.

Furthermore, the Committee recognise the risks to the Fund associated with its inflation linked

liabilities. As a result, the Committee have appointed a 'liability driven investment' manager to help reduce the Fund's inflation risk. The target is to hedge the Fund's exposure to inflation by investing in a bespoke Qualifying Investor Fund ("QIF"), which will enable a range of derivative instruments to be used to protect the Fund from the impact of inflation on the value of its liabilities.

4.2 Investment Decisions

The Committee distinguish between three types of investment decision: strategic, tactical and security-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Fund.

The Committee take all such decisions themselves. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives;
- Determining the split between the growth and the matching portfolios;
- Determining the allocation to asset classes within the growth and matching portfolios;
- Determining the Fund benchmark;
- Reviewing the investment objectives and strategic asset allocation.

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from

the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Committee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Security Selection Decisions

All such decisions are the responsibility of the investment managers of the funds in which the Fund is invested.

4.3 Types of Investments to be Held

The current structure of investment management comprises a number of specialist mandates. Each manager has a specific benchmark and target to reflect their specific mandate. Managers may either be granted a segregated account mandate or the Fund may invest in a pooled fund managed by that manager.

The external managers appointed by the Fund are authorised under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) to manage the assets of the Fund.

A management agreement is in place for each investment manager that sets out the relevant target benchmark, performance target, and any restrictions as determined. Where investment is made via a pooled fund the Fund will ensure that any subscription agreement entered into sets out the relevant target benchmark, performance target and any investment restrictions.

Regulatory statements

Statement of Investment Principles

Each manager is given full discretion over the choice of individual securities and any underlying funds, and is expected to maintain a diversified portfolio.

The Fund is permitted to invest across a wide range of asset classes, including the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity
- Infrastructure
- High yield bonds
- Emerging market debt
- Diversified growth
- Liability driven investment products
- Cash (including Currency)

The use of derivatives is as permitted by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

4.4 Balance between Different Types of Investments

The Regulations require the administering authority to have regard for the diversification of the Fund's investments.

The strategic benchmark, as highlighted in Appendix A, takes account of the risk and return characteristics of each asset class and provides a reasonable long-term balance appropriate to the liabilities of the Fund.

4.5 Expected Return on Investments

The strategic benchmark is expected to produce a return, over the long term, in excess of the investment return assumed in the Actuarial Valuation. The Fund's assets are managed on a predominantly 'active' basis. The 'active' managers seek to provide out-performance of a relevant benchmark through asset allocation, market timing or stock selection (or a combination of these).

The investment performance achieved by the Fund is expected to exceed the rate of return assumed by the Actuary in funding the Fund on an ongoing basis.

4.6 Realisation of Investments

The majority of stocks held by the Fund's managers are quoted on major stock markets and may be realised quickly, if required.

The Fund does, however, invest in limited partnership agreements and some less liquid pooled funds, but these are a small portion of the Fund's assets. At the end of December 2012, Property investments, which are relatively illiquid, made up approximately 6.9% of the Fund's assets. In addition, investments in Private Equity and Infrastructure are also illiquid and accounted for a further 4.3% and 0.8% of the portfolio, respectively.

Notwithstanding this, the Fund maintains sufficient investment in liquid assets to meet its liabilities in the short and medium term as they fall due.

4.7 Social, Environmental and Ethical Policy

The Committee recognises that social, environmental and ethical/corporate governance considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale.

The Committee have decided that any policy on Socially Responsible Investment should reflect the Fund's primary investment objective. In practice, any detailed policy would be difficult to implement and monitor and it could unreasonably constrain the ability of investment managers to invest in the best interests of the Fund.

The Committee recognises that it has a fiduciary duty to all the participating Employers and contributing Employees, past and present, to maximise the investment returns of the Fund, without prejudice, whilst ensuring diversification and risk controls are in place.

Each of the Fund's investment managers have produced statements setting out their policy in respect of Environmental, Social and Ethical/Corporate Governance Policies. Copies of these policies/statements are available on Cornwall Pension Fund's website www.cornwallpensionfund.org.uk.

The Committee has delegated investment powers to the fund manager to act accordingly. The investment managers are encouraged to engage in constructive dialogue on behalf of the Fund and to use their influence to encourage companies to adopt best practice in key areas. The investment managers have been asked to report to the Committee on the implementation of this policy, which will be reviewed on a regular basis.

4.8 Corporate Governance and Voting Policy

The Committee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised with the objective of preserving and enhancing long term shareholder value.

Accordingly, investment managers have produced written guidelines of their process and practice in this regard. They are encouraged to vote in line with their guidelines, in respect of all resolutions, at annual and extraordinary general meetings of companies.

The Committee have retained the services of a vote monitoring organisation that provide Committee with a quarterly report that highlights when a vote undertaken by an investment manager differs from the expectations of the Committee.

4.9 Stock Lending

The Fund utilises stock lending as a way of enhancing the income gained from securities. The Fund is increasingly investing in pooled investment funds, meaning that decisions on stock lending are delegated to the investment manager. In respect of any directly held assets, the Fund's stock lending program is managed by its custodian and the extent of the stock lending activity is reported to the Committee on a regular basis.

5 Risk

The Committee are aware, and seek to take account, of a number of risks in relation to the Fund's investments, including the following.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative

and quantitative assessment of the expected development of the assets relative to the liabilities.

