



## Pension Fund Annual Report for the Year Ended 31 March 2018

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## Introduction

Derbyshire County Council is the administering authority for the Local Government Pension Scheme within Derbyshire, investing and administering Derbyshire Pension Fund on behalf of over 200 participating employers and over 100,000 members.

The value of the assets in the Pension Fund at 31 March 2018 was £4.6bn. Assets in the pension fund are accumulated through a combination of contributions from employees and employers within the scheme and from investment returns. In the twelve months to March 2018, the Fund's investments returned 3.8%, 0.6% higher than the strategic benchmark return, with market returns moderating following an unusually strong year to March 2017. Over the last three years, the Fund's investments have returned an average of 7.9% pa against a benchmark of 7.2%.

Derbyshire Pension Fund has partnered with the LGPS pension funds of Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Worcestershire and West Midlands to form a collective investment pool, known as LGPS Central, in accordance with Government requirements for the pooling of LGPS investment assets. These pension funds currently manage over £40bn of assets. Collective investment management offers the potential for substantial savings in investment management fees, increased opportunities for investor engagement and access to a shared pool of knowledge and expertise.

LGPS Central Limited, the company established to manage investments on behalf of the LGPS Central Pool, has now received authorization from the Financial Conduct Authority and has completed the recruitment of its Executive Team. Four members of Derbyshire County Council's In-House Investment Team transferred to the company on 1 April 2018 and the Council has entered into a discretionary management agreement with the company for the management of the Fund's UK Equity portfolio. The transition of the Fund's remaining assets into products offered by LGPS Central Limited is likely to take several years.

During the year a new pension administration system has been procured and data migration and system implementation plans are being developed. Despite recent success in the reduction of overall backlogs, significant backlogs remain in some areas of administration due to the difficulties experienced with the existing system. It is likely that meaningful inroads into the remaining backlogs will only be made once the new system is fully established.

Derbyshire Pension Board continues to assist Derbyshire County Council with the effective governance and administration of the Pension Fund and has contributed in particular to the development of enhanced reporting on the delivery of the Fund's administrative responsibilities. A separate Derbyshire Pension Board Annual Report is available on Derbyshire County Council's website.

Further information relating to the Fund is available on Derbyshire County Council's website at <http://www.derbyshire.gov.uk-working-for-us-pensions->.

# **Governance, Management and Financial Performance**

## **Administering Authority**

Derbyshire County Council

## **Derbyshire County Council Officers Responsible for the Fund**

Director of Finance & ICT  
Head of Pension Fund  
Head of Investments  
Pensions Administration Manager  
Pension Fund Accountant

Peter Handford  
Dawn Kinley  
Neil Smith  
Nigel Dowey  
Rajwant Dosanjh

## **Derbyshire County Council Pensions and Investments Committee**

### **Derbyshire County Council**

Councillor Jim Perkins (Chair)  
Councillor Ron Ashton  
Councillor Neil Atkin  
Councillor Alison Fox  
Councillor Peter Makin  
Councillor Steve Marshall-Clarke  
Councillor Ron Mihaly  
Councillor Brian Ridgeway

### **Derby City**

Councillor Mike Carr  
Councillor Paul Hezelgrave

### **Non-voting trade union representatives**

Paul Beresford (Unison)  
Mick Wilson (Unison)

## **Derbyshire Pension Board**

Independent Chair  
Member Representative  
Member Representative  
Employer Representative  
Employer Representative

Ronald Graham  
Karen Gurney  
Nick Read (Unison)  
Mike Nelson (Avrato)  
James Watson (Pinxton Parish Council)

## **Independent External Investment Adviser**

Anthony Fletcher (MJ Hudson-Allenbridge)

## **Main Investment Managers**

In House Investment Team – Multiple Asset Classes – details included in Investment Policy and Performance Section.

Colliers International - Property

UBS Asset Management – European Equities (Passive)

Wellington Management - US Equities

## **Actuary**

Hymans Robertson LLP

## **Auditor**

KPMG

## **AVC Providers**

Clerical Medical

Equitable Life

Prudential (Principal Provider)

Standard Life

## **Custodian**

BNP Paribas Securities Services

## **Banker**

Lloyds Bank

## **Legal Advisers**

Derbyshire County Council Legal Services

## **Performance Measurement**

Performance Evaluation Ltd

## **Property Valuation**

Savills

## **Scheme Administrator**

Derbyshire County Council Pensions Administration

## **Voting Services**

Institutional Shareholder Services

## **Pensions and Investments Committee**

Responsibility for discharging Derbyshire County Council's statutory functions as an employing authority and as the administering authority for Derbyshire Pension Fund is delegated to Derbyshire County Council's Pensions and Investments Committee. In discharging these statutory functions the Committee's responsibilities include:

- i. Considering applications for admission body status to the Derbyshire Pension Scheme;
- ii. Management of the resolution of pension disputes in accordance with the Internal Dispute Resolutions Procedure, including the appointment of adjudicators;
- iii. Formulating and reviewing policies under the discretionary payments legislation;
- iv. Appointing and reviewing the performance of the Pension Fund's actuary, additional voluntary contribution providers and independent investment advisers;
- v. Formulation of the Fund's investment strategy in line with the Investment Strategy Statement, Funding Strategy Statement and Risk Strategy. Approval of a Treasure Management Policy;
- vi. Ensuring effective communications with Pension Scheme members and pensioners;
- vii. Approving and monitoring performance targets for the Pension Fund; and
- viii. Considering recommendations from the Joint Committee of the administering authorities which are shareholders in LGPS Central Limited and making decisions in respect of those recommendations on behalf of the Council.

### **Structure**

The Committee comprises eight Councillors representing the County Council and two Councillors representing Derby City Council. The County Council members of the Committee reflect the political balance of the Council. The composition of the Pensions and Investments Committee changed significantly following the local elections in May 2017. Two trade union representatives also attend meetings of the Pensions and Investments Committee as non-voting members.

### **Meetings**

The Pensions and Investments Committee is required to carry out certain statutory functions on at least a quarterly basis – for example reviewing investments, reviewing transactions, reviewing fund performance. The Committee timetable is designed to fit in with those requirements. Urgent matters which need to be addressed outside the committee timetable are dealt with by the County Council's Director of Finance & ICT in consultation with the Chair of the Pensions and Investments Committee as required.

The Pensions and Investments Committee meets eight times a year. Meetings are open to the public except for exempt and confidential items as defined by the Local Government Act 1972.

The minutes of the Pensions and Investments Committee are presented to meetings of the Full County Council, copies of which are available on the Derbyshire County Council website. A register of attendance for 2017-18 is set out on the following page.

## Register of Councillor Attendance at 2017-18 Pensions and Investment Committee Meetings

|                               | 14 Jun-17 | 2 Aug-17 | 6 Sept-17 | 1 Nov-17 | 12 Dec-17 | 24 Jan-18 | 7 Mar-18 |
|-------------------------------|-----------|----------|-----------|----------|-----------|-----------|----------|
| <b>DCC Councillors</b>        |           |          |           |          |           |           |          |
| R Ashton                      | ✓         | ✓        | ✓         | ✓        | ✓         | ✓         | ✓        |
| N Atkin (Vice Chair)          | ✓         | ✓        | ✓         | ✓        | ✓         | ✓         | ✓        |
| T King                        | X         | ✓        | X         | X        | X         |           |          |
| A Fox                         |           |          |           |          |           | ✓         | ✓        |
| P Makin                       | ✓         | ✓        | ✓         | ✓        | ✓         | ✓         | ✓        |
| S Marshall-Clarke             | X         | ✓        | X         | ✓        | ✓         | ✓         | ✓        |
| R Mihaly                      | ✓         | ✓        | X         | ✓        | ✓         | ✓         | ✓        |
| J Perkins (Chair)             | ✓         | ✓        | ✓         | ✓        | X         | ✓         | ✓        |
| B Ridgeway                    | X         | ✓        | X         | ✓        | X         | X         | ✓        |
| Substitute Members            | 1         | -        | 2         | 1        | 1         | -         | -        |
| <b>Derby City Councillors</b> |           |          |           |          |           |           |          |
| M Carr                        | X         | X        | ✓         | ✓        | ✓         | ✓         | ✓        |
| P Hezelgrave                  | X         | X        | X         | X        | X         | X         | X        |

There was no Pensions & Investments Committee in April 2017 reflecting the timing of the local election in May 2017.

Councillor Alison Fox replaced Councillor Tony King on the Committee in December 2017.

## Derbyshire Pension Board

The Public Service Pensions Act 2013 introduced a framework for regulatory oversight by the Pensions Regulator and introduced a new governance structure for the LGPS which came into effect in April 2015.

The new governance structure is intended to ensure better management and improved accountability in the LGPS. A national Scheme Advisory Board has been established to provide advice on the Local Government Pension Scheme to both the Secretary of State and to administering authorities such as the County Council. Administering authorities are now also required to establish local Pension Boards.

### The role of the Pension Board

The role of the Pension Board is to assist the administering authority:

1. To secure compliance with:
  - a. the Regulations;
  - b. any other legislation relating to the governance and administration of the Scheme; and
  - c. any requirements imposed by the Pensions Regulator in relation to the Scheme; and also
2. To ensure the effective and efficient governance and administration of the Scheme.

The terms of reference for the Derbyshire Pension Board include provisions regarding the term of office, termination of membership and meeting arrangements and can be found on Derbyshire County Council's website.

Members of the Pension Board are appointed by the County Council as the Administering Authority. The Pension Board consists of two Scheme Member and two Scheme Employer representatives and an Independent Chair.

Ahead of the expiration of the term of the Chair of the Pension Board at the end of March 2018, a procurement exercise was undertaken in October 2017 to appoint a new Chair. Following a candidate evaluation and interview process, Full Council approved the recommendation to reappoint Ronald Graham as the Chair of the Pension Board on 6 December 2017. It was agreed that the term of the Chair's contract would be for a maximum of four years with review breaks at 12 and 36 months.

At the Full Council Meeting on 13<sup>th</sup> September 2017, extensions to the terms for the Scheme Member and Employer Representatives were approved as followed:

| <b>Role</b>  | <b>Name</b> | <b>Start Date</b> | <b>Amended term</b> | <b>Expiry</b> |
|--------------|-------------|-------------------|---------------------|---------------|
| Member Rep   | N Read      | June 2015         | 3 years             | June 2018     |
| Member Rep   | K Gurney    | June 2015         | 4 years             | June 2019     |
| Employer Rep | J Watson    | Sept 2015         | 3 years             | Sept 2018     |
| Employer Rep | M Nelson    | Sept 2015         | 4 years             | Sept 2019     |



It was also agreed that future Scheme Member and Employer Representative appointments would be for a fixed term of four years.

## Training

The Fund has adopted a Training Policy which was approved by the Pensions and Investments Committee in August 2017 and which applies to all members of the Committee, all members of the Derbyshire Pension Board and senior officers involved in the management and administration of the Fund.

In relation to training for those involved in the governance and the day to day management and administration of the Fund, Derbyshire County Council's objectives are to ensure that:

- Those persons charged with the financial management and decision making with regard to the Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them;
- Those persons responsible for the day-to-day administration and running of the Fund have the appropriate level of knowledge and skills required to discharge their duties and responsibilities;
- Those persons responsible for providing governance and assurance of the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, to ensure their decisions are robust and soundly based; and
- Members of Derbyshire Pension Board have sufficient knowledge and understanding to challenge any failure to comply with the Regulations and other legislation relating to the governance and administration of Derbyshire Pension Fund and/or any failure to meet the standards and expectations set out in the Regulator's Codes of Practice.

To assist in achieving these objectives, the Fund aims to comply with:

- CIPFA Pensions Finance Knowledge and Skills Frameworks;
- Knowledge and skills requirements of the Public Service Pensions Act 2013; and
- The Pensions Regulator's Code of Practice No. 14, Governance and Administration of Public Service Pension Schemes 2015.

CIPFA responded to the implementation of Local Pension Boards by issuing an expanded Knowledge and Skills Framework which identified a requirement for knowledge of eight core technical areas for those involved in the governance of public sector pension funds:

1. Pensions legislation
2. Public sector pensions governance
3. Pensions administration
4. Pensions accounting and auditing standards
5. Financial services procurement and relationship management
6. Investment performance and risk management
7. Financial markets and product knowledge
8. Actuarial methods, standards and practices.

Members of the Committee and the Pension Board have completed self-evaluation forms assessing their knowledge of the eight core areas and also their knowledge about individual investment asset classes. A Training Plan has been developed based on the results of these assessments and will be supplemented, where appropriate, to cover matters arising in the course of managing the Fund (e.g. additional training in advance of the consideration of new asset classes).

Training is delivered jointly to members of the Committee and the Pension Board where possible and the following training has been provided internally during the last year:

| Date          | Subject                   | Provider                                               |
|---------------|---------------------------|--------------------------------------------------------|
| June 2017     | Introduction to the LGPS  | Head of Pension Fund & Pensions Administration Manager |
| June 2017     | Property Investment       | Colliers International                                 |
| August 2017   | Climate Change            | Baillie Gifford                                        |
| November 2017 | Infrastructure Investment | Pensions Infrastructure Platform                       |
| January 2018  | The Role of the Actuary   | Hymans Robertson                                       |

Training was provided externally by LGPS Central Ltd at a Stakeholder Day on the progress on investment pooling and on the integration of Responsible Investment into the investment process.

The Chair and the Vice-Chair of the Pensions and Investments Committee also completed the Local Government Association's three day LGPS Fundamentals Programme.

## Financial Performance

The number of Members in the Pension Fund of has grown consistently over the last five years.

|                          | 2013-14       | 2014-15       | 2015-16       | 2016-17       | 2017-18        |
|--------------------------|---------------|---------------|---------------|---------------|----------------|
| Contributors             | 35,408        | 38,230        | 40,030        | 40,640        | 41,010         |
| Pensioners & Dependents  | 26,559        | 25,608        | 26,622        | 27,599        | 27,959         |
| Deferred Pensions        | 24,913        | 26,030        | 27,240        | 30,327        | 32,099         |
| <b>Number of Members</b> | <b>86,880</b> | <b>89,868</b> | <b>93,892</b> | <b>98,566</b> | <b>101,068</b> |

Net additions from Dealing with Members (contributions received less pension benefits paid out), Employers and Others Directly involved in the Fund remained positive in 2017-18.

| £ in Million                                   | 2013-14     | 2014-15       | 2015-16    | 2016-17     | 2017-18    |
|------------------------------------------------|-------------|---------------|------------|-------------|------------|
| Contributions                                  | 141.7       | 150.0         | 152.0      | 157.0       | 164.4      |
| Transfers in from other Pension Funds          | 7.4         | 8.3           | 2.5        | 7.2         | 12.7       |
| Benefits                                       | (124.9)     | (134.6)       | (139.6)    | (145.9)     | (155.3)    |
| Payments to and on Account of Leavers          | (6.9)       | (51.2)        | (6.5)      | (6.9)       | (17.2)     |
| <b>Net Additions from Dealing with Members</b> | <b>17.3</b> | <b>(27.5)</b> | <b>8.4</b> | <b>11.4</b> | <b>4.6</b> |

The increase in Payments to and on Account of Leavers in 2014-15 reflected a transfer out in respect of all the members of the Derbyshire Probation Trust to the Greater Manchester Pension Fund following a national change in the pension arrangements for the National Probation Service. This resulted in a payment out of £46.4m in cash. On an adjusted basis, Dealing with Members reported a positive contribution of £18.9m.

Cost-per-Member is a key measure for assessing the Fund's cost effectiveness. The costs of managing Derbyshire Pension Fund over the last five years were as follows:

| £ per Member                    | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---------------------------------|---------|---------|---------|---------|---------|
| Number of Members               | 86,880  | 89,868  | 93,892  | 98,566  | 101,068 |
| Investment Management (£000)    | 5,381   | 13,355  | 15,272  | 18,898  | 22,602  |
| Cost per Member                 | £61.94  | £148.61 | £162.65 | £191.73 | £223.63 |
| As a % of Net Investment Assets | 0.16%   | 0.36%   | 0.42%   | 0.42%   | 0.49%   |
| Pensions Administration (£000)  | 1,512   | 1,482   | 1,450   | 1,547   | 2,056   |
| Cost Per Member                 | £17.40  | £16.49  | £15.44  | £15.70  | £20.34  |
| Oversight & Governance (£000)   | -       | 445     | 431     | 834     | 289 (*) |
| Cost Per Member                 | -       | £4.95   | £4.59   | £8.46   | £2.86   |

\* Includes Actuarial-Audit fees of -£25,362 (credit), equivalent to minus £0.25 per Member (2016-17: £1.50 charge). The 2017-18 credit reflects timing differences between settling actuarial fees and recharging the costs through to employers

The Pension Fund Statement of Accounts, administration costs, investment management expenses, investment income and profits and losses on disposal of investments and changes in value of investments for 2014-15 were restated in 2015-16 to account for costs in accordance with CIPFA Guidance 'Accounting for Local Government Pension Scheme Management Costs'. The impact of the restatement was sizeable, increasing investment management expenses for 2014-15 from £4.7m to £13.4m. In summary the changes were to:

- introduce a third category of management expenses of oversight and governance costs;
- include pooled investment vehicle management fees in investment management expenses, with a deduction for pooled investment vehicle rebates;
- include transaction costs (stamp duty and commission) in investment management expenses;
- include property refurbishment costs in investment property purchases; and
- deduct irrecoverable property expenses, such as vacant property rates and any difference between recoverable property service charge and insurance income and expense, from direct property rental income.

Costs for 2012-13 and 2013-14 have not been restated in accordance with the CIPFA Guidance, explaining why the costs for these years, in particular investment management costs, are significantly lower.

The year-on-year increase in Investment Management Costs per Member between 2014-15 and 2017-18 largely reflects the increase in the value of underlying investments and a shift in the Fund's asset mix to above average cost alternative investments, following ongoing changes to the Fund's approved strategic benchmark, which have increased the proportion of the Fund's investments required to be invested in private equity, infrastructure and indirect property investments.

Pension Administration Costs Per Member remained relatively flat between 2013-14 and 2016-17 but increased to £20.34 per member in 2017-18. The increase principally reflects a combination of contractual payments in respect of the existing pension administration system and additional staffing resource to support the service.

Oversight and governance costs fell by £0.545m in 2017-18, reflecting a combination of lower legal fees and the inclusion of an income accrual of £0.500m for the costs of setting up LGPS Central Limited, which will be refunded in 2018-19.

Investment returns totalled £191.9m in 2017-18.

| £ in Million                            | 2013-14      | 2014-15      | 2015-16       | 2016-17      | 2017-18      |
|-----------------------------------------|--------------|--------------|---------------|--------------|--------------|
| Investment income net of taxes          | 78.1         | 70.5         | 76.3          | 84.7         | 94.9         |
| Investment returns (*)                  | 114.7        | 343.3        | (90.1)        | 725.9        | 96.9         |
| <b>Net Return on Investments</b>        | <b>192.8</b> | <b>413.8</b> | <b>(13.8)</b> | <b>810.6</b> | <b>191.8</b> |
| <i>Actual Fund Investment Return</i>    | 5.7%         | 12.8%        | (0.7%)        | 21.1%        | 3.8%         |
| <i>Benchmark Fund Investment Return</i> | 5.5%         | 12.6%        | (0.7%)        | 20.3%        | 3.2%         |

\* Comprises Profits and Losses on Disposal of Investments and Changes in the Value of Investments

Further details in respect of the Fund's investment performance in 2017-18, and over the longer term, are set out in the Investment Policy and Performance Section.

Net Investment Assets totalled £4,619.4m at 31 March 2018, £155.5m higher than those reported at 31 March 2017, largely reflecting the Net Returns on Investments and Net Additions from Dealing with Members noted earlier.

| £ in Million                 | 2013-14        | 2014-15        | 2015-16        | 2016-17        | 2017-18        |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Investment Assets            | 3,317.5        | 3,685.7        | 3,667.4        | 4,469.1        | 4,626.2        |
| Investment Liabilities       | (6.2)          | (6.4)          | (1.6)          | (5.0)          | (6.8)          |
| <b>Net Investment Assets</b> | <b>3,311.3</b> | <b>3,679.3</b> | <b>3,665.8</b> | <b>4,464.1</b> | <b>4,619.4</b> |
| <i>Growth / (Reduction)</i>  | 6.3%           | 12.5% (*)      | (0.4%)         | 21.8%          | 3.5%           |

(\*) Adjusted to exclude the £46.4m transfer out in respect of all members of the Derbyshire Probation Trust to the Greater Manchester Pension fund in 2014-15.

## **Risk Strategy and Risk Management**

Derbyshire Pension Fund recognises the importance of effective risk management, including the identification and management of its key risks. Risk management is a process by which the Fund identifies, assesses and seeks, to the extent possible, to mitigate the risks associated with its activities. Effective risk management is a clear indicator of good governance and the Fund believes that maintaining a Risk Register is the primary document for identify, assessing and monitoring risks. The Fund's Risk Register is reviewed by the Director of Finance & ICT, the Pensions and Investments Committee and the Local Pension Board on a regular basis and identifies:

- The nature of the Risk
- The Cause and Effect
- A Risk Score
- Risk mitigation controls and procedures
- Risk Owner
- Directional movement since last update

The Risk Score is a combination of the risk occurring (probability) and the likely severity (financial impact). A low risk classification is based on a score of 4 or less; a medium risk score ranges between 5 and 11; and a high risk score is anything with a score of 12 and above. The Target Risk score shows the impact of the risk occurring once the planned risk mitigation procedures and controls have been completed.

