Cornwall Pension Fund

Annual Report

2016-17

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The Cornwall Pension Fund is administered by Cornwall Council.

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CORNWALL COUNCIL

Cornwall Pension Fund annual report 2016-17

Contents

Chairman's statement

The principal aim of the Fund is to provide secure pensions, effectively and efficiently administered at the lowest cost to contributing employers. This requires the Fund to strike a balance between achieving the most from its investments and the need to exercise prudence and caution in considering its future liabilities.

I would like to take this opportunity to once again thank all the members who have served on the Committee during the past year. An up-to-date list of Members of the Committee 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. I would also like to thank the Pension Board who help ensure the scheme complies with governance and administration requirements.

My sincere thanks go also to the officers who run the administration and investment sides of the Fund on your behalf. The numerous and often short-notice government changes received recently have substantially increased the workload of these officers, who already administer the fund more economically than virtually every other of the 89 LGPS funds.

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. At the December committee meeting, the new training strategy developed in conjunction with Hymans Robertson was approved. The training strategy will aid Committee and Pension Board members in ensuring that they have the skills and knowledge to act in line with their responsibilities

The 2016 triennial valuation process has now been completed, with the new employer contributions rates effective from April 2017. The funding level (assets : liabilities) has increased from 74% at 31 March 2013 to 75% at 31 March 2016. The liabilities for the Fund as a whole have increased over the period from £460m to £486m. Please note that these are very long term and are based using longevity assumptions made by the actuary. For more information, please see Note 15 on page 34.

On the back of the Triennial Review, the asset outperformance assumption has had to increase from 1.5% to 1.7%. Accordingly JLT, the Funds investment advisers, were commissioned to undertake a formal strategy review. This had to meet the required outcomes of the valuation process, consider current long term market forecasts, whilst also being aware of the potential implications of the LGPS asset pooling. The updated strategic benchmark which was adopted by Committee can be found in the Investment Strategy Statement on page 69 of this report.

Over the year the value of the Fund increased from £1,475m at 31 March 2016 to £1,709m at 31 March 2017, with a one year rate of return of 14.72%, as can be seen on page 15 and 16. There was a very strong return during the year for equities (see the market analysis from Newton one of our equity managers on page 14 for further detail on the market conditions). Infracapital one of the Fund's infrastructure managers also sold holdings at a significant premium to deliver a strong performance for the year.

During the course of the year, there was a new investment made to the Invesco GTR fund, to maintain the appropriate balance of growth and matching assets. The internal property mandate change was completed and the Fund's corporate bond holding was also transitioned to a multi asset credit fund with the same manager (Insight).

In 2015 the Chancellor stated an intention to encourage the 89 LGPS funds to pool together their assets to save money by effectively "buying in bulk" through their pool and also to encourage more investment in infrastructure (roads, bridges, ports, water companies etc).

This intention to pool was realised through guidance issued to complement the new investment regulations. The Cornwall Fund, which has had a long track record of working with other South West funds to reduce costs, has come together with the local authorities of Devon, Somerset, Dorset, Avon, Wiltshire, Gloucestershire, Oxfordshire, Buckinghamshire and also the Environment Agency to form the new Brunel Pension Partnership.

Much more detail surrounding the Brunel Pension Partnership project is contained throughout the Annual Report, but what cannot be underestimated is the time and commitment it has taken by all parties to reach the point we are currently at regarding this project.

Senior Cornwall pensions and treasury officers and myself, have represented the Fund at the many meetings necessary to set up this new Brunel Pension Partnership, and having worked closely to deliver this, the work will continue throughout the forthcoming year

So to conclude, I will revert back to my last comment for the previous few years which again seems appropriate. The world of pensions never sits still, however, I and the Committee will ensure that we deliver the best outcomes within our control for the members and the employers of the Cornwall Pension Fund.

Derek Holley

Chairman, Cornwall Pensions Committee

Independent auditor's report to the members of Cornwall Council on the consistency of the pension fund financial statements included in the pension fund annual report

Opinion

The pension fund financial statements of Cornwall Council (the "Authority") for the year ended 31 March 2017 which comprise the Fund Account, the Net Assets Statement and the related notes of Cornwall Pension fund are derived from the audited pension fund financial statements for the year ended 31 March 2017 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Pension fund annual report - Pension fund financial statements

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

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 31 July 2017.

Chief Operating Officer and Section 151 Officer responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Auditor's responsibility

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

Geraldine N Daly

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

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

2 August 2017

Committee membership and attendance

During the year ended 31 March 2017, there were four meetings of the Pensions Committee. There was also one annual employers meeting.

Member attendance at Committee meetings during 2016-17	Committee meetings attended
Cllr Derek Holley (Chairman)	4
Cllr Sue James (Vice Chairman)	4
Cllr Malcolm Brown	3
Cllr John Dyer	3
Cllr Tom French	4
Cllr John Herd	3
Cllr Brian Hobbs	0
Cllr Joanna Kenny	3
Cllr Paul Summers (Joined 04/08/16)	3
Cllr John Wood	3
Member nominated representatives	
Sharon Foster	3
Andy Stott	4
Employers' representatives	
Chris Wilson	4
Daniel Sloman (resigned)	2

Member attendance at Committee meetings during 2016-17	Local Pensions Board meetings attended
Rohan Worrall (Chairman)	2
Malcolm Ball	2
Ian Smart	2
Carol Thorogood	2

List of key parties	
Auditor	Grant Thornton
Bankers	Natwest
Consultant Actuary	Hymans Robertson
Strategic Investment Consultant	JLT
Custodian of Assets	Northern Trust
Performance Measurement	Northern Trust
AVC Providers	Equitable Life Standard Life

Fund employers on 31 March 2017	Active	Ceased	Total
Cornwall Council	1	-	1
Designated bodies	39	1	40
Scheduled bodies	56	3	59
Admitted bodies	36	22	58
Total	**132**	**26**	**158**

Scheme membership

On the 31 March 2017 there were 132 employers in the Fund with active members (127 in the previous year).

During the year, the number of employees in the Scheme decreased by 589 (3.3%) to 17,215. The number of pensioners being paid increased by 1,760 (5.6%) to 33,212.

	2013	2014	2015	2016	2017
Contributors					
Cornwall Council	9,207	9,740	8,766	8,780	7,426
Academies	2,186	2,736	3,610	4,237	5,542
Other Bodies	3,990	4,827	4,888	4,787	4,247
Total Number of Contributors	**15,383**	**17,303**	**17,264**	**17,804**	**17,215**
Pensioners					
Receiving Benefits	10,666	11,101	11,691	12,213	12,906
Deferred Benefits	14,949	17,035	18,711	19,239	20,306
Total Number of Pensioners	**25,615**	**28,136**	**30,402**	**31,452**	**33,212**

The number of early retirements through redundancy or for reasons of efficiency or employers' discretion was 121 (133 in the previous year). The number of ill-health early retirements was 13 (23 in the previous year), which equates to 0.75 per 1,000 active members.

Key staffing indicators

The table below shows the number of staff over the last five years in the Pensions Administration Team however, these staff administer both the Local Government Pension Scheme and the Fire Fighters Pension Schemes. As a result of an increase in total fund membership for the LGPS and the introduction of a new scheme in April 2014, additional staff were recruited during 2015 in order to deal with the resulting increased workload.

	2013	2014	2015	2016	2017
FTE staff	14	15.7	15.7	20.5	20.5
Total membership	40,998	45,439	47,666	49,256	50,573
Ratio	2,928	2,894	3,036	2,403	2,467

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 Section 151 Officer. 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 Deputy Section 151 Officer 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 employees. 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 – Deputy Section 151 Officer

At its meeting on 16 March 2017, the Committee agreed a Scheme of Delegation to the Deputy Section 151 Officer.

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 Investment Strategy Statement, including the Funds position on asset pooling
- 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 Deputy Section 151 Officer 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 Investment Strategy Statement;
- 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 (LGPS) is a statutory scheme, established by an Act of Parliament and governed by regulations made under the Superannuation Act 1972. The Department for Communities and Local Government is responsible for the ongoing maintenance of the LGPS.

The Local Government Pension Scheme Regulations 2013 came into force on 1 April 2014 which changed the future benefit structure from final salary to Career Average Revaluated Earnings (CARE). However, any benefits earned prior to April 2014 continue to be based upon a member's final salary at the date of leaving employment. Pensions and entitlements are fully protected in law.

Membership of the LGPS is open to all employees of local authorities and academies except teachers, fire-fighters and police, who have their own separate schemes. Other employers such as colleges, town and parish council and private sector companies awarded various public sector service contracts also participate in the scheme. The Scheme is open to all employees under age 75, whether they work full-time or part-time. Academies and Cornwall Council automatically enrol 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 join the LGPS upon application. All members of the scheme can choose to opt-out 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. Other valuable benefits of membership include death lump sum payments, dependant's pensions, flexible and ill-health retirement options.

Employers contribute at a rate set by the fund actuary and the rates applicable to 31 March 2017 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

As well as our larger employers, some of our smaller employers have now also reached their Staging Date under the Automatic Enrolment legislation and have therefore enrolled more of their employees into the LGPS. This again has helped to maintain our active membership over the year and therefore assisted in maintaining a positive cash flow.

There were 6 new employers admitted to the Cornwall Pension Fund during the year, of which 4 were Town and Parish Councils and only 1 was an academy. The trend of existing academies merging to form multi academy trusts has continued which reduces the number of separate employers we have in the fund but still maintains the same overall membership numbers.

In addition, the majority of local authority schools that convert to academy status are electing to join an existing academy trust instead of becoming a new separate academy employer in the fund.

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.

Towards the end of the year, we moved our membership database onto a different hardware platform that provides a more reliable and secure system. It also provides an additional backup facility should the "live" system fail for any reason.

A consultation on the revoking and replacing of the LGPS (Management and Investment of Funds) Regulations 2009 has taken place. A response was submitted on this consultation by the Pensions Committee prior to the consultation deadline of 19 February 2016. We await a response from Government on this consultation.

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 2016. Under these regulations, we have to consider the different types of investments and their suitability.

The Fund must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State.

The Funds investment strategy must include:

- a requirement to invest fund money in a wide variety of investments;
- the Funds assessment of the suitability of particular investments and types of investments;
- the Funds approach to risk, including the ways in which risks are to be assessed and managed;
- the Funds approach to pooling investments, including the use of collective investment vehicles and shared services;
- the Funds policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- the Funds policy on the exercise of the rights (including voting rights) attaching to investments.

The Funds investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

The Funds investment strategy may not permit more than 5% of the total value of all investments to be invested in entities which are connected with the Administering Authority.

The Fund must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.

The Fund must review and if necessary revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions.

The Fund must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.

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

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, came into force on 1 November 2016. These regulations revoke and replace the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and one instrument which amended those regulations.

The 2016 regulations are the culmination of work looking into local government pension scheme investments that began early in 2013. They have been developed in response to a consultation "Opportunities for collaboration, cost savings and efficiencies", which considered whether savings might be delivered through collective investment and greater use of passive fund management. A copy of the consultation and the Government's response is available on the Government's website at www.gov.uk/government/consultations/local-government-pension-schemeopportunities-for-collaboration-cost-savings-and-efficiencies.

The 2016 regulations also reflect various recommendations made by a small working group established to look at whether the approach to risk management and diversification in the existing regulations was still appropriate.

The main changes and provisions of the 2016 Regulations are described below:

- a definition of what is meant by an "investment" for the purposes of the regulations. For clarification, the definition makes express reference to futures, options, derivatives, limited partnerships and some types of insurance contracts. It also defines who a person with whom a contract of insurance can be entered into is.
- they set out the monies that an administering authority must credit to its pension fund. It also sets out the administering authority's responsibility to pay benefits to members and that costs of administering the scheme can be charged to the fund except where prohibited by other regulations.
- they outline the limited circumstances under which an administering authority can borrow money that the pension fund is liable to repay.
- it requires administering authorities to deposit all pension fund monies in a separate bank account and lists those institutions that can act as a deposit-taker. A deposit taker cannot use pension fund monies to set-off any other account held by the administering authority or a connected party.
- they place an obligation on administering authorities to consult on and publish an investment strategy statement, which must be in accordance with guidance from the Secretary of State. The statement must demonstrate that investments will be suitably diversified and should outline the administering authority's maximum allocations for different asset classes, as well as their approach to risk and responsible investing. Separate guidance from the Secretary of State will clarify how the Government's announcement on boycotts, sanctions and divestments should be taken into account when investment decisions are taken. A copy of the guidance is available on the Government's website at www.gov.uk/government/publications/local-government-pensionscheme-guidance-on-preparing-and-maintaining-an-investment-strategystatement
- they provide the Secretary of State with the power to intervene in the investment function of an administering authority if he is satisfied that the authority is failing to act in accordance with the regulations and guidance. The regulation also enables the Secretary of State to initiate enquiries if an intervention is warranted and must consult the authority concerned. The Secretary of State can intervene by directing the authority to undertake a broad range of actions to remedy the situation.
- they detail how an administering authority must appoint external investment managers.
- they allow administering authorities to invest in Treasury approved collective investment schemes.

Under these regulations, the Investment Strategy Statement of the Fund was required to be published by 1 April 2017.

Work programme and future

At the beginning of the year, we worked with the Council's Information Services department and Heywood, our software supplier, in order to move from a single server containing both Live and Test membership data onto two separate servers. These servers are situated in different locations and therefore provide a more robust and secure hardware platform. The application software is also now on a "virtual" environment which also provides additional resilience.

The statutory triennial actuarial valuation as at 31 March 2016 was successfully completed and our fund actuary approved the valuation report by the statutory deadline of 31 March 2017. This valuation resulted in new employer contribution rates payable from April 2017 and therefore, during the early part of 2017-18, we need to monitor the payments made by all our employers to ensure they pay the new correct amounts. Employee contribution rates are stated in the LGPS Regulations and are therefore not affected by this valuation exercise. As part of the valuation process and to help us engage with our employers, we arranged for them to have an individual meeting with our fund actuary at the Employer Annual General Meeting held towards the end of 2016. This provided our employers with the opportunity, for the first time, to directly discuss their new proposed contribution rates with our actuary together with any other matters they considered relevant.

Governance

There has been a steady flow of local authority schools converting to academy status and 2017-18 appears to be following this trend. There was only one new academy formed during 2016 and there is one or possibly two more new academies proposed for this year. Most schools are however joining existing academies in the fund and some academies are beginning to merge together to form larger multi-academy trusts. Academy conversion has however become less of a pressing issue for schools following the Government's decision last year to change its policy and no longer force, but encourage schools to convert to academy status.

A change to the LGPS Regulations means that the commencement of a new Administration at Cornwall Council has resulted in Councillors no longer being eligible for membership of the LGPS. We will therefore be contacting those Councillors that were contributing to the LGPS during the previous Administration to explain their pension options following their cessation of active membership.

Work still continues on our requirement to reconcile our membership records with HMRC to ensure we hold the correct Guaranteed Minimum Pension (GMP) amount on our members' records which could affect their State Pension entitlement. We are also working with the Council's Information Services department in order to implement a new member self-service facility, which will integrate with our current administration software and allow our members to directly access their pension membership records and run their own retirement estimates and also check the accuracy of the data we hold for them.

We have a number of records where it appears that we hold an incorrect home address and therefore, we are unable to contact these members to inform them about the current value of their LGPS benefits in our fund or, remind them about the options for receiving payment at their retirement age. We therefore plan to attempt to trace these members by either utilising the services of a specialist external tracing company or a checking a specialist national LGPS database.