- They are managed by setting a Fund-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the recognised deviation of the prospective return due to the active management of the assets undertaken by the Manager, in relation to the objectives and investment policy of that manager.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

Liquidity Risk

- This is monitored according to the level of cash flows required by the Fund over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The majority of the Fund's assets are invested in quoted markets and are as readily realisable as the Committee feel appropriate given the cash flow position of the Fund and the expected development of the Fund's liabilities, both of which are monitored by the Committee.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.

- It is managed by regular reviews of the investments and through regular assessment of the levels of diversification within the investment policy.

Corporate Governance Risk

- This is assessed by reviewing the Fund's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Committee from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Fund's advantage.

6 Monitoring of Investment Adviser and Manager

6.1 Investment Adviser

The Committee continually assess and review the performance of their adviser in a qualitative way. In addition, as part of the Framework Agreement between the Environment Agency and the South West Local Government Pension Scheme, evaluation sheets which include pre-set criteria are completed annually to provide feedback on advisers.

6.2 Investment Managers

The Committee receive quarterly monitoring reports on the performance of their investment managers, whilst Officers also meet with investment managers on a frequent basis.

7 Additional Voluntary Contributions ("AVC's")

Members of the Fund have the opportunity to invest in AVC funds. The current arrangements were put in place following a review undertaken in September 2001.

Members can choose to switch AVC's between options available to them from time to time, subject to the terms and conditions of each vehicle. At retirement, the accumulated value of a member's AVC can be used to purchase an annuity on the open market; taken as cash; buy an annuity in the LGPS; or, in limited circumstances, buy additional service. Details of the funds utilised for AVC's are included in Appendix B.

8 Code of Best Practice

The Committee are aware of the guidance given by the Secretary of State with respect to greater transparency within the Fund's Regulatory Statements. The Committee have considered this guidance when formulating their investment policy.

The section below entitled 'Myners Principles Compliance' details the extent to which the Fund complies with the guidance given by the Secretary of State and the six principles of investment practice set out in the CIPFA document: "Investment Decision Making and Disclosure on the Local Government Pension Scheme : A Guide to the Application of the Myners Principles" (2009).

Similarly, the section entitled 'UK FRC Stewardship Code Compliance' details the extent to which the Fund complies with the UK Stewardship Code.

9 Compliance

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Committee on 17 September 2014.

Appendix A: Pension Fund Asset Allocation Benchmark

The current benchmark asset allocation is detailed below.

	Allocation	
Growth Assets	70.0%	
Equities	25.0%	
<i>Global equities</i>		15.0%
<i>Emerging market equities</i>		5.0%
<i>Frontier market equities</i>		5.0%
Diversified Growth	12.0%	
Property	10.0%	
Alternatives	23.0%	
<i>Infrastructure</i>		10.0%
<i>Hedge funds</i>		8.0%
<i>Private equity</i>		5.0%
Matching Assets	30.0%	
Bonds	10.0%	
Liability Driven Investment	20.0%	

Appendix B: Investment Manager Information

The Fund invests with the following investment managers:

- Newton Investment Management (“Newton”);
- Capital International (“Capital”);
- Insight Investment Management (“Insight”);
- Standard Life Investments (“Standard Life”);
- Wilshire Associates (“Wilshire”);
- CBRE Global Investors (“CBRE”);
- Infracapital Partners (“Infracapital”);
- Environmental Technologies Fund (“ETF”);
- HSBC Global Asset Management (“HSBC”);
- Advance Emerging Capital (“Advance Emerging”);
- M&G investments (“M&G”);
- Invesco Perpetual (“Invesco”);
- AXA Investment Managers (“AXA”);
- Hermes Investment Management (“Hermes”);
- Man FRM Investment Management (“Man FRM”);

The tables below show the details of the mandate(s) with each manager.

Growth Assets

Investment Manager / Fund	Date of Appointment	Benchmark	Objective over rolling 3 year period
Global Equities			
Newton	October 1994	MSCI AC World	+2.0% p.a.
Emerging Market Equities			
Capital	March 2013	MSCI Emerging Markets	+1.5% p.a.
Frontier Market Equities			
HSBC	November 2013	MSCI Frontier Markets	+2.0% p.a.
Advance Emerging	November 2013	MSCI Frontier Markets	+2.0% p.a.
Diversified Growth			
Invesco	November 2012	3 month Sterling LIBOR	+6.0% p.a.
Property			
CBRE	June 2009	IPD UK All Balanced Fund	+1.0% p.a.
Alternatives - Infrastructure			
Infracapital	May 2007	LIBOR 7 Day Index	+5.0% p.a.
Hermes	December 2014	LIBOR 7 Day Index	+5.0% p.a.
Alternatives – Private Equity			
Standard Life	December 2004	LIBOR 7 Day Index	+5.0% p.a.
Wilshire	December 2004	LIBOR 7 Day Index	+5.0% p.a.
Alternatives – Hedge Funds			
Man FRM	December 2014	LIBOR 7 Day Index	+4.0% p.a.
Alternatives – Environmental Technologies Fund			
ETF	February 2008	LIBOR 7 Day Index	+5.0% p.a.
Alternatives – UK Financing Fund			
M&G	May 2010	LIBOR 7 Day Index	+5.0% p.a.

Matching Assets

Investment Manager / Fund	Date of Appointment	Benchmark	Objective
Bonds			
Insight	March 2001	iboxx Non-Gilts	+0.75% p.a.
Liability Driven Investment			
AXA	November 2012	Specific benchmark	n/a

All above investment objectives are net of fees.