The Fund's current identified high risk items, together with planned mitigation, are set out below:

| Key Risk                                                                                                                                     | Comments and mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Funding and fluctuation in assets and liabilities                                                                                            | <p>There is an inevitable risk for any pension fund that assets may be insufficient to meet liabilities and fluctuate from one valuation to the next, principally reflecting external risks around both market returns and the discount rate used to value the Fund's liabilities. The Fund was 86.7% funded at 31 March 2016 and the long term target as set out in the Funding Strategy Statement is to eliminate the deficit by 2032.</p> <p>The Fund constantly monitors its Asset Allocation and has a significant proportion of its assets in growth assets, whilst proactively managing investment risk.</p> <p>The Fund has recently introduced an annual assessment of the Fund's funding position, which indicates a slightly improved funding position at 31 December 2017, and is considering options for protecting the improvement in funding level.</p> |
| Performance deterioration / missed investment opportunities / lost cost savings or duplicated costs caused by LGPS Central transition delays | <p>The transition of the Fund's assets into the products offered by LGPS Central is likely to take several years and there is a risk of transition slippage which may lead to a performance deterioration, missed investment opportunities and/or lost costs savings or duplicated management costs. Furthermore, it is likely that the Fund will need to directly manage some investments for a period of time to come. Once LGPS Central has completed the recruitment of its senior investment team, a more detailed transition timetable should be available, and this will be reported to Committee. LGPS Central's transition plans will also be monitored through the Practitioners' Advisory Forum.</p>                                                                                                                                                        |
| Procurement and implementation of potential replacement pension administration system                                                        | <p>The current pension administration system has failed to meet service requirements and a new system is currently being procured, Cabinet approval was received on 11 January 2018 to award a contract to a preferred bidder. There is a risk that the Fund fails to procure an effective new system or fails to migrate data accurately resulting in continued inadequate systems support. To mitigate this risk, the Council's ICT team has completed a detailed risk assessment to support the procurement process and appropriately skilled resource is being allocated to the project, including the establishment of a Project Board.</p>                                                                                                                                                                                                                       |

Investment risk is managed through the Pensions and Investments Committee's policy of holding different categories of investments (e.g. the strategic asset allocation between equities, bonds, property, alternatives and cash) and by holding a diversified equity spread by both geography and market sectors. The use of derivatives is currently restricted to hedging activity. Hedge Fund investment is not included in the Fund's strategic benchmark.

The strategic benchmark is designed to meet the Fund's target performance for the level of risk agreed by the Pensions and Investments Committee. The asset allocation is reviewed on a quarterly basis by the Committee for tactical purposes, supported by an external advisor and Fund's investment managers. Each asset class is managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the benchmark asset allocation, whilst allowing for a degree of flexibility.

Third party risks (e.g. external investment managers and the custodian) are managed through the use of appropriate contractual arrangements and the on-going monitoring of service levels, including periodic performance review meetings.

The Fund's participating employers (e.g. Scheduled Bodies and Admission Bodies) are required to pay over the employee and employer contributions deducted each month, by the 19<sup>th</sup> of the following month. Receipt is monitored monthly and any delays are followed up and resolved promptly reducing the risk that the correct level of contributions are not received. The amounts received are reconciled against each employing authority's Year-End Return, which is due before the end of April each year.

### **Internal Audit Reviews**

The Pension fund forms part of the operations covered by the Derbyshire County Council internal audit Section.

### **Membership of Bodies**

The Fund is a member of the following bodies:

- Local Authority Pension Fund Forum and Pension
- Pensions and Lifetime Savings Association.

# Investment Policy and Performance

## Investment Policy

The Pensions and Investments Committee is responsible for formulating the investment strategy of the Fund, determining the Strategic Asset Allocation Benchmark and the quarterly tactical asset allocation positions. The day to day management of the Pension Fund's investments is delegated to the Director of Finance & ICT and the In- House Investment Team. In 2017-18, a significant proportion of the Fund's investments were managed internally on an active basis by the Fund's In-House Investment Team which is part of the Commissioning, Communities and Policy Department. Where the appropriate skills were not available internally, external managers were used.

## Management of the Fund's Investment Assets

The Fund's investment assets were managed as follows in 2017-18:

**In-House Investment Team:** The internal team comprised the Head of Pension Fund, the Investments Manager, five Fund Managers and a Research Analyst. The In-House Investment Team was responsible for managing Sovereign Bonds (conventional and index-linked); Corporate Bonds; Multi-Asset Credit; UK Equities; Japanese Equities; Asia Pacific Equities; Emerging Market Equities; Indirect Property; Infrastructure; and Private Equity.

Towards the end of 2017-18, two of the in-house investment team left the Fund, and following the period end, a further four members have transferred to LGPS Central Limited.

(\* Collective investment vehicles were selected by the internal team for Corporate Bonds; Multi-Asset Credit, Japanese, Asia Pacific and Emerging Market Equities; Indirect Property; Infrastructure, and Private Equity.)

**Direct Property:** Colliers International

**European Equities:** UBS Global Investment Management (Passive)

**US Equities:** Wellington Management International

Derbyshire County Council as the Administering Authority for Derbyshire Pension fund has entered into a discretionary management agreement with LGPS Central Limited for the management of the Fund's UK Equity portfolio from 1 April 2018. The transition of the Fund's remaining assets into products offered by LGPS Central Limited is likely to take several years.



## Responsible Investment

Responsible investment is an approach to investment that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long term returns.<sup>1</sup>

The Pensions and Investments Committee believes that responsible investment covers both incorporating ESG factors into the investment process and Fund stewardship and governance through considered voting and engagement with investee companies.

Effective management of financially material ESG risks should support the requirement to protect investment returns over the long term. The Fund's In House Investment Team seek to understand relevant ESG factors alongside conventional financial considerations within the investment process, and the Fund's external investment managers are expected to do the same. Non-financial factors may be considered to the extent that they are not detrimental to the investment return.

A strategy of engagement with companies, rather than negative screening to exclude stocks from the portfolio on ESG/ethical grounds, is more compatible with the administering authority's fiduciary duties and supports responsible investment.

Membership of the Local Authority Pension Fund Forum (LAPFF) helps Derbyshire Pension Fund to engage with companies to understand the issues and to promote best practice. LAPFF was set up in 1991 and is a voluntary association of 75 Local Authority pension funds based in the UK with combined assets of around £200bn. It exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote high standards of corporate governance and corporate responsibility amongst the companies in which they invest.

During 2017, LAPFF focused on issuing voting alerts on executive remuneration as a majority of UK companies faced binding votes on their executive remuneration policies. The Forum also highlighted the linkages between the environmental, social and governance elements of responsible investment focusing on the divestment versus engagement debate, stakeholder engagement and sustainability expertise on company boards.

Collective pressure from investors via organisations such as the LAPFF has helped to encourage listed companies to enhance their corporate governance and to improve their environmental and social impacts. The Fund attaches great importance to the exercise of voting rights and currently casts votes in respect of its directly held equity investments in the United Kingdom and North America.

The Committee has appointed Institutional Shareholder Services (ISS), a third party voting agency to provide voting services for its directly held UK equity investments. Voting is carried out in line recommendations from ISS, whose voting principles cover four key tenets on accountability, stewardship, independence and transparency. The Fund also periodically receives voting alerts from the LAPFF on certain resolutions. If the voting alert from the LAPFF conflicts with the ISS recommendation, due consideration is given to all

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<sup>1</sup>UN Principles for Responsible Investing

the arguments before the vote is cast. A summary of voting activity in the United Kingdom, including votes against the management recommendation, is reported to the Pensions and Investments Committee on a quarterly basis. A copy of these quarterly reports can be found on the Derbyshire County Council website.

The Fund has appointed Wellington Management in a discretionary capacity to manage its directly held North American investments, including voting in line with local practice. Wellington have policies and procedures to ensure that they collect and analyse all relevant information for each meeting, applying their proxy voting guidelines accurately and executing votes in a timely manner.

The Fund is a Tier 1 signatory to the Financial Reporting Council's UK Stewardship Code (the Fund's statement of compliance with the Code can be on Derbyshire County Council's website). The Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. The Fund expects its external investment managers to support the UK Stewardship Code.

## Myners Principles

In line with best practice the Fund monitors, and reports on the extent to which it complies with the Myners Principles as set out in guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in November 2012, entitled “Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2015”. Where this guide makes comments on examples of good practice in the light of the principles, its intention is to help funds to apply the principles, they are not expected to implement every element. The Fund’s compliance with the six principles is set out below.

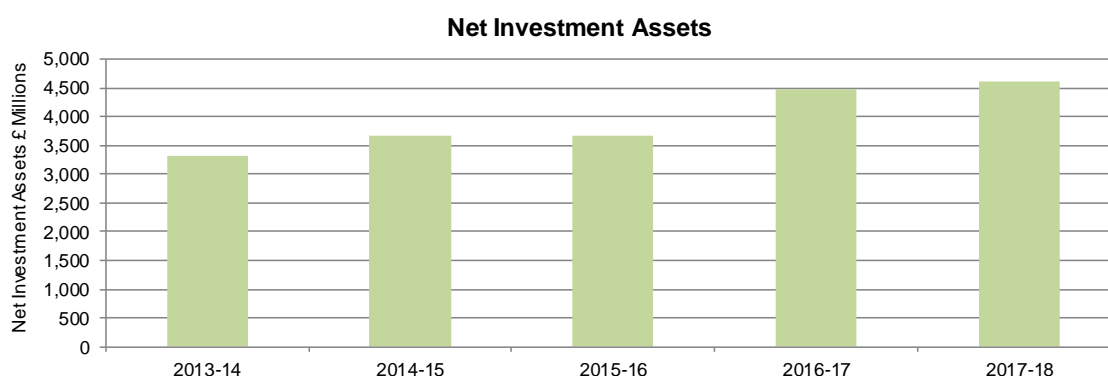
| Principle                                                                                                                                                                                                                                                                                                                                                                                                                | Evidence of compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Effective Decision Making</b> <ul style="list-style-type: none"> <li>Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implications.</li> <li>Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</li> </ul> | <ul style="list-style-type: none"> <li>The Fund has established a Pensions Board in accordance with the Public Service Pensions Act 2013.</li> <li>The role of the Pensions and Investments Committee is defined in the Governance Policy Statement.</li> <li>The Pensions and Investments Committee meets quarterly to discuss current issues, future policy and tactical asset allocation.</li> <li>The Committee have appointed suitably qualified internal investment managers to manage the investments of the Fund. Where appropriate skills are not available internally, external managers are used.</li> <li>The Fund takes advice from its independent adviser and its Head of Pension Fund, both of whom attend the Pensions and Investments Committee.</li> <li>Members’ declaration of interests is made at the commencement of each meeting of the Pensions and Investments Committee.</li> <li>A training needs assessment programme has been established, and training is provided both internally and externally.</li> <li>Preparation of an annual Service Plan.</li> </ul> |
| <b>Clear Objectives</b> <ul style="list-style-type: none"> <li>An overall investment objective(s) should be set out for the fund that takes account of the scheme’s liabilities, the potential impact on local tax payers, the strength of the covenant for non-</li> </ul>                                                                                                                                              | <ul style="list-style-type: none"> <li>The Fund’s investment strategy objectives aims “to maximise the returns from investments within acceptable levels of risk, contributes to the Fund having sufficient asset to cover accrued benefits and enables employer contributions to be kept as stable as possible”</li> <li>The Fund’s asset allocation is specifically designed to achieve the Fund’s objectives, with tactical asset allocation reviewed at the quarterly Pensions and Investments Committee. In determining the Fund’s asset allocation, the Committee consider all asset classes in terms of their suitability and diversification benefits.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                     |

|                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>local-authority employers and the attitude to risk of both the administering authority and Scheme employers and these should be clearly communicated to advisers and investment managers.</p>                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>• The Fund's objective is to generate a return that is at least equal to the discount rate used in the actuarial valuation to meet the Fund's liabilities. The actuarial valuation at 31<sup>st</sup> March 2016 has been prepared on the basis of a discount rate of 4.0%.</li> <li>• Target performance and timescales have been set by the Pensions and Investments Committee. The managers are required to adopt an active style of management and a flexible approach whilst seeking to contain risks in accordance with agreed parameters.</li> <li>• Contracts for external investment managers specify targets, timescales and approach.</li> <li>• The Fund's Funding Strategy Statement can be found on the Fund's website.</li> </ul>                                                                                                                         |
| <p><b>Risk and Liabilities</b></p> <ul style="list-style-type: none"> <li>• In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</li> <li>• These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</li> </ul> | <ul style="list-style-type: none"> <li>• A description of the risk assessment framework used for potential and existing investments is included in the Investment Strategy Statement.</li> <li>• The Fund maintains a risk register and this is reviewed by the DCC Director of Finance &amp; ICT, Pensions and Investments Committee and Local Pensions Board on a regular basis. The risk register identifies the Fund's risk, including an assessment of the potential impact and probability, together with current and proposed mitigation controls and procedures.</li> <li>• An Asset Liability study was undertaken in 2016 to ensure that the Fund's asset allocation mix was appropriate in relation to its liability profile and the level of risk that the Pensions and Investment Committee was prepared to take. This led to the introduction of a new asset allocation in March 2017.</li> </ul> |
| <p><b>Performance Assessment</b></p> <ul style="list-style-type: none"> <li>• Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.</li> <li>• Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to Scheme members.</li> </ul> | <ul style="list-style-type: none"> <li>• The Fund's performance is assessed on a quarterly basis, using data provided by Performance Evaluation Limited, a specialist performance measurement organisation.</li> <li>• The Fund's performance is reviewed by the Pensions and Investments Committee on a quarterly basis, including an independent review by the Fund's external advisor.</li> <li>• The asset class specific benchmarks are reviewed for appropriateness and approved by the Pensions and Investments Committee.</li> <li>• The Local Pensions Board also assists the administering authority to ensure the effective and efficient governance and administration of the Scheme.</li> </ul>                                                                                                                                                                                                    |

|                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Responsible Owner</b></p> <ul style="list-style-type: none"> <li>• Recognise, and ensure that their partners in the investment chain adopt, the FRC's UK Stewardship Code.</li> <li>• Include a statement of their policy on responsible ownership in the Investment Strategy Statement.</li> <li>• Report periodically to Scheme members on the discharge of such responsibilities.</li> </ul> | <ul style="list-style-type: none"> <li>• The Fund's Investment Strategy Statement contains details on Responsible Investment.</li> <li>• The Fund has appointed a third party voting agency to provide voting services in the UK. Consideration is given to voting alerts from the Local Authority Pension Fund Forum (LAPFF). Voting activity is undertaken in a number of overseas markets where votes are cast by the Fund's external investment manager in accordance with local practice.</li> <li>• Voting activity in the UK is reported on a quarterly basis to the Pensions &amp; Investments Committee. Further details on the Fund's voting policy together with the quarterly voting reports are available on the Fund's website.</li> <li>• The Fund is a participating member of the LAPFF and receives information on environmental, social and governance issues.</li> <li>• The Fund is currently assessing itself against the FRC's Stewardship Code.</li> </ul> |
| <p><b>Transparency &amp; Reporting</b></p> <ul style="list-style-type: none"> <li>• Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.</li> <li>• Provide regular communication to Scheme members in the form they consider most appropriate.</li> </ul>   | <ul style="list-style-type: none"> <li>• The following are published on the Fund's website: <ul style="list-style-type: none"> <li>○ Non-exempt Pensions and Investments Committee reports and minutes, including fund performance reports.</li> <li>○ Investment Strategy Statement.</li> <li>○ Pension Fund Annual Report, including the Statement of Accounts.</li> <li>○ Governance Policy Statement.</li> <li>○ Communication Policy.</li> <li>○ Actuarial Valuation Report.</li> <li>○ Funding Strategy Statement.</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                    |

## Net Investment Assets

The chart below shows the Fund's Net Investment Assets at the last five period-ends, together with year-on-year change in value. The chart demonstrates that the performance returns are the key driver of changes in value of net investment assets; net contributions from Dealing with Members have a limited impact.



## Strategic Asset Allocation Benchmark

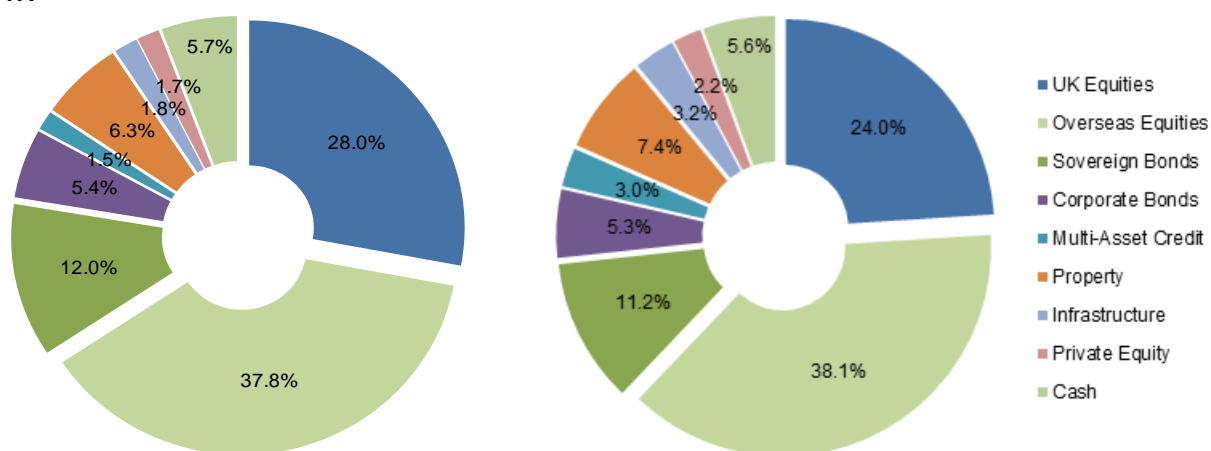
The Fund's Strategic Asset Allocation Benchmark is set out below.

|                          | 31 March 2017<br>Benchmark | 31 March 2018<br>Benchmark | Permitted<br>Range |
|--------------------------|----------------------------|----------------------------|--------------------|
| UK Equities              | 28.0%                      | 25.0%                      | ± 6%               |
| Overseas Equities        | 32.0%                      | 33.0%                      | ± 6%               |
| US Equities              | 11.0%                      | 12.0%                      | ± 4%               |
| European Equities        | 9.0%                       | 9.0%                       | ± 4%               |
| Japanese Equities        | 5.0%                       | 5.0%                       | ± 2%               |
| Asia-Pacific Equities    | 4.0%                       | 4.0%                       | ± 2%               |
| Emerging Market Equities | 3.0%                       | 3.0%                       | ± 2%               |
| <b>Equities</b>          | <b>60.0%</b>               | <b>58.0%</b>               | <b>± 8%</b>        |
| Conventional Bonds       | 6.5%                       | 5.5%                       | ± 3%               |
| Index-Linked Bonds       | 6.5%                       | 6.5%                       | ± 3%               |
| Corporate Bonds          | 6.0%                       | 6.0%                       | ± 3%               |
| Multi-Asset Credit       | 3.0%                       | 4.0%                       | ± 2%               |
| <b>Bonds</b>             | <b>22.0%</b>               | <b>22.0%</b>               | <b>± 5%</b>        |
| Direct Property          | 5.0%                       | 5.0%                       | ± 2%               |
| Indirect Property        | 4.0%                       | 4.0%                       | ± 2%               |
| <b>Property</b>          | <b>9.0%</b>                | <b>9.0%</b>                | <b>± 3%</b>        |
| Infrastructure           | 3.0%                       | 5.0%                       | ± 2%               |
| Private Equity           | 4.0%                       | 4.0%                       | ± 2%               |
| <b>Alternatives</b>      | <b>7.0%</b>                | <b>9.0%</b>                | <b>± 3%</b>        |
| <b>Cash</b>              | <b>2.0%</b>                | <b>2.0%</b>                | <b>0% - 8%</b>     |

Each asset class is managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the benchmark asset allocation, whilst allowing for a degree of flexibility.

A new Investment Strategy Statement was approved on 20 March 2017, incorporating a revised Strategic Asset Allocation Benchmark which came in to force on 1 April 2017. The new Benchmark included increased allocations to US equities (11% to 12%), Multi-Asset Credit (3% to 4%) and Infrastructure (3% to 5%) and reduced allocations to UK Equities (28% to 25%) and Conventional Bonds (6.5% to 5.5%). There were no changes to the permitted ranges. A copy of the Investment Strategy Statement is set out at Appendix 2.

The Fund's actual asset allocation at 31 March 2017 and 31 March 2018 are set out below:



The Pension Fund reduced its actual weightings in respect of UK Equities (28.0% to 24.0%) and Overseas Equities (12.0% to 11.2%) and increased its combined weighting to Multi-Asset Credit, Property, Infrastructure and Private Equity (11.3% to 15.8%).

# Investment Performance

## The Fund's Performance Target

The Fund's objective is to generate a return that is at least equal to the discount rate used in the actuarial valuation to meet the Fund's liabilities. The actuarial valuation at 31<sup>st</sup> March 2016 has been prepared on the basis of a discount rate of 4.0%.

## The Fund's Long Term Performance

| % per Annum          | 1 Year | 3 Year Average | 5 Year Average | 10 Year Average |
|----------------------|--------|----------------|----------------|-----------------|
| The Fund             | 3.8%   | 7.9%           | 8.4%           | 7.9%            |
| Benchmark            | 3.2%   | 7.2%           | 7.9%           | 7.4%            |
| Excess Return        | 0.6%   | 0.7%           | 0.5%           | 0.5%            |
| Consumer Price Index | 2.5%   | 2.0%           | 1.5%           | 2.4%            |
| Retail Price Index   | 3.3%   | 2.9%           | 2.4%           | 2.8%            |

Source: Performance Evaluation Limited

Investment performance, including a comparison against the Benchmark Return, is calculated independently by Performance Evaluation Limited on a quarterly basis. Results are considered by the Pensions and Investments Committee as they become available and are reported to Fund Members on an annual basis as part of this report.

The Fund's Actual Returns were comfortably ahead of inflation, delivering real returns over all periods.

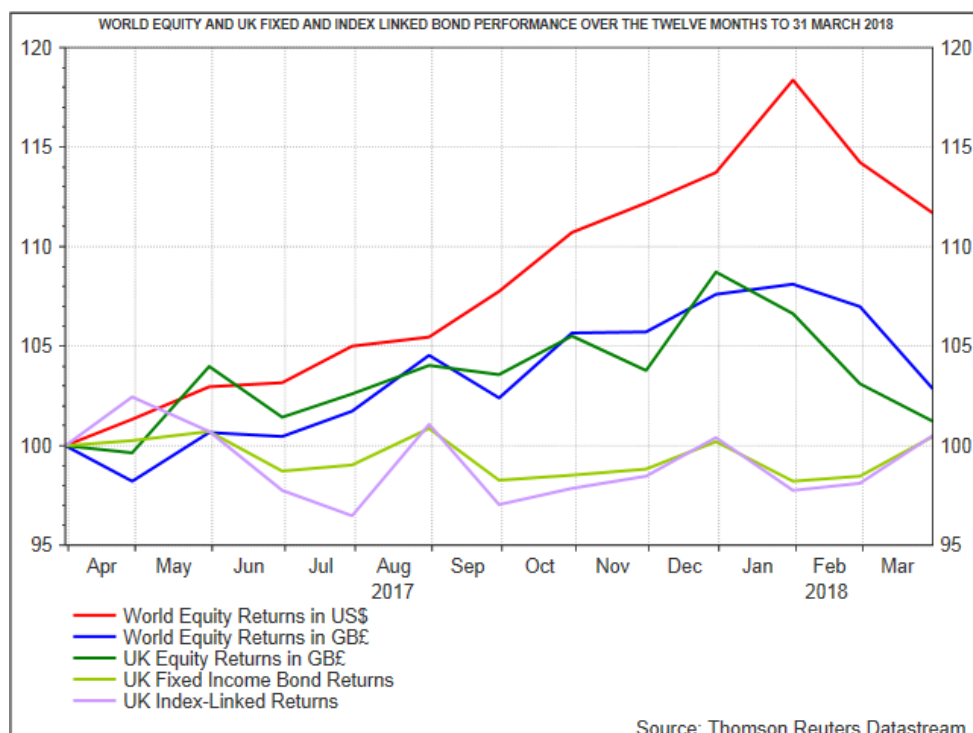
## Market Background 2017-18

The Fund's investments returned 3.8% in 2017-18, 0.6% higher than the strategic benchmark return.