The Government Actuary Department (GAD) requires changes to the way we account for pension liabilities from April 2017 in order to establish a more accurate cost base for the new LGPS introduced in April 2014, based upon Career Average Revalued Earnings (CARE). This is to process calculations in respect of the "cost cap" analysis required by the national Scheme Advisory Board and Government. We are required to split and record the pension liability between the CARE and Final Salary elements of each member's benefits which, involves changes to our software and benefit payment routines. Corresponding changes will also be made to our financial systems to ensure our accounting records also reflect these new requirements.

The main focus of the investment team will surround the asset pooling requirements, as set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and associated guidance issued by the Secretary of State.

At the Pension Committee meeting on 16 December 2016 the Committee approved the full business case for the setting up of a Financial Conduct Authority (FCA) regulated company to be named Brunel Pension Partnership Limited (BPP Ltd.). This was then ratified by Full Council on 24 January 2017. In addition to Cornwall's approval, the full business case has also been approved by all of the other 9 participating administering authorities. A copy of the business case can be found at www.brunelpensionpartnership.org

BPP Ltd will be a private company limited by shares, registered in England and Wales and with its registered office in Bristol.

The Company will be one tenth owned by each of the 10 Funds (Avon, Buckinghamshire, Cornwall, Environment Agency, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire). Once operational, each Fund will be charged a service fee depending on the services taken up and assets under management.

In order for BPP Ltd to be established the following key documents will be required:

- Articles of Association
- Shareholders' Agreement
- Services Agreement
- Business plan
- Terms of reference of the Oversight Board
- Terms of reference of the Client Group
- Terms of reference of the Audit, Risk and Compliance Committee
- Terms of reference of the Remuneration Committee
- Remuneration Policy

These documents are being worked up in conjunction with the legal and finance officers of the Funds, and subject to review by representatives from the Pensions Committees of all the Funds.

Recruitment will continue to the executive and non-executive roles of BPP Ltd throughout June and into July. It is planned for the BPP Ltd to be fully incorporated by mid-July 2017.

Each LGPS Fund employs a custodian bank to safeguard its investment assets and process transactions. Going forward BPP Ltd will need to appoint a custodian. However, the nature of the business they will be undertaking and the requirement for FCA regulation will mean that the role will be wider than the custodian's current role. As a result, the role is defined by the FCA as an "administrator" rather than a custodian, as it encompasses other tasks beyond the custodian role.

An Invitation to Tender for this service was issued at the end of April. The responses will be evaluated by BPP Ltd representatives and representatives of each of the client funds during the second half of June and it is anticipated that an appointment should be made in July. The outcome of this process may determine a change to the custodian used by the Cornwall Fund, which would take place prior to April 2018.

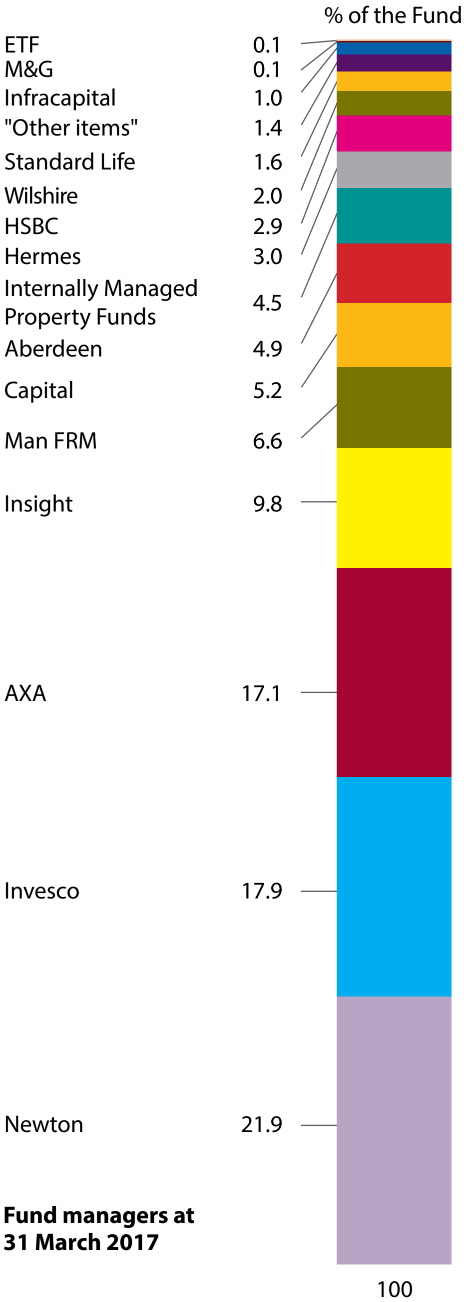
Support will need to be given to BPP Ltd throughout 2017 in support of the application for FCA authorisation, to enable BPP Ltd to deliver services to the Cornwall Pension Fund from 1 April 2018. The current timetable requires a submission for authorisation to be sent to the FCA by September 2017.

Lastly, the investment strategy of the Fund will be required to be allocated to the relevant portfolios for investment that will be provided by BPP Ltd. This is a critical piece of work that will be taken to the Pensions Committee towards the end of 2017.

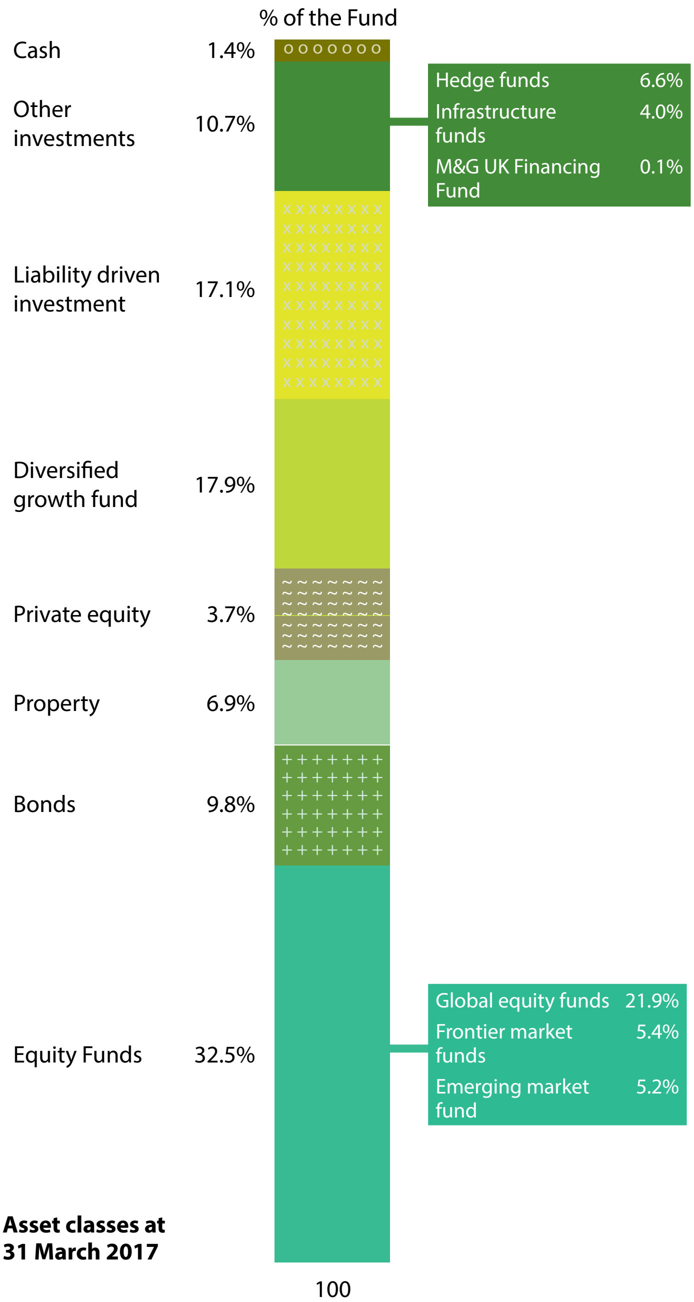
Fund Management

Fund allocations

Manager	Activity
ETF	Investor in environmental technologies (private equity)
M&G	A financing fund set-up to make medium term loans to UK companies
Infracapital	Investor in infrastructure-related companies
"Other items"	Internal cash and accruals
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)
HSBC	Actively manage investment in companies in frontier equity markets
Hermes	Investor in infrastructure-related companies
Internally Managed Property Funds	Holds a range of UK property funds
Aberdeen	Actively manage property funds and frontier equity market funds
Capital	Actively manage investments in emerging equity markets
Man FRM	Actively manage a range of hedge funds
Insight	Actively managed absolute return bond fund
AXA	Investor in assets that have a link to CPI and provide inflation protection
Invesco	Investor in derivatives in fixed income, equities & commodities markets
Newton	Actively manage the shares of companies in all equity markets



Fund managers at 31 March 2017



Asset classes at 31 March 2017

Performance of the Fund

Annual market commentary

Cornwall Pension Fund Investment Managers Report from Newton Investment Management Limited for the year ended 31 March 2017

Investors faced a variety of challenges over a period in which politics exerted a significant influence on financial markets.

The start of April 2016 saw a continuation of global equity markets' recovery from February's lows. However, volatility returned during May and June. This was in part owing to markets' preoccupation with the UK's June referendum on European Union (EU) membership. In addition, a run of weaker macroeconomic data from the US led the Federal Reserve to lower expectations for future US interest-rate rises. In the final days before the UK's referendum, investors became convinced that a 'remain' vote would be delivered. As a result, the decision to leave was unexpected and not priced into financial assets, causing significant volatility in the days after the result. The immediate market response was a collapse in sterling amid a broad sell-off in risk assets and a corresponding flight to safe havens. However, having initially fallen dramatically following the referendum result, global equity indices soon reversed this trend, buoyed both by opportunistic 'buying of the dip' and, in some quarters, mounting expectations that this event could precipitate fresh rounds of monetary intervention.

The positive momentum continued through most of the third quarter, with equity indices delivering strong positive returns as policymakers stepped in once again. In the UK, the Bank of England delivered a 0.25% cut in interest rates, accompanied by a £60bn increase in quantitative easing. The latter decision pushed UK gilt yields (and consequently borrowing costs) sharply lower. In Asia, the Bank of Japan delved deeper into its monetary toolkit as it announced that it was seeking to control the shape of the Japanese yield curve by setting specific targets for long-term bond yields. However, the outlook for US monetary policy remained the principal preoccupation for global investors. After much debate and an anticipatory back-up in government bond yields, the patchy nature of US economic releases ultimately ensured that US interest rates remained unchanged, an outcome that was naturally well received by financial markets.

Politics once again came to dominate proceedings over the fourth quarter, as Donald Trump claimed victory in November's US presidential election. In stark contrast to the manifold predictions that such an outcome would prompt a major 'risk-off' event across financial markets, the relatively measured nature of Trump's victory speech induced a rally in equities. However, perhaps the most significant impact was witnessed in the currency and fixed-interest markets, where the US dollar surged and government bonds sold off aggressively (with yields heading sharply higher). This was the result of investor expectations that a Trump presidency could prove reflationary, with fiscal stimulus driving a pickup in growth. Within equities, there was significant rotation into more cyclical areas of the market, such as commodities and financials, which stood to benefit from a rising interest-rate environment in the US and recovering commodity prices driven by the expectation of increased infrastructure investment. In this environment, the US Federal Reserve's decision to raise interest rates by 0.25% in December received a muted response, having been well flagged prior to the announcement.

The euphoric conditions that followed Trump's victory persisted for much of the first quarter of 2017, with optimism seeming to rest on the likelihood that US tax cuts, deregulation and fiscal stimulus would boost demand, and thus corporate profits. However, the withdrawal of the president's health-care bill in March served as a reminder that the need to secure buy-in from broader constituencies has the potential to frustrate many of his policy proposals. While real economy data remained mixed, the backdrop was viewed by the Federal Reserve as sufficiently resilient to justify a further increase in US interest rates.

The weakness of the pound, which made its largest intra-day move (of more than 10%) in June following news of the referendum result, delivered a windfall to UK-based investors in overseas stocks.

Against this backdrop, the equity markets (MSCI AC World Index) returned 32.2% in sterling terms and the other market indices movements over the year to 31 March 2017 in sterling terms were:

Asset Class	Index	%
UK Equities	FTSE All Share	22.0
North America	FTSE AW North America Index	35.0
Europe	FTSE AW Europe (ex UK) Index	27.9
Japan Equities	FTSE World Japan Index	32.8
Asia Pacific	FTSE AW Asia Pacific (ex Japan) Index	36.5
Emerging Markets	FTSE Emerging Market Index	35.6
UK Government	FT British Government All Stocks	6.6
UK Government	FTA British Government Index Linked	19.9
Global Government	JP Morgan Global Government Bond ex-UK Index	11.3
	Cash (UK Interbank 7 day)	0.3

Industrial sector performance against the FTSE Indexes for the year to 31 March 2017 were:

	%
Oil & Gas	33.6
Telecommunication	16.6
Industrials	36.2
Basic Materials	45.4
Consumer Goods	26.6

	%
Consumer Services	25.0
Technology	44.0
Health Care	25.1
Financials	40.5

David Moylett
For and on behalf of Newton Investment Management Limited Regulated by the Financial Conduct Authority
April 2017

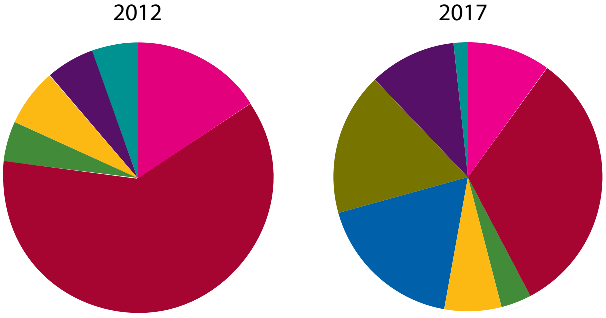
Performance of the Fund

Market values

The market value of the Fund's investments, cash and other assets, on 31 March 2017, was £1,709 million, compared with a value of £1,475 million on 31 March 2016.

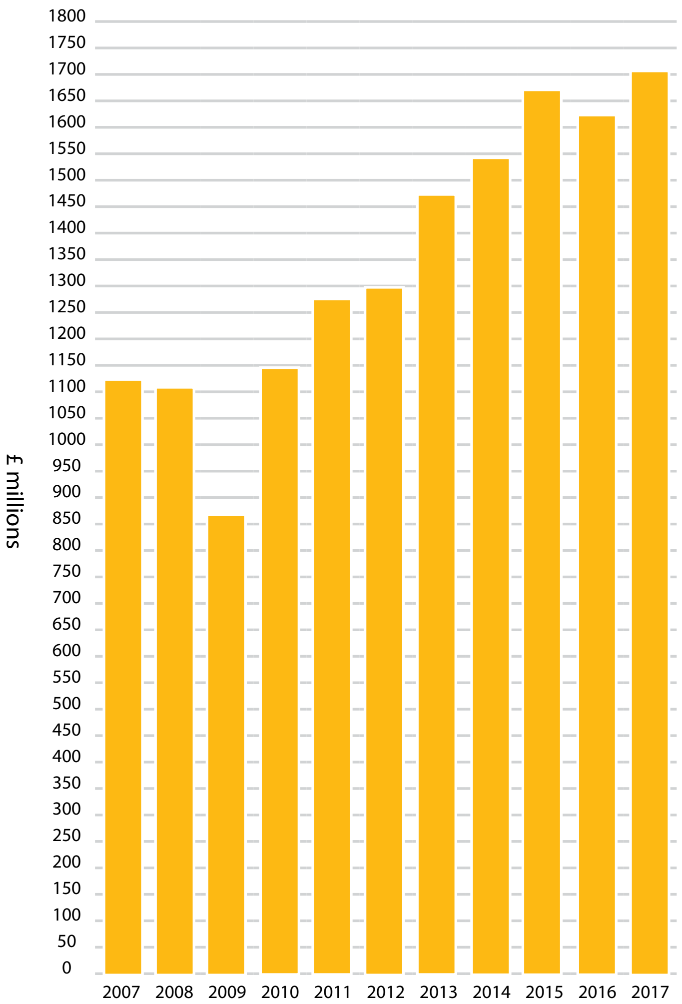
	% of the Fund	
	2012	**2017**
Bonds	15.8	9.8
Equities	61.2	32.5
Private equities	4.8	3.7
Property funds	6.9	6.9
Diversified growth fund	0.0	17.9
Liability driven investment	0.0	17.1
Other investments	5.8	10.7
Cash	5.5	1.4
	100.0	100.0

How the Fund's assets have been invested



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

The chart below shows the movement of market values (including cash and other assets) since 2007.