AVC Funds

Provider	Vehicle	Status
AVC Fund		
Equitable Life	Building Society	Closed to new members
Equitable Life	With Profits Fund	Closed to new members
Equitable Life	Managed Fund	Closed to new members
AVC Fund		
Standard Life Assurance	Managed Fund	Open
Standard Life Assurance	With Profits Fund	Open
Standard Life Assurance	Sterling Fund	Open
Standard Life Assurance	Ethical Fund	Open
Standard Life Assurance	Lifestyle	Open
Standard Life Assurance	Managed Cash Fund	Open

The 'with profits' vehicle is designed to provide smoothed medium to long term growth by investing in a range of assets including equities and property. The investment returns are distributed by way of reversionary and terminal bonuses. The objective of the 'with profits' policy and managed fund is to provide returns on members' contributions which at least keep pace with inflation.

Appendix C: Responsibilities of Parties

Committee

The Committee's responsibilities include the following:-

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate;
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary;
- Appointing the Investment Managers and Custodian;
- Assessing the quality of the performance and processes of the Investment Managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser; and
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis.

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Investment Adviser

The Investment Adviser's responsibilities include the following:-

- Participating with the Committee in reviews of this Statement of Investment Principles;
- Advising the Committee, at their request, on the following matters:
 - » through consultation with the Scheme Actuary, how any changes within the Fund's benefits, membership, and funding position may affect the manner in which the assets should be invested;
 - » how any changes in the Investment Manager's organisation could affect the interests of the Fund; and
 - » how any changes in the investment environment could present either opportunities or problems for the Fund.
- Undertaking project work, as requested, including:
 - » reviews of asset allocation policy; and
 - » research into and reviews of Investment Managers.
- Advising on the selection of new managers and/or custodians.

Investment Managers

The Investment Managers' responsibilities include the following:

- Providing the Committee, on a quarterly basis (or as frequently as required), with a statement and valuation of the assets and a report on their

actions and future intentions, and any changes to the processes applied to their portfolios;

- Informing the Committee of any changes in the internal performance objectives and guidelines of any funds used by the Fund, as and when they occur;
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments;
- Providing the Committee with copies of their Environmental, Social and Corporate Governance statements (including revised copies as updated);
- Providing accountability on the voting decisions taken on behalf of the Fund; and
- Giving effect to the principles contained in the Statement as far as is reasonably practicable.

Scheme Actuary

The Scheme Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Fund's investment strategy, given the financial characteristics of the Fund;
- Assessing the funding position of the Fund and advising on the appropriate response to any shortfall; and
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels after agreeing assumptions with the Administrator and having regard to the Funding Strategy Statement;

- Prepare advice and calculations in connection with bulk transfers and individual benefit related matters.

Administrator

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due;
- Paying benefits and making transfer payments;
- Collect and properly account for employer and employee contributions;
- Manage the valuation process in consultation with the Fund's actuary;
- Prepare and maintain a Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP), both after proper consultation with interested parties;
- Provide advice and guidelines to employers with regard to pensions decisions;
- To rebalance the portfolio as required, ensuring the strategic asset allocation, as set by Committee, is maintained within reasonable tolerances.

Custodian

The Custodian's responsibilities include the following:

- The safekeeping of the assets of the Fund;
- Providing the Committee with quarterly performance reports, including statements of the assets;

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- Undertaking all appropriate administration relating to the Fund's assets;
- Processing all dividends and tax reclaims in a timely manner; and
- Dealing with corporate actions.

Employers

The employer's responsibilities include the following:

- To deduct contributions from employees pay correctly;
- Pay all contributions over to the Fund, including their own as determined by the actuary, promptly by the due date;
- Exercising of discretions within the regulatory framework;
- To make additional contributions in accordance with agreed arrangements in respect of, for example, early retirement strain on fund cost, excess ill-health retirements, if appropriate; and
- To notify the Administrator promptly of all changes to membership or, as may be proposed, which affect future funding.

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The Secretary of State guidance (Six CIPFA / Myners Principles for Investment Decision Making and Disclosure in the LGPS)

The six CIPFA / Myners Principles for Investment Decision Making and Disclosure in the LGPS are set out below, along with the compliance of the Cornwall Pension Fund (the "Fund") with the guidance.

Principle 1: Effective decision making

Administering authorities should ensure that:

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

The Fund has a dedicated Pensions Committee (the "Committee"), to which responsibility for the management of the pension fund has been assigned.

The Committee has defined terms of reference to which it adheres.

Whilst there are no formal sub-committees in place, it is acknowledged that from time to time informal working groups may be set up to help achieve certain tasks. Membership of such working groups is agreed upon by the Committee before being formed.

The constitution of the Committee is for 14 members, consisting of 10 elected members of Cornwall Council and 2 Member Nominated Representatives and 2 Employer Representatives.

A training programme is in place for Committee Members, through the Knowledge and Skills Framework, to ensure an adequate level of knowledge is maintained relevant to Members' roles and responsibilities.

The Committee utilise the expertise of internal and independent external advisers to aid with the day to day running of the Fund.

Business plans are considered at each Committee meeting.

The Fund considers that it is compliant with this principle.

Principle 2: Clear objectives

An overall investment objective(s) 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.

Objectives for the funding of the Fund are set out in the Actuarial Valuation Report, in agreement with the Fund's actuary.