In the twelve months to March 2018, benchmark equity returns to Sterling investors ranged from 1.2% in the UK to 8.8% in Emerging Markets, with overseas equity returns being adversely impacted on translation by a recovery in the value of Sterling, after the sharp devaluation in the pound in 2016-17 following the EU Referendum.

UK equity returns were affected by on-going uncertainty following the EU Referendum. Overseas benchmark equity returns in local currency ranged from 1.6% in Europe to 22.0% in Emerging Markets, with growth in 2017 being supported by accommodative monetary policy, modest inflation expectations, low unemployment, low volatility and steady and synchronised global economic growth. Equity markets weakened in the first quarter of 2018, experiencing increased volatility, as investors became concerned about the future path of interest rates, United States protectionism and growing barriers to global trade.





Bond returns largely traded sideways in 2017-18, with benchmark UK Gilts returning 0.5%, UK Index-Linked Bonds returning 0.5% and Corporate Bonds returning 1.7%, reflecting the generally positive global economic conditions. Bond prices fell in the first quarter of 2018, as markets reflected in bond prices higher inflation and tighter monetary policy going forward. Property returned 9.7% in 2017-18, reflecting a combination of continued capital growth and rental income.

### The Fund's Performance By Asset Class

The table below sets out the Fund's performance by asset class in 2017/18 against the Benchmark Return.

|                           | 2017-18     |             |
|---------------------------|-------------|-------------|
|                           | Fund        | Benchmark   |
| United Kingdom Equities   | 2.0%        | 1.2%        |
| United States Equities    | 0.4%        | 1.3%        |
| European Equities         | 3.9%        | 3.9%        |
| Japanese Equities         | 12.8%       | 7.5%        |
| Asia Pacific Equities     | 6.4%        | 6.0%        |
| Emerging Markets Equities | 7.8%        | 8.8%        |
| Fixed Income (*)          | 1.0%        | 1.1%        |
| Index-Linked Bonds        | 1.8%        | 0.5%        |
| Property                  | 10.4%       | 9.7%        |
| Alternatives              | 4.7%        | 2.4%        |
| Cash                      | 0.3%        | 0.2%        |
| <b>Total</b>              | <b>3.8%</b> | <b>3.2%</b> |

Source: Performance Evaluation Limited

(\*) Comprises Conventional Bonds, Corporate Bonds and Multi-Asset Credit.

The Fund outperformed its strategic benchmark in 2017-18, returning 3.8% against a benchmark return of 3.2%. Stock Selection accounted for the vast majority of the outperformance.

Within equities, the Fund outperformed in the UK, Japan and Pacific ex-Japan and underperformed in North America and Emerging Markets.

The Fund outperformed in Index-Linked Bonds, Corporate Bonds and Multi-Asset Credit but underperformed in Conventional bonds. Both Alternatives and Property outperformed the benchmark.

## Analysis of the Fund's Assets at the Reporting Date

The Fund's net investment assets at 31 March 2018 are detailed below:

| £ in Million              | UK             | Non-UK         | Total          |
|---------------------------|----------------|----------------|----------------|
| Equities                  | 1,110.3        | 1,763.0        | 2,873.3        |
| Bonds                     | 693.3          | 206.3          | 899.6          |
| Direct Property           | 199.2          | -              | 199.2          |
| Indirect Property         | 118.8          | 23.3           | 142.1          |
| Alternatives              | 251.1          | -              | 251.1          |
| Cash and cash equivalents | 238.5          | 9.2            | 247.7          |
| Other                     | 8.4            | (1.0)          | 7.4            |
| <b>Total</b>              | <b>2,618.6</b> | <b>2,000.8</b> | <b>4,619.4</b> |

## Analysis of the Fund's Investment Income for 2017-18

An analysis of the Fund's investment income for 2017-18 is set out below:

| £ in Million              | UK          | Non-UK      | Total       |
|---------------------------|-------------|-------------|-------------|
| Equities                  | 47.1        | 21.2        | 68.3        |
| Bonds                     | 8.3         | 1.1         | 9.4         |
| Direct Property           | 9.3         | -           | 9.3         |
| Indirect Property         | 2.5         | 0.6         | 3.1         |
| Alternatives              | 3.9         | -           | 3.9         |
| Cash and cash equivalents | 0.9         | -           | 0.9         |
| Other                     | -           | -           | -           |
| <b>Total</b>              | <b>72.0</b> | <b>22.9</b> | <b>94.9</b> |

## Largest Direct Equity Holdings

The Fund's 10 largest direct UK Equity holdings at 31 March 2018, together with the comparable holdings at 31 March 2017, were as follows:

| Value of Holding in £000s    | 31 March 2017 | 31 March 2018 |
|------------------------------|---------------|---------------|
| Royal Dutch Shell plc        | 77,174        | 88,368        |
| HSBC plc                     | 63,463        | 51,893        |
| BP plc                       | 50,331        | 50,306        |
| AstraZeneca plc              | 38,071        | 37,936        |
| British American Tobacco plc | 53,000        | 43,375        |
| GlaxoSmithKline plc          | 52,357        | 43,981        |
| Diageo plc                   | 32,654        | 36,180        |
| Prudential plc               | 32,015        | 33,791        |
| Lloyds Banking Group plc     | 35,807        | 33,623        |
| Vodafone plc                 | 33,296        | 31,050        |

The Fund's largest direct US Equity holdings at 31 March 2018, together with the comparable holdings at 31 March 2017, were as follows:

| Value of Holding in £000s | 31 March 2017 | 31 March 2018 |
|---------------------------|---------------|---------------|
| Bank of America Corp      | 12,954        | 19,229        |
| Alphabet Inc              | 7,064         | 14,577        |
| Amazon Con Inc            | 10,977        | 12,807        |
| Microsoft Corp            | 7,858         | 12,545        |
| Facebook Inc              | 7,734         | 12,320        |
| United Health Group Inc   | 7,268         | 10,637        |
| Boeing Co                 | 3,078         | 9,968         |
| Verizon Communication     | -             | 9,669         |
| Lockheed Martin Corp Com  | 5,027         | 6,905         |
| Bristol-Myers Squibb Co   | 4,614         | 6,722         |

The Fund's largest indirect holdings at 31 March 2018, together with the comparable holdings at 31 March 2017, were as follows:

| Value of Holding in £000s | Asset Class              | 31 March 2017 | 31 March 2018 |
|---------------------------|--------------------------|---------------|---------------|
| UBS Life Europe           | European Equities        | 458,447       | 476,430       |
| Royal London              | Corporate Bonds          | 122,108       | 125,910       |
| Kames UK                  | Corporate Bonds          | 116,468       | 118,770       |
| Janus Henderson           | Multi-Asset Credit       | 39,726        | 76,974        |
| Stewart Investors         | Asia-Pacific Equities    | 75,981        | 76,751        |
| Ballie Gifford            | Japanese Equities        | 63,038        | 72,814        |
| Legg Mason                | Japanese Equities        | 48,572        | 53,575        |
| Edinburgh Dragon Trust    | Asia-Pacific Equities    | 40,959        | 44,649        |
| JP Morgan                 | Asia-Pacific Equities    | 34,580        | 40,940        |
| Polunin                   | Emerging Market Equities | 37,027        | 39,237        |

# Arrangements for the Administration of the Fund

## Introduction

Responsibility for the administration of the Pension Fund is delegated to the County Council's Pensions and Investments Committee.

The Fund is administered in-house on a day to day basis by the Pensions Administration Team which is part of the Commissioning, Communities and Policy Department and is led by Nigel Dowey, the Pensions Administration Manager.

The LGPS is a statutory scheme with regulations made under the Superannuation Act 1972 and the Public Service Pensions Act 2013. The LGPS is a defined benefits scheme based, since 1 April 2014, on 'Career Average Revaluated Earnings' (CARE). Members' benefits are determined strictly in accordance with the scheme regulations and are not subject to changes affecting the Fund's assets. Where members joined the scheme before 1 April 2014, protections are in place for their benefits to be based on accrued scheme membership to that date and their full-time equivalent pensionable pay at retirement.

During 2017-18, Scheme members were required to pay a contribution rate of between 5.5% and 12.5% of their pensionable pay, depending on their pay banding. Each employer had a contribution rate to cover the accrual of new benefits earned by members. The contribution to fund the past service deficit was expressed as a cash sum.

The triennial scheme valuation completed by the scheme Actuary as at 31 March 2016 established the Fund position to determine Employer contribution rates for the three years from 1 April 2017 until 31 March 2020.

As an administering authority under the Local Government Pension Scheme (Administration) Regulations 2013 the Council is responsible for administering the LGPS for all local authority employers in the County and certain other organisations. Some employers participate under admission agreements. A full list of employers is given at Appendix 5.

## Administration

Pensions administration broadly comprises:

- maintaining a computerised database for:
  1. active members (i.e. contributors)
  2. pensioners, including widows, widowers and dependants
  3. those with deferred benefits that will become payable in the future
- providing annual benefit statements to active and deferred Scheme members

- providing estimates of benefits
- calculation and payment of retirement benefits
- calculation and payment of transfer values to other schemes
- processing transfer values from “club” and local government schemes
- providing valuations and splitting pensions in divorce cases
- communicating with employers and Scheme members on scheme changes and pensions issues
- onboarding of new Scheme employers
- supporting employers to carry out their responsibilities under the LGPS Regulations
- providing data for triennial valuations and annual FRS17 disclosures
- reporting to the Pensions and Investment Committee on scheme changes, discretions and disputes
- replying to queries from Scheme members and employers

### **Costs of Administering the Pension Fund**

There were 44 full-time equivalent members of staff at 31 March 2018 and the cost of administration, excluding actuarial and audit fees, was £2m comprising staffing costs, IT, central charges and the cost of providing a pensions payroll for pensioners.

The Pension Section has four teams designed to deal with specific areas of pension administration managed by Pension Team Managers:

|                                     |                               |
|-------------------------------------|-------------------------------|
| Two Benefits Teams                  | Sue Hubbleday and Wayne Stone |
| Technical and Finance Team          | Rachel James                  |
| Regulations and Communications Team | Steve Webster                 |

During 2017/18, a temporary team was created to support and develop the pensions administration system, led by Sandra Allen and Emma Whysall.

The pensioner payroll service is provided by Derbyshire County Council’s Shared Services Centre (SSC). SSC work to a Service Level Agreement set up by the Pension Fund, and the cost of the service to the Pension Fund is reviewed each year.

The total cost of administration expressed as a cost per member for the past five years was:

| <b>£ per Member</b>     | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b> | <b>2016-17</b> | <b>2017-18</b> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| The Fund                | £17.40         | £16.49         | £15.44         | £15.70         | £20.34         |
| Shire County Average    | £23.97         | £22.41         | £17.96         | £18.48         | *              |
| All English Authorities | £20.06         | £24.98         | £20.00         | £20.25         | *              |

\* Not available until October 2018

Pension Administration Costs Per Member remained relatively flat between 2013-14 and 2016-17 but increased to £20.34 per member in 2017-18. The increase principally reflects a combination of contractual payments in respect of the existing pension administration system and additional staffing resource to support the service.

## **Pensions Administration System**

Approval was granted in April 2017 to tender for a replacement pensions administration system in collaboration with Leicestershire County Council (LCC).

The performance achieved under the existing Civica UPM System, which has been in use since December 2014, has not reached the desired levels. By going out to tender in collaboration with LCC, the Fund was able to share the costs and resource required to procure a replacement system, and to attract more competitive bids.

The procurement process was completed and the new contract awarded to Aquila Heywood for a maximum term of ten years. Work is underway to migrate to the new system during 2018/19. The benefits of the new system are expected to include efficiency savings and an improved quality of service for Scheme members and employers.

## **Quarterly Administration Performance Reports**

The Pensions and Investments Committee now receive quarterly pensions administration performance reports. The reports include movements in scheme membership, backlog management, performance against targets and updates on all communications and collaboration activity. The reports are also considered and discussed with officers at meetings of the Derbyshire Pension Board. The Pension Fund has continued to meet all the requirements of the Pensions Regulator (TPR) throughout the year. This has included promptly providing the annual scheme return to TPR, maintaining compliance with the 33 governance requirements of the TPR Code of Practice No.14, and producing a Data Improvement Plan and Common and Conditional Data Certificate. The Certificate is attached at Appendix 8.

Work has also been completed, in collaboration with colleagues at other LGPS Funds, on meeting the requirements of the General Data Protection Regulations 2018, in preparation for the legislation coming into force from 25<sup>th</sup> May 2018.

## Performance

Administration performance is reported quarterly to the Pensions and Investments Committee and the Derbyshire Pension Board. Software issues, increased volumes and increased complexity have limited the Pension Fund's ability to optimize its administration performance, although improvement is being achieved. This has had a particular impact on the notification of deferred benefits which, because there is no immediate payment of benefit involved, are a lower priority than those cases where benefits are payable immediately. The following performance levels have been measured against The Occupational Pension Schemes (Disclosure of Information) Regulations for 2017/18.

| Process                           | Target for completion | % processed within target |
|-----------------------------------|-----------------------|---------------------------|
| Payment of retirement benefits    | 1 month               | 89                        |
| Completion of death cases         | 2 months              | 80                        |
| Notification of deferred benefits | 2 months              | 12                        |
| Provision of retirement estimates | 2 months              | 95                        |
| Payment of Transfer Out           | 6 months              | 98                        |
| Provision of Transfer Out quote   | 3 months              | 83                        |
| Provision of Transfer In quote    | 2 months              | 100                       |
| Payment of contributions refund   | 2 months              | 99                        |

Notable successes during 2017/18 have been recorded in the following areas:

- Data cleansing – Data issues have hampered efficiency since the implementation of the current system in December 2014. During 2017/18, over 40,000 items of incorrect data have been identified and resolved, and this improvement is reflected in the 'Common and Conditional Data Certificate' reproduced in Appendix 8.
- Employer performance – Employer performance monitoring has been developed and the figures shared with employers to assist with improvements to the promptness and accuracy of the data employers provide to the Pension Fund.
- Backlog management – Backlogs in the uploading and processing of new starters and in the processing of transfer payments have been largely reduced during 2017/18. Backlogs in other areas, including the processing of aggregation cases, have started to reduce and are being closely managed to ensure continued improvement.

A replacement pensions administration system has been procured and, although the migration and implementation work will take most of the coming year, this change is expected to lead to further improvement of administration performance from early 2019. It is intended that the Fund will then move to measuring its performance against the more challenging CIPFA benchmarks, which represent good practice across the industry.

## Communication

Specific resource has been established to develop and improve the methods and effectiveness of the Fund's communication activities. Achievements in 2017-18 include:

- The implementation of an efficient and transparent process for the on-boarding of new employers, including academies

- Training, workshops and events for employing authorities to assist them in meeting their responsibilities under the LGPS Regulations 2013
- Regular electronic newsletter for employers
- Countywide sessions for Fund members explaining how the LGPSC works and how to get the best from it
- A consultation exercise with employers to identify where their concerns lie and what types of support would be of value
- Collaboration and sharing of cost/effort with other Funds to produce communications material via the membership of regional groups
- The development of a three-year Derbyshire Pension Fund Communications Strategy to support the Fund's development as it moves onto the replacement pensions administration system.

## Pensions Administration Strategy

The Pensions Administration Strategy (Appendix 7) was reviewed and approved by Pensions and Investments Committee in January 2018.

The new strategy reflects the Pension Regulator's requirement that the Fund be able to demonstrate that it has taken every available step to ensure that employers understand and can carry out their LGPS responsibilities, particularly in regard to the provision of Fund member information.

To achieve this, the strategy has clarified a number of the service level expectations and introduced a framework for charging employers where underperformance is identified.

## Guaranteed Minimum Pension (GMP) Reconciliation

Following the end of 'contracting-out' in 2016, all occupational pension schemes, including each of the LGPS Funds, have been required to reconcile their GMP data with HMRC to ensure that the related liabilities are correctly allocated. This is a long, complex task which results in the identification of cases where incorrect pension benefits are in payment.

The Local Government Association surveyed the LGPS Funds in England & Wales to assess the progress nationally on this exercise, and the results are in the table below. Derbyshire Pension Fund is at Stage 3, with 472 cases to complete before the end of 2018 to meet the target.

| Stage   | Description of Stage                                        | No. of administering authorities at this stage |                    |
|---------|-------------------------------------------------------------|------------------------------------------------|--------------------|
|         |                                                             | Worst case scenario                            | Best case scenario |
| Stage 0 | Administering authority has yet to start the exercise       | 8                                              | 4                  |
| Stage 1 | Compare administering authority data with HMRC data         | 20                                             | 13                 |
| Stage 2 | Review data inconsistencies, raise with HMRC, agree outcome | 51                                             | 42                 |
| Stage 3 | Rectification                                               | 9                                              | 25                 |
| Stage 4 | Reconciliation complete                                     | 0                                              | 4                  |



# Fund Activity

## Membership:

|                       | 31/03/14      | 31/03/15      | 31/03/16      | 31/03/17      | 31/03/18       |
|-----------------------|---------------|---------------|---------------|---------------|----------------|
| Contributors          | 35,408        | 38,230        | 40,030        | 40,640        | 41,010         |
| Deferred Pensions     | 26,559        | 26,030        | 27,240        | 30,327        | 32,099         |
| Pensioners/Dependants | 24,913        | 25,608        | 26,622        | 27,599        | 27,959         |
| <b>Total</b>          | <b>86,880</b> | <b>89,868</b> | <b>93,892</b> | <b>98,566</b> | <b>101,068</b> |

## Retirements from Active Status:

|                  | 31/03/14   | 31/03/15   | 31/03/16   | 31/03/17   | 31/03/18   |
|------------------|------------|------------|------------|------------|------------|
| Ill Health       | 38         | 29         | 26         | 42         | 39         |
| Age retirement   | 459        | 524        | 621        | 644        | 593        |
| Flexible         | 58         | 56         | 59         | 77         | 86         |
| Redundancy       | 121        | 108        | 119        | 138        | 94         |
| Efficiency       | 15         | 51         | 53         | 34         | 28         |
| Employer Consent | 8          | 0          | 0          | 0          | 0          |
| <b>Total</b>     | <b>699</b> | <b>768</b> | <b>878</b> | <b>935</b> | <b>840</b> |

## Retirements from Deferred Status:

|                  | 31/03/14   | 31/03/15   | 31/03/16   | 31/03/17   | 31/03/18   |
|------------------|------------|------------|------------|------------|------------|
| Ill Health       | 15         | 5          | 16         | 5          | 12         |
| Age retirement   | 447        | 450        | 423        | 479        | 552        |
| Employer Consent | 7          | 0          | 0          | 0          | 0          |
| <b>Total</b>     | <b>469</b> | <b>455</b> | <b>439</b> | <b>484</b> | <b>564</b> |

## Deaths in Service:

|                   | 31/03/14 | 31/03/15 | 31/03/16 | 31/03/17 | 31/03/18 |
|-------------------|----------|----------|----------|----------|----------|
| Deaths in service | 22       | 30       | 30       | 28       | 26       |

## Deaths of Deferred Pensioners:

|                               | 31/03/14 | 31/03/15 | 31/03/16 | 31/03/17 | 31/03/18 |
|-------------------------------|----------|----------|----------|----------|----------|
| Deaths of deferred pensioners | 20       | 15       | 26       | 26       | 31       |

## Deaths of Pensioners/Dependants:

|                                   | 31/03/14 | 31/03/15 | 31/03/16 | 31/03/17 | 31/03/18 |
|-----------------------------------|----------|----------|----------|----------|----------|
| Deaths of pensioners & dependants | 679      | 655      | 554      | 639      | 682      |

## Transfers-in:

|                                             | 31/03/14   | 31/03/15  | 31/03/16  | 31/03/17   | 31/03/18   |
|---------------------------------------------|------------|-----------|-----------|------------|------------|
| Inter-fund Transfers (from the LGPS)        | 93         | 54        | 26        | 153        | 266        |
| Club Transfer (Public Sector Transfer Club) | 17         | 11        | 2         | 3          | 32         |
| Non Club                                    | 2          | 0         | 0         | 2          | 0          |
| Personal Pension                            | -          | 0         | 0         | 0          | 0          |
| <b>Total</b>                                | <b>112</b> | <b>65</b> | <b>28</b> | <b>158</b> | <b>298</b> |

## Transfers-out:

|                                             | 31/03/14   | 31/03/15  | 31/03/16  | 31/03/17  | 31/03/18   |
|---------------------------------------------|------------|-----------|-----------|-----------|------------|
| Inter-fund Transfers (from the LGPS)        | 90         | 33        | 45        | 42        | 198        |
| Club Transfer (Public Sector Transfer Club) | 50         | 20        | 37        | 21        | 42         |
| Non Club                                    | 16         | 10        | 12        | 17        | 57         |
| Personal Pension                            | 1          | 0         | 2         | 0         | 1          |
| Overseas                                    | 6          | 4         | 0         | 3         | 1          |
| <b>Total</b>                                | <b>163</b> | <b>67</b> | <b>96</b> | <b>83</b> | <b>299</b> |

## Trivials:

|                         | 31/03/14   | 31/03/15  | 31/03/16  | 31/03/17  | 31/03/18  |
|-------------------------|------------|-----------|-----------|-----------|-----------|
| From active status      | 32         | 1         | 7         | 2         | 3         |
| From deferred status    | 94         | 3         | 13        | 8         | 52        |
| From pension in payment | 142        | 9         | 1         | 0         | 2         |
| <b>Total</b>            | <b>268</b> | <b>13</b> | <b>21</b> | <b>10</b> | <b>57</b> |

Trivials are payment of small pensions via a single one-off lump sum.

## Schedule of Contributions

A schedule of contributions for the year showing the amounts paid by individual employers and their employees is given at Appendix 5.

## Arrears of Contributions

Employers are required to collect contributions from active Scheme members and pay these together with their employer's contribution to the County Council not later than the 19<sup>th</sup> of the following month to which the contributions relate.