Market values from 31 March 2007 to 31 March 2017

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 2016-17, the income created by the Fund's investments, net of tax was £12.619m and represented a return of 0.8% on the average market value. (The return achieved in 2015-16 was 0.9%). It should be noted that income from equities is now automatically reinvested into the funds.

General statistics

The UK clearing bank base rate reduced to 0.25% on 04/08/16 and has remained at this rate.

Year on year inflation increased, as measured for:

	Year to March 2016	Year to March 2017
Retail Price Index (RPI)	1.6	3.1
Consumer Price Index(CPI)	0.5	2.3

Movements in financial market indices are shown on page 14.

Performance of the Fund

Fund manager performance

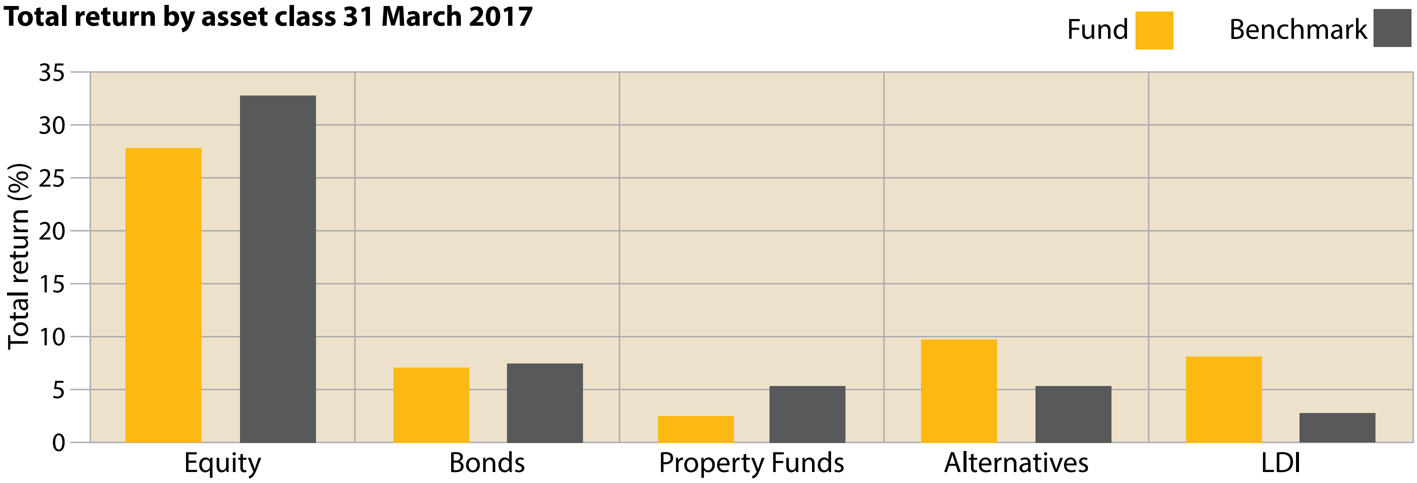
Investment return as at 31 March 2017	1 Year	3 Years	5 Years
Cornwall Pension Fund	14.72	5.89	7.16
Benchmark	17.06	6.73	7.83

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.

Although the Fund increased in value by £234m during the reporting period, the performance of the Fund as a whole, in 2016-17 was 2.34% below its specific benchmark (in 2015-16 it was 0.25% below the benchmark).

The table below sets out the managers performance by asset class. As can be seen, global equity markets had a strong year. For more details of how the global markets were shaped during the period, please see the annual market commentary on page 14.

Total return by asset class 31 March 2017



Strategic Allocation

The table opposite shows the strategic allocation which was in place on the 31 March 2017. Due to the strategic review which took place on the back of the triennial valution, this has now be updated to reflect the Fund's investment return assumed in the updated funding strategy.

This has been done with the inclusion of a diversified range of assets, which is expected to reduce the overall volatility of returns without significantly altering the Fund's expected long term return.

See the Investment Strategy Statement on page 69 for the strategic allocation for the next reporting period.

Asset Class	Strategic Allocation %
Global Equities	15
Emerging Market Equities	5
Frontier Market Equities	5
Diversified Growth	12
Property	10
Infrastructure	10
Hedge Funds	8
Private Equity	5
Cash & Other	0
Liability Driven Investment	20
Corporate Bonds	10
Total	**100**

Performance of the Fund

Tables on equity and property fund holdings

Pooled equity funds on 31 March 2017	£m
Newton Global Equity X Shares	373.693
Capital International Emerging Markets Fund	89.115
HSBC Frontier Markets XC	49.487
Aberdeen Frontier Opportunities Fund	43.112
Total pooled equity funds	**555.407**

Largest 10 Newton Global Equity X Shares holdings on 31 March 2017	%
Microsoft Corporation	5.0%
Apple Inc	4.0%
Alphabet Inc	3.6%
Citigroup Inc	2.7%
Altria Group Inc	2.4%
United Technologies Corp	2.2%
RELX	2.1%
Japan Tobacco Inc	2.1%
AIA Group Ltd	2.0%
Walt Disney Co	2.0%

Largest 10 HSBC Frontier Markets XC holdings on 31 March 2017	%
Grupo Financiero Galicia	4.4%
Banco Macro	4.1%
Credicorp	3.8%
Aramex	3.8%
Banco Davivienda	3.6%
NMC Health Plc	3.2%
DP World Ltd Ord	2.9%
Engro Corporation	2.9%
Attijariwafa Bank	2.8%
Emaar Properties	2.8%

Largest 10 Aberdeen Frontier Opportunities Fund holdings on 31 March 2017	%
Advance Copernico Argentina Equity Fund	9.6%
Fondul Proprietatea GDR	8.6%
Tundra Pakistan Fund	8.6%
VinaCapital Vietnam Opportunity Fund	8.1%
East Capital Balkan Fund - C Class	7.8%
Ashmore Middle East Equity Fund	7.4%
Sturgeon Central Asia Equities Fund	5.9%
Vietnam Holding Limited	5.7%
Avaron Emerging Europe Fund	5.3%
DB MSCI Bangladesh	4.5%

Largest 10 Capital International Emerging Markets Fund holdings on 31 March 2017	%
Alibaba Group Holding Ltd ADR	3.2%
Taiwan Semiconductor MFG	3.2%
Naspers Limited	3.0%
AIA Group Ltd	2.3%
China Overseas Land & Investment Ltd	2.1%
Bharti Airtel Limited	2.0%
Delta Electronics INC (TWD)	2.0%
Tencent Holdings Ltd	1.8%
America Movil Sab De CV L ADR	1.8%
Wynn Macau Ltd	1.8%

Property funds on 31 March 2017	£m	%
Schroder UK Property Fund	25.891	22.0%
CBRE UK Property PAIF	24.979	21.3%
UBS Triton Property Fund (Guernsey)	21.605	18.4%
Industrial Property Investment Fund	10.330	8.8%
Ardstone UK Regional Office Fund	6.235	5.3%
The Palmer GVA Unit Trust	5.861	5.0%
Curlew Student Trust	5.104	4.4%
Henderson UK Shopping Centre Fund	4.562	3.9%
UBS Triton Property Unit Trust	4.032	3.4%
Palmer Capital Development Fund III	2.819	2.4%
Rreef UK Property Ventures Fund No.3	1.892	1.6%
M&G Real Estate Debt Fund III	1.154	1.0%
FRXL Co-Investment	0.992	0.8%
M&G Real Estate Debt Fund II Feeder	0.963	0.8%
Ostara Japan Fund 3	0.651	0.6%
FRXL Co-Investment 2	0.385	0.3%
Total property funds	**117.455**	**100.0%**

Performance of the Fund

An analysis of fund assets and investment income

Fund assets, by class, on 31 March 2017	UK £m	Non-UK £m	Global £m	Total £m
Equities	-	181.714	373.693	**555.407**
Bonds	-	-	167.546	**167.546**
Alternatives	461.527	17.428	477.336	**956.291**
Cash and cash equivalents	29.882	-	-	**29.882**
Total	**491.409**	**199.142**	**1018.575**	**1709.126**

Fund investment income by class, during 2016-17	UK £m	Non-UK £m	Global £m	Total £m
Bonds	4.379	-	-	**4.379**
Alternatives	5.748	-	0.708	**6.456**
Cash and cash equivalents	-	-	1.721	**1.721**
Other	-	0.133	-	**0.133**
Total	**10.127**	**0.133**	**2.429**	**12.689**

Financial Projection for 1 year to 31 March 2018	2016/17 Original Estimate £m	2016/17 Actual £m	Variance £m	2017/18 Estimate £m
Transactions with Scheme Members				
Contributions	78.500	86.201	7.701	82.500
Transfers In	4.000	2.464	(1.536)	4.000
Transfers out	(4.000)	(4.553)	(0.553)	(4.000)
Benefits paid	(68.150)	(65.750)	2.400	(67.350)
Net dealings with Scheme Members	**10.350**	**18.362**	**8.012**	**15.150**
Investment Income (Net of Tax)	15.200	12.619	(2.581)	14.350
Management Expenses (Directly charged to the Fund)	(3.780)	(3.368)	0.412	(4.199)
Internal Management Costs	(1.145)	(1.114)	0.031	(1.175)
Net Fees and Expenditure	**10.275**	**8.137**	**(2.138)**	**8.976**
Net cashflow	**20.625**	**26.499**	**5.874**	**24.126**

Internal Management Costs	2016/17 Revised Budget £m	2016/17 Actual £m	Variance £m	2017/18 Estimate £m
Staff Costs				
Direct salaries	0.585	0.597	0.013	0.602
On costs	0.147	0.169	0.022	0.162
Indirect Employee expenses	0.010	0.010	0.000	0.010
	0.742	**0.776**	**0.035**	**0.774**
Direct Costs				
Transport costs	0.007	0.009	0.002	0.007
Printing, Stationery and General Office Expenses	0.017	0.000	(0.017)	0.017
Services	0.086	0.071	(0.015)	0.086
Computing	0.015	0.004	(0.011)	0.015
Expenses	0.012	0.010	(0.002)	0.012
Grants and subscriptions	0.014	0.006	(0.008)	0.014
Other Supplies and Services	0.002	0.018	0.016	0.002
Internal Recharges and other expenditure	0.207	0.220	0.013	0.248
	0.360	**0.338**	**(0.022)**	**0.401**
Total Costs	**1.102**	**1.114**	**0.013**	**1.175**

Financial Performance

The key variance was to the contributions received, this was in relation to two cessation payments totalling approximately £6 million.

Transfers to and from the Fund are irregular and depend upon staffing movements. They are assumed to be equal for financial projection purposes

The investment income does not represent all investment income for the Fund, certain investments automatically reinvest the dividends received. This figure is just the actual cashflows into the Fund.

The management expenses used for the financial projection are only those invoiced directly to the Fund and so affect it's cashflow (For the total figure see Note 8 on pg. 25). These are dependent on market movements and are also affected by the Fund's continuing push to drive down fees

The financial projection was only prepared for one year due to the potential implications of pooling.

Financial statements

Fund Account	2016-17		2015-16		Notes
Dealings with Members, Employers and Others Directly Involved in the Fund	£m	£m	£m	£m	
Contributions	86.201		78.697		7
Transfers In from Other Pension Funds	2.464		3.203		7
Total Contributions		88.665		81.900	
Benefits Payable	(65.750)		(67.373)		7
Payments to and on account of leavers	(4.553)		(5.441)		7
Total Payments		(70.303)		(72.814)	
Net Additions from Dealings with Members		18.362		9.086	
Management Expenses	(14.014)		(11.345)		8
Net Additions including Fund Management Expenses		4.348		(2.259)	
Returns on Investments					
Investment Income	12.689		13.675		9
Taxes on Income	(0.070)		-		9
Profit and Loss on Disposal of Investments and Changes in Market Value of Investments	217.151		(58.651)		10
Net Returns on Investment		229.770		(44.976)	
Net Increase / (Decrease) in the Net Assets Available for Benefits During the Year		234.118		(47.235)	
Opening Net Assets of the Scheme		1,475.008		1,522.243	
Closing Net Assets of the Scheme at 31 March		1,709.126		1,475.008	

Net Assets Statement	31 March 2017	Restated [1] 31 March 2016	Restated [1] 01 April 2015	
	£m	£m	£m	Notes
Investment Assets	1,702.410	1,471.713	1,517.528	10
Investment Liabilities	-	-	-	
Total Net Investments	1,702.410	1,471.713	1,517.528	
Current Assets	10.544	8.123	8.960	16
Current Liabilities	(3.828)	(4.828)	(4.245)	16
Net Assets of the Scheme as at 31 March	1,709.126	1,475.008	1,522.243	

[1] The prior period adjustment was made in relation to the change in accounting treatment of the cash deposits to investment assets from current assets, due to the nature of the deposits, which brings the presentation in line with the CIPFA LGPS 2016/17 Example Accounts and Disclosure Checklist. The bottom line has not changed but at 01 April 2015 £1.266m and 31 March 2016 £25.119m has moved from current assets to investment assets

Financial statements

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 2017. 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 14 and 15.

Notes to the Pension Scheme Accounts

1. Description of the Fund

The Cornwall Pension Fund "the Fund" is a Local Government Pension Scheme (LGPS).

General
Local Government Pension Schemes 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 2016 (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 Chief Operating Officer. Whereas the Pensions Committee approves all policies, the Chief Operating Officer is empowered to invest monies of the Pension Fund. The Pensions Committee receives investment advice from an external advisor. The Pensions Board carries out an oversight function to ensure such decisions are properly compliant with regulations, guidance and internal policies. An Investment Strategy Statement (previously 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 or in the Pension Fund Annual Report.

Membership
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 2017 there were 132 employers in the Fund with active members (127 in the previous year).

As a result in the increase to the number of Local Authority schools electing to convert to academy status, they have been separated from the other bodies. A summary of the number of contributors and pensioners is shown on page 6 of this report. This type of employer is becoming more relevant in accordance with the Government's preference for all Local Authority schools to convert to academy status.

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.

2. Basis of Preparation

These accounts summarise the Fund's transactions for 2016-17 and its position at the year ending 31 March 2017. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17, 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 2016-17. The accounts have been prepared on a going concern basis.

3. Accounting Policies

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.

Normal contributions from members and employers are accrued for at the rate recommended by the fund actuary in the payroll period to which they relate.

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. Lump sum benefits are accrued at year end.

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.

Interest income is recognised in the fund account as it accrues, and dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period are accrued for.

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

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 and are calculated in accordance with the LGPS Regulations 2013. 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 Expenses (2016), and as such have been split into administrative expenses, oversight and governance costs and investment management expenses.

<u>Administrative Expenses</u>
Administrative Expenses are accounted for on an accruals basis. The staff costs of the pension administration team are charged direct to the Fund, as is the associated management, accommodation and other overheads which are apportioned to this function.

<u>Oversight and Governance Costs</u>
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. The associated management, accommodation and other overheads which are apportioned to this function are also charged to the Fund.