The investment objective of the Fund, as set out in the Statement of Investment Principles, is to achieve a return on assets which is sufficient, over the long-term, to meet the funding objective.

Appropriate benchmarks and objectives have been discussed with each investment manager. These are set out within the Fund's Statement of Investment Principles, with analysis of each investment managers' performance relative to these benchmarks and objectives presented at Committee meetings.

The nature of those pooled funds in which the Fund invests is such that the objectives of each fund are dictated by the investment manager, without influence from any of the underlying investors.

The managers' approaches in attempting to achieve their objectives are clear and are understood by the Committee.

The strength of employers' covenants are taken into account and form a key consideration for individual employer contribution rates.

As part of the Committee's due diligence when appointing investment managers, the size of the funds the Fund is investing in is assessed.

A full range of assets have been considered and the current strategy is diversified across traditional and alternative asset classes to avoid risk concentration within any particular asset class.

The Fund considers that it is compliant with this principle.

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Principle 3: Risk and liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

The Committee consider the desired investment strategy to be appropriate to the Scheme's liabilities, having undertaken considerable work in relation to both risk management and return requirements.

A key objective of the risk management work is to focus on overall funding level, and consequently contribution rates.

The Fund has made an allocation into the Liability Driven Investment asset class, in recognition of the inflation risk that the Fund is exposed to through the inflation linked nature of its liabilities.

The Committee monitor the Fund's liability valuations regularly, via quarterly funding updates from the actuary.

The Fund considers that it is compliant with this principle.

Principle 4: Performance assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

The Committee monitor the performance of the investment managers regularly on a manager-by-manager basis, via quarterly reports provided by the Fund's custodian, which are reported on at each quarterly Committee meeting.

There is currently no formal arrangement in place for measuring the performance of the investment strategy as a whole. However, this will be introduced once the Pensions Committee reviews the approach to be taken in relation to the whole of Fund benchmark, once the majority of the transition to the approved investment strategy has been completed.

In terms of their own skills, Committee Members are enrolled in the Knowledge and Skills Framework.

As part of the Framework Agreement between the Environment Agency and the South West Local Government Pension Schemes, evaluation sheets which include pre-set criteria are completed annually to provide feedback on advisers.

The Fund considers that it is mostly compliant with this principle.

Principle 5: Responsible ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee ("ISC") Statement of Principles on the responsibilities of shareholders and agents.
- Include a statement of their policy on responsible ownership in the Statement of Investment Principles.
- Report periodically to scheme members on the discharge of such responsibilities.

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

The Fund has taken to investing into pooled funds more recently and, as a result of this, certain governance responsibilities are delegated to the investment managers of these funds.

The Fund's adherence to the FRC UK Stewardship Code is set out in a publicly available policy document, along with the Environmental, Social and Corporate Governance policies for each of the Fund's investment managers.

The Committee have retained the services of a vote monitoring organisation that provide Committee with a quarterly report that highlights when a vote undertaken by an investment manager differs from the expectations of the Committee.

The Fund considers that it is mostly compliant with this principle.

Principle 6: Transparency and reporting

Administering authorities should:

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

The Fund's Regulatory Statements and Annual Reports are publicly available via the dedicated Cornwall Pension Fund website.

The majority of Pension Committee meeting papers are available, via the Cornwall Council website, these include quarterly performance, risk registers, governance watch summaries and funding level reports as standing items.

A summary leaflet is sent to all scheme members annually to ensure they are aware of key issues.

An annual meeting for the employers is held which also provides a useful forum for employers to input their views into the strategic direction of the scheme.

The Fund considers that it is mostly compliant with this principle.

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Statement of Investment Principles

FRC UK Stewardship Code

In July 2010, the Financial Reporting Council (“FRC”) published a UK Stewardship Code. The Stewardship Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

The Cornwall Pension Fund (the “Fund”) takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code and also encourages its appointed asset managers to do so too.

The seven Principles are set out below, along with details of how the Fund and the Pensions Committee of Cornwall Council (“the Committee”) comply with them:

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Fund aims to be a supportive, long term shareholder. The Committee support the latest widely accepted standards of Best Practice in Corporate Governance and expect the companies in which it invests to comply therewith.

Day-to-day responsibility for managing the Fund’s assets is delegated to external investment managers.

The Fund will expect its investment managers to:

- Seek to develop a long-term relationship and an understanding of mutual objectives and concerns with the companies in which we invest.
- Meet regularly with those companies to discuss corporate strategy and objectives, and to make an assessment of management performance.
- Have processes in place to ensure access to accurate information regarding companies in which we invest, including the approach to corporate governance adopted by the company.
- Intervene when a company fails to meet expectations in terms of traditional governance inputs (such as board structures) but also the outputs of governance such as acquisitions and operational performance.

The Fund’s investment managers will judge whether to support a company by subscribing to a rights issue, accepting a take-over bid or other similar events purely on investment grounds.

Each of the Fund’s investment manager’s explicit corporate governance policies are publicly available in the document ‘Environmental, Social and Corporate Governance Policies of the Fund’s Investment Managers’ available on the Cornwall Pension Fund’s website www.cornwallpensionfund.org.uk

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.

Investment managers are expected to act in the Fund’s interests when considering matters such as engagement and voting. The Fund expects its investment managers to:

- Put in place and maintain a policy for managing conflicts of interest.
- Ensure that any significant conflicts of interest are disclosed.