## Summary of Fund employers

|                | Active at 31 March 2018 | Ceased in 2017-18 | Total      |
|----------------|-------------------------|-------------------|------------|
| Scheduled body | 157*                    | -                 | 157        |
| Admitted body  | 59                      | 5                 | 64         |
| <b>Total</b>   | <b>216</b>              | <b>5</b>          | <b>221</b> |

\*Includes all schools in QUEGS and Cavendish MAT and Designating Bodies

# Actuarial Report

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme(Administration) Regulations 2013.

Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of The Local Government Pension Scheme Regulations 2013. The purpose of the valuation is to determine the solvency of the Fund and to set the level of contributions payable by each participating employer for the following three years. A valuation of the Fund was undertaken as at 31 March 2016 to set the level of employer contributions for the three years commencing 1 April 2017. A copy of the valuation prepared by the Fund's actuary, Hymans Robertson, is set out at Appendix 3.

At 31 March 2016 the Net Assets of the Fund were £3.672bn and the Past Service Liabilities were £4.236bn. The Fund's deficit of £0.564bn is being recovered in accordance with the Fund's Funding Strategy Statement, a copy of which is set out at Appendix 4.

The funding level is the Fund's ratio of assets to liabilities at the valuation date. The funding level at the 2016 valuation was 86.7%, an improvement on the funding level at the 2013 valuation of 82.5%.

A number of factors, both positive and negative, have impacted on the funding level. The overall funding level has improved because the market value of the Fund's assets has increased by more than the increase in the cash value of the Fund's past service liabilities. Actual investment returns were approximately 4% greater than the expected three-year return assumed in the 2013 actuarial valuation, improving the funding level. The overall impact of demographic experience has also improved the funding level but this has been off-set by changes in financial assumptions which have worsened it, including a decrease in the real discount rate between 2013 and 2016.

The valuation was undertaken using a market value approach. The assets were valued at their market value with market related discount rates used as the basis for determining the present value of the liabilities. Assumptions used are detailed in the following table.

|                                              | <b>Assumption</b> |
|----------------------------------------------|-------------------|
| Asset Out-Performance*                       | 1.8%              |
| Discount Rate (Pre-Retirement)               | 4.0%              |
| Discount Rate (Post Retirement)              | 4.0%              |
| CPI Price Inflation                          | 2.1%              |
| Real Earnings Inflation (over CPI inflation) | 0.6%              |
| Salary increases**                           | 2.7%              |
| Pension increases (except pre 88 GMP)        | 2.1%              |
| Revaluation of deferred pension              | 2.1%              |

\* Asset Out-Performance assumptions represent the expected out-performance of investment returns relative to gilts.

\*\* An allowance is also made for promotional pay increases.

The contribution rates required have been determined using a “risk based” approach. The level of contribution rate to give an appropriate likelihood of meeting an employer’s funding target (usually a 100% funding level), within the agreed timeframe, is determined for each employer. The full rate of an employer’s contribution provides for the cost of year-by-year accrual of benefits in respect of current Fund members and the amount required to meet a shortfall in respect of the assets required for pensions in payment (including those payable to survivors of former members) and benefits accrued by other members, which will become payable in the future (known as a past service deficiency).

## **Statement of Accounts**

# **Statement of Accounts Derbyshire Pension Fund 2017-18**

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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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Derbyshire County Council administers the Local Government Pension Scheme (LGPS) for employees, pensioners and dependents of a variety of bodies in Derbyshire, including: Councils; Police and Fire Authorities (for civilian employees); the University of Derby, Colleges and Academies (non-teaching staff); Charities and some private companies providing services to local councils.

Derbyshire Pension Fund (the Fund) has over 200 participating employers and over 100,000 members, either active contributors, pensioners or deferred pensioners (people who have stopped paying into the scheme but are not yet receiving a pension).

The benefits payable to members within the Fund are determined by regulations and are guaranteed. Assets in the Fund meet members' benefit payments when they fall due and are accumulated through a combination of contributions from employees and employers within the Fund and from investment returns (both income and capital).

At the end of March 2018, the value of the Fund's assets was over £4.6bn. The investment return in the year to March 2018 was 3.8%, with returns affected by market volatility in the final quarter.

LGPS Central Limited, the company established to manage investments on behalf of nine LGPS funds including Derbyshire Pension Fund, has now received authorisation from the Financial Conduct Authority and has completed the recruitment of its Executive Team. Four members of Derbyshire County Council's (the Council) In-House Investment Team transferred to the company on 1 April 2018 and the Council has entered into a discretionary management agreement with the company for the management of the Fund's UK Equity portfolio. The transition of the Fund's remaining assets into products offered by LGPS Central Limited is likely to take several years.

During the year, a new pensions administration system has been procured and data migration and system implementation plans are being developed. Despite recent success in the reduction of overall backlogs, significant backlogs remain in some areas of administration due to the difficulties experienced with the existing system. It is likely that meaningful inroads into the remaining backlogs will only be made once the new system is fully established.

A separate Annual Report is produced for the Fund which, in addition to the Fund's accounts, includes the governance arrangements for the Fund, detailed performance information and the Fund's approved policy statements. The Annual Report is available on the Council's website:

[www.derbyshire.gov.uk/working-for-us/pensions/investments/annual-report/annual-report](http://www.derbyshire.gov.uk/working-for-us/pensions/investments/annual-report/annual-report)

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

### Membership Statistics

|                           | Actuals     |             |             |
|---------------------------|-------------|-------------|-------------|
|                           | 31 Mar 2016 | 31 Mar 2017 | 31 Mar 2018 |
| Contributors              | 40,030      | 40,640      | 41,010      |
| Pensioners and Dependants | 26,622      | 27,599      | 27,959      |
| Deferred Pensioners       | 27,240      | 30,327      | 32,099      |

### Employers' Contributions

Employers pay pension contributions into the Fund. The contribution rates payable by the County, Unitary and District Councils expressed as a percentage of pensionable payroll and fixed cash amounts are:

| Council               | 2017-18             | 2018-19             |
|-----------------------|---------------------|---------------------|
| Derbyshire County     | 14.5% plus £15.230m | 14.5% plus £15.382m |
| Derby City            | 13.5% plus £6.844m  | 13.5% plus £6.912m  |
| Amber Valley Borough  | 14.0% plus £1.036m  | 14.0% plus £1.047m  |
| District of Bolsover  | 13.9% plus £0.943m  | 13.9% plus £0.953m  |
| Chesterfield Borough  | 14.2% plus £1.951m  | 14.2% plus £1.971m  |
| Derbyshire Dales      | 13.6% plus £0.632m  | 13.6% plus £0.639m  |
| Erewash Borough       | 13.1% plus £1.103m  | 13.1% plus £1.114m  |
| High Peak Borough     | 12.4% plus £1.797m  | 12.4% plus £1.815m  |
| North East Derbyshire | 13.7% plus £1.497m  | 13.7% plus £1.512m  |
| South Derbyshire      | 13.8% plus £0.665m  | 13.8% plus £0.671m  |

The percentage rates that were determined by the Actuary in the valuation of the Fund at 31 March 2016, for 2017-18 onwards, are intended to cover the cost of future service of active Fund members, with the past service deficit being addressed by an annual fixed cash amount.

### Members' Contributions

For 2017-18 the contribution rates payable by members into the Fund are determined by The Local Government Pension Scheme 2013 Regulations. The rates are between 5.5% and 12.5% of members' pay, including non-contractual overtime, depending on their pay banding.



# PENSION FUND ACCOUNTS

## EXPLANATORY FOREWORD

### Investment Policy

During 2017-18 responsibility for policy matters rested with a Pensions and Investments Committee of eight County Councillors, two Derby City Councillors and two non-voting Trade Union representatives. The Pensions and Investments Committee received advice from the Director of Finance & ICT and from one independent external adviser.

Day-to-day management of the Fund is delegated to the Director of Finance & ICT and his in-house staff, operating within a policy framework laid down by the Committee.

Policy is determined by reference to The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which require that advice is taken at regular intervals and place an onus on administering authorities to determine the balance of their investments and take account of risk.

The Fund has a central (strategic) benchmark asset allocation which is designed to meet the performance requirements for the level of risk agreed by the Pensions and Investments Committee. The Pensions and Investments Committee has a degree of flexibility around the central benchmark allocation and decides the specific allocations (weights) for each asset class at its quarterly meetings. In the table below, the column showing the benchmark return is what would have been achieved via neutrally weighted index returns, whereas the actual Fund returns are a function of both active asset allocation and active stock selection decisions.

The table below shows the Fund's returns over 1, 3, 5 and 10 years to 31 March 2018, compared to those of its strategic benchmark, as well as the impact of inflation on Fund returns.

| Periods to<br>31 Mar 2018 | Return             |           | Inflation |     | Fund Real Return        |                         |
|---------------------------|--------------------|-----------|-----------|-----|-------------------------|-------------------------|
|                           | Derbyshire<br>Fund | Benchmark | CPI       | RPI | Versus CPI<br>Inflation | Versus RPI<br>Inflation |
|                           | % pa               | % pa      | %         | %   | %                       | %                       |
| 1 Year                    | 3.8                | 3.2       | 2.5       | 3.3 | 1.3                     | 0.5                     |
| 3 Years                   | 7.9                | 7.2       | 2.0       | 2.9 | 5.9                     | 5.0                     |
| 5 Years                   | 8.4                | 7.9       | 1.5       | 2.4 | 6.9                     | 6.0                     |
| 10 Years                  | 7.9                | 7.4       | 2.4       | 2.8 | 5.5                     | 5.1                     |

On a year by year basis, returns tend to fluctuate significantly according to economic and market conditions. Long-term returns are a more appropriate guide to the performance of the Fund.

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## **PENSION FUND ACCOUNTS**

### **EXPLANATORY FOREWORD**

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The Fund outperformed its benchmark over the one, three, five and ten year periods. It is important to note that the Fund delivered real returns over these periods, with returns ahead of inflation in each period.

The 2017-18 return of 3.8% followed an unusually high return of 21.1% in 2016-17, when all the asset classes performed well and overseas equity returns received a strong boost on translation from Sterling weakness following the EU Referendum.

In the twelve months to March 2018, equity returns to Sterling investors ranged from 1.2% in the UK to 8.8% in Emerging Markets, with overseas equity returns being adversely impacted on translation by a recovery in the value of Sterling, after the sharp devaluation in the pound.

UK equity returns were affected by on-going uncertainty following the EU Referendum. Overseas equity returns in local currency ranged from 1.6% in Europe to 22.0% in Emerging Markets, reflecting steady and sustained global economic growth. Equity markets weakened in the first quarter of 2018, experiencing increased volatility, as investors became concerned about the future path of interest rates, increased United States protectionism and growing barriers to global trade.

Bond returns largely traded sideways in 2017-18, with UK Gilts returning 0.5%, UK Index-Linked Bonds returning 0.5% and Corporate Bonds returning 1.7%, reflecting the generally positive global economic conditions. Bond prices fell in the first quarter of 2018, as markets reflected in bond prices higher inflation and tighter monetary policy going forward. Property returned 9.7% in 2017-18, reflecting a combination of continued capital growth and rental income.

#### **Actuarial Position of the Fund**

Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of The Local Government Pension Scheme Regulations 2013. The purpose of the valuation is to determine the solvency of the Fund and to set the level of contributions payable by each participating employer for the following three years. A valuation of the Fund was undertaken as at 31 March 2016 to set the level of employer contributions for the three years commencing 1 April 2017.

At 31 March 2016 the Net Assets of the Fund were £3.672bn and the Past Service Liabilities were £4.236bn. The Fund's deficit of £0.564bn is being recovered in accordance with its Funding Strategy Statement, which is available on the Council's website at [www.derbyshire.gov.uk/working-for-us/pensions/investments/investment-strategy/investment-strategy-statement](http://www.derbyshire.gov.uk/working-for-us/pensions/investments/investment-strategy/investment-strategy-statement).

The funding level is the Fund's ratio of assets to liabilities at the valuation date. The funding level at the 2016 valuation was 86.7%, an improvement on the funding level at the 2013 valuation of 82.5%.

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

A number of factors, both positive and negative, impacted on the funding level. The overall funding level improved because the market value of the Fund's assets increased by more than the increase in the cash value of the Fund's past service liabilities. Actual investment returns were approximately 4% greater than the expected three-year return assumed in the 2013 actuarial valuation, improving the funding level. The overall impact of demographic experience also improved the funding level but this was off-set by changes in financial assumptions which have worsened it, including a decrease in the real discount rate between 2013 and 2016.

The valuation was undertaken using a market value approach. The assets were valued at their market value with market related discount rates used as the basis for determining the present value of the liabilities. Assumptions used are detailed in the following table.

|                                              | <b>Assumption<br/>%</b> |
|----------------------------------------------|-------------------------|
| Asset Out-Performance*                       | 1.80                    |
| Discount Rate (Pre Retirement)               | 4.00                    |
| Discount Rate (Post Retirement)              | 4.00                    |
| CPI Price Inflation                          | 2.10                    |
| Real Earnings Inflation (Over CPI Inflation) | 0.60                    |
| Salary Increases**                           | 2.70                    |
| Pension Increases (except pre 88 GMP***)     | 2.10                    |
| Revaluation of deferred pension              | 2.10                    |

\* Asset Out-Performance assumptions represent the expected out-performance of investment returns relative to gilts.

\*\* An allowance is also made for promotional pay increases.

\*\*\* The Guaranteed Minimum Pension (GMP) is the minimum pension which a United Kingdom occupational pension scheme has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997. Different rules applied to GMP annual inflation-linked increases in two distinct periods; 1978 to 1988 and 1988 to 1997. This means that GMP can rise at different rates depending on when a pension entitlement is built up. For service before 1988 there is no duty on a scheme to provide inflation-linked increases, whilst for service between 1988 and 1997 a scheme has to provide inflation-linked increases up to a cap of 3 per cent.

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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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The contribution rates required have been determined using a “risk based” approach. The level of contribution rate to give an appropriate likelihood of meeting an employer’s funding target (usually a 100% funding level), within the agreed timeframe, is determined for each employer. The full rate of an employer’s contribution provides for the cost of year-by-year accrual of benefits in respect of current Fund members and the amount required to meet a shortfall in respect of the assets required for pensions in payment (including those payable to survivors of former members) and benefits accrued by other members, which will become payable in the future (known as a past service deficiency).

### **Further Information**

Derbyshire Pension Fund’s Investment Strategy Statement, Funding Strategy Statement, Actuarial Valuation Report, Governance Compliance Statement, Communications Policy Statement and Annual Report are available on Derbyshire County Council's website at [www.derbyshire.gov.uk/working-for-us/pensions](http://www.derbyshire.gov.uk/working-for-us/pensions).

# PENSION FUND ACCOUNTS

## EXPLANATORY FOREWORD

### FUND ACCOUNT

| 2016-17<br>£m    |                                                                                                     | Note | 2017-18<br>£m    |
|------------------|-----------------------------------------------------------------------------------------------------|------|------------------|
|                  | <b>Dealings with Members, Employers and Others Directly Involved in the Fund</b>                    |      |                  |
| 157.030          | Contributions                                                                                       | 7,25 | 164.420          |
| 7.160            | Transfers in from Other Pension Funds                                                               | 8    | 12.724           |
| <b>164.190</b>   |                                                                                                     |      | <b>177.144</b>   |
|                  |                                                                                                     |      |                  |
| (145.892)        | Benefits                                                                                            | 9,25 | (155.380)        |
| (6.897)          | Payments to and on Account of Leavers                                                               | 10   | (17.210)         |
| <b>(152.789)</b> |                                                                                                     |      | <b>(172.590)</b> |
|                  |                                                                                                     |      |                  |
| <b>11.401</b>    | <b>Net Additions from Dealings with Members, Employers and Others Directly Involved in the Fund</b> |      | <b>4.554</b>     |
|                  |                                                                                                     |      |                  |
| (21.279)         | Management Expenses                                                                                 | 11   | (24.947)         |
|                  |                                                                                                     |      |                  |
| <b>(9.878)</b>   | <b>Net Withdrawals Including Fund Management Expenses</b>                                           |      | <b>(20.393)</b>  |
|                  |                                                                                                     |      |                  |
|                  | <b>Returns on Investments</b>                                                                       |      |                  |
| 84.331           | Investment Income                                                                                   | 12   | 94.882           |
| 0.401            | Taxes on Income                                                                                     | 13   | 0.048            |
| 725.894          | Profits and Losses on Disposal of Investments and Changes in Value of Investments                   | 14   | 96.925           |
| <b>810.626</b>   | <b>Net Return on Investments</b>                                                                    |      | <b>191.855</b>   |
|                  |                                                                                                     |      |                  |
| <b>800.748</b>   | <b>Net Increase in the Net Assets Available for Benefits During the Year</b>                        |      | <b>171.462</b>   |
|                  |                                                                                                     |      |                  |
| 3,671.821        | Opening Net Assets of the Fund                                                                      |      | 4,472.569        |
| <b>4,472.569</b> | <b>Closing Net Assets of the Fund</b>                                                               |      | <b>4,644.031</b> |

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## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

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### NET ASSETS STATEMENT

| 31 Mar 2017      |                                                                              |       | 31 Mar 2018      |
|------------------|------------------------------------------------------------------------------|-------|------------------|
| £m               |                                                                              | Note  | £m               |
|                  |                                                                              |       |                  |
| 4,469.137        | Investment Assets                                                            | 14-16 | 4,626.179        |
| (4.960)          | Investment Liabilities                                                       | 14-16 | (6.803)          |
| 13.959           | Current Assets                                                               | 18    | 30.195           |
| (5.567)          | Current Liabilities                                                          | 19    | (5.540)          |
| <b>4,472.569</b> | <b>Net Assets of the Scheme Available to Fund Benefits at the Period End</b> |       | <b>4,644.031</b> |

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 24 of these accounts.

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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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Derbyshire Pension Fund (“the Fund”) is administered by Derbyshire County Council and is governed by regulations made under The Superannuation Act 1972 and The Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is a funded defined benefit scheme, administered locally by the Council on behalf of its own employees (except teachers, former NHS employees and new employees working in Public Health, for whom separate pension arrangements apply), Unitary and District Council employees within Derbyshire and employees of other bodies who are specifically authorised by the Regulations. On 1 April 2014, the Fund, which had previously been a final salary scheme, became a Career Average Revalued Earnings (CARE) scheme.

### **1. Basis of preparation**

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (“the Code”), which is based upon International Financial Reporting Standards (IFRS), which require the Fund’s accounts to comply with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations for the Public Sector detailed in the Code and the Statement of Recommended Practice 2015 (“SORP”): Financial Reports of Pension Schemes insofar as it is relevant.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 24 of these accounts.

The amount of separately invested Additional Voluntary Contributions (“AVCs”) paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with Regulation 4 (1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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### **2. Accounting policies**

#### **Contributions**

Employee contributions are accounted for when deducted from members' pay. Employer normal contributions are accounted for in the period to which the corresponding pay relates. Other employer contributions, such as deficit funding contributions, are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a cash basis.

#### **Benefits**

Benefits and payments to leavers are accounted for in the period they fall due for payment. Where a member has a choice about the form of their benefit, the benefit is accounted for and the liability is recognised when the member notifies the Council of their decision as to what form of benefit they will take. Where a member has no choice about the form of benefit, the benefit is accounted for in the period of leaving/retirement/death, being the period in which the liability to pay the benefit arises.

#### **Transfers**

Where past service liabilities do not transfer between schemes until assets/liabilities have been transferred, transfers are accounted for on a cash basis. Where trustees have agreed to accept past service liabilities in advance of the transfer of funds, the transfer is accounted for in accordance with the terms of the agreement.

#### **Management expenses**

Management expenses are accounted for on an accruals basis. They are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs (2016)".

#### **Investment income**

Dividends from quoted securities are accounted for when the securities are quoted ex-dividend. Rent is accounted for in accordance with the terms of the lease. Interest on cash and bonds is accrued on a daily basis. Income arising on the underlying investments of accumulation funds is accounted for within change in market value of investments.

#### **Taxes on income**

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



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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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### **Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies are accounted for at the market exchange rate at the date of transaction. End of year market exchange rates are used to value overseas assets at the end of the accounting period. Exchange gains and losses relating to the translation of investments are accounted for as part of change in market value included in the Fund Account and those relating to current assets and liabilities are accounted for within the Fund Account under an appropriate heading.

### **Cash and cash equivalents**

Cash comprises cash in hand and on-demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### **3. Basis of valuation**

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (Note 16).

### **4. Accounting Standards issued and not yet applied**

At the balance sheet date, the following new standards and amendments to existing standards had been published but not yet adopted by the Code:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables to amortised cost. There are not expected to be any changes in the measurement of financial assets and the Fund does not at this stage anticipate any adjustments for impairments.
- IFRS 15 Revenue from Contracts with Customers, presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Fund does not have any revenue streams within the scope of the new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative), will potentially require some additional analysis of Cash Flows from Financing Activities, however since the Fund is not currently required to prepare a Cash Flow Statement it does not anticipate any additional disclosure.

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

• IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses), applies to deferred tax assets related to debt instruments measured at fair value. Currently the Fund does not hold such financial instruments.

#### 5. Critical judgements made in applying the accounting policies

In applying the accounting policies in Note 2, it has not been necessary to make any critical judgements about complex transactions or in respect of uncertain future events.

#### 6. Assumptions made and other estimation uncertainty

There are no significant estimation techniques that have been employed and no other major sources of estimation uncertainty at the end of the reporting period.

#### 7. Contributions

|                  | 2016-17        | 2017-18        |
|------------------|----------------|----------------|
|                  | £m             | £m             |
| <b>Employers</b> |                |                |
| Normal           | 83.297         | 90.665         |
| Deficit Funding  | 35.974         | 35.700         |
| <b>Members</b>   |                |                |
| Normal           | 37.759         | 38.055         |
|                  | <b>157.030</b> | <b>164.420</b> |

Employers' contributions rates payable in 2016-17 were set as part of the 2013 valuation which revealed an overall funding level of 82.5%. Employers' contributions rates payable in 2017-18 were set as part of the 2016 valuation which revealed an overall funding level of 86.7%.