<u>Investment Management Expenses</u>
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 year-end date, an estimate based upon the market value of the mandate at the end of the period has been used.

Fees are agreed in the respective mandates governing the manager's appointments and are based on the market value of these investments under their management and therefore increase or reduce as the value of these investments change.

In addition the Fund has negotiated with Newton that an element of their fee is performance related.

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.

Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

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.

The values of investments included in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). Which has caused certain items to be reclassified, see Note 11.

The accounts for the year ended 31 March 2017 mostly use the valuations for the Fund's assets based on the figures provided by the Fund's custodian, The Northern Trust Company.

Foreign Currency Transactions
Dividends, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction.

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 comprises cash in hand (Bank) and demand deposits (MMFs), which also includes amounts held by the custodian.

Cash equivalents are short-term, highly liquid investments that 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. AVC's are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and movements in the year.

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 in accordance with the LGPS (Management and Investment of Funds) Regulations 2016 section 4(2)(b) but are disclosed as a note. Further details are provided in Note 17.

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 14 and 15).

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 14).

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

The Fund made a prior period adjustment in relation to the change in accounting treatment of the cash deposits to investment assets from current assets, due to the nature of the deposits, which brings the presentation in line with the CIPFA LGPS 2016/17 Example Accounts and Disclosure Checklist. The effect of these adjustments on the Net Assets Statement can be seen in the below tables:

	As previously stated 01 April 2015 £m	As restated 01 April 2015 £m	Change 01 April 2015 £m
Investment Assets - Standard Life Investments Liquidity Fund	-	1.266	1.266
Total Net Investments	**-**	**1.266**	**1.266**
Current Assets - Standard Life Investments Liquidity Fund	1.266	-	(1.266)
Total Current Assets	**1.266**	**-**	**(1.266)**

	As previously stated 31 March 2016 £m	As restated 31 March 2016 £m	Change 31 March 2016 £m
Investment Assets - Standard Life Investments Liquidity Fund	-	21.819	21.819
Investment Assets – Cash in Transit	-	3.300	3.300
Total Net Investments	**-**	**25.119**	**25.119**
Current Assets - Standard Life Investments Liquidity Fund	21.819	-	(21.819)
Current Assets - Cash in Transit	3.300	-	(3.300)
Total Current Assets	**25.119**	**-**	**(25.119)**

4. Critical Judgments in Applying Accounting Policies

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 14 and 15. The estimate of fund liability is subject to significant variances based on changes to the underlying assumptions.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance.

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.

5. 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.

The items in the Net Assets Statement at 31 March 2017, for which there is a significant risk of material adjustment in the forthcoming year, are as shown below:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	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. A firm of consulting actuaries, Hymans Robertson, is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in the individual assumptions can be measured. A 0.5% decrease in the discount rate assumption would increase the pension liability by £328m. A 0.5% increase in assumed earnings inflation would increase the liability by £88m. A 0.5% increase in assumed pension increase rate would increase liability by £233m. A 1 year increase in assumed life expectancy would increase the liability by 3-5%, in monetary terms this would be £85m to £143m. More details on the Actuary's assumptions and projections are shown in Notes 14 and 15.
Private Equities, Infrastructure, Property Limited Partnerships and Private Debt	These investments are not publicly listed and as such there is a degree of estimation involved in their valuation. See Note 11, Fair Value - Basis of Valuation for further detail.	The total private equity, infrastructure, property limited partnerships and Private Debt investments in the financial statements are £134.631m. There is a risk that these investments may be under - or over - stated in the accounts, see Note 11.

6. 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:

a) Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and

b) Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

The Cornwall Pension Fund has come together with the local authorities of Devon, Somerset, Dorset, Avon, Wiltshire, Gloucestershire, Oxfordshire, Buckinghamshire and also the Environment Agency to form the Brunel Pensions Partnership Limited (BPP Ltd), which will be 1/10th owned by each fund.

Once the company is properly formed and shareholder capital committed, this investment will be recognised in the financial statements. The full business case for Cornwall's participation in setting up BPP Ltd was ratified by Full Council on 24th January 2017.

It is expected that BPP Ltd will deliver services to the Cornwall Pension Fund from 01st April 2018, once it has received FCA approval. Once operational each fund will be charged a service fee depending on services taken up and assets under management. For further information please see www.brunelpensionpartnership.org

7. Analysis of Total Contributions and Benefits

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

Contributions and Benefits	Cornwall Council £m	Scheduled Bodies £m	Designatory Bodies £m	Admitted Bodies £m	2017 £m	2016 £m
Contributions Receivable						
Employers' normal	23.645	19.370	1.097	7.052	51.164	48.081
Employers' fixed deficit	8.993	4.560	0.245	4.877	18.675	14.378
From Employees (normal and additional)	8.567	6.199	0.370	1.210	16.346	16.233
Transfers In						
Group transfers	-	-	-	-	-	0.377
Individual transfers	1.378	0.874	0.021	0.191	2.464	2.826
Other Income	0.010	0.004	-	0.002	0.016	0.005
Total Income	**42.593**	**31.007**	**1.733**	**13.332**	**88.665**	**81.900**
Benefits Payable						
Pensions	44.544	5.275	0.904	3.397	54.120	52.955
Lump Sums	4.744	3.546	0.149	1.395	9.834	12.169
Death Benefits	0.987	0.289	0.075	0.163	1.514	2.068
Taxation where lifetime or annual allowance exceeded	-	0.282	-	-	0.282	0.181
Payments on Account of Leavers						
Refunds of Contributions	0.167	0.141	0.009	0.027	0.344	0.205
Transfers Out						
Group transfers [1]	-	-	-	-	-	1.739
Individual transfers	3.035	0.568	-	0.606	4.209	3.497
Total Expenditure	**53.477**	**10.101**	**1.137**	**5.588**	**70.303**	**72.814**

[1] Transfers out included a bulk transfer out of £1.739m for the Probation liabilities to Greater Manchester Pension Fund

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the life time or annual allowance and who elected to take lower benefits from the Fund in exchange for the Fund settling their tax liability.

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

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8. Management Expenses

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

Management Expenses	**2017 £m**	**2016 £m**
Administrative Costs	0.862	0.900
Investment Management Expenses		
Management Fees	7.462	5.782
Performance Fees	0.119	1.503
Transaction Costs [1]	3.702	1.248
Other Costs	0.991	1.198
Custody Fees	0.045	0.044
Oversight and Governance Costs	0.833	0.670
Total Investment and Administration Expenses	**14.014**	**11.345**

[1] 2017 Includes two one off costs incurred for mandate changes

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 2017 (£0.024m for the year to 31 March 2016) which relates to the external audit of the Pension Fund accounts.

9. Investment Income

The income to the Fund generated by the Fund's investments, net of tax, amounted to £12.619m. Other income is generated but it is reinvested by the managers and not returned to the Fund directly. Investment income for the years ended 31 March was received from the following sectors:

Investment Income	**2017 £m**	**2016 £m**
Pooled Investment Vehicles		
Bonds	4.379	8.249
Private equities and infrastructure	1.884	2.004
Pooled Property Funds	4.572	3.262
Gain on foreign currency transactions when trading	1.632	0.042
Interest on cash deposits	0.089	0.098
Other	0.133	0.020
Gross Investment Income	**12.689**	**13.675**
Irrecoverable Withholding Tax	(0.070)	
Net Investment Income	**12.619**	**13.675**

10. Investments

Investment Assets	**31 March 2017 £m**	**Restated[1] 31 March 2016 £m**	**Notes**
Pooled Investments	1,561.789	1,330.218	10
Pooled Property Investments	117.455	107.027	10
Cash Deposits	18.378	29.917	13
Other Investment Balances	4.788	4.551	10
Net Investment Assets	**1,702.410**	**1,471.713**	

[1] The comparators have been adjusted to reflect the change in accounting treatment of the cash deposits to investment assets from current assets due to the nature of the deposits, which brings the presentation in line with the CIPFA LGPS 2016/17 Example Accounts and Disclosure Checklist. 31 March 2016 £25.119m has moved from current assets to investment assets

The following note shows the pooled investment vehicles by asset class and the split of the investments in the pooled funds by UK and Overseas at 31 March:

Investment Assets	31 March 2017 £m	31 March 2016 £m
Pooled Investment Vehicles		
Managed Funds		
UK Equities	39.384	33.749
Overseas Equities	516.023	418.451
UK Infrastructure	55.579	47.908
Overseas Infrastructure	11.011	9.052
UK Absolute Return Bonds	29.799	-
Overseas Absolute Return Bonds	137.747	-
UK Bonds	-	131.024
Overseas Bonds	-	95.694
UK Private Debt	1.612	3.778
UK Liability Driven Investment	291.130	237.763
UK Private Equities	7.079	8.557
Overseas Private Equities	55.204	49.935
UK Pooled Property	28.473	4.576
Overseas Pooled Property	0.651	-
UK Diversified Growth Fund	84.026	39.961
Overseas Diversified Growth Fund	220.995	141.186
Overseas Hedge Funds	112.200	113.160
UK Unit Trusts		
Pooled Property	88.331	102.451
	1,679.244	**1,437.245**
Cash Deposits	18.378	29.917
Investment Income Due and tax receivable	0.177	4.551
Amounts Receivable from Sales	4.611	-
	23.166	**34.468**
Net Investment Assets of the Scheme as at 31 March	**1,702.410**	**1,471.713**

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Investment Assets	Value 1 April 2016 £m	Purchases at cost £m	Sales Proceeds £m	Profit / Loss and Change in Market Value £m	Value 31 March 2017 £m
Pooled Investment Vehicles					
Pooled Equity Funds	452.200	0.061	(22.049)	125.195	555.407
Pooled Property Funds	107.027	38.325	(28.119)	0.222	117.455
Other Pooled Investments	878.018	327.929	(291.268)	91.703	1,006.382
	1,437.245	**366.315**	**(341.436)**	**217.120**	**1,679.244**
Other adjustments for revaluation	-			0.031	-
Cash Deposits	29.917			-	18.378
Other Investment Balances	4.551			-	4.788
Net Investment Assets	**1,471.713**			**217.151**	**1,702.410**

The comparative table for 31 March 2016 is shown below:

Investment Assets (Restated[1])	Value 1 April 2015 £m	Purchases at cost £m	Sales Proceeds £m	Profit / Loss and Change in Market Value £m	Value 31 March 2016 £m
Pooled Investment Vehicles					
Pooled Equity Funds	456.855	0.055	(1.810)	(2.900)	452.200
Pooled Property Funds	95.341	24.677	(19.542)	6.551	107.027
Other Pooled Investments	826.358	141.054	(27.143)	(62.251)	878.018
	1,378.554	**165.786**	**(48.495)**	**(58.600)**	**1,437.245**
Other adjustments for revaluation	-			(0.051)	-
Cash Deposits	134.716			-	29.917
Other Investment Balances	4.258			-	4.551
Net Investment Assets	**1,517.528**			**(58.651)**	**1,471.713**

[1] The comparators have been adjusted to reflect the change in accounting treatment of the cash deposits to investment assets from current assets.

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The fund managers' portfolios were valued as follows:

Fund Manager	31 March 2017		Restated [1] 31 March 2016	
	£m	% of Total	£m	% of Total
Aberdeen Asset Management [2] (Property & Frontier Markets)	84.060	4.9%	91.816	6.2%
AXA Investment Managers (Liability Driven Investment)	291.130	17.1%	237.763	16.2%
Capital International (Emerging Markets)	89.115	5.2%	65.604	4.5%
Environmental Technology Fund (Private Equity)	1.399	0.1%	2.089	0.1%
Hermes Investment Management (Infrastructure)	50.582	3.0%	37.349	2.5%
HSBC (Frontier Markets)	49.487	2.9%	36.317	2.5%
Infracapital Partners (Infrastructure)	16.007	1.0%	19.611	1.3%
Insight Investment Management (Absolute Return Bonds)	167.546	9.8%	226.718	15.4%
Internally Managed Property Funds (Property)	76.507	4.5%	48.293	3.3%
Invesco Perpetual (Diversified Growth Fund)	305.021	17.9%	181.147	12.3%
Man FRM (Hedge Fund)	112.200	6.6%	113.160	7.7%
M & G UK Financing Fund (Private Debt)	1.612	0.1%	3.778	0.3%
Newton Investment Management (Global Equities)	373.693	21.9%	317.197	21.6%
Standard Life Investments (Private Equity)	26.662	1.6%	23.823	1.6%
Wilshire Associates (Private Equity)	34.223	2.0%	32.578	2.2%
Total Investments with external managers	**1,679.244**	**98.6%**	**1,437.245**	**97.7%**
Accruals and Cash Deposits	23.166	1.4%	34.468	2.3%
Total Investment Assets	**1,702.410**	**100.0%**	**1,471.713**	**100.0%**

[1] The comparators have been adjusted to reflect the change in accounting treatment of the cash deposits to investment assets from current assets

[2] Aberdeen acquired Advance Emerging, was previously disclosed separately

The following holdings each represent more than 5% of the net assets of the Fund:

	31 March 2017		31 March 2016	
	£m	% of Total	£m	% of Total
Newton Global Equity X Shares Fund	373.693	21.9%	317.197	21.6%
AXA IM Smart Matching Solutions Fund A	291.130	17.1%	237.763	16.2%
Invesco Balanced Risk 8 Accumulation Shares	202.058	11.9%	181.147	12.3%
Insight Investment UK Corporate All Maturities Bond Fund [1]	-	-	226.718	15.4%
Insight LDI Solutions Plus Bonds Plus 400 S [1]	167.546	9.8%	-	-
Man FRM - Cornwall Hedge Fund Strategy	112.200	6.6%	113.160	7.7%
Invesco Global Targeted Returns Fund	102.963	6.0%	-	-
Capital International Emerging Markets	89.115	5.2%	65.604	4.5%

[1] Insight Mandate changed in March 2017

11. Fair Value – Basis of Valuation

The basis of valuation of each class of investment asset is set out below. There has been no change in valuation technique used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Diversified Growth Funds	Level 2	Valued using vendor pricing and OTC pricing models	Evaluated price feeds	Not Required
Pooled Equity Funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required
Absolute Return Bonds	Level 2	Average of broker price feeds	Evaluated price feeds	Not Required
Liability Driven Investment	Level 2	Valued using vendor pricing and OTC pricing models	Evaluated price feeds, OTC Modelling and economics of Swap	Not Required
Property Unit Trusts (UK)	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required
Hedge Funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required
Private Debt	Level 3	Fair value derived from the amortised cost measurement	Initial recognition cost, Principal repayments, effective interest method, Impairment reductions	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, as the fund is exposed to credit risk and asset determined to be uncollectible will need to be written off and by any differences between the audited and unaudited accounts
Property Limited Partnerships	Level 3	Valued at fair value at the year-end using a number of different models that relect the general partner's determination of assumptions and inputs that market participants might reasonably use in valuing the securities	NPV of projected cash flows, internally-generated pricing models utilising NAV methodologies, underlying property valuations, transactions observable in the marketplace and reported NAV as provided by the investee	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Infrastructure Funds	Level 3	Direct investments: Independent valuation performed using discounted cash flow methodology in accordance with international private equity valuation guidelines	Future free cash flows from underlying investments Cost of capital of underlying investments	Valuations could be affected by material events occurring after the preparation of the independent reports, and by changes to expected cash flows
Private Equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent advisors, the Fund has determined that the valuation methods described on the previous page are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

	Assessed valuation range (+/-)	Value at 31 March 2017 £m	Value on increase £m	Value on decrease £m
Private Debt	5	1.612	1.693	1.531
Property Limited Partnerships	10	4.146	4.561	3.731
Private equities	15	62.284	71.627	52.941
Infrastructure funds	10	66.589	73.248	59.930
Total		**134.631**	**151.129**	**118.133**

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.

  Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.
- Level 2 – Inputs, other than quoted prices under Level 1, that are observable for the asset or liability, either directly or indirectly. For example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.
- Level 3 – These are financial instruments where at least one input that could have a significant effect on the valuation is not based on observable market data, an example of these instruments is unquoted equities.

The valuation relies 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. This is done with reference to the International Private Equity and Venture Capital Valuation Guidelines, which follow the principles of IFRS and US GAAP.

Valuations for the Fund's private equities are usually undertaken at the end of December and cash flow adjustments are used to roll forward valuations to 31 March.

The following table sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 March 2017:

Investment Assets as at 31 March 2017	Quoted Market Price **Level 1 £m**	Using Observable Inputs **Level 2 £m**	With Significant Unobservable Inputs **Level 3 £m**	**Total £m**
Financial Assets at Fair Value Through Profit and Loss	-	1,544.613	134.631	1,679.244
Other Investment Assets	23.166	-	-	23.166
Total Investment Assets	**23.166**	**1,544.613**	**134.631**	**1,702.410**

The comparative table for 31 March 2016 is shown below:

Restated [1] Investment Assets as at 31 March 2016	Quoted Market Price **Level 1 £m**	Using Observable Inputs **Level 2 £m**	With Significant Unobservable Inputs **Level 3 £m**	**Total £m**
Financial Assets at Fair Value Through Profit and Loss	-	1,313.439	123.806	1,437.245
Other Investment Assets	34.468	-	-	34.468
Total Investment Assets	**34.468**	**1,313.439**	**123.806**	**1,471.713**

[1] 31 March 16 figures have been reanalysed due to the adoption of the PRAG Practical Guidance on Investment Disclosures and the reclassification of MMF balances and the cash in transit to investment assets from current assets. Previously reported (Level 1: 428.467, Level 2: 902.675 and Level 3: 115.452).

Reconciliation of Fair Value Measurements within level 3

	Private equities £m	Infrastructure funds £m	Private Debt £m	Property Limited Partnerships £m	Total value £m
Market value April 2016	58.491	56.961	3.778	4.576	123.806
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Purchases during the year	8.225	13.296	-	0.823	22.344
Sales during the year	(15.488)	(15.158)	(2.335)	(1.118)	(34.099)
Unrealised gains/losses	3.782	3.112	0.169	0.148	7.211
Realised gains/losses	7.274	8.378	-	(0.283)	15.369
Market value 31 March 2017	**62.284**	**66.589**	**1.612**	**4.146**	**134.631**

12. Financial Instruments

Classification of Financial Instruments

Financial Assets	31 March 2017 £m	31 March 2016 £m
Fair value through profit or loss		
Pooled Investments	1,561.789	1,330.218
Pooled Property Investments	117.455	107.027
Loans and Receivables		
Cash	21.542	31.197
Other investment balances	4.788	4.551
Debtors	7.380	6.843
Total Financial Assets	**1,712.954**	**1,479.836**
Financial Liabilities		
Measured at amortised cost		
Creditors	(3.828)	(4.828)
Total Financial Liabilities	**(3.828)**	**(4.828)**
Grand Total	**1,709.126**	**1,475.008**

Net Gains and Losses on Financial Instruments

Financial Assets	31 March 2017 £m	Restated [1] 31 March 2016 £m
Fair Value Through Profit and Loss	217.151	(58.651)
Loans and Receivables	-	-
Total	**217.151**	**(58.651)**

[1] This was previously incorrectly reported as (44.976) which included the return on investment income.

13. 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 JLT during the year to 31 March 2017, figures to 31 March 2016 were provided by State Street Global Services. 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 2017, by the amounts shown below:

As at 31 March 2017	Value £m	Volatility of Return %	Value on Increase £m	Value on Decrease £m
Global Equities	555.407	10.24%	612.304	498.510
Property	117.455	3.54%	121.618	113.292
Bonds	167.546	7.95%	180.859	154.233
Other pooled investment vehicles and private equities	838.836	12.32%	942.157	735.515
Total [1]	**1,679.244**	**7.01%**	**1,856.938**	**1,501.550**

[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 2016	Value £m	Volatility of Return %	Value on Increase £m	Value on Decrease £m
Global Equities	452.200	9.70%	496.064	408.337
Property	107.027	1.53%	108.665	105.390
Bonds	226.718	5.94%	240.185	213.251
Other pooled investment vehicles and private equities	651.300	4.27%	679.111	623.489
Total [1]	**1,437.245**	**5.46%**	**1,524.025**	**1,350.467**

[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

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

The analysis that follows assumes that all other variables remain constant and shows the effect of a +/- 1% change in interest rates.

Interest Rate Risk as at 31 March 2017	Value £m	Potential movement 1% change in interest rates £m	Value on Increase £m	Value on Decrease £m
Bonds	167.546	2.654	170.200	164.892
Liability Driven Investment	291.130	30.600	321.730	260.530
Total	**458.676**	**33.254**	**491.930**	**425.422**

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.

Foreign Currency Risk - Sensitivity Analysis

The following table analyses the Fund's currency exposure as at 31 March 2017 as observed and provided by JLT (State Street Global Services data as at 31 March 2016). JLT analysed historical data and considered the potential volatility associated with foreign exchange rate movements to be 8.47% (as measured by one standard deviation).

The below table reports foreign currency sensitivity only for the pooled funds denominated in a currency other than sterling, for the pooled funds which are denominated in sterling at the 31 March, the Fund is of the opinion that these represent a fair valuation of the pooled funds in sterling, when taken in conjunction with the market price risk sensitivity analysis.

The pooled funds denominated in sterling will on a day to day basis be subject to foreign currency risk (due to underlying holdings in other markets – see Note 10), which is taken into account with the sterling unit pricing of these pooled funds as at 31 March. The managers of the pooled funds have the ability to manage this exposure by using forward exchange contracts or hedging the sterling value of investments that are priced in other currencies, if they deem this risk material.

The analysis assumes that all other variables, in particular interest rates, remain constant:

Overseas Assets as at 31 March 2017	Value £m	Potential Percentage Change	Value on Increase £m	Value on Decrease £m
Overseas Equities	89.115	8.47%	96.665	81.565
Cash	0.052	8.47%	0.056	0.048
Property	0.651	8.47%	0.706	0.596
Alternatives + LDI	60.885	8.47%	66.043	55.727
Total	**150.703**	**8.47%**	**163.470**	**137.936**

The comparative data for the previous year are as follows:

Overseas Assets as at 31 March 2016	Value £m	Potential Percentage Change	Value on Increase £m	Value on Decrease £m
Overseas Equities	65.604	6.94%	70.115	61.053
Cash	0.004	6.94%	0.004	0.004
Property	-	6.94%	-	-
Alternatives + LDI	57.044	6.94%	61.002	53.086
Total	**122.652**	**6.94%**	**131.121**	**114.143**

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.

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 opposite:

Insight Investment Management Ltd Rating	At 31 March 2017 %	At 31 March 2016 %
AAA	0.8%	11.9%
AA	38.1%	7.3%
A	5.6%	21.4%
BBB	13.4%	45.4%
BB and below	6.8%	7.7%
Unrated	0.9%	0.3%
Insight LDI Loan Fund	3.8%	-
BNYM EMD Fund	0.2%	-
BNYM Global Short Dated High Yield Fund	6.0%	-
Insight EMD Fund	11.0%	3.1%
Insight Short-dated High Yield Bond Fund	-	1.3%
Insight Liquidity Fund	5.7%	1.8%
Cash and other [1]	7.7%	-0.2%
Total - Insight investment exposure	**100.0%**	**100.0%**

[1] Includes forward currency, unsettled trades, margin and cash accounts

Cash and cash equivalents	Rating	At 31 March 2017 £m	At 31 March 2016 £m
Money Market Funds			
Standard Life Investments Liquidity Fund	AAA	12.637	21.819
Northern Trust Global Cash Fund	AAA	5.741	8.098
Bank			
Natwest Plc	BBB+	3.164	1.280
Total cash and cash equivalents		**21.542**	**31.197**

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-realisable securities (in particular equities and bonds). 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, private debt and property limited partnerships. At 31 March 2017, these amounted to £246.831m, which represented 14.5% of the Fund's investment assets (at 31 March 2016, these amounted to £236.966m, which represented 16.1% of the Fund's investment assets).

14. Actuarial Statement for 2016-17

(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. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated January 2017. 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
- 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 demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £1,475 million, were sufficient to meet 75% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £486 million.

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

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016	
	Nominal % p.a.	Real % p.a.
Discount rate	3.9%	1.8%
Pay increases	2.2%	0.1%
Price inflation/Pension increases	2.1%	-

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

	Males	Females
Current Pensioners	22.1 years	24.5 years
Future Pensioners [1]	24.0 years	26.4 years

[1] Future pensioners are assumed to be aged 45 at the 2016 valuation

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

Experience over the period since March 2016
Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. The effect of this has been broadly offset by strong asset returns. Both events have roughly cancelled each other out in terms of the impact on the funding position as at 31 March 2017.

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

Catherine McFadyen FFA

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
26 April 2017

15. Actuarial present value of Promised Retirement Benefits

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

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

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.

Balance sheet

Year ended	31 March 2017 £m	31 March 2016 £m
Active members	1,263	1,286
Deferred pensioners	600	343
Pensioners	982	748
Present value of Promised Retirement Benefits	**2,845**	**2,378**

The promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of scheme benefits 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.

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

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the 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 and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £321m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £22m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 March 2017 % p.a.	31 March 2016 % p.a.
Inflation/Pensions Increase Rate	2.4%	2.2%
Salary Increase Rate	2.5%	4.2%
Discount Rate	2.6%	3.5%

Longevity assumption

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

	Males	Females
Current Pensioners	22.1 years	24.5 years
Future Pensioners [1]	24.0 years	26.4 years

[1] Future pensioners are assumed to be aged 45 at the 2016 valuation

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

Commutation assumptions
An allowance is included for future retirements to elect to take 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.

Catherine McFadyen FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
21 April 2017

16. Current Assets and Liabilities

	31 March 2017 £m	Reanalysed [1] 31 March 2016 £m
Current Assets		
Administration income receivable	0.506	0.186
Contributions receivable	6.681	6.386
Pension strain income receivable	0.193	0.271
Cash Balances	3.164	1.280
Total Current Assets	**10.544**	**8.123**
Analysis of Debtors		
Central Government bodies	0.087	0.013
Local authorities	4.984	4.758
Public corporations	-	-
Other entities and individuals	2.309	2.072
Total Debtors	**7.380**	**6.843**
Current Liabilities		
Administration expenses payable	(2.777)	(3.916)
Pension lump sums payable	(1.051)	(0.912)
Total Current Liabilities	**(3.828)**	**(4.828)**
Creditors		
Central Government bodies	(0.215)	(0.012)
Local authorities	(1.694)	(1.725)
NHS bodies	-	-
Other entities and individuals	(1.919)	(3.091)
Total Creditors	**(3.828)**	**(4.828)**
Total Current Assets and Liabilities	**6.716**	**3.295**

[1] The investment related debtors have been taken out due to being covered in Note 10

17. Additional Voluntary Contributions (AVC)

AVC Scheme	Value at 31 March 2017 £m	Value at 31 March 2016 £m
Standard Life	2.326	2.032
Equitable Life	0.602	0.609
	2.928	**2.641**
Changes During the Year		
Contributions	0.178	0.167
Paid Out	(0.169)	(0.313)
Change in Market Value	0.278	(0.010)

18. Related Party Transactions

Cornwall Council is the administering authority for the purpose of the Fund. 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 7.

Included in Management Expenses (see Note 8) are charges amounting to £1.114m incurred for the internal costs of providing these services during the year to 31 March 2017 (£1.141m for the year to 31 March 2016). For the year to 31 March 2017 this is composed of £0.862m Administrative Costs and £0.252m Oversight and Governance Costs (£0.900m Administrative Costs and £0.241m Oversight and Governance Costs for the year to 31 March 2016).

Senior officers of the Pension Fund are members of the Fund as employee contributors. Also, as at 31 March 2017, there were 4 Pensions Committee members contributing to the Fund and there were 2 pensioner members of the Fund.

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.

The key management personnel of the Fund are the Section 151 Officer and members of the Pensions Committee. The table below shows the benefits they receive. This is not the total remuneration these posts receive, but is a notional amount based on their time allocated to the pension fund.

Key Management Personnel

Year ended	2017 £m	2016 £m
Short-term benefits	0.039	0.043
Post-employment benefits	0.004	0.005
Total	**0.043**	**0.048**

19. Contractual Commitments

Outstanding capital commitments (investments) at the prevailing exchange rate on the day at 31 March 2017 were £60.162 (£67.413m at 31 March 2016).

These commitments relate to outstanding call payments due to the Fund's partnerships for private equities, infrastructure and property. The amounts called by these partnerships are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

20. 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 these claims.

All these claims noted above are being pursued through group action along with other pension funds. No accruals have been included in the accounts for these tax claims because outcomes are uncertain, although the amounts are significant. KPMG were contacted for an update in March 2017 and these claims are still ongoing.

Funding Strategy Statement January 2017

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 1st April 2017.

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 Fund, in effect the LGPS for the Cornwall 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; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

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

1.3 Why does the Fund need a Funding Strategy Statement?

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

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

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

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

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

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

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

1.4 How does the Fund and this FSS affect me?

This depends who you are:

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

1.5 What does the FSS aim to do?

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

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

1.6 How do I find my way around this document?

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

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

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

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

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

If you have any other queries please contact Matthew Trebilcock, Pension Investments Manager in the first instance at e-mail address mtrebilcock@cornwall.gov.uk or on telephone number 01872 323286.

2 Basic Funding issues

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

2.1 What is each employer's contribution rate?

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

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including administration expenses. This is referred to as the "Primary rate", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary rate". In broad terms, payment of the Secondary rate will aim to return the employer to full funding over an appropriate period (the "time horizon"). The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

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

2.2 How does the actuary set the employer contribution rate?

In essence this is a three-step process:

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

2.3 What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such academies (or Multi Academy Trusts), as employers of non-teaching staff, become separate 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. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

2.4 How does the employer contribution rate vary for different employers?

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

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

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

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

Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How is a deficit (or surplus) calculated?

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

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

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus.

The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

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

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

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

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

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

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

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death.
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees.
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund.
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates.
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result.
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the 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 options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower probability of achieving their funding target. Such options 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 higher funding target, and/or a shorter deficit recovery period relative to other employers, and/or a higher probability of achieving the target). 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, the Fund's three-step process identifies the key issues:

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

These and associated issues are covered in this Section.

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

3.2 The effect of paying lower contributions

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

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

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

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

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

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

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	**Local Authorities**	**Colleges, Housing Associations etc**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding Target 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)
Maximum time horizon – Note (c)	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
Probability of achieving target – Note (e)	No less than 66%	No less than 75%	No less than 66%	75%		66%
Primary rate approach	(see Appendix D – D.2)					
Secondary rate – Note (d)	Monetary Amount					
Phasing of contribution changes	Eligible for stabilisation arrangement See Note (b)			3 years		None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
Treatment of surplus	Covered by stabilisation arrangement			Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Admin. Authority		Reduce contributions by spreading the surplus over the remaining contract term
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 possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

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

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding, the Administering Authority may set a higher funding target (e.g. using a discount rate set equal to gilt yields and extending the allowance for future improvements in longevity) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions 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. This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

The current stabilisation mechanism applies if:

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

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

Type of employer	Precepting Bodies	Other large Scheduled Bodies	Academies
Max cont increase	0.5% p.a.	1.0% p.a.	0.5% p.a.
Max cont decrease	0.5% p.a.	1.0% p.a.	0.5% p.a.