In respect of conflicts of interest within the Fund and Committee, Members are required to make declarations of interest prior to each Committee meeting. This is a standing item on the agenda of every Committee meeting.

Principle 3: Institutional investors should monitor their investor companies.

Day-to-day responsibility for managing the Fund's assets is delegated to external investment managers.

The Fund expects its investment managers to:

- Satisfy themselves, to the extent possible, that the investee company's board and committee structures are effective, and that independent directors provide adequate oversight, including by meeting the chairman and, where appropriate, other board members.
- Maintain comprehensive records of governance engagements, interventions, votes cast and the reasons for voting against management or abstaining.
- Attend General Meetings selectively when they consider it is of value to our investment to do so.

The Administrator, on behalf of Committee currently receives reports from their investment managers detailing the voting and engagement activity as a matter of course. The Committee have retained the services of a vote monitoring organisation that provide a quarterly report that highlights when a vote undertaken by an investment manager differs from the expectations of the Committee.

Principle 4: Institutional investors should establish clear guidelines as to when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Day-to-day responsibility for interacting with companies is delegated to the Fund's investment managers.

The Fund expects its investment managers to escalate activities if a company fails to meet expectations in relation to a number of issues, including, but not limited to, the following:

- Strategy - including acquisitions and the deployment of capital
- Operational performance
- Quality of the Board
- Succession planning
- Health & Safety
- Risk management
- Remuneration
- Corporate social responsibility

The Fund expects its investment managers to engage with the board in order to better understand what is behind such concerns. The Committee review on a quarterly basis the engagement with companies, by monitoring the voting activities of the investment managers.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund encourages its investment managers to work with collective bodies or collaborate with other shareholders if they believe this will increase the chance of success.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

Responsibility for the exercise of voting rights has been delegated to the Fund's appointed investment managers. Investment managers provide reports on their voting activities to the Administrator on a quarterly basis. The Committee also receive a vote monitoring report on a quarterly basis which enables them to ensure that the appointed investment managers are voting in accordance with their guidelines.

Principle 7: Institutional investors should report periodically on their stewardship and voting policies.

The Fund reports on a quarterly basis on the stewardship and voting of the Fund's appointed investment managers.

Social, Environmental and Ethical Policies of the Fund's Investment Managers

Introduction

The purpose of this document is to act as a single point of reference for the Social, Environmental and Ethical/Corporate Governance policies/statements from all of the Fund's investment managers.

Documents

The Social, Environmental and Ethical/Corporate Governance policies/statements for the following investment managers can be found on the Fund's website at www.cornwallpensionfund.org.uk

- Newton Investment Management ("Newton");
- Capital International ("Capital");
- Insight Investment Management ("Insight");
- Standard Life Investments ("Standard Life");
- Wilshire Associates ("Wilshire");
- Man FRM Investment Management ("Man FRM");
- CBRE Global Investors ("CBRE");
- Infracapital Partners ("Infracapital");
- Environmental Technologies Fund ("ETF");
- HSBC Global Asset Management ("HSBC");
- Advance Emerging Capital ("Advance Emerging");
- M&G Investments ("M&G");
- Invesco Perpetual ("Invesco");
- AXA Investment Managers ("AXA");
- Hermes Investment Management ("Hermes");

Communication Policy Statement

As approved September 2014

Introduction

This is the Communications Policy Statement of the Cornwall Pension Fund, administered by Cornwall Council (the Administering Authority).

The Fund liaises with over 100 employers and approximately 40,000 scheme members in relation to the Local Government Pension Scheme. The delivery of the benefits involves communication with a number of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

Any enquiries in relation to this Communication Policy Statement should be sent to:

Cornwall Pension Fund
Pensions Administration Section
3rd Floor South Wing
New County Hall
Truro TR1 3AY
Tel: 01872 322322
Fax: 01872 323824
Email: pensions@cornwall.gov.uk

Regulatory Framework

This policy statement is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulations 2013. The provision requires us to:

"...prepare, maintain and publish a written statement setting out their policy concerning communications with:

- (a) members.
- (b) representatives of members.
- (c) prospective members.
- (d) employing authorities."

In addition it specifies that the statement must include information relating to:

- "(a) the provision of information and publicity about the Scheme to members, representatives of members and employing authorities;
- (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."

As a provider of an occupational pension scheme, we are already obliged to satisfy the requirements of the Occupational Pension Schemes (Disclosure of information) Regulations 1996 and other legislation, for example the Pensions Act 2004.

Responsibilities and Resources

Within Pensions the responsibility for communication material is performed by the Pension Administration Manager and Pension Investment Manager with the assistance of the Assistant Pensions Administration Manager and four Senior Pensions Officers. Although we write all communication within the team, all design work is carried out by Cornwall Council's design team. We also carry out all the arrangements for forums, workshops and meetings covered within this statement.

All printing has previously been carried out by an external supplier as there was no "in-house" printing facility. Comparison quotations are obtained which include printing, collating, inserting into envelopes and where appropriate, posting to home addresses.

All arrangements for forums, workshops, meetings and presentations covered within this statement are made by the same officers detailed above, in partnership with the employer or department requesting the information.