#### 8. Transfers in from other pension funds

|                                                  | 2016-17      | 2017-18       |
|--------------------------------------------------|--------------|---------------|
|                                                  | £m           | £m            |
| Individual transfers in from other pension funds | <b>7.160</b> | <b>12.724</b> |

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

### 9. Benefits

|                                                          | 2016-17        | 2017-18        |
|----------------------------------------------------------|----------------|----------------|
|                                                          | £m             | £m             |
| Pensions                                                 | 113.127        | 119.980        |
| Commutation of pensions and lump sum retirement benefits | 28.834         | 30.806         |
| Lump sum death benefits                                  | 3.931          | 4.594          |
|                                                          | <b>145.892</b> | <b>155.380</b> |

### 10. Payments to and on account of leavers

|                                                     | 2016-17      | 2017-18       |
|-----------------------------------------------------|--------------|---------------|
|                                                     | £m           | £m            |
| Refund of contributions to members leaving the Fund | 0.709        | 0.543         |
| Group transfers out to other pension funds          | 0.217        | 1.008         |
| Individual transfers out to other pension funds     | 5.971        | 15.659        |
|                                                     | <b>6.897</b> | <b>17.210</b> |

The majority of group transfers out in 2017-18 relates to the transfer of members who are past and present employees of Derby College to Manchester College, which is part of the Greater Manchester Pension Fund (GMPF). Following the finalisation of transfer regulations, £1.006m was paid in cash from the Fund to the GMPF in respect of their share of the Fund's assets. All liabilities in relation to these members have also been transferred to the GMPF.

The Single Fraud Investigation Service (SFIS) is a partnership between the Department for Work and Pensions, HMRC and local authorities. Group transfers out in 2016-17 relates to the transfer of members who are past and present employees of Bolsover District Council to SFIS. Following the finalisation of transfer regulations, £0.217m was paid in cash from the Fund to SFIS in respect of their share of the Fund's assets. All liabilities in relation to these members have also transferred to LPFA.

Individual transfers out to other pension funds has increased in 2017-18 because of a significant increase in transfers out in the year.

### 11. Management expenses

Management expenses are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs (2016)".

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

|                                | 2016-17       | 2017-18       |
|--------------------------------|---------------|---------------|
|                                | £m            | £m            |
| Investment management expenses | 18.898        | 22.602        |
| Administrative costs           | 1.547         | 2.056         |
| Oversight and governance costs | 0.834         | 0.289         |
|                                | <b>21.279</b> | <b>24.947</b> |

Oversight and governance costs fell by £0.545m in 2017-18, reflecting a combination of lower legal fees and the inclusion of an income accrual of £0.500m for the costs of setting up LGPS Central Limited, which will be refunded in 2018-19. Oversight and governance costs includes audit fees of £0.029m (2016-17: £0.029m).

Administration costs increased by £0.509m in 2017-18. Pensions administration costs per member remained relatively consistent between 2013-14 and 2016-17 but increased to £20.34 per member in 2017-18. The increase principally reflects a combination of contractual payments in respect of the existing pensions administration system and additional staffing resource to support service levels.

Investment management expenses are analysed below:

|                                  | 2016-17       | 2017-18       |
|----------------------------------|---------------|---------------|
|                                  | £m            | £m            |
| Fund value based management fees | 16.422        | 20.393        |
| In house management fees         | 0.740         | 0.757         |
| Transaction costs                | 1.697         | 1.409         |
| Custody fees                     | 0.039         | 0.043         |
|                                  | <b>18.898</b> | <b>22.602</b> |

Fund value based management fees increased by £3.971m, to £20.393m in 2017-18, reflecting an increase in the value of underlying investments and an on-going shift in the Fund's asset mix to above average cost alternative investments. This followed revisions to the Fund's approved Asset Allocation in July 2015 and in March 2017, which increased the proportion of the Fund's investments assets to be allocated to private equity, infrastructure and indirect property investments, from 5% to 17%. Fund value based management fees expressed as a proportion of investment assets increased from 0.37% in 2016-17 to 0.44% in 2017-18.

Transaction costs relate to the following asset classes:

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

|          | <b>2016-17</b> | <b>2017-18</b> |
|----------|----------------|----------------|
|          | <b>£m</b>      | <b>£m</b>      |
| Equities | 1.672          | 1.389          |
| Bonds    | 0.025          | 0.020          |
|          | <b>1.697</b>   | <b>1.409</b>   |

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment financial asset or liability. An incremental cost is one that would not have been incurred if the scheme had not acquired or disposed of the financial instrument. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

Directly held investment properties are not financial assets and transaction costs in respect of them are capitalised into their initial cost, rather than expensed.

Direct transaction costs do not include debt premiums or discounts, financing costs or internal administration or handling costs.

Costs are incurred indirectly by the Fund on sales and purchases of pooled investment vehicles through the difference between the highest price a buyer of a security or other asset is willing to pay and the lowest price a seller is willing to offer (bid-offer spread).

Such costs are not separately identifiable but are reflected in the cost of these investment purchases and in the proceeds from their sale (Note 14).

## **12. Investment income**

|                                        | <b>2016-17</b> | <b>2017-18</b> |
|----------------------------------------|----------------|----------------|
|                                        | <b>£m</b>      | <b>£m</b>      |
| Income from equities                   | 60.081         | 68.289         |
| Income from bonds                      | 9.770          | 9.432          |
| Net rents from properties              | 8.005          | 9.299          |
| Income from pooled investment vehicles | 5.750          | 6.981          |
| Interest on cash deposits              | 0.725          | 0.881          |
|                                        | <b>84.331</b>  | <b>94.882</b>  |

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

Rents from properties are net of £0.576m of property expense (2016-17, include £0.082m of property income). The income or expense each year is the net of property management expenses recovered by service charges to tenants and irrecoverable property management expenses, for instance, rates on vacant properties.

#### 13. Taxes on income

|                     | 2016-17 | 2017-18 |
|---------------------|---------|---------|
|                     | £m      | £m      |
| Taxation receivable | (0.401) | (0.048) |

From 6 April 2016 there are no notional tax charges for UK dividends, reducing reported taxes on income in 2016-17. The tax credits in 2016-17 and 2017-18 relate to reclaimed withholding taxes in respect of overseas investment income, which are recoverable by the Fund.

#### 14. Investment assets and liabilities

|                                  | Value at<br>31 Mar 2017 | Purchases &<br>hedging<br>payments | Sales &<br>hedging<br>receipts | Profits &<br>losses on<br>disposal of<br>investments<br>& changes<br>in value of<br>investments | Value at<br>31 Mar 2018 |
|----------------------------------|-------------------------|------------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------|-------------------------|
|                                  | £m                      | £m                                 | £m                             | £m                                                                                              | £m                      |
| <b>Investment assets</b>         |                         |                                    |                                |                                                                                                 |                         |
| Equities                         | 2,056.935               | 580.782                            | (647.132)                      | 0.453                                                                                           | 1,991.038               |
| Bonds                            | 529.485                 | 67.990                             | (65.868)                       | (14.435)                                                                                        | 517.172                 |
| Pooled investment vehicles       | 1,447.425               | 197.373                            | (81.509)                       | 93.633                                                                                          | 1,656.922               |
| Properties                       | 161.200                 | 27.797                             | -                              | 10.178                                                                                          | 199.175                 |
| Currency hedging contracts       | 0.113                   | 368.070                            | (375.779)                      | 7.596                                                                                           | -                       |
|                                  | 4,195.158               | 1,242.012                          | (1,170.288)                    | 97.425                                                                                          | 4,364.307               |
| Cash deposits & short term loans | 253.586                 |                                    |                                | -                                                                                               | 247.698                 |
| Other investment balances        | 20.393                  |                                    |                                | -                                                                                               | 14.174                  |
|                                  | 4,469.137               |                                    |                                | 97.425                                                                                          | 4,626.179               |
| <b>Investment liabilities</b>    |                         |                                    |                                |                                                                                                 |                         |
| Currency hedging contracts       | -                       | -                                  | -                              | (0.500)                                                                                         | (0.500)                 |
| Other investment balances        | (4.960)                 |                                    |                                | -                                                                                               | (6.303)                 |
|                                  | (4.960)                 |                                    |                                | (0.500)                                                                                         | (6.803)                 |
|                                  | 4,464.177               |                                    |                                | 96.925                                                                                          | 4,619.376               |

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## **PENSION FUND ACCOUNTS**

### **EXPLANATORY FOREWORD**

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The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has increased the Fund's value by £96.925m during 2017-18 (2016-17, £725.894m increase). This total includes all increases and decreases in the market value of investments held at any time during the year and profits and losses realised on sales of investments during the year.

At 31 March 2018 the value of the Fund's investment in the UBS Life Europe Ex-UK Equity Tracker Fund was £476.430m, representing 10.3% (2017, £458.447m, 10.3%) of the total value of the Fund's net assets available for benefits. This holding is categorised as an in-house investment, which is consistent with the categorisation of existing pooled investment vehicles held as stock selection decisions.

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts. The Fund's objective is to decrease risk in the portfolio by entering into forward contracts to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets.

At the year end, there was one currency hedging contract, with less than six months to expiry, with a gross contract value of £68.116m (2017, one contract, with less than six months to expiry, with a gross contract value of £77.806m).

Investment assets are further analysed below:

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

|                                           | 31 Mar 2017      | 31 Mar 2018      |
|-------------------------------------------|------------------|------------------|
|                                           | £m               | £m               |
| <b>Equities</b>                           |                  |                  |
| UK quoted                                 | 1,312.896        | 1,210.882        |
| UK unquoted                               | -                | 1.315            |
| Overseas quoted                           | 744.039          | 778.841          |
|                                           | <b>2,056.935</b> | <b>1,991.038</b> |
| <b>Bonds</b>                              |                  |                  |
| UK quoted                                 | 451.757          | 446.894          |
| UK unquoted                               | -                | 0.685            |
| Overseas quoted                           | 77.728           | 69.593           |
|                                           | <b>529.485</b>   | <b>517.172</b>   |
| <b>Pooled Investment Vehicles</b>         |                  |                  |
| Property – unquoted                       | 94.393           | 119.941          |
| Property - quoted                         | 22.896           | 22.149           |
| Other quoted                              | 967.809          | 1,002.306        |
| Other unquoted                            | 362.327          | 512.526          |
|                                           | <b>1,447.425</b> | <b>1,656.922</b> |
| <b>Properties</b>                         |                  |                  |
| UK freehold                               | 114.950          | 145.850          |
| UK leasehold                              | 46.250           | 53.325           |
|                                           | <b>161.200</b>   | <b>199.175</b>   |
| <b>Cash deposits and short term loans</b> |                  |                  |
| Sterling cash deposits                    | 24.574           | 27.544           |
| Money market funds                        | 39.000           | -                |
| Other Sterling short term loans           | 177.400          | 211.000          |
| Foreign currency                          | 12.612           | 9.154            |
|                                           | <b>253.586</b>   | <b>247.698</b>   |

The proportion of the market value of net investment assets managed in-house and by each external manager at the year end is set out below.



## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

|                                         | 31 Mar 2017      |              | 31 Mar 2018      |              |
|-----------------------------------------|------------------|--------------|------------------|--------------|
|                                         | £m               | %            | £m               | %            |
| In-house                                | 3,782.658        | 84.7         | 3,895.003        | 84.3         |
| Wellington Management International Ltd | 518.243          | 11.6         | 523.485          | 11.3         |
| Colliers Capital Holdings Ltd           | 163.276          | 3.7          | 200.888          | 4.4          |
|                                         | <b>4,464.177</b> | <b>100.0</b> | <b>4,619.376</b> | <b>100.0</b> |

All fund managers operating the pooled investment vehicles are registered in the United Kingdom except for:

#### Fund

Aberdeen Global Japan Smaller Companies Fund  
 AMP Capital Infrastructure Debt Fund III  
 Barings Global Private Loan Fund I  
 Barings Global Private Loan Fund II  
 Fidelity Eurozone Select Real Estate Fund  
 Invesco Real Estate Europe Fund  
 J P Morgan Funds Latin American Equity Fund  
 M&G European Property Fund  
 Polunin Emerging Markets Developing Countries Fund  
 Baring Australia Fund  
 FPP Global Emerging Markets Fund  
 JO Hambro Capital Management Japan Fund  
 Legg Mason Martin Currie Greater China Fund  
 Montanaro UK Smaller Companies Fund  
 Adam Street 2017 Global Fund Program  
 3i Infrastructure Plc  
 Baird Capital Partners Europe Fund  
 Epiris II LP Fund  
 Foresight Solar  
 Granville PE Managers  
 HICL Infrastructure Company Limited  
 International Public Partnerships Limited  
 Macquarie European Infrastructure Fund 5 (MEIF 5)  
 Macquarie European Infrastructure 5 Co Investment Fund  
 Partners Group – Global Value 2008 Fund  
 Princess Private Equity Holding Limited  
 The Renewables Infrastructure Group Limited

#### Country of registration of fund manager

Luxembourg  
 Luxembourg  
 Luxembourg  
 Luxembourg  
 Luxembourg  
 Luxembourg  
 Luxembourg  
 Luxembourg  
 Luxembourg  
 Republic of Ireland  
 Republic of Ireland  
 Republic of Ireland  
 Republic of Ireland  
 Republic of Ireland  
 Cayman Islands  
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## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

#### 15. Fund investments by geographical sector (at market value)

|                | 31 Mar 2017      |              | 31 Mar 2018      |              |
|----------------|------------------|--------------|------------------|--------------|
|                | £m               | %            | £m               | %            |
| UK             | 2,610.110        | 58.5         | 2,618.553        | 56.7         |
| N America      | 611.270          | 13.7         | 625.613          | 13.5         |
| Europe         | 521.640          | 11.7         | 594.509          | 12.9         |
| Asia and other | 721.157          | 16.1         | 780.701          | 16.9         |
|                | <b>4,464.177</b> | <b>100.0</b> | <b>4,619.376</b> | <b>100.0</b> |

UK investments increased by £8.443m between 31 March 2017 and 31 March 2018 but fell as a proportion of the total investment portfolio, from 58.5% to 56.7%, principally reflecting a lower allocation to UK Equities and weaker relative returns in this geographical sector. The increase in the proportion of European investments, from 11.7% to 12.9%, reflects new investments in European Multi-Asset Credit. The increase in the proportion of Asia and other investments largely reflects increased allocations and stronger relative equity returns across the Asia Pacific and Emerging Market regions during 2017-18.

#### 16. Fair value – Basis of valuation

The basis of valuation of each class of financial investment asset and liability is set out below. There has been no change in the valuation techniques used during the year. All investment assets and liabilities have been valued using fair value techniques as follows:

- Market quoted investments, where there is a readily available market price, are valued at the bid market price on the final day of the accounting period.
- Quoted bonds are valued at net market value excluding accrued income.
- Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price. For unquoted pooled investment vehicles this is at the price advised by the fund manager.
- Unquoted investments are valued at fair value, at the price or net asset value advised by the fund manager, or for private equity investments, based on the Fund's share of net assets at the year end, using the latest financial information available from the respective fund managers, adjusted for drawdowns and distributions to the final day of the accounting period, if the latest financial information is not produced to that date.
- Property is included at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. The property portfolio was independently valued by Savills, Property Advisers.

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

- Fair value for investment property is calculated using the investment method of valuation, the premise of which is that all current and future income streams are capitalised at a rate or rates compared against yields achieved in market investment transactions and adjusted for individual characteristics of the subject property, based on valuer's opinions, wholly derived from observable prices achieved in market transactions.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract on that date.

Financial investment assets and liabilities valued using fair value techniques have been classified into the three levels of what is known as a fair value hierarchy. The hierarchy is ordered according to the quality and reliability of information used to determine recurring fair values, with Level 1 being of the highest quality and reliability.

Level 1 – Assets and liabilities assigned to Level 1 in the fair value hierarchy are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Fund's investments classified as Level 1 are quoted UK and Overseas Equities and quoted UK and Overseas Bonds issued by governments.

Level 2 – Assets and liabilities assigned to Level 2 in the fair value hierarchy are those where quoted market prices are not available, for instance in a market that is not considered to be active, or where observable valuation techniques are used to determine fair value. The Fund's investments classified as Level 2 are quoted Pooled Investment Vehicles, Currency Hedging Contracts and unquoted LGPS Central Limited Bonds and Equities.

Level 3 – Assets and liabilities assigned to Level 3 in the fair value hierarchy are those where at least one input which could have a significant effect on an instrument's valuation is not based on observable market data. The Fund's investments classified as Level 3 are unquoted Pooled Investment Vehicles and Properties.

The Fund's fair value hierarchy of investment financial assets, loans and receivables and financial liabilities is as follows:

|                          | 31 Mar 2017      | 31 Mar 2018      |
|--------------------------|------------------|------------------|
|                          | £m               | £m               |
| <b>Financial Assets</b>  |                  |                  |
| <b>Level 1</b>           |                  |                  |
| UK quoted                | 1,312.896        | 1,210.882        |
| Overseas quoted equities | 744.039          | 778.841          |
| UK quoted                | 451.757          | 446.894          |
| Overseas quoted bonds    | 77.728           | 69.593           |
|                          | <b>2,586.420</b> | <b>2,506.210</b> |

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

|                                                | 31 Mar 2017      | 31 Mar 2018      |
|------------------------------------------------|------------------|------------------|
|                                                | £m               | £m               |
| <b>Level 2</b>                                 |                  |                  |
| Property - quoted pooled investment vehicles   | 22.896           | 22.149           |
| Other quoted pooled investment vehicles        | 967.809          | 1,002.306        |
| UK unquoted equities                           | -                | 1.315            |
| UK unquoted bonds                              | -                | 0.685            |
| Currency hedging contracts                     | 0.113            | -                |
|                                                | <b>990.818</b>   | <b>1,026.455</b> |
| <b>Level 3</b>                                 |                  |                  |
| Property – unquoted pooled investment vehicles | 94.393           | 119.941          |
| Other unquoted pooled investment vehicles      | 362.327          | 512.526          |
| UK freehold properties                         | 114.950          | 145.850          |
| UK leasehold properties                        | 46.250           | 53.325           |
|                                                | <b>617.920</b>   | <b>831.642</b>   |
| <b>Loans and Receivables</b>                   |                  |                  |
| Sterling cash deposits                         | 24.574           | 27.544           |
| Money market funds                             | 39.000           | -                |
| Other Sterling short term loans                | 177.400          | 211.000          |
| Foreign currency                               | 12.612           | 9.154            |
| Other investment balances                      | 20.393           | 14.174           |
|                                                | <b>273.979</b>   | <b>261.872</b>   |
| <b>Financial Assets</b>                        | <b>4,469.137</b> | <b>4,626.179</b> |
| <b>Financial Liabilities</b>                   |                  |                  |
| <b>Level 2</b>                                 |                  |                  |
| Currency hedging contracts                     | -                | (0.500)          |
|                                                | -                | <b>(0.500)</b>   |
| <b>Loans and Receivables</b>                   |                  |                  |
| Other investment balances                      | (4.960)          | (6.303)          |
|                                                | (4.960)          | (6.303)          |
| <b>Financial Liabilities</b>                   | <b>(4.960)</b>   | <b>(6.803)</b>   |
|                                                | <b>4,464.177</b> | <b>4,619.376</b> |

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

Below is a reconciliation of the movement in fair value measurements within Level 3 of the fair value hierarchy from the start to the end of 2017-18:

|                                   | Value at<br>1 Apr<br>2017 | Transfers<br>within<br>Level 3 | Purchases      | Sales           | Unrealised<br>gains/<br>(losses) | Realised<br>gains/<br>(losses) | Value at<br>31 Mar<br>2018 |
|-----------------------------------|---------------------------|--------------------------------|----------------|-----------------|----------------------------------|--------------------------------|----------------------------|
|                                   | £m                        | £m                             | £m             | £m              | £m                               | £m                             | £m                         |
| <b>Financial Assets</b>           |                           |                                |                |                 |                                  |                                |                            |
| <b>Level 3</b>                    |                           |                                |                |                 |                                  |                                |                            |
| <b>Pooled investment vehicles</b> |                           |                                |                |                 |                                  |                                |                            |
| Property – unquoted               | 94.393                    | -                              | 44.219         | (27.903)        | (1.771)                          | 11.003                         | 119.941                    |
| Other unquoted                    | 362.327                   | -                              | 148.498        | (17.639)        | 19.295                           | 0.045                          | 512.526                    |
| <b>Properties</b>                 |                           |                                |                |                 |                                  |                                |                            |
| UK freehold                       | 114.950                   | 8.900                          | 12.815         | -               | 9.185                            | -                              | 145.850                    |
| UK leasehold                      | 46.250                    | (8.900)                        | 14.982         | -               | 0.993                            | -                              | 53.325                     |
|                                   | <b>617.920</b>            | <b>-</b>                       | <b>220.514</b> | <b>(45.542)</b> | <b>27.702</b>                    | <b>11.048</b>                  | <b>831.642</b>             |

The transfer within Level 3 during 2017-18 relates to the purchase of the freehold on one of the Fund's leasehold properties.

Unrealised and realised gains and losses are recognised in the profit and losses on disposal of investments and changes in value of investments line of the fund account.

### 17. Additional Voluntary Contributions

In accordance with Regulation 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Accounts do not include employees' Additional Voluntary Contributions ("AVCs"). The amounts involved are not material in relation to the size of the overall Pension Fund.