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

Note (c) (Maximum time horizon)
The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2017 for the 2016 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)
The Secondary contribution rate for each employer covering the three year period until the next valuation will usually be set as a monetary amount but may in some cases be set as a percentage of pay. The Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), 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) (Probability of achieving funding target)
Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum probability. A higher required probability bar will give rise to higher required contributions, and vice versa.

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

Different probabilities are set for different employers depending on their nature and circumstances: in broad terms, a higher probability will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

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

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

Note (g) (New Academy conversions)
At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. 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.

ii. 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.

iii. 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

iv. The new academy's contribution rate will be calculated using market conditions, the council funding position and, membership data, all as at the day prior to conversion. In order to assess as accurately as possible the funding level of the council as at the day prior to transfer, it is necessary to wait until after the next quarter end date when full investment performance data is available. During the interim period from date of joining the Fund until the accurate position can be assessed, a default contribution rate of 25% of pay will be payable.

v. The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iii) and (iv) above will be reconsidered at each valuation.

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

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

Transferee Admission Bodies: For all TABs, 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. See also Note (i) below.

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

ii) Letting employer retains pre-contract risks

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

iii) Fixed contribution rate agreed

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

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

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

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

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

a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis", which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing basis as described in Appendix E;

c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee;

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 spread they payment subject to there being some security in place for the employer such as an indemnity or guarantee.

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

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit, and would carry out the cessation valuation on an ongoing basis: deficit recovery payments would be derived from this cessation debt. This approach would be monitored as part of each triennial valuation: the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members. NB this approach will only be considered in exceptional circumstances, and must be agreed by the Chairman and Vice Chairman of the Pensions Committee and the Cornwall Council's Section 151 Officer.

3.4 Pooled contributions

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

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 time horizon, 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; and
- 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

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

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 may 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 External Ill health insurance

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

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total 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.

c) In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

This section covers bulk transfer payments into, out of and within the Fund. Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets 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 (being replaced by an Investment Strategy Statement under new LGPS Regulations), which is available to members and employers.

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

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 Appendix E3) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

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

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

4.4 How does this differ for a large stable employer?

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

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

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

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

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

Whilst the current stabilisation mechanism is to remain in place until 2020, it should be noted that this will need to be reviewed following the 2019 valuation.

4.5 Does the Fund monitor its overall funding position?

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

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the Department of Communities & Local Government (DCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional DCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, DCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under "relative considerations" above compares to the estimated future return being targeted by the Fund's current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

DCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

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

"to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;

to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and

to take a prudent longer-term view of funding those liabilities."

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

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

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

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

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

a) There was an Employers Forum on 14 November 2016 at which the FSS was discussed and questions regarding the FSS could be raised and answered;

b) A draft version of the FSS was issued to all participating employers on 5 January 2017 for comment;

c) Comments were requested by 31 January 2017;

d) Following the end of the consultation period the FSS was updated where required and then agreed by Pensions Committee and published, on or before the 31 March 2017.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at www.cornwallpensionfund.org.uk ;
- A copy sent by e-mail to each participating employer in the Fund;
- A copy sent to employee representatives of the Pensions Committee and Local Pension Board;
- A full copy included in the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2019.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

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

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

A5 How does the FSS fit into other Fund documents?

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

These documents can be found on the web at 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:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles/Investment Strategy Statement (SIP/ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and a SIP/ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and SIP/ISS as necessary and appropriate.

B2 The Individual Employer should:-

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

B3 The Fund Actuary should:-

1. 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;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
3. 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);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's SIP/ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP/ISS;
3. 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;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. 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;
6. the Department for Communities and Local Government (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

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

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

C2 Financial Risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	term returns 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 were built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.
Time, cost and/or reputational risks associated with any DCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance Risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: 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.

All three steps below are considered when setting contributions (more details are given in Section 3 and Appendix D:

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

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

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

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

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

D2 How is the Primary contribution rate calculated?

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

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

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

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

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

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

D3 How is the Secondary contribution rate calculated?

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

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

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

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

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. within the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes with at least 100% solvency (by the end of the time horizon) is equal to the required probability.

D4 What affects a given employer's valuation results?

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

1. past contributions relative to the cost of accruals of benefits;

2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required probability of achieving the funding target.

D5 How is each employer's asset share calculated?
Individual asset shares are calculated on a monthly basis by the Fund Actuary using the HEAT system. This system uses monthly income and expenditure amounts, including administration expenses, split by each employer and provides a full audit trail of calculations.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?
These are expectations of future experience used to place a value on future benefit payments ("the liabilities"). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

Changes in assumptions will affect the measured funding target. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

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

E2 What basis is used by the Fund?
The Fund's standard funding basis is described as the "ongoing basis", which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

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

E3 What assumptions are made 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 2016 and setting contribution rates effective from 1 April 2017, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.7% per annum greater than gilt yields at the time of the valuation (this was 1.5% at the 2013 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 are currently subject to restriction by the UK Government until 2020. Although this "pay freeze" does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, and continued austerity measures, the salary increase assumption at the 2016 valuation has been set to Consumer Prices Index (CPI) plus 0.1%, being a blended rate combined of:

1. 1% p.a. until 31 March 2020, followed by
2. Retail Prices Index (RPI) per annum thereafter.

This is a change from the previous valuation, which assumed a flat assumption of Retail Prices Index (RPI) plus 1% per annum. The change has led to a reduction in the funding target (all other things being equal).

c) Pension increases

Since 2011 the CPI, rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the "formula effect" of the difference between RPI and CPI. At this valuation, we propose a reduction of 1.0% per annum. This is a larger reduction than at 2013, which will serve to reduce the funding target (all other things being equal). (Note that the reduction is applied in a geometric, not arithmetic, basis).

d) Life expectancy

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

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

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with the 2013 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This is a similar allowance for future improvements than was made in 2013.

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.

General

The same financial assumptions are adopted for most employers, in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

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

Appendix F – Glossary

Actuarial assumptions/basis: The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target. The main assumptions will relate to the discount rate, salary growth, pension increases and longevity. More prudent assumptions will give a higher target value, whereas more optimistic assumptions will give a lower value.

Administering Authority: The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".

Admission Bodies: Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).

Covenant: The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.

Designating Employer: Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.

Discount rate: The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a funding target which is consistent with the present day value of the assets. A lower discount rate gives a higher target value, and vice versa. It is used in the calculation of the Primary and Secondary rates.

Employer: An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation.

Funding target: The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit. It is calculated on a chosen set of actuarial assumptions.

Gilt: A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.

Guarantee / guarantor: A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

HEAT: This is an acronym for Hymans Robertson Employer Asset Tracker. This is a propriety system developed by the Fund's Actuary which tracks LGPS employer asset shares within the Fund using a cashflow based approach. The Fund provides cashflow and investment performance information to the Actuary on a monthly basis.

Letting employer: An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

LGPS: The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.

Maturity: A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into active (current employee members), deferred (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Primary contribution rate: The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.

Profile: The profile of an employer's membership or liability reflects various measurements of that employer's members, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.

Rates and Adjustments Certificate: A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Scheduled Bodies: Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Secondary contribution rate: The difference between the employer's actual and Primary contribution rates. In broad terms, this relates to the shortfall of its asset share to its funding target. See Appendix D for further details.

Stabilisation: Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

Valuation: An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

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 March 2017
Major scheduled and resolution bodies	
Cornwall Council	17.5% plus £8,993k
Cornwall Development Company	18.2% plus £139k
Cornwall Housing Ltd	18.9% plus £426k
Cornwall Sea Fisheries	17.5% plus £19k
Council of the Isles of Scilly	17.1% plus £208k
Tamar Bridge & Torpoint Ferry	19.5% plus £113k
Minor employer pools	
Bodmin Town Council	18.7% plus £17.0k
Blisland Parish Council	18.7%
Bude Stratton Town Council	18.7% plus £9.3k
Callington Town Council	18.7% plus £2.5k
Calstock Parish Council	18.7% plus £1.1k
Camborne Town Council	18.7% plus £3.0k
Camelford Town Council	18.7%
Carlyon Town Council	18.7%
Cornwall Airport Ltd	17.9% plus £5k
Deviock Parish Council	18.7% plus £0.5k
Falmouth Town Council	18.7% plus £7.6k
Feock Parish Council	18.7%
Hayle Town Council	18.7% plus £1.9k
Helston Town Council	18.7% plus £3.9k
Lanivet Parish Council	18.7%
Launceston Town Council	18.7% plus £5.3k
Linkenhorne Parish Council	18.7%
Liskeard Town Council	18.7% plus £2.3k
Lostwithiel Town Council	18.7%
Newquay Town Council	18.7% plus £1.5k
Padstow Town Council	18.7%
Penryn Town Council	18.7% plus £2.7k
Penzance Town Council	18.7% plus £9.4k
Perranzabuloe Parish Council	18.7%
Redruth Town Council	18.7%
Roche Parish Council	18.7%
Saltash Town Council	18.7% plus £2.4k
Sithney Parish Council	18.7%
St Agnes Parish Council	18.7% plus £1.2k
St Austell Bay Parish Council	18.7%
St Austell Town Council	18.7% plus £2.9k
St Blaise Town Council	18.7% plus £0.8k
St Ives Town Council	18.7% plus £2.7k

Employer	Minimum contribution for the year ended 31 March 2017
St Just-In-Penwith Town Council	18.7% plus £1.0k
St Minver Highlands Parish Council	18.7%
Torpoint Town Council	18.7% plus £1.9k
Truro City Council	18.7% plus £15.7k
Wadebridge Town Council	18.7% plus £4.8k
Colleges	
Cornwall College	18.8% plus £660k
Falmouth University	17.6% plus £210k
Truro & Penwith College	17.9% plus £120k
Academies	
Acorn Academy Cornwall	21.7% plus £8.7k
Adventure Learning Academy Trust	20.7% plus £34.6k
An Daras Multi-Academy Trust	20.5% plus £7.9k
Archbishop Benson School	21.4% plus £4.3k
Aspire Academy Trust	20.7% plus £85.4k
Atlantic Centre of Excellence	20.7% plus £33.9k
Bodmin College	21.2% plus £14.6k
Bodriggy Academy	16.1% plus £8.8k
Bridge Multi-Academy Trust	19.3% plus £31.2k
Brunel Academy	17.9% plus £3.8k
Callington Community College	17.7% plus £42.2k
Camborne Science and International Academy	16.8% plus £33.0k
Creative Learning Academy Trust	21.9% plus £2.1k
Crofty Academy	33.7% plus £81.1k
Duchy Academy Trust	17.6% plus £6.6k
Falmouth School	20.9% plus £20.8k
Harrowbarrow School	18.9% plus £1.6k
Keskowethyans Multi-Academy Trust	19.5% plus £4.3k
Launceston College	21.0% plus £35.1k
Looe Community Academy Trust	23.5% plus £16.0k
Ludgvan School	20.1% plus £2.0k
Mounts Bay Academy	16.9% plus £15.7k
Nansloe Academy	19.3% plus £2.0k
Newquay Education Trust	18.6% plus £37.7k
Penair School	18.8% plus £25.9k
Peninsula Learning Trust	24.8% plus £80.9k
Penlee Academy Trust	27.2% plus £22.6k
Penryn College	18.3% plus £19.1k
Pilgrims Way Multi-Academy Trust	22.6% plus £8.7k
Plymouth Cast	19.0% plus £12.3k
Pool Academy	16.9% plus £24.9k
Rainbow Multi-Academy Trust	18.6% plus £10.9k
Roseland Community College	15.1% plus £21.2k
Saints Way Multi-Academy Trust	20.3% plus £19k
Saltash.Net Academy Trust	18.5% plus £36.6k
Sir Robert Geffery's School	20.7% plus £2.3k
Special Partnership Multi Academy Trust	20.6% plus £69.7k
St Barnabas Multi-Academy Trust	21.5% plus £14.6k
St Buryan Academy Primary School	22.4% plus £0.6k
St Hilary School	19.7% plus £2.3k
St Ives Infant School	20.0% plus £2.8k

Employer	Minimum contribution for the year ended 31 March 2017
St Merryn School	20.2% plus £1.1k
St Pirans Cross Multi-Academy Trust	20.1% plus £10.4k
The Learning Partnership	21.3%
Tregolls School	22.0% plus £7.3k
The Learning Academy Trust	20.4% plus £26.3k
Trevithick Learning Academy	14.2% plus £7.8k
Trewirgie Infants School	19.2% plus £5.8k
Trewirgie Junior School	20.0% plus £5.6k
Truro & Penwith Academy Trust	17.4% plus £56.7k
Wadebridge Secondary School	22.8% plus £23.9k
Admitted bodies	
Addaction	21.38%
Aspens Services Ltd	23.8%
Blue Support Services Ltd	26.2%
CAPH	20.5%
CSW Group Ltd	16.9% 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)	21.8%
Churchill Contract Services Ltd (5)	23.6%
Churchill Contract Services Ltd (6)	28.4%
Churchill Contract Services Ltd (7)	29.1%
Churchill Contract Services Ltd (8)	24.5%
Churchill Contract Services Ltd (9)	22.9%
Churchill Contract Services Ltd (10)	35.9%
Churchill Contract Services Ltd (11)	37.0%
Coastline Housing	24.2% plus £184k
Compass Contract Services (UK) Ltd (1)	26.3%
Compass Contract Services (UK) Ltd (2)	26.3%
Compass Contract Services (UK) Ltd (3)	22.8%
Compass Contract Services (UK) Ltd (4)	19.5%
Compass Contract Services (UK) Ltd (5)	33.9%
Cormac Solutions Ltd	17.5% plus £1,800.3k
Cornwall Care Ltd	24.9% plus £400k
Biffa	21.7%
Devon & Cornwall Housing Ltd	24.6% plus £273k
Falmouth Exeter Plus	17.8% plus £37k
Falmouth Harbour Commissioners	19.8% plus £60k
Future Cleaning Services Ltd (1)	23.5%
Future Cleaning Services Ltd (2)	26.20%
Glen Cleaning Services (1)	28.8%
Glen Cleaning Services (2)	35.5%
Initial Catering Services	20.3%
Interserve	31.9%
Ocean Housing Group Ltd	27.6% plus £200k
Ocean Housing Ltd	26.9% plus £550k
RNLI	27.9%
Royal Institution of Cornwall	25.0%
Tempus Leisure Ltd	17.8% plus £176k

Employers with no active members
Age Concern
Blue Support Services
BT
Camborne School of Metalliferous Mining
Camborne School of Mines
Churchill St Pirans
Compass Services (UK) Ltd
Cornwall Disabled Association
Cornwall River Authority
Devon & Cornwall Housing
Groundwork Trust
Kerrier Groundwork Trust
Landscapes Southwest Ltd
Newlyn Pier and Harbour Commissioners
Ocean Housing Group
Ocean Services SW Ltd
OCS Group
Penwith Respite Care Ltd
Restormel Regeneration Partnership
Serco Ltd
Southern Electric Contracting
St Mewan Parish Council
Stonham
The Trevithick Trust
Truro School
United Response

Governance Compliance Statement

As approved March 2017.

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

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
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.
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.
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.

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	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. Cornwall Council, as administering authority has 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. There is also an agreed training strategy that the Committee follows in order to demonstrate their commitment to this statutory requirement. Any expenses incurred by members of the Pensions Committee in attending training courses are reimbursed through the Council arrangements Members' Allowance Scheme. For employee and employer representatives they will liaise with the Pensions Investment Manager for expenses incurred.
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
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.
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 Council and Pension Fund's website within the Fund's Annual Report.