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Communication Policy Statement

Communication with key audience groups

Our audience

We communicate with a number of stakeholders. For the purposes of this communication policy statement, we are considering our communications with the following audience groups:

- active members;
- deferred members;
- pensioner members;
- prospective members;
- employing authorities (scheme employers and admission bodies);
- senior managers;
- union representatives;
- elected members
- Pension Section staff

In addition there are a number of other stakeholders with whom we communicate on a regular basis, such as Her Majesty's Revenue and Customs, the Department for Communities and Local Government, solicitors, the Pensions Advisory Service, the Pensions Ombudsman and other pension providers. We also consider as part of this policy how we communicate with these interested parties.

How we communicate

General communication

We will continue to use paper based communication as a means of communicating, for example, by sending letters to our scheme members who join and leave the scheme. However, communication with our employers is now primarily by email. Both methods are complemented by the use of other electronic means such as our and Cornwall Council's website. We will accept communications electronically, for example, by e-mail and, where we do so, we will respond electronically where possible.

Our pension section staff are responsible for specific tasks and for dealing with a specific proportion of our scheme members. Direct line phone numbers and email addresses are shown on all external communication to assist with easier access to the correct person.

Branding

The Pension Fund is administered by Cornwall Council, but now provides services to over 100 employers who participate in the Fund.

To reflect the ever diversified membership of the Cornwall Pension Fund, the Fund has adopted an individual identity, which will allow all communications from the Fund to be instantly recognisable as Cornwall Pension Fund related communications.

The creation of an individual identity has been undertaken by the Cornwall Council design team to ensure corporate design principles are retained.

Policy on communication with active, deferred and pensioner members

Our objectives with regard to communication with members are:

- for the LGPS to be used as a tool in the attraction and retention of employees.
- for better education on the benefits of the LGPS.
- to provide more opportunities for face to face communication.
- as a result of improved communication, for queries and complaints to be reduced.
- for our employers to be employers of choice.
- to increase take up of the LGPS employees.
- to reassure stakeholders.

Our objectives will be met by providing the following communications, which are over and above individual communications with members (for example, the notifications of scheme benefits or responses to individual queries).

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Communication Policy Statement

The communications to members are explained in more detail in the following table:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group (Active, Deferred, Pensioner or All)
Summary Scheme booklet	Paper based and on website	At joining and major scheme changes	Post to home address/via employers	Active
Full Scheme booklet	Paper based and on website	As requested	Post to home address/via employers or electronic link via email	All
Pension Fund Report and Accounts	Paper based and on website	Annually	On request	All
Pension Fund Accounts – Summary	Paper based	Annually	Via employers for actives. Post to home address for deferred and pensioner members	All
Annual Benefit Statements	Paper based.	Annually	Post to home address/via employers for active members. To home address for deferred members.	Active and Deferred.
Website	Electronic	Continually available	Advertised on all communications	All
Roadshows/ Induction sessions	Face to face	On request	Advertised in Administration manuals	Active members
Face to face education sessions	Face to face	On request	On request	All
Starter packs	Paper based	On joining	Post to home addresses	Active members

Explanation of communications

Summary Scheme booklet – A booklet summarising the main benefits of the LGPS.

Scheme booklet – A booklet providing a comprehensive description of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers. This is a somewhat detailed and lengthy document and, therefore, it will not be routinely distributed except on request. A summary document, as detailed below, will be distributed.

Pension Fund Report and Accounts Summary – provides a handy summary of the position of the Pension Fund during the financial year, income and expenditure as well as other related details.

Annual Benefit Statements – For active members these include the current value of benefits as well as the projected benefits at age 65. The associated death benefits are also shown as well as an indication of whether or not the individual has completed an Expression of Wish form regarding their preferred recipient of the lump sum death grant. In relation to deferred members, the benefit statement includes the current value of the deferred benefits and details of the associated death benefits.

Website – The website will provide scheme specific information, forms that can be printed or downloaded, access to documents (such as newsletters and report and accounts), frequently asked questions and answers, links to related sites and contact information.

Roadshows – A number of staff will attend various locations upon request of the employer. These presentations provide the opportunity to have a face to face conversation about pension rights.

Face to face education sessions – These are education sessions that are available on request for small groups of members. For example, where an employer is going through a restructuring, it may be beneficial for the employees to understand the options available in respect of their accrued pension benefits.

Starter packs – These complement the summary scheme booklet and contain the paperwork needed to join the scheme including Expression of Wish and Pension History forms.

Regulatory statements

Communication Policy Statement

Policy on promotion of the scheme to prospective members and their employing authorities

Our objectives with regard to communication with prospective members are:

- to improve take up of the LGPS.
- for the LGPS to be used as a tool in the attraction of employees.
- for our employers to be employers of choice.

As we, in the Pension Fund office, do not have direct access to prospective members, we will work in partnership with the employing authorities in the Fund to meet these objectives. We will do this by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Summary Scheme booklet	Paper based and website	On commencing employment	Via employers	New employees
Full Scheme booklet	Paper based and on website	As requested	Via employers	New employees
Educational sessions	As part of induction workshops	On commencing employment and as requested	Face to face	New employees
Posters	Paper based	Ongoing	Via employers	New and existing employees

Explanation of communications

Summary Scheme booklet – A booklet summarising the main benefits of the LGPS.

Scheme booklet - A booklet providing a comprehensive description of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

Educational sessions – A talk providing an overview of the benefits of joining the LGPS.

Posters – These will be designed to help those who are not in the LGPS understand the benefits of participating in the scheme and provide guidance on how to join the scheme.