Members may make AVCs which are invested separately from the Fund's assets. These investments are specifically allocated to the provision of additional benefits for those members. These are money purchase arrangements where the member uses the invested amount to provide an additional lump sum or to purchase an annuity or buy additional benefits in the Local Government Pension Scheme. The total value of funds provided by these contributions was:

|                                         | 31 Mar 2017 | 31 Mar 2018 |
|-----------------------------------------|-------------|-------------|
|                                         | £m          | £m          |
| <b>Equitable Life Assurance Society</b> |             |             |
| With profits fund                       | 0.247       | 0.219       |
| Unit-linked funds                       | 0.487       | 0.441       |
| Total Equitable Life Assurance Society  | 0.734       | 0.660       |

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

|                                         | 31 Mar 2017  | 31 Mar 2018   |
|-----------------------------------------|--------------|---------------|
|                                         | £m           | £m            |
| <b>Standard Life</b>                    |              |               |
| Managed fund                            | 0.747        | 0.743         |
| Multi asset managed fund                | 0.060        | 0.059         |
| Protection fund                         | 0.072        | 0.071         |
| Ethical fund                            | 0.098        | 0.104         |
| With profits fund                       | 0.285        | 0.296         |
| <b>Total Standard Life</b>              | <b>1.262</b> | <b>1.273</b>  |
| <b>Prudential Assurance Company Ltd</b> |              |               |
| Deposit fund                            | 3.036        | 2.822         |
| With profits cash accumulation fund     | 2.380        | 3.454         |
| Cash fund                               | 0.080        | 0.094         |
| Discretionary fund                      | 0.526        | 0.570         |
| Fixed interest fund                     | 0.093        | 0.077         |
| Global equity fund                      | 0.261        | 0.333         |
| Index-linked fund                       | 0.280        | 0.312         |
| International equity fund               | 0.231        | 0.291         |
| Property fund                           | 0.154        | 0.212         |
| Retirement protection fund              | 0.125        | 0.205         |
| Socially responsible fund               | 0.053        | 0.072         |
| UK equity fund                          | 0.138        | 0.158         |
| UK equity (passive) fund                | 0.234        | 0.238         |
| <b>Total Prudential Assurance</b>       | <b>7.591</b> | <b>8.838</b>  |
| <b>Clerical Medical</b>                 |              |               |
| With profits fund                       | 0.316        | 0.344         |
| Unit linked fund                        | 0.051        | 0.049         |
| <b>Total Clerical Medical</b>           | <b>0.367</b> | <b>0.393</b>  |
|                                         |              |               |
| <b>Total AVC Investments</b>            | <b>9.954</b> | <b>11.164</b> |
|                                         |              |               |
| <b>Death in Service Cover</b>           |              |               |
| Equitable Life                          | 0.142        | 0.117         |

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

Death in Service cover is payable by the AVC provider where an employee has opted to pay an extra life insurance sum. The Local Government Pension Scheme Regulations 2013 require the death grant payable for contributors into the LGPS to be three times their “final pay” (in the case of a part-time employee it is three times their actual pensionable pay). The Inland Revenue limit for death in service cover is four times “final pay”, so the maximum extra amount insurable is, therefore, restricted to an amount equivalent to one times “final pay” and in the case of a part-time contributor, their actual pensionable pay. “Final pay” is defined in the above Regulations.

|                                                 | <b>Equitable</b> |                   | <b>Standard</b> | <b>Clerical</b> |               |
|-------------------------------------------------|------------------|-------------------|-----------------|-----------------|---------------|
|                                                 | <b>Life</b>      | <b>Prudential</b> | <b>Life</b>     | <b>Medical</b>  | <b>Total</b>  |
|                                                 | <b>£m</b>        | <b>£m</b>         | <b>£m</b>       | <b>£m</b>       | <b>£m</b>     |
| <b>Value at 31 Mar 2017</b>                     | <b>0.734</b>     | <b>7.591</b>      | <b>1.262</b>    | <b>0.367</b>    | <b>9.954</b>  |
| <b>Income</b>                                   |                  |                   |                 |                 |               |
| Contributions received                          | 0.003            | 2.536             | 0.025           | 0.014           | 2.578         |
| Interest and bonuses and change in market value | 0.033            | 0.213             | 0.011           | 0.060           | 0.317         |
| Transfers in                                    | -                | 0.002             | -               | -               | 0.002         |
| <b>Expenditure</b>                              |                  |                   |                 |                 |               |
| Life assurance premiums                         | (0.001)          | -                 | -               | -               | (0.001)       |
| Retirement benefits                             | (0.073)          | (1.504)           | (0.025)         | (0.041)         | (1.643)       |
| Transfers out and withdrawals                   | (0.036)          | -                 | -               | (0.007)         | (0.043)       |
| <b>Value at 31 Mar 2018</b>                     | <b>0.660</b>     | <b>8.838</b>      | <b>1.273</b>    | <b>0.393</b>    | <b>11.164</b> |

#### 18. Current assets

|                                           | <b>31 Mar 2017</b> | <b>31 Mar 2018</b> |
|-------------------------------------------|--------------------|--------------------|
|                                           | <b>£m</b>          | <b>£m</b>          |
| Employers' contributions due              | 7.007              | 6.135              |
| Employees' contributions due              | 1.842              | 1.546              |
| Amounts owed by Derbyshire County Council | 3.716              | 3.243              |
| Sundry debtors                            | 0.790              | 1.280              |
| Cash balance                              | 0.604              | 17.991             |
|                                           | <b>13.959</b>      | <b>30.195</b>      |

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

Employers' and employees' contributions due at 31 March 2018 have been received since the year-end.

#### 19. Current liabilities

|                  | 31 Mar 2017  | 31 Mar 2018  |
|------------------|--------------|--------------|
|                  | £m           | £m           |
| Unpaid benefits  | 2.568        | 2.551        |
| Sundry creditors | 2.999        | 2.989        |
|                  | <b>5.567</b> | <b>5.540</b> |

#### 20. Related party transactions

##### Derbyshire County Council

Derbyshire County Council is the administering authority for the purposes of the Fund under The Local Government Pension Scheme Regulations 2013.

Included in management expenses in 2017-18 are charges from Derbyshire County Council of £2.471m (2016-17, £2.252m) for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments.

At 31 March 2018 the Council owed the Fund £3.243m (2017, the Council owed the Fund £3.716m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 35 and 36 of the Council's Statement of Accounts.

##### LGPS Central Limited

LGPS Central Limited has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which Derbyshire County Council as the administering authority for the Derbyshire Pension Fund is one of the shareholders.

No services were provided by LGPS Central Limited during 2017-18 as the company only launched its first products on 1 April 2018. The Pension Fund has invested £1.315m in share capital and £0.685m in a loan to LGPS Central Limited in 2017-18. These are the balances at the year end.



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## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

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The Derbyshire Pension Fund has incurred £0.422m on setting up LGPS Central Limited during the year. These costs were borne by West Midlands Pension Fund and then recharged equally to the eight administering authorities. An amount is due to be refunded to the Derbyshire Pension Fund by LGPS Central Limited in 2018-19, reflecting the cost of setting up the enterprise to the end of March 2018. This income has been accrued in the accounts at £0.500m.

As noted in the Explanatory Forward, four members of the Derbyshire Pension Fund's in-house investment team transferred into LGPS Central Limited on 1 April 2018.

#### 21. Subsequent events

Derbyshire County Council, as the Administering Authority for Derbyshire Pension Fund, has entered into a Discretionary Investment Management Agreement with LGPS Central Limited, whereby LGPS Central Limited will manage the Pension Fund's UK direct equity portfolio on a discretionary basis from 1 April 2018.

#### 22. Investment commitments

At the end of the financial year, investment commitments in respect of future payments were:

|                                 | 31 Mar 2017    | 31 Mar 2018    |
|---------------------------------|----------------|----------------|
|                                 | £m             | £m             |
| Unquoted investments            | 163.990        | 253.985        |
| Other Sterling short-term loans | 75.000         | 5.000          |
|                                 | <b>238.990</b> | <b>258.985</b> |

Unquoted investments commitments are commitments to invest in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments, not yet drawn-down by the managers. Revisions to the Fund's approved Asset Allocation in July 2015 and March 2017 increased the proportion of the Fund's investments required to be invested in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments from 5% to 17%.

This has resulted in an ongoing increase in the level of unquoted investment commitments which will be drawn-down over the next few years, as action is taken to increase the weightings in these asset classes.

The Other Sterling short-term loans commitments are commitments to make short-term investments at the year-end. There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at 31 March 2018. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact on the financial position reported.

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## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

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There was one such commitment at 31 March 2018 (2017, ten), which was secured to take advantage of higher rates available at that time because of a cash shortage in the market.

### 23. Financial instruments

Many requirements of the financial instruments standards (IAS 39, IAS 32 and IFRS 7), which govern the recognition, measurement, presentation and disclosure of financial instruments, are not applicable to the Fund's accounts, since all material financial instruments are carried in the net assets statement at fair value.

#### Nature and extent of risks arising from financial instruments

Certain financial risks are a necessary and appropriate component of the investment strategy of the Fund in order for it to achieve the targeted long term rate of return assumed by the Fund Actuary. This rate of return is used in drawing up the Funding Strategy Statement and setting employer contribution rates.

The overall financial risk for the Fund is that its assets could be insufficient to meet its liabilities to pay benefits. At the financial instrument level, the Fund's key risks are:

- **Credit risk** – the risk of the Fund suffering loss due to another party defaulting on its financial obligations;
- **Liquidity risk** – the risk that funds might not be available to meet commitments because the Fund's assets are not readily marketable or easily turned into cash;
- **Market risk** - the risk that the Fund's financial instruments may suffer an adverse change in value, which is common to an entire class of assets or liabilities.

Responsibility for Fund investments has been delegated to the Council's Pensions and Investments Committee. The Committee delegates day to day responsibility for the management of the Fund to the Director of Finance and appoints managers and advisers to manage investment risk on its behalf. The Fund's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks.

As required by the Fund's Investment Strategy Statement, the Fund is invested in accordance with strategic Asset Allocation guidelines, to maximise returns within appropriate levels of risk, taking into account the Fund's liabilities and projected cashflows. These Asset Allocation guidelines were approved by the Pensions and Investments Committee, following an external asset/liability study.

Economic background, market returns, asset allocation, investment activity, investment strategy and investment performance are monitored and reviewed by the Committee on a quarterly basis.

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## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

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#### **Credit risk**

The Fund is primarily exposed to credit risk through its daily treasury management activities and through its forward currency contracts, which address the currency risk on overseas bonds. Credit risk on cash deposits and short term loans arises from deposits with banks, financial institutions and UK government and local authorities. Credit risk on forward currency contracts arises from contracts with large banks.

**Treasury activities** - The Fund places security of capital and liquidity ahead of investment return. Credit risk on treasury activities is minimised through the Fund's annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services and are approved counterparties on this basis. Investments with local authorities, the Government's Debt Management Office, UK Treasury Bills and Certificates of Deposit are also permissible. The Fund has agreed maximum loan durations and joint limits for each counterparty.

The limits for financial institutions are based on the above credit assessment and are approved each year. The financial institutions' credit ratings and supplementary information are monitored throughout the year to ensure compliance with the policy.

The Treasury Management Investment Strategy for 2017-18 was approved by the Full Council on 8 February 2017.

The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments and operating cash in banks, building societies, money market funds and UK local authorities of £265.689m (2017, £254.190m) cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, generally, for such entities to be unable to meet their commitments; the approach to risk assessment taken by the Fund makes this remote.

A risk of non-recovery applies to all of the Fund's deposits, but there was no evidence at 31 March 2018 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. At 31 March 2018, the Fund had £17.991m in its operational account with Lloyds Bank.

**Forward currency contracts** - Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the currency risk on overseas bonds, the value of which comprise 2% (2017, 2%) of investment assets at the year end and by selecting large banks as the counterparties. The forward currency contract at the year end was with Bank of New York Mellon.

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## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

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The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when the settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund. At the year end, there was one currency hedging contract, with less than six months to expiry, with a gross contract value of £68.116m (2017, one contract, with less than six months to expiry, with a gross contract value of £77.806m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to this contract.

**Other financial assets** - Bonds mainly include investments in UK and US Government securities and certain corporate bond funds. The Fund does not expect any losses from non-performance by any of its counterparties in relation to these financial assets.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets as they are marked to market. The market value of financial assets represents the Fund's exposure to credit risk in relation to those assets.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur during settlement of transactions.

#### **Liquidity risk**

The Fund is not yet mature and is cash flow positive each year in respect of its dealings with members. There is therefore no present requirement to realise assets in order to meet liabilities to pay benefits, as these are more than covered by contributions, and there is net cash available for investment. The Fund does, however, sell investments from time to time as part of normal investment management activities.

The majority of the Fund's investments are readily marketable and may be easily realised, if required. Emphasis is placed on treasury deposits of up to six months' duration to ensure that longer term investment strategy is not compromised by lack of liquidity. Listed equities may also be liquidated at short notice, normally two working days. Holdings of investments which may be less easy to realise are limited. Current Pensions and Investments Committee guidelines limit investments in property to 12%, multi asset credit to 6% and alternatives to 12%.

Sufficient funds are retained on instant access accounts to ensure that payment of benefits and the settlement of investment transactions can be made without the need to borrow.

The Fund manages its liquidity position using a comprehensive cash flow management system, as required by the CIPFA Code of Practice.

Maturity analysis for liabilities at the year end:

- There were no financial liabilities within the portfolio at the year end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.

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## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

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- There were one derivative financial liability held at the year-end in respect of the currency hedging contract referred to above (2017, none).

### **Market risk**

The Fund is exposed to market risk because it is inherent in the investments the Fund makes. It can result from changes in such measures as interest and exchange rates and changes in prices due to factors other than these. This risk cannot be eliminated but it can be reduced.

The objective of market risk management is to manage and control market risk exposure to within acceptable parameters, whilst optimising the return on risk. Excessive volatility in market risk is managed through diversification. Risk reduction arises from the different investments not being perfectly correlated.

The Fund has applied diversification at various levels; that is, diversification between countries, asset classes, sectors and individual securities. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

Risk of exposure to specific markets is limited by adhering to defined ranges within the asset allocation guidelines, which are monitored and reviewed by the Committee on a quarterly basis.

**Interest rate risk** – This risk primarily impacts on the valuation of the Fund's bond holdings and to a lesser degree the return it receives on cash held. A rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Fund Account would rise;
- investments at fixed rates – the fair value of the assets would fall.

The Fund has a number of strategies for managing interest rate risk. Interest rates and the durations of the bond portfolios are monitored during the year, by the Fund's in-house and external managers. Within the annual Treasury Management Strategy, maximum limits are set for fixed and variable interest rate exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, subject to liquidity requirements.

**Other price risk** – Other price risk originates from factors specific to the individual instrument or to its issuer, or from factors affecting all instruments in the market.

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

The Fund manages price risk by holding fixed interest bonds, index-linked stocks and property and by holding a diversified equity portfolio spread geographically, across market sectors and across investments. Contracts specify the level of risk to be taken by the external Fund managers investing in overseas equities. These external managers are monitored by in-house managers.

A Fund specific benchmark has been drawn up, which is designed to meet the Fund's performance requirements for the level of risk agreed by the Committee. Economic background, asset allocation, recent transactions, investment strategy and performance are monitored by the Committee on a quarterly basis.

The table below quantifies the level of price risk that the Fund's investment assets and liabilities at 31 March 2018 are potentially exposed to. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The volatility shown for total investment assets and liabilities in both tables below incorporates the impact of correlation across asset classes, which dampens volatility, therefore the value on increase/decrease figures of the asset classes will not sum to the total assets figure.

|                                                | Value at         |             | Value            | Value            |
|------------------------------------------------|------------------|-------------|------------------|------------------|
|                                                | 31 Mar 2018      | Change      | on increase      | on decrease      |
|                                                | £m               | %           | £m               | £m               |
| <b>Underlying asset type</b>                   |                  |             |                  |                  |
| UK Government bonds                            | 232.487          | 6.52        | 247.645          | 217.329          |
| UK index-linked                                | 214.407          | 8.81        | 233.296          | 195.518          |
| UK corporate bonds                             | 245.365          | 5.20        | 258.124          | 232.606          |
| Overseas index-linked                          | 49.844           | 13.89       | 56.767           | 42.921           |
| Overseas bonds                                 | 155.990          | 3.50        | 161.450          | 150.530          |
| UK equities                                    | 1,110.293        | 9.28        | 1,213.328        | 1,007.258        |
| Overseas equities                              | 1,763.034        | 10.61       | 1,950.092        | 1,575.976        |
| Alternatives                                   | 251.122          | 5.53        | 265.009          | 237.235          |
| Cash                                           | 247.698          | 0.35        | 248.565          | 246.831          |
| Other investment balances                      | 7.871            | -           | 7.871            | 7.871            |
| Properties (non-financial instruments)         | 341.265          | 5.45        | 359.864          | 322.666          |
| <b>Total investment assets and liabilities</b> | <b>4,619.376</b> | <b>6.92</b> | <b>4,939.037</b> | <b>4,299.715</b> |

**Currency risk** - The Fund is exposed to currency risk through its overseas equity shares, its overseas bonds and its foreign currency holdings. The Fund has a negative correlation to exchange rates, which means that the Fund will out-perform if Sterling weakens against the US Dollar and vice-versa.

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

The table below quantifies the level of currency risk that the Fund's overseas investment assets at 31 March 2018 are potentially exposed to. Currency risk on overseas sovereign bonds is managed using forward currency contracts, therefore sovereign overseas bonds have been excluded from the table. Potential aggregate currency exposure within the Fund at 31 March 2018 is determined using a currency "basket" based on the Fund's currency mix at that date. The weight of each currency multiplied by the change in its exchange rate relative to Sterling is summed to create the aggregate currency change of the basket. The outcomes are then applied to all unhedged overseas assets.

|                                   | Value at         |             | Value            | Value            |
|-----------------------------------|------------------|-------------|------------------|------------------|
|                                   | 31 Mar 2018      | Change      | on increase      | on decrease      |
|                                   | £m               | %           | £m               | £m               |
| <b>Underlying asset type</b>      |                  |             |                  |                  |
| Overseas equities                 | 1,763.034        | 8.10        | 1,905.840        | 1,620.228        |
| Overseas bonds                    | 136.740          | 8.10        | 147.816          | 125.664          |
| Overseas cash                     | 9.154            | 9.30        | 10.005           | 8.303            |
| <b>Overseas investment assets</b> | <b>1,908.928</b> | <b>8.10</b> | <b>2,063.551</b> | <b>1,754.305</b> |

#### 24. Actuarial Present Value of Promised Retirement Benefits

Below is an extract from the Report of the Actuary, showing the actuarial present value of the Fund's promised retirement benefits, required by the Code. 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 is carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

*"The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises. The figures below 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.*

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

|                                                      | 31 Mar 2017      | 31 Mar 2018      |
|------------------------------------------------------|------------------|------------------|
|                                                      | £m               | £m               |
| Active members                                       | 2,922.000        | 3,153.000        |
| Deferred members                                     | 1,169.000        | 1,163.000        |
| Pensioners                                           | 2,025.000        | 1,947.000        |
| <b>Present Value of Promised Retirement Benefits</b> | <b>6,116.000</b> | <b>6,263.000</b> |

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

### Assumptions

*The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £125m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.*

#### Financial assumptions

|                            | 31 Mar 2017 | 31 Mar 2018 |
|----------------------------|-------------|-------------|
| <b>Year ended (% p.a.)</b> | <b>%</b>    | <b>%</b>    |
| Pension Increase Rate      | 2.40        | 2.40        |
| Salary Increase Rate       | 2.90        | 2.90        |
| Discount Rate              | 2.60        | 2.70        |

#### Longevity assumptions

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

|                    | <b>Males</b> | <b>Females</b> |
|--------------------|--------------|----------------|
| Current Pensioners | 21.9 years   | 24.4 years     |
| Future Pensioners* | 23.9 years   | 26.5 years     |

*\*Future pensioners are assumed to be aged 45 at the most recent formal valuation as at 31 March 2016.*

*Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.*



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## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

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### *Commutation assumptions*

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

### **Sensitivity Analysis**

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

| <b>Sensitivity to the assumptions for the year ended<br/>31 Mar 2018</b> | <b>Approximate<br/>increase to<br/>liabilities<br/>%</b> | <b>Approximate<br/>monetary<br/>amount<br/>£m</b> |
|--------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------|
| <i>0.5% p.a. increase in the Pension Increase Rate</i>                   | 8                                                        | 509                                               |
| <i>0.5% p.a. increase in the Salary Increase Rate</i>                    | 2                                                        | 102                                               |
| <i>0.5% p.a. decrease in the Real Discount Rate</i>                      | 10                                                       | 652                                               |

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

Stacey McLean

30 April 2018

For and on behalf of Hymans Robertson LLP

## **25. Participating Employers**

The participating employers with active members in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority), District Councils (which are Scheduled Bodies), further Scheduled Bodies and Admission Bodies. The Unitary and District Councils are listed in the foreword of this Annual Report. Other participating employers are listed on the following pages.