Section 2

Local Pension Board Compliance

Requirement	Compliance status	Evidence of compliance and justification for non-compliance
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.
The local pension board consists of at least 4 members of whom 2 are employer representatives and 2 scheme member representatives	Compliant	The structure of the local pension board is, as follows; • 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)

Requirement	Compliance status	Evidence of compliance and justification for non-compliance
Where the local pension board is not a joint body also exercising delegated decision making powers; 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 b) any elected member of the administering authority who is a member of the pension board must be an employer or scheme member representative	Compliant	The local pension board terms of reference specify that; 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 scheme employers represented in the Cornwall Pension Fund
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	The local pension board has its own policy on the managing of conflicts. Members of the local pension board are required to complete and keep up to date a register of interests. 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.
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.
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 Cornwall Council. It is expected that employers will facilitate reasonable paid absence to allow Local Pension Board members to fulfil their representative role.
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 and the required Code of Conduct for elected members.
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
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.

Governance Policy Statement

March 2017

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

The 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 representative 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 Chief Operating Officer

At its meeting on 16 March 2017, the Committee agreed a Scheme of Delegation to the Chief Operating Officer (set out in full at Appendix 1). This can be summarised as:

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 Chief Operating Officer 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 Funds' voting rights after consulting the Chairman and Vice Chairman
- Admitting organisations into the Pension Scheme after consulting the Chairman and Vice Chairman

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.

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.

Appendix 1

Scheme of Delegation from the Pensions Committee to the Chief Operating Officer

Pension Fund Investments

The 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 Chief Operating Officer. 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 the 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 Chief Operating Officer 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 the Council's Constitution, Financial Regulations, or Standing Orders.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 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 Investment Strategy Statement, including the Funds position on asset pooling and social, ethical and environmental issues relating to investments.

3. Approval of the Funding Strategy Statement
4. 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.
5. The appointment and removal of investment managers, the Fund actuary, investment consultants and the Fund custodian.
6. Approval of the Annual Business Plan.
7. Approval of the Annual Report and Accounts.
8. Acceptance of the triennial valuation report produced by the Fund actuary.
9. Appointment of AVC providers.

Investment responsibilities delegated to the Chief Operating Officer :

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; and

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 Chief Operating Officer may, in consultation with the Chair and Vice Chair, 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.

Appendix 1A

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 Chief Operating Officer

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.	A 34	Commutation of small pensions.
5.	A 71	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.
9.	A64 (2A)	Ability to delay a cessation valuation for an exiting employer for a period of up to 3 years.

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.

Investment Strategy Statement

Cornwall Council

Administering Authority for the Cornwall Pension Fund

Presented to the Pension Committee – 16 March 2017

1. Introduction

The Public Service Pensions Act 2013 (The Act) enables the Secretary of State to make regulations creating schemes of pensions for, amongst others, local government workers.

In England and Wales, such a scheme was created by the Local Government Pension Scheme Regulations 2013 (The Regulations). These Regulations were made by the Secretary of State exercising powers in the Superannuation Act 1972.

Under powers contained in The Act and The Regulations, the Secretary of State made the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which replace the 2009 Investment Regulations. These regulations came into force on 1st November 2016. Regulation 7(1) requires administering authorities to formulate an investment strategy statement (ISS) which must be in accordance with guidance issue by the Secretary of State.

The Investment Strategy Statement (ISS) is a document that replaces, and largely replicates, the Statement of Investment Principles under the proposed Investment Regulations. Administering Authorities will be required to prepare and maintain an ISS documenting how the investment strategy for the Fund is determined and implemented. The ISS will be required to cover a number of areas, specifically:

(a) A requirement to invest money in a wide variety of investments;

(b) The authority's assessment of the suitability of particular investments and types of investments;

(c) The authority's approach to risk, including the ways in which risks are to be measured and managed;

(d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services

(e) The authority's approach on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The ISS must also set out the maximum percentage of the total value of all investments that it will invest in particular investments or classes of investments. This, in effect replaces Schedule 1 of the 2009 Regulations.

The statement must be published by 1st April 2017 and regularly reviewed and at least every three years. Under transitional arrangements key elements of the 2009 Regulations will remain in force until the ISS is published.

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 (JLT), whom they believe to have a degree of knowledge and experience that, is appropriate for the management of their investments.

This document is designed to comply with the guidance given by the Secretary of State, and is effective from 1 April 2017. The Committee will review the Statement at least every three years and as required with any material changes published, which is more regularly than the Regulations require, but deemed appropriate.

The ISS should be read in conjunction with the following statutory documents:

- Funding Strategy Statement
- Governance Policy and Compliance Statements
- Communications Policy Statement
- The Pension Fund Annual Report and Accounts
- Actuarial Valuation.

Background to the 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 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; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

Primary Objective

The primary objective of 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 2013 (as amended).

This overall objective is supplemented by the funding and investment objectives which are detailed in this document.

Cornwall Pension Fund's Investment Strategy

The following sections details the Fund's investment strategy, which takes into account Regulation 7(2) (a), 7(2) (b) and 7(2) (c); listed below:

2. Investment of money in a wide variety of investments

Regulation 7(2) (a) requires that administering authorities invest in a diversified portfolio of assets to ensure that risk is appropriately managed and volatility of overall return is reduced. The guidance that accompanies the regulations does not prescribe the specific asset classes over which Fund monies must be invested.

3. Suitability of particular investments and types of investments

Regulation 7(2) (b) requires that in assessing the strategic allocation for the Fund, an administering authority assesses the suitability of particular investments and types of investments against the need to meet pension obligations as they fall due.

Funding Objectives

The objectives of the funding strategy, as detailed in the Funds 2017 Funding Strategy Statement, 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
- 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.

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. 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.

Investment Strategy

Setting the Strategy

In assessing the suitability and variety of investments, and considering the risks, the starting point should be the Fund's overall objectives. The objectives for the Cornwall Fund are considered below:

The full objectives of the investment strategy are:

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

To achieve these objectives the Investment Strategy detailed in this document has been agreed.

The Committee has determined its investment strategy after considering the Fund's liability profile and requirements of the Statutory Funding Objective and their own appetite for risk. The Committee have also received written advice from a suitability qualified individual, employed by their investments consultants, JLT Employee Benefits. Input has also been received from the Fund's independent adviser, and the Actuary; Hymans Robertson.

Against these strategic targets, the Cornwall Pension Fund regularly reviews it's Investment Strategy (comprehensively at least every three years as part of the triennial valuation process) and in doing so considers the risk/return characteristics of each asset class and sub-asset class in this assessment. The Fund considers the mix of asset classes in forming an overall portfolio and considers the correlation in volatility and return of each.

The basis of the Committee's strategy is to divide the Fund's assets between a "growth" portfolio, comprising assets such as diversified growth funds (DGFs), equities and property, and a "stabilising" portfolio, comprising assets such as bonds and liability driven investments ("LDI"). The growth/stabilising allocation is set with regard to the overall expected return objective of the

Fund's assets, which is determined by the funding objective and current funding level, as well as the risk tolerance.

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 has 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 a proportion of the Fund's exposure to interest rate risk and inflation risk 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 adverse movements of interest rates and the impact of inflation on the value of its liabilities.

In assessing the suitability of investments required to form the overall portfolio the Cornwall Fund considers a number of characteristics of each asset class, and sub asset class. These characteristics include potential return, risk/volatility of returns, liquidity, duration and interest rate sensitivity. In setting and reviewing an overall investment strategy for the Fund the starting point is always the Actuary's assessment of the liabilities of the Fund. This assessment will include cash flow requirements and an assessment of the required return to ensure the long term solvency of the Fund, and it is essential that the investment strategy is compatible with this.

Investment Decisions

The Committee distinguish between three types of investment decision: strategic, tactical and stock-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 takes all such decisions themselves. They do so after receiving written advice from their officers and investment adviser. 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 stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Plan 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.

As part of the 2016 review of its investment strategy the Cornwall Fund has created an Internal Strategic Allocation Portfolio (ISAP). This allocation is designed to essentially act as an overlay across the Fund's strategic portfolio, and take advantage of short term (approximately one year) opportunities that are consistent with the long term risk and return goals of the Fund. It is envisaged that the ISAP will become effective in April 2018, as asset allocation positions are to be implemented via allocations to specific Brunel Pension Partnership portfolios.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers with which the Fund invests.

Strategic Asset Allocation

The Committee are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

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

The Fund currently mainly invests in pooled portfolios. In addition the Fund will normally hold a proportion of its monies in short-term bank deposits and money market funds to meet operational requirements.

Balance between different types of investments

The Regulations require the administering authority to have regard for the diversification of the Fund's investments. The Fund's strategic benchmark, detailed in this document, 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.

The Fund may invest via pooled and segregated portfolios based on the appropriateness for each portfolio. The Fund can invest across a combination of passive, active and absolute return investment approaches based on return potential, cost and flexibility of implementation.

Asset Allocation and Long Term Expected Return on Investment

The Committee is responsible for setting the strategic asset allocation for the Fund which in turn must be consistent with the investment return assumed in the funding strategy.

The investment strategy reflects the medium to long term nature of the liabilities but must also provide flexibility to manage short term volatility in markets. In addition, the investment strategy must take account of possible changes to cash flows as the membership profile of the Fund or the benefits structure changes.

For the purpose of the triennial funding valuation at 31 March 2016 and setting contribution rates effective from 1 April 2017, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.7% per annum greater than gilt yields at the time of the valuation (this was 1.5% at the 2013 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.

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

The investment strategy reflects the differing return and risk profiles of each asset class. However, long term risk and return expectations are not consistently generated over all time frames and, for all asset classes, there can be periods of under- or out-performance compared to the long term expectations.

The strategic framework includes a target allocation against which strategic performance will be monitored ('Strategic Allocation').

Current Strategic Benchmark

The Fund's Investment Strategy was reviewed in 2016, and the agreed strategic benchmark is set out below. The strategic benchmark does not assume any outperformance from the investment managers. The Minimum and Maximum range allowed acts as the Fund's own limit on its investment strategy, and ensures compliance with the guidance which requires this. The expected risks and returns stated in this table are as at the date of the 2016 strategic review.

Asset Class	Strategic allocation (%)	Strategic range (%)	Expected return above Long Gilts p.a.	Expected Risk (Volatility) p.a. **
Growth Assets				
Developed Global Equity	20	15-30	4.0%	18.0%
Emerging Market Equity	6	0-9	4.9%	25.6%
Frontier Market Equity	0	0-9	5.5%	25.6%
Diversified Growth	12	6-20	3.7%	12.4%
Hedge Funds	7.5	4-13	3.3%	6.0%
Property	7.5	4-13	3.8%	3.7%
Private Equity	5	2.5-7.5	6.3%	29.4%
Infrastructure	10	5-15	5.1%	14.5%
Private Credit	6	3-9	4.8%	7.8%
ISAP	6	3-9	3.7%	12.4%
Stabilising Assets				
Corporate Bonds	0	0-15	0.5%	4.6%
MAC	5	0-15	1.3%	2.0%
LDI Real	15	7.5-22.5	-1.4%	20.1%

Notes:

- Expected Returns are measured against Long Gilts as the Actuary's discount rate uses this approach, the Over 15 Year Gilt Yield as at 31 March 2016 was 2.2%.
- Expected Returns are JLT's forecasts as at the time of modelling, and expected Risk figures are taken from JLT's partner RiskFirst.
- Internal SAP (ISAP) is an allocation is designed to take advantage of short term (approximately one year) opportunities that are consistent with the long term risk and return goals of the Fund.
- The strategic allocation to Corporate Bonds is set at 0%; however this will be transitioned from its current allocation over time.
- The strategic allocation to Frontier Market Equity is set at 0%; however this will be transitioned from its current allocation over time. In the future the Fund may well gain exposure to this area through the BPP Emerging Market portfolio.

The inclusion of a diversified range of assets in the strategy is expected to reduce the overall volatility of returns without significantly altering the Fund's expected long term return. This was the case when modelling the revised investment strategy in 2016.

4. Approach to risk, including the ways in which risks are to be measured and managed

Regulation 7(2) (c) requires that funds describe their approach to risk within their investment portfolio, including summarising the key risks and detailing the approach to mitigate the risk (where possible or appropriate). It also requires that funds ensure that the approach is complicit with that in their Funding Strategy Statement.

Approach to risk

The Fund recognises that there are a number of risks that need to be factored into the Investment Strategy, and the expected estimates of volatility are reflected in the table above. The financial, demographic and regulatory risks are addressed in the Funding Strategy Statement, and so are not repeated here. This statement looks to address the financial risks for the Fund, in particular the risk of the performance of the Fund's assets not achieving the actuary's expected rate of return. The following paragraphs explain the Cornwall Fund's approach to addressing this risk.

Investing heavily in higher risk assets (e.g. equities) would be expected to increase the long term returns achievable from the assets, and thus to reduce the contributions required to Fund the liabilities over time. However, this type of strategy would be expected to lead to volatile short to medium term results, both in absolute terms and, particularly, relative to the Fund's liabilities.

Equally, whilst investing in lower risk assets (e.g., bonds) would be expected to reduce risk within the Fund (in terms of the volatility of returns, the funding level and contribution rates), this may not be desirable as it would lead to a lower expected return and hence higher contribution rates over the long term.

In considering the Fund's investment strategy, one must therefore bear in mind this balance between risk and return. In practice, the investment strategy objective will be to achieve the highest possible return whilst minimising downside risk, within agreed parameters.

Investment, by its very nature, is a risk based activity where the returns achieved will reflect differing levels of risk. There are a number of investment risks to consider within an investment fund, a number of these are considered below:

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

Manager Risk (including the Brunel Pension Partnership)

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by monitoring and replacing any managers where concerns exist over their continued ability to deliver the investment mandate.
- The aim of the investment strategy and management structure is to manage the appropriate level of risk for the return target which reflects the funding strategy. The Fund's external investment managers are required to invest in line with the investment guidelines set by the Fund. Independent custodians safe keep the assets on behalf of the Fund.
- In the future the Brunel Pension Partnership (BPP) will be responsible for appointing and monitoring the managers with which the Fund invests. BPP will have the appropriate mechanisms in place to allow the Fund to hold it to account. Further details can be found in section 5 below.

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 Fund's assets are invested in pooled funds which are readily realisable. As a result the investments in less liquid asset classes such as property, hedge funds, private equity and infrastructure are limited.

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.
- The Fund manages this by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

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.

Legislative Risk

- This is the risk that legislative changes will require action from the Committee so as to comply with any such changes in legislation.
- The Committee acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.
- The Fund seeks to manage this risk through the strategic policy which ensures diversification of investments across a range of asset classes and markets that have low correlations with each other and across a selection of managers.
- As most of the portfolio is exposed to market risk, the main risk to the Fund is a fall in market prices. Although market movements cannot be completely avoided, and indeed there are periods when all assets become more highly correlated, the impact can be mitigated through diversifying across asset classes and approaches to investing.
- Market risk comprises of the following three types of risk:

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In this context, the Fund may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

Interest Rate Risk and Inflation Risk

This covers the following risks:

Interest Rate Risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.

Inflation Risk

- This is the risk that the value of the Fund's liabilities which are inextricably linked to Consumer Price Index (CPI) inflation, increase at greater rate than the assets.
- The Committee also acknowledge the interest rate risk and inflation risk risk related to individual debt instruments. This is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management and investing in assets that move in line with inflation such as Infrastructure.
- The Committee has appointed a Liability Driven investment manager to specifically reduce the Fund's inflation and interest risk.

5. Approach to pooling

Regulation 7(2) (d) requires that all authorities commit to a suitable pool to achieve benefits of scale. It also requires that administering authorities confirm the chosen investment pool meets Government's investment reform criteria, or to the extent that it does not, that Government is content for it to continue.

The Cornwall Pension Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (BPP Ltd). This is currently work in progress with the intention of meeting the Government's requirement for the pool to become operational and for the first assets to transition to the pool from April 2018.