Policy on communication with employing authorities

Our objectives with regard to communication with employers are:

- to improve relationships.
- to assist them in understanding costs/funding issues.
- to work together to maintain accurate data.
- to ensure smooth transfers of staff.
- to ensure they understand the benefits of being an LGPS employer.
- to assist them in making the most of the discretionary areas within the LGPS.

Our objectives will be met by providing the following communications to employers:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Employers' Guide	Paper based and on employer website	At joining and updated as necessary	Post or via email	Main contact for all employers
Bulletins	Paper based and on employer website	As necessary	Email	All contacts for all employers
Annual employers meeting	Face to face	Annually	Invitations by post	All contacts for all employers
Employers focus groups	Face to face	At least quarterly/half yearly	Invitations by e-mail	Either main contacts or specific groups (e.g. HR or Finance) depending on topics
Pension Fund Report and Accounts	Paper based and employer website	Annually	Post	Main contact for all employers
Meeting with adviser	Face to face	On request	Invite sent by post or email	Senior management involved in funding and HR issues.

Explanation of communications

Employers' Guide - A detailed guide that provides guidance on the employer responsibilities including the forms and other necessary communications with the Pension Section and scheme members.

Bulletins – A short briefing paper informing employers of any future changes to benefit structures or providing updates on topical issues and also be a useful future reference point.

Annual employers meeting – A formal annual meeting event with a number of speakers covering topical LGPS issues.

Employers' focus groups – Generally workgroup style sessions set up to debate current issues within the LGPS.

Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Adviser meeting – Gives employers the opportunity to discuss their involvement in the scheme with advisers.

Regulatory statements

Communication Policy Statement

Policy on communication with senior managers

Our objectives with regard to communication with senior managers are:

- to ensure they are fully aware of developments within the LGPS
- to ensure that they understand costs/funding issues
- to promote the benefits of the scheme as a recruitment/retention tool

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All
Committee papers	Paper based and electronic	In advance of committee meeting	Email or hard copy	All

Explanation of communications

Briefing papers – a briefing that highlights key issues or developments relating to the LGPS and the Fund, which can be used by senior managers when attending meetings.

Committee paper – a formal document setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

Policy on communication with union representatives

- to foster close working relationships in communicating the benefits of the scheme to their members
- to ensure they are aware of the Pension Fund's policy in relation to any decisions that need to be taken concerning the scheme
- to engage in discussions over the future of the scheme
- to provide opportunities to educate union representatives on the provisions of the scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All
Face to face education sessions	Face to face	On request	On request	All
Pensions Committee meetings	Meeting	Quarterly	Email or hard copy	All
Employee Relations Forum	Meeting	Quarterly	Email or hard copy	All

Explanation of communications

Briefing papers – a briefing that highlights key issues and developments relating to the LGPS and the Fund.

Face to face education sessions – these are education sessions that are available on request for union representatives and activists, for example to improve their understanding of the basic principles of the scheme, or to explain possible changes to policies.

Pensions Committee meetings – a formal meeting of elected members, attended by senior managers, at which local decisions in relation to the scheme (policies, etc) are taken.

Employee Relations Forum – a formal meeting attended by senior managers and union representatives where local decisions in respect of a number of employment issues, including pensions, are discussed.

Regulatory statements

Communication Policy Statement

Policy on communication with the Pensions Committee

Our objectives with regard to communication with the Pensions Committee are:

- to ensure they are aware of their responsibilities in relation to the scheme
- to seek their approval to the development or amendment of discretionary policies, where required
- to seek their approval to formal responses to government consultation in relation to the scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Training sessions	Face to face	When new Pension Committee and as and when required	Face to face or via the Employers Organisation for local government	All members of the Pension Committee
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All members of the Pension Committee
Pensions Committee Meetings	Meeting	Quarterly	Email or hard copy	All members of the Pension Committee

Explanation of communications

Training Sessions – providing a broad overview of the main provisions of the LGPS, and elected member's responsibilities within it.

Briefing papers – a briefing that highlights key issues and developments to the LGPS and the Fund.

Pensions Committee meetings - a formal meeting of elected members, attended by senior managers, at which local decisions in relation to the scheme (policies, etc) are taken.

Policy on communication with the Elected Members of Cornwall Council

Our objective with regard to communication with the elected members of Cornwall Council is:

- to ensure they are aware of the activities and decisions made by the Pensions Committee

Our objective will be met by providing the following communications:

Method of Communication	Media	Frequency of issue	Method of distribution	Audience group
Headline report	Paper based and electronic	6 weekly	Email or hard copy	All elected members of Cornwall Council

Policy on communication with pension section staff

Our objectives with regard to communication with pension section staff are:

- ensure they are aware of changes and proposed changes to the scheme
- to provide on the job and external training opportunities to all staff
- to develop improvements to services, and changes to processes as required

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Face to face training sessions	Face to face	As required	By arrangement	All
Staff meetings	Face to face	Monthly	By arrangement	All
Administration procedure guide	Internally provided	As and when required	By email, paper based	All
Attendance at seminars	Externally provided	As and when advertised	By email, paper based	All
Software User Group meetings	Face to face	quarterly	By email, paper based	Senior Administrators
Regional Officer group meetings	Face to face	quarterly	By email, paper based	Pensions/ Assistant Manager

Explanation of communications

Face to face training sessions – which enable new staff to understand the basics of the scheme, or provide more in depth training to existing staff, either as part of their career development or to explain changes to the provisions of the scheme and software updates.