The contributions receivable and the benefits payable by the Fund during the year in respect of each type of participating employer were as follows:

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

|                           | 2016-17          |                          | 2017-18          |                          |
|---------------------------|------------------|--------------------------|------------------|--------------------------|
|                           | Benefits payable | Contributions receivable | Benefits payable | Contributions receivable |
|                           | £m               | £m                       | £m               | £m                       |
| Derbyshire County Council | 71.072           | 68.747                   | 73.616           | 69.575                   |
| Scheduled Bodies          | 69.380           | 84.141                   | 76.104           | 90.472                   |
| Admission Bodies          | 5.440            | 4.142                    | 5.660            | 4.373                    |
|                           | <b>145.892</b>   | <b>157.030</b>           | <b>155.380</b>   | <b>164.420</b>           |

|                                                          | Total contribution rate % of pensionable payroll |                   |
|----------------------------------------------------------|--------------------------------------------------|-------------------|
|                                                          | 2017-18                                          | 2018-19           |
| <b>Scheduled Bodies</b>                                  |                                                  |                   |
| Peak District National Park Authority                    | 14.0 plus £0.219m                                | 14.0 plus £0.221m |
| Chesterfield Crematorium                                 | 17.8 plus £0.028m                                | 17.8 plus £0.029m |
| Derbyshire Police Authority                              | 12.9 plus £1.436m                                | 12.9 plus £1.451m |
| Derbyshire Fire & Rescue                                 | 13.2 plus £0.167m                                | 13.2 plus £0.168m |
| Derby Homes Limited                                      | 13.4 plus £0.284m                                | 13.4 plus £0.287m |
| Rykeld Homes                                             | 16.4                                             | 16.4              |
| University of Derby                                      | 12.7 plus £0.730m                                | 12.7 plus £0.738m |
| Chesterfield College                                     | 13.9 plus £0.155m                                | 13.9 plus £0.156m |
| Derby College                                            | 13.7 plus £0.432m                                | 13.7 plus £0.437m |
| Landau Forte College                                     | 12.3 plus £0.003m                                | 12.3 plus £0.003m |
| Akaal Academy Trust Derby                                | 19.5                                             | 17.7              |
| Allenton Primary                                         | 27.9                                             | 16.6              |
| Al-Madinah School                                        | 20                                               | 15.5              |
| All Saints Infants School - from 1 April 2017            | *                                                | 21                |
| All Saints Junior School - from 1 April 2017             | *                                                | 21.0              |
| Bishop Lonsdale Church of England Primary School         | 25.8                                             | 17.7              |
| Bolsover Church of England Junior - from 1 November 2017 | *                                                | 21                |
| Breadsall Hill Top Primary - from 1 July 2017            | *                                                | 21.0              |
| Brimington Infant School                                 | 18.9                                             | 18.9              |
| Brimington Junior School                                 | 18.3                                             | 18.3              |
| Brookfield Academy                                       | 20.0                                             | 17.4              |

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

|                                                              | Total contribution rate % of pensionable payroll |         |
|--------------------------------------------------------------|--------------------------------------------------|---------|
|                                                              | 2017-18                                          | 2018-19 |
| Cavendish Close Junior - from 1 September 2017               | *                                                | 21.0    |
| Cavendish Multi-Academy Trust                                | 19.3                                             | 19.3    |
| Chellaston Academy                                           | 20.9                                             | 18.1    |
| Christ Church Church of England Primary School               | 21.5                                             | 21.5    |
| City of Derby Academy                                        | 22.8                                             | 16.9    |
| Cloudside Junior - from 1 September 2017                     | *                                                | 21.0    |
| Da Vinci Academy - from 1 May 2017                           | *                                                | 21.0    |
| Darley Churchtown Primary - from 1 May 2017                  | *                                                | 21.0    |
| David Neiper Academy                                         | 17.8                                             | 17.8    |
| Derby Moor Community Sports College<br>- from 1 January 2018 | *                                                | 21.0    |
| Derby Pride Academy                                          | 15.5                                             | 13.2    |
| Derwent Primary - from 1 June 2017                           | *                                                | 21.0    |
| Dovedale Primary School (Willows Academy Trust)              | 20.9                                             | 17.5    |
| Ecclesbourne Academy                                         | 22.6                                             | 16.7    |
| Eckington Junior - from 1 April 2017                         | *                                                | 19.4    |
| English Martyrs Catholic Voluntary Academy                   | 18.5                                             | 17.1    |
| Firs Estate Primary School - from 1 January 2018             | *                                                | 21.0    |
| Frederick Gent - from 1 November 2017                        | *                                                | 21.0    |
| Grampian Primary Academy                                     | 19.2                                             | 15.7    |
| Granville Sports College - from 1 September 2017             | *                                                | 21.0    |
| Hardwick Primary - from 1 January 2018                       | *                                                | 21.0    |
| Heanor Gate Science College                                  | 20.5                                             | 17.5    |
| Heritage High School - from 1 April 2017                     | *                                                | 21.0    |
| Holbrook Primary School                                      | 22.4                                             | 22.4    |
| Hope Valley College                                          | 23.3                                             | 17.6    |
| Inkersall Primary School                                     | 20.2                                             | 17.2    |
| Immaculate Conception Academy Trust                          | 20.7                                             | 16.0    |
| Ironville and Codnor Park Primary - from 1 March 2018        | *                                                | 21.0    |
| John King Infant - from 1 January 2018                       | *                                                | 21.0    |
| John Port Academy                                            | 20.4                                             | 20.4    |
| John Flamsteed Community School                              | 20.2                                             | 20.2    |

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

|                                                         | Total contribution rate % of pensionable payroll |         |
|---------------------------------------------------------|--------------------------------------------------|---------|
|                                                         | 2017-18                                          | 2018-19 |
| Kirk Hallam Academy                                     | 18.4                                             | 16.4    |
| Kirkstead Junior Academy - from 1 February 2018         | *                                                | 21.0    |
| Landau Forte Moorhead Academy                           | 19.6                                             | 16.2    |
| Langley Mill Junior - from 1 February 2018              | *                                                | 21.0    |
| Leesbrook School                                        | 19.7                                             | 16.3    |
| Longwood Community Infant - from 1 January 2018         | *                                                | 21.0    |
| Mary Swanwick Primary - from 1 June 2017                | *                                                | 21.0    |
| Merrill Academy                                         | 22.5                                             | 16.2    |
| Newbold Church of England Primary School                | 17.3                                             | 16.8    |
| New Whittington Primary - from 1 April 2017             | *                                                | 21.0    |
| Noel Baker School - from 1 February 2017                | *                                                | 21.0    |
| Outwood Academy Newbold                                 | 20.2                                             | 17.2    |
| Peartree Junior - from 1 July 2017                      | *                                                | 21.0    |
| Pennine Way Junior Academy                              | 19.7                                             | 17.7    |
| QEGS Multi-Academy Trust - from 1 April 2017            | 20.2/21.6                                        | 21.6    |
| Redhill Primary School                                  | 20.7                                             | 18.8    |
| Sawley Infant School (Willows Academy Trust)            | 20.0                                             | 17.5    |
| Sawley Junior School (Willows Academy Trust)            | 21.2                                             | 17.4    |
| Scargill Primary - from 1 September 2017                | 0.0                                              | 21.0    |
| Shardlow Primary School (Willows Academy Trust)         | 23.3                                             | 18.1    |
| Shirebrook Academy                                      | 20.4                                             | 17.0    |
| Somercotes Infant School - from 1 September 2017        | 0.0                                              | 21.0    |
| Somerlea Park Junior - from 1 September 2017            | 0.0                                              | 21.0    |
| St Benedict Voluntary Catholic Academy                  | 22.0                                             | 16.8    |
| St Edward's Catholic Academy                            | 20.0                                             | 20.0    |
| St George's Primary (New Mills) - from 1 September 2017 | 0.0                                              | 21.0    |
| St George's Voluntary Catholic Academy                  | 20.1                                             | 16.2    |
| St Giles Church of England Aided Primary School         | 20.3                                             | 17.6    |
| St Giles Primary (Killamarsh) - from 1 September 2017   | 0.0                                              | 21.0    |
| St John Fisher Catholic Voluntary Academy               | 21.7                                             | 18.6    |
| St John Houghton Catholic Voluntary Academy             | 20.6                                             | 16.9    |

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

|                                                       | Total contribution rate % of pensionable payroll |         |
|-------------------------------------------------------|--------------------------------------------------|---------|
|                                                       | 2017-18                                          | 2018-19 |
| St Joseph's Catholic Primary School (Matlock)         | 20.0                                             | 20.0    |
| St Joseph's Catholic Primary School Voluntary Academy | 17.6                                             | 16.7    |
| St Laurence Primary School                            | 21.2                                             | 17.1    |
| St Mary's Catholic High School Academy Trust          | 21.4                                             | 17.3    |
| St Philip Howard Catholic Voluntary Academy           | 20.2                                             | 16.4    |
| Swanwick Hall School                                  | 20.2                                             | 20.2    |
| Temple Normanton Primary - from 1 May 2017            | 0.0                                              | 21.0    |
| The Bolsover Academy                                  | 20.9                                             | 18.0    |
| The Long Eaton Academy                                | 19.9                                             | 16.8    |
| The Ormiston Ilkeston Enterprise Academy              | 23.7                                             | 17.8    |
| The Pingle Academy - from 1 May 2017                  | 0.0                                              | 21.0    |
| The Ripley Academy                                    | 25.0                                             | 17.2    |
| Turnditch Church of England Primary School            | 20.2                                             | 17.1    |
| Walter Evans Primary School                           | 21.0                                             | 21.0    |
| West Park Academy                                     | 21.2                                             | 17.6    |
| William Gilbert Endowed (C of E) Primary School       | 21.2                                             | 17.8    |
| Woodlands School                                      | 19.9                                             | 16.5    |
| Wyndham Primary Academy (Boulton Primary School)      | 16.7                                             | 15.3    |
| Town and Parish Councils - Group 1                    | 23.8                                             | 23.8    |
| Town and Parish Councils - Group 2                    | 17.2                                             | 17.2    |

\* Rates not yet finalised

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## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

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### Town and Parish Councils

| Group 1                    | Group 2                                 |
|----------------------------|-----------------------------------------|
| Ashbourne Town Council     | Alfreton Town Council                   |
| Belper Town Council        | Breaston Parish Council                 |
| Clay Cross Parish Council  | Bretby Parish Council                   |
| Dronfield Town Council     | Burnaston Parish Council                |
| Eckington Parish Council   | Codnor Parish Council                   |
| Killamarsh Town Council    | Darley Dale Town Council                |
| Matlock Town Council       | Elvaston Parish Council                 |
| New Mills Town Council     | Glapwell Parish Council                 |
| Old Bolsover Town Council  | Hatton Parish Council                   |
| Pinxton Parish Council     | Heanor and Loscoe Town Council          |
| Shirebrook Town Council    | Heath and Holmewood Parish Council      |
| Staveley Town Council      | Kilburn Parish Council                  |
| Whaley Bridge Town Council | North Wingfield Parish Council          |
| Whitwell Parish Council    | Shardlow and Great Wilne Parish Council |
| Wirksworth Town Council    | Stenson Fields Parish Council           |
|                            | Tibshelf Parish Council                 |
|                            | Ticknall Parish Council                 |
|                            | Tupton Parish Council                   |
|                            | Wingerworth Parish Council              |
|                            | Woodville Parish Council                |

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

The following Admission Bodies also participate:

|                                                               | Total contribution rate % of pensionable payroll |                   |
|---------------------------------------------------------------|--------------------------------------------------|-------------------|
|                                                               | 2017-18                                          | 2018-19           |
| 7 Hills Leisure Trust                                         | 25.3                                             | 25.3              |
| Acclaim Housing Group Limited                                 | 28.1 plus £0.018m                                | 28.1 plus £0.018m |
| Action for Children - from 1 September 2016                   | *                                                | 28.1              |
| Active Nation                                                 | 28.2 plus £0.002m                                | 28.2 plus £0.002m |
| Alliance Environmental Services Ltd - from 5 August 2017      | *                                                | 26.4              |
| Amber Valley Schools Sports Partnership<br>- from 1 June 2017 | *                                                | 21.0              |
| Arvato Government Services Ltd (Derbyshire Dales)             | 13.8                                             | 13.8              |
| Arvato Government Services (Sefton) Ltd                       | 14.5                                             | 14.5              |
| Aspens Services Ltd                                           | 28.2 plus £0.001m                                | 28.2 plus £0.001m |
| Balfour Beatty Power Networks Ltd                             | 16.5                                             | 16.5              |
| Engie                                                         | 20.6                                             | 20.6              |
| Barnados                                                      | 21.1                                             | 21.1              |
| Belper Leisure Centre Ltd                                     | 31.4                                             | 31.4              |
| Brookwood                                                     | 14.4                                             | 14.4              |
| Catering Academy - to 2017-18                                 | *                                                | 0.0               |
| Caterlink Ltd (Lea Primary) - from 8 April 2017               | *                                                | 30.2              |
| Caterlink Ltd (Reigate Primary) - from 10 October 2017        | *                                                | *                 |
| Caterlink Ltd (Shirebrook/Stubbins Wood) - from 8 April 17    | *                                                | 30.8              |
| Caterlink Ltd (St Marys) - from 22 October 2017               | *                                                | 29.1              |
| Caterlink Ltd (Swanwick Hall) - from 1 August 2017            | *                                                | 29.8              |
| Chesterfield Care Group                                       | 25.2                                             | 25.2              |
| Churchill Contractor Services - to 7 April 2017               | 25.9                                             | 0.0               |
| Clean Slate (UK) Ltd (City Schools) - to 6 July 2017          | 22.8                                             | 0.0               |
| Clean Slate (UK) Ltd (Pottery)                                | 30.4 plus £0.001m                                | 30.4 plus £0.001m |
| Compass Contract Services (UK) Ltd                            | 10.3                                             | 10.3              |
| Compass Services Ltd (DCC)                                    | 16.5                                             | 16.5              |
| CSE Education - from 1 December 2016                          | *                                                | 29.0              |
| DCS Cleaning Solutions - to 31 December 2017                  | 20.3                                             | 0.0               |
| Derby County Community Trust                                  | 23.1                                             | 23.1              |
| Derby Museums & Arts Trust                                    | 19.2                                             | 19.2              |
| Derbyshire Building Control - from 30 March 2017              | *                                                | 23.2              |

## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

|                                                                          | Total contribution rate % of pensionable payroll |                   |
|--------------------------------------------------------------------------|--------------------------------------------------|-------------------|
|                                                                          | 2017-18                                          | 2018-19           |
| Derbyshire Coalition for Inclusive Living (DCIL)                         | 26.7 plus £0.015m                                | 26.7 plus £0.015m |
| Derbyshire Student Residences Ltd                                        | 25.8                                             | 25.8              |
| Elior UK plc                                                             | 32.7                                             | 32.7              |
| Elite Cleaning and Environmental Services                                | 32.8                                             | 32.8              |
| EMH Homes                                                                | 22.3 plus £0.161m                                | 22.3 plus £0.161m |
| European Electronique Ltd - to 6 March 2018                              | 13.4                                             | 0.0               |
| Futures Homescape Ltd                                                    | 23.9 plus £0.103m                                | 23.9 plus £0.103m |
| Initial Catering Services Ltd                                            | 20.2                                             | 20.2              |
| Initial Facilities Management Ltd                                        | 7.1                                              | 7.1               |
| KCLS Ltd (Tibshelf Infant) - from 5 June 2017                            | *                                                | 34.4              |
| Kier Ltd                                                                 | 13.8                                             | 13.8              |
| Leisure Amber Valley BC                                                  | 13.8                                             | 13.8              |
| Leisure High Peak BC                                                     | 1.4                                              | 1.4               |
| Macintyre Care Ltd                                                       | 2.0                                              | 2.0               |
| Mellors Catering                                                         | 25.7                                             | 25.7              |
| Mellors Catering (Murray Park) - from 1 June 2016 - finalised in 2017-18 | *                                                | 31.7              |
| Mitie Facilities Services Ltd                                            | 37.7                                             | 37.7              |
| Northgate Information Solutions UK Ltd - to 31 January 2017              | 23.5                                             | 0.0               |
| Norwest Holst Ltd (previously Vinci plc)                                 | 33.0                                             | 33.0              |
| NSL Ltd                                                                  | 22.3                                             | 22.3              |
| Office Care Ltd (Brookfield Academy) - from 5 June 2017                  | *                                                | 29.5              |
| RM Education Ltd - from 1 July 2017                                      | *                                                | 28.8              |
| SIV Enterprises Ltd                                                      | 4.6                                              | 4.6               |
| Superclean Services Wothorpe Ltd (Fire)                                  | 11.2                                             | 11.2              |
| Taylor Shaw                                                              | 34.7                                             | 34.7              |
| Tramway Museum Society                                                   | 24.0 plus £0.015m                                | 24.0 plus £0.015m |
| Veolia (Amber Valley Refuse)                                             | 6.1                                              | 6.1               |
| Veolia (Chesterfield Refuse)                                             | 17.5                                             | 17.5              |
| Veolia Ltd (contract with High Peak BC) - to 3 August 2017               | 5.3                                              | 0.0               |
| Voluntary and Community Services Peaks and Dales                         | 33.3                                             | 33.3              |
| Vinci Construction                                                       | 18.8                                             | 18.8              |



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## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

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|                                            | Total contribution rate % of pensionable payroll |         |
|--------------------------------------------|--------------------------------------------------|---------|
|                                            | 2017-18                                          | 2018-19 |
| Vinci Construction UK (Ashcroft & Portway) | 31.7                                             | 31.7    |
| Vinci plc (Ravensdale)                     | 29.9                                             | 29.9    |

\* Rates not yet finalised

## **G Auditor's Opinion**



### **Independent auditor's report to the members of Derbyshire County Council on the pension fund financial statements published with the Pension Fund Annual Report**

#### **Opinion**

We have examined the pension fund financial statements for the year ended 31 March 2018 which comprise the Fund Account, Net Asset Statement and the related notes, including the accounting policies in note 2.

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of Derbyshire County Council for the year ended 31 March 2018 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

#### **Respective responsibilities of the Director of Finance & ICT and the auditor**

As explained more fully in the Statement of the Director of Finance & ICT's Responsibilities the Director of Finance & ICT is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of Derbyshire County Council, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements, the purpose of our audit work and to whom we owe our responsibilities.

#### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if we have exercised our responsibilities in respect of the pension fund in the following areas:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; and;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



John Cornett  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
St Nicholas House  
31 Park Row  
Nottingham  
NG1 6FQ

18 October 2018

## **Governance Policy and Compliance Statement**

### **Introduction**

This is the Governance Policy and Compliance Statement (the Statement) for Derbyshire Pension Fund (the Fund) which is part of the Local Government Pension Scheme (the LGPS). The Fund is managed and administered by Derbyshire County Council (the Council) in accordance with the Local Government Pension Scheme Regulations 2013 (2013 Regulations). At a national level, the LGPS is governed by the Ministry of Housing, Communities and Local Government (MHCLG) and the LGPS Advisory Board.

The 2013 Regulations require an administering authority, after consultation with such persons as it considers appropriate, to prepare, publish and keep under review, a written statement setting out:

- whether it delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
- the terms, structure and operational procedures of any such delegations;
- the frequency of any committee or sub-committee meetings;
- whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether these representatives have voting rights;
- the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- details of the terms, structure and operational procedures relation to the local pension board.

### **Governance Arrangements**

Under the terms of the Council's Constitution, responsibility for the functions of the Council as the administering authority of Derbyshire Pension Fund is delegated to the Pensions and Investments Committee. A Local Pension Board, set up in 2015 in accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, assists the Council with the governance and administration of the Fund.

The day to day management of the Pension Fund is delegated to the Director of Finance & ICT who is supported by the Head of Pension Fund and in house investment and administration teams.

## **Pensions and Investments Committee**

The Committee comprises eight voting Councillors representing the County Council and two voting Councillors representing Derby City Council. The County Council members of the Committee reflect the political balance of the Council. Two trade union representatives are also entitled to attend meetings of the Pensions and Investments Committee as non-voting members.

Officers of the Council and an independent investment adviser also attend meetings to provide advice and support to members of the Committee. Other experts attend Committee to provide advice as required.

The Committee meets eight times a year and its responsibilities include reviewing and approving the Fund's:

- Investment Strategy Statement
- Funding Strategy Statement
- Treasury Management Statement
- Quarterly tactical asset allocation
- Communications Policy
- Pensions Administration Strategy

The Committee is also responsible for:

- Appointing the Fund's: Actuary; Independent Investment Adviser; External Fund Managers in advance of assets transitioning to the LGPS Central Pool; and AVC Provider
- Ensuring effective communications with Pension Scheme members and employers
- Managing the resolution of pension disputes in accordance with the Applications for Adjudication of Disagreements Procedure, including the appointment of adjudicators
- Reviewing policies relating to the administering authority's discretionary powers set out in the 2013 Regulations and subsequent amendments
- Considering recommendations from the Joint Committee of the LGPS Central Pool and making decisions in respect of those recommendations on behalf of the Council

## **Derbyshire Pension Board**

The Public Service Pensions Act 2013 introduced a framework for regulatory oversight by the Pensions Regulator and introduced a new governance structure for

the LGPS which came into effect in April 2015 and included the requirement for administering authorities to establish local Pension Boards.

The Pension Board consists of two Scheme Member representatives and two Scheme Employer representatives together with a non-voting Independent Chair.

Officers of the Council attend Pension Board meetings to provide advice and support to members of the Board.

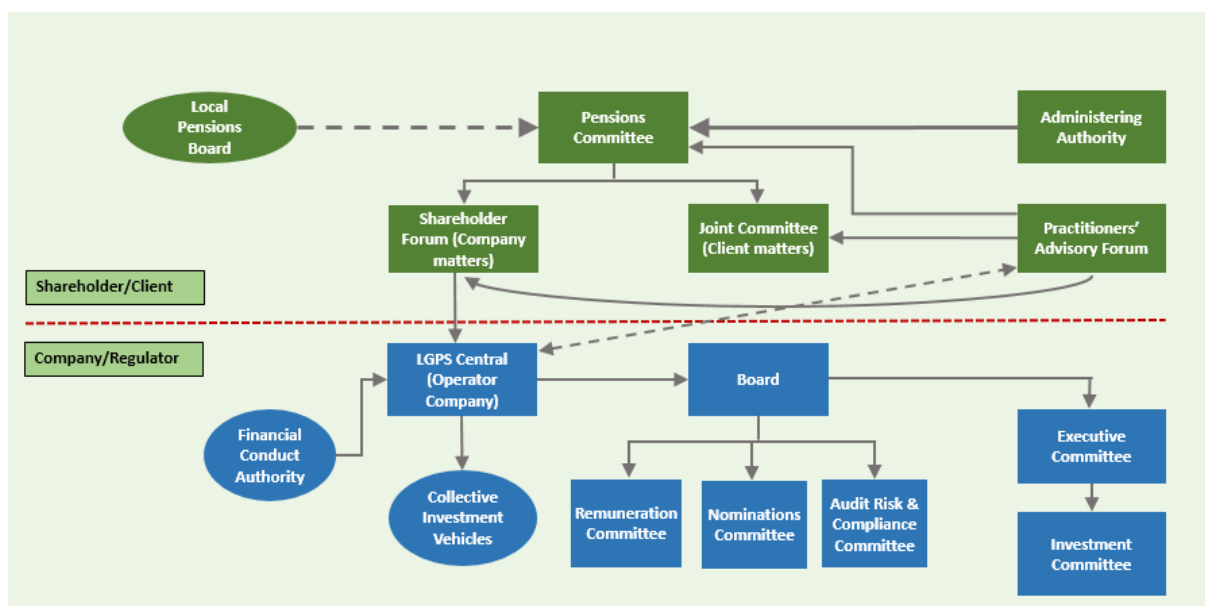
The role of the Pension Board is to assist the administering authority to ensure the effective and efficient governance and administration of the LGPS, including:

- Securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme
- Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme

## LGPS Central Pool

Derbyshire Pension Fund has partnered with the LGPS pension funds of Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Worcestershire and West Midlands to form a collective investment pool, known as LGPS Central (the Pool), in accordance with Government requirements for the pooling of LGPS investment assets.

## LGPS Central Pool Governance Arrangements



The governance arrangements of the Pool include the following bodies:

**Joint Committee:** to provide oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the LGPS Central business case and to deal with common investor issues. The Joint Committee provides assistance,

guidance and recommendations to the individual Councils, taking into consideration the conflicting demands and interests of the participants within the Pool. The Joint Committee does not have delegated authority to make binding decisions on behalf of the participating Councils.

Membership of the Joint Committee consists of one elected member from each participating council. The Vice Chair of the Pensions and Investments Committee represents Derbyshire on the LGPS Central Joint Committee.

**Shareholders' Forum:** to oversee the operation and performance of LGPS Central Ltd and to represent the ownership rights and interests of the shareholding councils with the LGPS Central Pool. Collective shareholder discussions take place in the Shareholders' Forum and aim to ensure that the Councils act in a unified way in company meetings, having agreed to a common set of principles. Unanimous decisions are required for certain reserved company matters. Shareholder Forum meetings are distinct from LGPS Central Ltd company meetings, however members of the Shareholders' Forum also represent the councils at company meetings.

Membership of the Shareholders' Forum consists of one representative from each shareholding council. The Chair of the Pensions and Investments Committee represents Derbyshire at the Shareholders' Forum and at LGPS Central Ltd company meetings. Decisions are made in advance of the Shareholders' Forum and company meetings to enable the Council's representative to vote at these meetings. Wherever possible, any matter regarding LGPS Central Ltd which requires a shareholder decision will be taken to the Pensions and Investments Committee for consideration. Where the timetable does not allow for this, decision making is delegated to the Director of Finance and ICT following consultation with the Chair of the Pensions and Investments Committee.