Once the Brunel Pension Partnership Ltd. is established the Cornwall Pension Fund, through the Pension Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd.

The Brunel Pension Partnership Ltd will be a new company which will be wholly owned by the Administering Authorities. The company will seek authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It will be responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds assets within defined outcome focused investment portfolios. In particular it will research and select the Manager Operated Funds needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. The Cornwall Fund will be a client of BPP Ltd and as a client will have the right to expect certain standards and quality of service. A detailed service agreement is being drafted which will set out the duties and responsibilities of BPP ltd, and the rights of the Cornwall Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

An Oversight Board will be established. This will be comprised of representatives from each of the Administering Authorities. It will be set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that

BPP Ltd delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function. Subject to its terms of reference it will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually.

The Oversight Board will be supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but will also draw on Administering Authorities finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by BPP ltd, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress towards the pooling of investment assets, and the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

Cornwall Council has approved the full business case for the Brunel Pension Partnership. It is anticipated that investment assets will be transitioned across from the Cornwall Pension Fund's existing investment managers to the portfolios managed by BPP Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with BPP Ltd. Until such time as transitions take place, the Cornwall Pension Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with BPP Ltd. where appropriate.

Following the completion of the transition plan outlined above, it is envisaged that all of the Cornwall Pension Fund's assets will be invested through BPP Ltd. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd. These assets will be managed in partnership with BPP Ltd. until such time as they are liquidated, and capital is returned.

6. Approach to Environmental, Social and Governance issues

Regulation 7(2)(e) requires administering authorities to demonstrate that it considers any factors that are financially material to the performance of the Fund's investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.

The Committee believe that good stewardship can enhance long -term portfolio performance, and is therefore in the best interests of its members.

The Committee believe that environmental social and corporate governance ("ESG") and ethical issues can affect the performance of investment portfolios and should therefore be considered as part of the Fund's investment process.

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 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.

The Cornwall Pension Fund is a long-term active investor that takes seriously its role in fostering stewardship. We believe that sound corporate governance contributes to long-term value for our clients. These high-level Policies set out the Funds' philosophy on corporate governance and its approach to voting on behalf of clients.

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.

Social investments

The Government guidance also addresses the issue of "social investments"; meaning those that deliver a social impact as well as a financial return. The Government considers that social investments are appropriate for

LGPS funds where either the social impact is simply in addition to the financial return. It also considers that investments where some part of the financial return is forgone in order to generate the social impact are also appropriate, where the administering authorities have good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the Fund. To date the Cornwall Fund has not made any social investments.

7. Policy on exercising voting rights

Regulation 7(2) (f) requires administering authorities to explain their policy on exercising rights (including voting rights) attaching to investments. The guidance refers to the Financial Reporting Council's UK Stewardship Code and requires that funds explain, where appropriate their policy on stewardship with reference to the Stewardship Code.

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; Manifest, which provides Committee with a quarterly report that highlights when a vote undertaken by an investment manager differs from the expectations of the Committee.

Stewardship in pooling

As part of the Brunel Pension Partnership (BPP) we are actively exploring opportunities to enhance our stewardship activities. More information is on the BPP website. One of the principal benefits, outlined in the BPP business case, achieved through scale and resources' arising from pooling is the improved implementation of responsible investment and stewardship. Once established and fully operation the Brunel company will deliver best practice standards in responsible investment and stewardship as outline in the BPP Investment Principles.

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");
- 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");
- Aberdeen Asset Management ("Aberdeen");

UK Stewardship Code

The Financial Reporting Council (FRC) first published the UK Stewardship Code in 2010, and revised it in 2012. The Code aims to enhance the quality of engagement between asset managers and companies to help improve long-term risk-adjusted returns to shareholders. The Code sets out a number of areas of good practice to which the FRC believes institutional investors should aspire. Since December 2010 all UK-authorised Asset Managers are required by the Financial Conduct Authority to produce a statement of commitment to the Stewardship Code or explain why it is not appropriate to their business model.

The Stewardship Code has seven principles, and the ISS statutory guidance requires that administering authorities become signatories to the Code, and state how they implement the principles on a "comply or explain" basis.

The Cornwall Council as administering authority for the Cornwall Pension Fund is not currently a signatory to the Stewardship Code. However, the Fund has produced an assessment against each of the principles, and this is explained below. The Fund plans to become a signatory in time.

The seven principles of the Stewardship Code are that institutional investors should:

1. 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 is 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

2. Have a robust policy on managing conflicts of interest in relation to stewardship which 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.

3. Monitor their investee 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.

4. Establish clear guidelines on when and how they will escalate their stewardship activities.

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.

5. 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.

6. 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.

7. Report periodically on their stewardship and voting activities.

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

Contact

Matthew Trebilcock
Pension Investment Manager

Cornwall Council
4th Floor South Wing
New County Hall
Truro TR1 3AY

Email: pension.investments@cornwall.gov.uk

Tel: 01872 323286

The previous Statement of Investment Principals that was in placing during the reporting period before the ISS was adopted can be found on our website: www.cornwallpensionfund.org.uk

Appendices

A. Investment Manager Information

As at 31 December 2016 the Fund invested with a range of Fund managers. The table below shows the details of the mandate(s) with each manager. All set objectives are net of fees.

Growth Assests

Investment Manager / Fund	Date of Appointment	Benchmark	Objective
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 months Sterling LIBOR	+6.0% p.a.
Property			
Aberdeen	December 2015	IPD UK All Balanced Fund	+1.5% p.a.
Internally managed funds	December 2015	IPD UK All Balanced Fund	+0.5% 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 2014	LIBOR 7 Day Index	+5.0% p.a
Wilshire	December 2014	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.

Stabilising Assets			
Bonds			
Insight	March 2001	Iboxx Non-Gilts	+0.75% p.a.
Liability Driven Investment			
AXA	November 2012	Fund Specific benchmark	n/a

B. Stock lending

The Fund utilises stock lending as a way of enhancing the income gained from securities. The Fund is currently invested in pooled investment funds, meaning that decisions on stock lending are delegated to the investment manager.

Communication Policy Statement March 2017

Introduction

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

The Fund liaises with over 130 employers and approximately 50,000 scheme members in relation to the Local Government Pension Scheme (LGPS). 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
4th Floor South Wing, County Hall
Truro
Cornwall
TR1 3AY
Tel: 01872 322322
Email: pensions@cornwall.gov.uk
www.cornwallpensionfund.org.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) scheme employers."

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 scheme employers;

(b) the format, frequency and method of distributing such information or publicity; and

(c) the promotion of the Scheme to prospective members and their employers."

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 2013 and other relevant legislation.

Responsibilities and Resources

Within Cornwall Pension Fund the responsibility for communication materials are performed by the Pension Administration Manager and Pension Investment Manager with the assistance of the Assistant Pensions Administration Manager, Employer Liaison Officer and four Senior Pensions Officers.

Although we write all communication within the team, all design work is carried out by the Council's design team. We also carry out all the arrangements for forums, workshops and meetings covered within this statement

The majority of printing is carried out by an external supplier as there is no suitable "in-house" printing facility. Comparison quotations are obtained which include printing, collating, inserting into envelopes and where appropriate, posting to home address. 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.

Communication with key audience groups

Our audience

We communicate with a number of stakeholders. For the purposes of this communication policy statement, we explain how we communicate with the following audience groups:

- active members;
- deferred members;
- pensioner members;
- prospective members;
- scheme employers and admission bodies;
- senior managers;
- union representatives;
- elected members
- Cornwall Pension Fund 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 (TPAS), the Pensions Ombudsman, Pension Regulator and other pension providers.

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 primarily by e-mail. Both methods are complemented by use of other electronic means such as our website. We will accept communications electronically, for example, by e-mail and, where we do so, we will respond electronically where possible.

Cornwall Pension Fund 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 where permitted, to assist with easier access to the correct person.

Branding

The Pension Fund is administered by Cornwall Council, but now provides services to over 130 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.

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.
- liaise with their employers or ex-employers to help resolve queries any of their current or former employees may have
- 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). The communications are explained in more detail below:

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
Starter Pack	Paper	At joining	Post to home address	Active
Pension Fund Annual Report and Accounts	Paper based and on website	Annually	On request	All
Pension Fund Accounts – Summary	website	Continually available	Advertised on all communications	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 and employer bulletins.	All
Face to face education sessions	Face to face	On request	On request	All

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 Annual 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 but it is available on our website. A summary document, as detailed below, is also available on our website. .

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 up to Normal Pension Age (NPA). 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 annual report and accounts), links to related websites and contact information.

Roadshows – A number of senior staff will attend various locations upon request of the employer. These presentations provide the opportunity to have a face to face conversation about your 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 Election, Expression of Wish and Pension History forms. Pension History form helps to identify any previous pension benefits the member has and wishes to consider transferring into the Cornwall Pension Fund.

Policy on promotion of the scheme to Prospective Members and their Scheme Employers

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 scheme employers 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 Scheme Employers

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 ensure they are aware of their statutory responsibilities when tendering service contracts involving employees contributing to, or eligible for membership of the LGPS.
- to assist them in making the most of the discretionary areas within the LGPS.
- To provide a dedicated point of contact for employers through the Employer Liaison Officer

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Administration Guide for Employers'	Paper based and on employer section of website	At joining and updated as necessary	Post or via email	Main contact for all employers
Bulletins	Paper based and on employer section of website	As necessary	Email	All contacts for all employers
Annual employers meeting	Face to face	Annually	Invitations by email	All contacts for all employers
Employers focus groups	Face to face	As necessary	Invitations by e-mail	Either main contacts or specific groups (e.g. HR or Finance) depending on topics
Pension Fund Annual Report and Accounts	Paper based and employer section of website	Annually	Post or email	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.
Meeting with Employer Liaison Officer	Face to Face	On request	Email	Main contact for all employers

Explanation of communications

Administration Guide for Employers' - A detailed guide that provides guidance on the employer responsibilities including the forms and other necessary communications with the Cornwall Pension Fund 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 general 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 Annual 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 scheme employers and scheme membership numbers.

Adviser meeting – Gives employers the opportunity to discuss their involvement in the scheme with advisers.

Employer Liaison Officer – Gives employers a dedicated point of contact to discuss any matters relating to their participation in the scheme.

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, on request
Committee papers	Paper based and electronic	In advance of committee meeting	Email or hard copy	All, on request
Local Pension Board Papers	Paper based and pension website	As and when available	Post and email	All, on request

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 papers – formal documents setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

Local Pension Board Papers – a formal document setting out the matters to be reviewed in respect of the LGPS and seeking specific assurances or directions from the Board members.

Policy on communication with union representatives

Our objectives with regard to communication with union representatives are:

- 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
Pension Committee meetings	Meeting	quarterly	Email or hard copy	All
Local Pension Board	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.

Pension Committee meetings – a formal meeting of elected members, attended by senior officers, at which local decisions in relation to the scheme (policies, etc) are taken.

Local Pension Board – a formal meeting attended by senior officers, employee and employer representatives and an independent Chair, where the work of the Pensions Committee and Cornwall Pension Fund officers is reviewed.

Policy on communication with elected members/the Pensions Committee

Our objectives with regard to communication with elected members/the Pensions Committee are:

- to ensure they are aware of their statutory responsibilities in relation to the scheme
- to ensure they have access to and receive the appropriate and required training for the role
- 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
Training Strategy	Face to face, paper based and electonic	As and when required	In house and external training, web based and hard copy	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
Pension 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 Committee member's responsibilities within it. Also more detailed training on specific topics relevant to the Cornwall Pension Fund.

Training Strategy – formal document established to assist Committee members in performing and developing in their role and to equip them with the necessary skills and knowledge to act effectively in line with their statutory responsibilities.

Briefing papers – a briefing that highlights key issues and developments to the LGPS and the Fund.

Pension 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 Local Pensions Board

Our objectives with regard to communication with members of the Local Pension Board are:

- to ensure they are aware of their statutory responsibilities in relation to the scheme
- to ensure they have access to all necessary documents
- to ensure they receive the appropriate and required training for the role

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 a new member joins and as and when required	Face to face or via the Employers Organisation for local government	All members of the Local Pensions Board
Training Strategy	Face to face, paper based and electonic	As and when required	In house and external training, web based and hard copy	All members of the Local Pensions Board
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All members of the Local Pensions Board
Local Pensions Board Meetings	Meeting	Quarterly	Email or hard copy	All members of the Local Pensions Board

Explanation of communications

Training Sessions – providing a broad overview of the main provisions of the LGPS, and the Board member's responsibilities within it. Also more detailed training on specific topics relevant to the Cornwall Pension Fund.

Training Strategy – formal document established to assist Pension Board members in performing and developing personally in their role and to equip them with the necessary skills and knowledge to act effectively in line with their statutory responsibilities.

Briefing papers – a briefing that highlights key issues and developments to the LGPS and the Fund.

Local Pension Board meetings - a formal meeting of elected employee and employer representatives, attended by senior officers and an independent Chair, where the work of the Pensions Committee and Cornwall Pension Fund officers is reviewed.

Policy on communication with Cornwall Pension Fund staff

Our objectives with regard to communication with Cornwall Pension Fund 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 Pension Administrators
Regional Officer group meetings	Face to face	quarterly	By email, paper based	Pensions/Assistant Manager
Regional Group Training sessions	Face to Face	As and when required	By email, paper based.	All Pension Administrators

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.

Regional Group Training sessions – regular meetings with officers from other South West local authorities to discuss specific administration procedures.

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
- to provide assurance that the fund is being administered and governed in accordance with statutory requirements.

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
Pension Committee Papers	Paper based and pension website	As and when available	Post and email	All, on request
Local Pension Board Papers	Paper based and pension website	As and when available	Post and email	All, on request
Scheme Advisory Board	Website	As and when available	Email	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.

Pension Fund 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.

Local Pension Board Papers – a formal document setting out the matters to be reviewed in respect of the LGPS and seeking specific assurances or directions from the Board members.

Scheme Advisory Board – a statutory body established to assist both the Government and Local Pension Boards in promoting best practice, increasing transparency and coordinating technical issues in the LGPS.

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
- to provide assurance that the fund is being administered and governed in accordance with statutory requirements.

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
Local Pension Board Papers	Paper based and pension website	As and when available	Post and email	All, on request
Scheme Advisory Board	Website	As and when available	Email	All, on request

Explanation of communications

Press releases – provide statements setting out the Fund's opinion of the matters concerned (i.e . . . Fund valuation results)

Local Pension Board Papers – a formal document setting out the matters to be reviewed in respect of the LGPS and seeking specific assurances or directions from the Board members.

Scheme Advisory Board - a statutory body established to assist both the Government and Local Pensions Boards in promoting best practice, increasing transparency and coordinating technical issues in the LGPS.

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: • Rates & Adjustment 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/ Pensions Regulator
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
Additional Voluntary Contribution (AVC) Annual Benefit statements	Paper based	Annually	Post to home address	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).

Formal 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.

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 receiving notification from scheme employer
Annual Benefit Statements as at 31 March	Active and deferred members	31 August each year	31st August 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 of request
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
Breaches of HMRC Annual Allowance	All	6 October each year	6 October each year
Reporting specific events to HMRC	All	31 January following scheme year end	31 January following scheme year end

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	Pensions Committee and Local Pension Board meeting on quarterly basis	All services and identify improvement areas/new services	Representative group of all member types.
Employers	Training sessions, presentations and Annual General Meeting	Their issues	Regular feedback sessions.

Results

Details of the software performance figures are reported on a monthly basis and are reviewed by the Pensions and Assistant Pensions Administration Manager. Feedback is received from the Head of Exchequer and Pensions.

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 at www.cornwallpensionfund.org.uk and paper copies will be available on request.

If you would like this information in another format or language please contact:

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