Staff meetings – to discuss any matters concerning the local administration of the scheme, including for example improvements to services or timescales

Attendance at seminars – to provide more tailored training on specific issues.

Software User Group meetings – to discuss any issues concerning the computer software used to administer the scheme, including future upgrades and improvements.

Regional Officer Group meetings – quarterly meetings with senior officers from other South West local authorities to discuss administration matters including, latest government guidance and other topical issues.

Regulatory statements

Communication Policy Statement

Policy on communication with tax payers

Our objectives with regard to communication with tax payers are:

- to provide access to key information in relation to the management of the scheme
- to outline the management of the scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Pension Fund Report and Accounts	Paper based and on Pension Fund website	Annually	Post and email	All, on request
Pensions Committee Papers	Paper based and pension website	As and when available	Post	All, on request

Explanation of communications

Pension Fund Report and Accounts – details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Pensions Committee Papers - a formal document setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

Policy on communication with the media

Our objectives with regard to communication with the media are:

- to ensure the accurate reporting of Fund valuation results, the overall performance of the Fund and the Fund's policy decisions against discretionary elements of the scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Press releases	Paper based or electronic	As and when required for other matters	Post or email	Local press

Explanation of communications

Press releases – provide statements setting out the Fund's opinion of the matters concerned (i.e. Fund valuation results).

Regulatory statements

Communication Policy Statement

Policy on communication with other stakeholders/interested parties

Our objectives with regard to communication with other stakeholder/interested parties are:

- to meet our obligations under various legislative requirements
- to ensure the proper administration of the scheme
- to deal with the resolution of pension disputes
- to administer the Fund's Additional Voluntary Contribution (AVC) scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Pension Fund valuation reports <ul style="list-style-type: none"> • R&A certificates • Revised R&A certificates • Cessation valuations 	Paper based/ Electronic	Every three years or as required	Post or email	Department for Communities and Local Government (DCLG)/Her Majesty's Revenue and Customs HMRC/all scheme employers
Details of new employers entered into the Fund	Hard copy	As new employers are entered into the Fund	Post	DCLG/HMRC
Formal resolution of pension disputes	Hard copy or electronic	As and when a dispute requires resolution	Via email or post	Scheme member or their representatives, the Pensions Advisory Service/ the Pensions Ombudsman
Completion of questionnaires and/ or consultations	Electronic or hard copy	As and when required	Via email or post	DCLG/HMRC/the Pensions Regulator
AVC Annual Benefit statements	Paper based	Annually	Post	Scheme member

Explanation of communications

Pension Fund Valuation Reports – a report issued every three years containing the Rates & Adjustment (R&A) Certificate setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three year period commencing one year from the valuation date. Cessation valuation detailing any surplus or deficit where an employer ceases to participate in the pension fund.

Details of new employers – a legal requirement to notify both organisations of the name and type of employer entered into the Fund (i.e. following the admission of third party service providers into the scheme).

Resolution of pension disputes – a formal notification of pension dispute resolution, together with any additional correspondence relating to the dispute.

Completion of questionnaires/consultations – various questionnaires that may be received, requesting specific information in relation to the structure of the LGPS or the make up of the Fund. Consultations on proposed changes to LGPS Regulations.

AVC Annual Benefit statements – statements received from insurance companies, information loaded onto administration database and paper copy forwarded to scheme member.

Regulatory statements

Communication Policy Statement

Performance measurement

So as to measure the success of our communications with active, deferred and pensioner members, we will use the following methods:

Timeliness

We will measure against the following target delivery timescales:

Communication	Audience	Statutory delivery period	Target delivery period
Summary Scheme booklet	New joiners to the LGPS	Within two months of joining	Within four weeks of joining the LGPS
Annual Benefit Statements as at 31 March	Active and deferred members	Within 12 months	31 October each year
Telephone calls	All	Not applicable	95% of phone calls to be answered within 30 seconds
Issue of retirement benefits	Active and deferred members retiring	Within two months of retirement	95% of retirement benefits to be issued within 10 working days of retirement
Issue of deferred benefit details.	Leavers	Within two months of withdrawal	Within one month of receiving notification.
Transfers in	Joiners/active members	Within two months of request	Within one month
Issue of forms i.e. expression of wish	Active/Deferred/ Pensioners members	N/A	Within five working days of request
Changes to scheme rules	Active/deferred and pensioner members, as required	Within two months of the change coming into effect	Within two months of change coming into effect
Annual Pension Fund Report and Accounts	All	Within 8 months of scheme year end.	Within five working days of request

Quality

Audience	Method	To consider	Notes
Active and deferred members	Feedback from annual benefit statements	All services	-
All member types	Administration software performance statistics based on completion of specific tasks and procedures	Performance targets achieved for each specific administration procedure	Procedure performance figures obtained for various benefit calculations i.e.: retirements new starts and transfers in transfers out deferred leavers
All member types	Employee Relations Group meeting on quarterly basis	All services and identify improvement areas/new services	Representative group of all member types. To include union representatives.
Employers	Focus Groups and Annual General Meeting	Their issues	Regular feedback sessions.

Results

Details of the software performance figures are reported on a quarterly basis. Feedback is received from the Assistant Head of Finance (Business Planning and Development Service) and from the various focus/discussion groups.

Review Process

We will review our communication policy to ensure it meets audience needs and regulatory requirements at least every three years. A current version of the policy statement will always be available on our website www.cornwallpensionfund.org.uk and paper copies will be available on request.

If you would like this information
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