**Practitioners' Advisory Forum:** a working group of officers appointed by the shareholding councils within the Pool to support the delivery of the objectives of the Pool and to provide support for the Pool's Joint Committee and Shareholders' Forum. The Director of Finance and ICT, the Head of Pension Fund and the Investment Manager represent Derbyshire on the Practitioners' Advisory Forum as required.

## **Review and Compliance with Best Practice**

This Governance Policy and Compliance Statement will be kept under review and will be revised following any material change in the governance arrangements of the Pension Fund.

The 2013 Regulations require Administering Authorities to prepare and publish a statement which sets out the extent to which the governance arrangements of the



Fund comply with statutory guidance issued by the Secretary of State which is based on best practice principles. The Fund's statement is set out below:

| <b>Principle</b>                                                                                                                                                                                                                                                        | <b>Compliance</b>                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Structure</b>                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.                                                                                                   | <b>Compliant</b> The Pensions and Investments Committee is responsible for these functions under the Terms of Reference included in the Council's constitution.                                                                                                                                                                                                                                                                                       |
| The representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee.                                                                               | <b>Partially Compliant</b> Membership of the Pensions and Investments Committee includes two representatives from Derby City and two non-voting Trade Union representatives as well as eight representatives from the administering authority (also the largest employing body). In practice the Trade Union representatives tend to represent the interests of all scheme members. Membership and employer representation will be kept under review. |
| That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.                                                                                                                                       | <b>Not applicable</b>                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 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.                                                                                                | <b>Not applicable</b>                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Representation</b>                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> <li>Employing authorities (including non-scheme employers e.g. admitted bodies)</li> </ul> | <b>Partially Compliant</b> Membership of the Pensions and Investments Committee includes two representatives from Derby City and two non-voting Trade Union representatives, as well as eight representatives from the administering authority (also the largest employing body). In practice the Trade Union representatives tend to represent the interests of all scheme members.                                                                  |



|                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Scheme members (including deferred and pensioner scheme members)</li> <li>• Where appropriate, independent professional observers</li> <li>• Expert advisors (on an ad-hoc basis)</li> </ul>                         | <p>Membership and employer representation will be kept under review.</p> <p>The Fund's Independent Investment Advisor attends the investment related Pensions and Investments Committee meetings. Other independent experts attend meetings of the Committee as required e.g. the Fund's Actuary attends to discuss the triennial valuation.</p> <p>Derbyshire Pension Board includes two employer representatives (currently one represents a Parish Council and one represents an Admitted Body) and two member representatives.</p> |
| <p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to reports, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p> | <p><b>Partially Compliant</b> All members of the Pensions and Investments Committee receive the same meeting reports and have access to the same training that is delivered locally. To date, only certain members of the Committee have had access to the LGA Fundamentals Training. The effectiveness of offering this training to all members of the Committee is being assessed. All voting and non-voting members of the Committee are given full opportunity to contribute to the decision making process.</p>                   |
| <p><b>Selection and Role of Lay Members</b></p>                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>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.</p>                                                                                            | <p><b>Compliant</b> All members of the Pensions and Investments Committee receive training on the status, role and function they are required to perform when they join the Committee.</p>                                                                                                                                                                                                                                                                                                                                             |
| <p>That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>                                                                                              | <p><b>Compliant</b> Declarations of interest are required at each Pensions and Investments Committee meeting and recorded in the minutes of the meeting.</p>                                                                                                                                                                                                                                                                                                                                                                           |
| <p><b>Voting</b></p>                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>The policy on voting rights is clear and transparent, including the</p>                                                                                                                                                                                    | <p><b>Compliant</b> The policy on voting rights is clear and transparent. All</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

|                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| justification for not extending voting rights to each body or group represented on main LGPS committees.                                                                                                                                                     | elected members on the Pensions and Investments Committee have voting rights. The elected members represent employers, local taxpayers and scheme beneficiaries.                                                                                                                                                                                                                                              |
| <b>Training/Facility Time/Expenses</b>                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                               |
| That in relation to the way in which statutory and related decisions are taken by the administering authority, there is clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process. | <b>Compliant</b> The Fund has a training policy which applies to all members of the Pensions and Investments Committee and the Pension Board. A Training Plan has been developed based on self-assessment forms completed by the members of both bodies and a log of all training is maintained.<br>The reimbursement of member expenses is in line with the County Council's policy of member reimbursement. |
| 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.                                                                                                      | See above.                                                                                                                                                                                                                                                                                                                                                                                                    |
| That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.                                                                                                  | See above.                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Meetings</b>                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                               |
| That an administering authority's main committee or committees meets at least quarterly.                                                                                                                                                                     | <b>Compliant</b> The Pensions and Investments Committee meets eight times a year.                                                                                                                                                                                                                                                                                                                             |
| That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.                                                                                                  | <b>Not applicable</b>                                                                                                                                                                                                                                                                                                                                                                                         |
| That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.                                  | <b>Not applicable</b> However, an annual Employers' Forum is held to which all employing bodies are invited.                                                                                                                                                                                                                                                                                                  |
| <b>Access</b>                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                               |

|                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| That subject to any rules in the Council's constitution, all members of the 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.          | <b>Compliant</b> All members of the Pensions and Investments Committee (and the Pension Board) have the same access to committee papers, documents (excepting papers and documents relating to Derbyshire County Council employer matters which are only available to members of the Pensions and Investments Committee) and advice to be considered at the Pensions and Investments Committee.                                                                                                |
| <b>Scope</b>                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.                                                                                                                         | <b>Compliant</b> The Pensions Committee and the Investments Committee have been combined into the Pensions and Investments Committee which covers all aspects of investment, administration and governance. The Committee is now also supported by the Pension Board which assists with governance and administration matters.                                                                                                                                                                 |
| <b>Publicity</b>                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 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. | <b>Partially Compliant</b> The Governance Policy has previously been published on the Pension Fund area of the County Council's website. This Governance Policy and Compliance Statement will be attached to the relevant Pensions and Investments Committee report (published on the County Council's website) and published on the Pension Fund's newly developed website. The effectiveness of the new Pension Fund website in communicating with the Fund's stakeholders will be assessed. |

**Date approved by the P&IC 1 August 2018.**

## **INVESTMENT STRATEGY STATEMENT**

### **DERBYSHIRE PENSION FUND**

#### **Introduction**

This is the Investment Strategy Statement (“the ISS”) of the Derbyshire Pension Fund (“the Fund”), which is administered by Derbyshire County Council. The ISS is drawn up in compliance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”) and has been prepared following consultation with such persons as Derbyshire County Council considered appropriate.

The ISS will be reviewed following any material change in the factors which are judged to have a bearing on the stated investment policy and at least every three years as required by the Regulations.

The primary objective of the Fund is to ensure that over the long term the Fund will 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. The funding and investment strategies are, therefore, inextricably linked; the Funding Strategy Statement can be found on the Fund’s website.

#### **Fund Governance**

Derbyshire County Council is an administering authority for the Local Government Pension Scheme in accordance with Local Government Pension Scheme Regulations 2013. The Pensions and Investments Committee (“the Committee”) is responsible for discharging Derbyshire County Council’s statutory function as the administering authority for the Fund.

The Committee is responsible for determining the Fund’s investment policy, monitoring performance and overall stewardship of the Fund. Members of the Committee act in a similar manner to trustees and take advice from an independent adviser and the in-house investment managers. A significant proportion of the Fund’s investments are managed on an active basis by the Fund’s in-house team. Where the appropriate skills are not available internally, external managers are used.

In 2015, a Pensions Board was established which has a compliance and scrutiny role, responsible for ensuring that the administering authority is complying with its statutory duties.

## **Investment Objectives**

The Committee has determined an investment strategy that aims to maximise the returns from investments within acceptable levels of risk, contributes to the Fund having sufficient assets to cover the accrued benefits and enables employer contributions to be kept as stable as possible.

The investment strategy takes into account the following beliefs:

- A long term approach to investment will deliver better returns
- The long term nature of LGPS liabilities allows for a long term investment horizon
- Asset allocation is the most important factor in driving long term investment returns
- Liabilities influence the asset structure; funds exist to meet their obligations
- Risk premiums exist for certain investments; taking advantage of these can help to improve investment returns
- Markets can be inefficient, and mispriced for long periods of time; therefore there is a place for active and passive investment management
- Diversification across investments with low correlation improves the risk/return profile
- Secure and growing income streams underpin the ability to meet future liabilities
- Responsible investment can enhance long term investment performance
- Investment management costs should be minimized where possible but net investment returns after costs are the most important factor

## **Strategic Asset Allocation Benchmark**

The Committee aims to balance risk and reward by apportioning the Fund's assets over a range of asset classes to achieve the Fund's goals, to manage risk and to match the investment horizons. The objective is to generate a return that is at least equal to the discount rate used in the actuarial valuation in order to meet the Fund's liabilities. The actuarial valuation at 31<sup>st</sup> March 2016 has been prepared on the basis of a discount rate of 4.0% compared with a discount rate of 4.6% for the actuarial valuation at 31<sup>st</sup> March 2013. The lower discount rate reflects lower expected investment returns going forward.

The Committee has agreed a Strategic Asset Allocation Benchmark ("the Benchmark") for the Fund which takes into account the required level of return and the Committee's views on the appropriate balance between generating long term investment returns and exposure to investment risk. The Benchmark includes a wide variety of asset classes, in order to diversify sources of risk and return, and equity

allocations spread by geographic regions. It takes into account the future expected returns from the different asset classes, the historic levels of volatility of each asset class and the level of correlation between the asset classes.

The asset allocation of the Fund is reviewed on a quarterly basis, and tactical positions around the Benchmark are agreed by the Committee following advice from the Fund's in-house investment managers and the Fund's external adviser.

The Benchmark and the permitted ranges for tactical allocations are set out in the following table:

| Asset Category      | Asset Allocation | Permitted Range | Specific Performance Benchmark            |
|---------------------|------------------|-----------------|-------------------------------------------|
| <b>Equities</b>     | <b>58.0%</b>     | <b>+/- 8%</b>   |                                           |
| UK Equities         | 25.0%            | +/- 6%          | FTSE All Share                            |
| Overseas Equities   | 33.0%            | +/- 6%          |                                           |
| N. America          | 12.0%            | +/- 4%          | FTSE World N America                      |
| Europe              | 9.0%             | +/- 4%          | FTSE AW Developed Europe Ex-UK Net        |
| Japan               | 5.0%             | +/- 2%          | FTSE World Japan                          |
| Pacific ex-Japan    | 4.0%             | +/- 2%          | FTSE All World Asia-Pacific ex Japan      |
| Emerging Markets    | 3.0%             | +/- 2%          | FTSE Emerging Markets                     |
| <b>Bonds</b>        | <b>22.0%</b>     | <b>+/- 5%</b>   |                                           |
| Fixed Income        | 5.5%             | +/- 3%          | FTSE UK Gov Fixed All Stocks              |
| Index Linked        | 6.5%             | +/- 3%          | FTSE UK I-L All Stocks                    |
| Non-government      | 6.0%             | +/- 3%          | BAML £ Corp Bonds                         |
| Multi-Asset Credit  | 4.0%             | +/- 2%          | LIBOR 3m + 3%                             |
| <b>Property</b>     | <b>9.0%</b>      | <b>+/- 3%</b>   |                                           |
| Direct              | 5.0%             | +/- 2%          | IPD UK Quarterly Property Index           |
| Indirect            | 4.0%             | +/- 2%          | AREF/IPD UK Quarterly Property Fund Index |
| <b>Alternatives</b> | <b>9.0%</b>      | <b>+/- 3%</b>   |                                           |
| Infrastructure      | 5.0%             | +/- 2%          | LIBOR 3m + 2%                             |
| Private Equity      | 4.0%             | +/- 2%          | FTSE All Share +1%                        |
| <b>Cash</b>         | <b>2.0%</b>      | <b>0 – 8%</b>   | Sterling 7 Day LIBID                      |

## Asset Classes

All financial instruments are open to consideration by the Committee. The Fund currently invests in quoted and unquoted securities of UK and overseas markets including equities, government and non-government bonds, multi-asset credit, property, infrastructure and cash either directly or via pooled vehicles. Derivatives are used to hedge the currency exposure of the overseas government bond holdings. The use of derivatives may be extended further in the future for the purpose of efficient portfolio management or to hedge other specific risks. The introduction of any new financial instrument/asset class or any extended use of derivatives will only be considered by the Committee following the receipt of appropriate training and advice from suitably qualified persons.

## **Equities**

Equities are classed as growth assets with the potential to provide returns in excess of inflation from growth in both capital values and income. Reinvested income accounts for a large proportion of long term equity returns. As equity returns are linked to company revenues and profits, investing in equities increases exposure to volatility. Investors expect to be compensated for that volatility by higher returns.

Over the last 50 years, in the UK, equities have provided a real return (after inflation) of 5.6% pa, compared with a real return of 2.9% from government bonds and 1.4% from cash. In the US, the respective real returns over the same period were 5.3% from equities, 3.4% from government bonds and 0.8% from cash<sup>2</sup>. Despite the increasing correlation between the majority of developed equity markets, investing in different geographic regions still provides portfolio diversification and investing in emerging markets generally provides access to higher economic growth rates and exposure to different economic drivers of return.

## **Bonds**

Bonds offer predictable streams of income and predictable returns if held to maturity. They are held as stabilising assets to reduce volatility and to provide diversification. As pension funds mature they can be used to provide liquidity and to match liabilities as they fall due.

The Fund holds conventional, index-linked and corporate bonds and within multi-asset credit it holds private debt, high yield debt and asset-backed securities. Index linked bonds are regarded as a particularly good match for pension fund liabilities. The majority of the Fund's government bond holdings are issued by the government of the United Kingdom; the currency exposure of any overseas sovereign bonds holdings is hedged to sterling.

## **Property**

Property investments have traditionally been split between three different sectors: office; retail and industrial. Increasingly within the asset management industry, exposure to niche sectors such as student accommodation and exposure to debt secured against property assets is also included with the property asset class. Returns from this asset class come from rental income and the change in market values. Rental income has accounted for a large proportion of total returns over the long term. Given the relative stability of rental income, which gives property bond like characteristics, the returns from property are generally expected to fall between the returns from equities and those from bonds.

Property investment can be done directly via the purchase of physical properties or indirectly via the purchase of pooled vehicles or property company shares. The

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<sup>2</sup> Source: Barclays Equity Gilt Study 2016

majority of the Fund's property exposure is gained via direct investment; pooled vehicles are used to gain exposure to niche sectors and overseas assets. The Fund's exposure to property debt is currently contained within the allocation to corporate bonds.

## **Alternatives**

Alternatives include infrastructure, private equity, hedge funds, commodities and pooled multi-asset funds (also known as diversified growth funds). The Fund has exposure to infrastructure and private equity.

Infrastructure offers access to long term predictable cash flows, which are often linked to inflation. A low correlation to the business cycle and the other major asset classes provides diversification benefits and long investment horizons. The majority of the Fund's infrastructure investments are in developed European core assets (long term assets with regulated returns) and social PFI concessions (typically schools, hospitals and military accommodation).

Private equity investment refers to investment in unquoted, privately owned companies. Investors expect to receive an illiquidity premium for investing in this asset class and target returns above those expected from publicly quoted equities. Returns from private equity primarily come from capital growth rather than income when investments are exited (realised) following a period of business growth/transformation. Private equity offers access to a broader universe of companies than the publicly quoted space.

## **Risk**

The overall risk for the Fund is that its assets will be insufficient to meet its liabilities. The Funding Strategy Statement, which is drawn up following the triennial actuarial valuation of the Fund, sets out how any deficit in assets compared with liabilities is to be addressed.

Underlying the overall risk, the Fund is exposed to demographic risks, regulatory risks, governance risks and financial risks (including investment risk). The measures taken by the Fund to control these risks are included in the Funding Strategy Statement and are reviewed periodically by the Committee via the Fund's risk register. The primary investment risk is that the Fund fails to deliver the returns anticipated in the actuarial valuation over the long term. The Committee anticipates expected market returns on a prudent basis to reduce the risk of underperforming expectations.

It is important to note that the Fund is exposed to external, market driven, fluctuations in asset prices which affect the liabilities (liabilities are estimated with reference to



government bond yields) as well as the valuation of the Fund's assets. Holding a proportion of the assets in government bonds helps to mitigate the effect of falling bond yields on the liabilities to a certain extent. Further measures taken to control/mitigate investment risks are set out in more detail below:

### **Concentration**

The Committee manages the risk of exposure to a single asset class by holding different categories of investments (e.g. equities, bonds, property, alternatives and cash) and by holding a diversified equity portfolio spread by both geography and market sectors. Each asset class is managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the Benchmark, which has been designed to meet the required level of return with an appropriate level of exposure to risk, taking into consideration the level of correlation between the asset classes.

### **Volatility**

The Benchmark contains a high proportion of equities with a commensurate high degree of volatility. The strong covenant of the major employing bodies enables the Committee to take a long term perspective and to access the forecast inflation plus returns from equities.

### **Performance**

Investment managers are expected to outperform the individual asset class benchmarks detailed in the overall Strategic Asset Allocation Benchmark. The Fund's performance is measured by an independent provider and reported to the Committee on a quarterly basis. The Committee takes a long term approach to the evaluation of investment performance but will take steps to address persistent underperformance.

### **Illiquidity**

Close attention is paid to the Fund's projected cash flows; the Fund is currently cash flow positive, in that annually there is an excess of cash paid into the Fund from contributions and investment income after pension benefits are paid out. The Fund expects to be cash flow positive for the short to medium term. Despite the growing proportion of illiquid investments in the Fund, a large proportion of the assets are held in liquid assets and can be realised quickly, in normal circumstances, in order for the Fund to pay its immediate liabilities.

## **Currency**

The Fund's liabilities are denominated in sterling which means that investing in overseas assets exposes the Fund to a degree of currency risk. The Committee regards the currency exposure associated with investing in overseas equities as part of the return on the overseas equities; the currency exposure on overseas bonds is hedged back to sterling.

## **Stock Lending**

The Fund does not currently participate in any stock-lending arrangements but is likely to in the future as part of the LGPS Central pool. The Committee will ensure that robust controls are in place to protect the security of the Fund's assets before entering into any stock lending arrangements.

## **Custody**

The risk of losing economic rights to the Fund's assets is managed by the use of a global custodian for custody of the assets, regular scrutiny of the Fund's providers, and the maintenance of independent investment accounting records.

## **LGPS Central**

The Fund is building the LGPS Central pool ("the Pool"), in accordance with Government requirements, with the LGPS funds of Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands, the West Midlands Integrated Transport Authority and Worcestershire. The Pool is expected to deliver lower investment costs and greater investment capability. Lower investment costs will come from the consolidation of segregated mandates, reduced use of pooled vehicles and fund of fund vehicles, a switch from Indirect to Direct property and more competitive fees for Alternatives achieved through increased scale.

The Government has formally accepted the proposal set out by the participating funds for the LGPS Central pool in its July 2016 submission. The eight administering authorities of LGPS Central will be equal shareholders of the company. A Shareholders' Forum, comprising one elected Member from each of the participating administering authorities, will act as the supervisory body of the Pool and will fulfil the shareholders' role in ensuring that the company is managed efficiently and effectively.

A Joint Committee, set up in accordance with provisions of the Local Government Act 1972, will be the forum for dealing with common investor issues and for collective monitoring of the performance of the Pool against the objectives set out in the LGPS Central business case submission. To support the Joint Committee and the Shareholders' Forum, a Practitioners' Advisory Forum will be created, consisting of Officers from each of the individual Funds. This forum will provide day-to-day oversight of the Operator, scrutinizing investment performance and investment costs, monitoring customer service and the delivery of wider investor services, such as voting and responsible investment.

The Fund expects to invest all its assets through the Pool from April 2018, with the exception of cash. Virtually all of the existing assets are expected to be transferred into the Pool in April 2018 although it will take some time for the Pool to restructure the assets into appropriate collective vehicles within the Pool. Once the assets have been restructured, each Fund will own units in the relevant collective vehicles. For some illiquid assets which may prove too costly to transfer into the Pool, LGPS Central will take over oversight of those assets from April 2018.

## **Responsible Investment**

Responsible investment is an approach to investment that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long term returns.<sup>3</sup>

The Committee believes that responsible investment covers both incorporating ESG factors into the investment process and Fund stewardship and governance through considered voting and engagement with investee companies.

Effective management of financially material ESG risks should support the requirement to protect investment returns over the long term. The Fund's investment team seek to understand relevant ESG factors alongside conventional financial considerations within the investment process, and the Fund's external investment managers are expected to do the same. Non-financial factors may be considered to the extent that they are not detrimental to the investment return.

A strategy of engagement with companies, rather than negative screening to exclude stocks from the portfolio on ESG/ethical grounds, is more compatible with the administering authority's fiduciary duties and supports responsible investment.

Membership of the Local Authority Pension Fund Forum (LAPFF) helps Derbyshire Pension Fund to engage with companies to understand the issues and to promote best practice. LAPFF was set up in 1991 and is a voluntary association of 71 Local Authority pension funds based in the UK with combined assets of approximately £175bn. It exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote high standards of corporate governance and corporate responsibility amongst the companies in which they invest.

Collective pressure from investors via organisations such as the LAPFF has helped to encourage listed companies to enhance their corporate governance and to improve their environmental and social impacts. The Fund attaches great importance to the exercise of voting rights and currently casts votes in respect of its directly held equity investments in the United Kingdom and North America.

The Committee has appointed Institutional Shareholder Services, a third party voting agency to provide voting services for its directly held UK equity investments. Voting is carried out in line recommendations from ISS, whose voting principles cover four key

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<sup>3</sup> UN Principles for Responsible Investing

tenets on accountability, stewardship, independence and transparency. The Fund also periodically receives voting alerts from the LAPFF on certain resolutions. If the voting alert from the LAPFF conflicts with the ISS recommendation, due consideration is given to all the arguments before the vote is cast. A report to review the Fund's voting activity is taken to the Committee on a quarterly basis.

The Fund has appointed Wellington Management ("Wellington") in a discretionary capacity to manage its directly held North American investments, including voting in line with local practice. Wellington have policies and procedures to ensure that they collect and analyse all relevant information for each meeting, applying their proxy voting guidelines accurately and executing votes in a timely manner.

The Committee supports the Stewardship Code as published by the Financial Reporting Council and expects both the LGPS Central pool and any directly appointed fund managers to comply with the Stewardship Code.

**Approved by Pensions and Investments Committee 20 March 2017.**

# Derbyshire Pension Fund

2016 Actuarial Valuation

Valuation Report

31 March 2017

Geoff Nathan  
Richard Warden

Fellows of the Institute and Faculty of Actuaries  
For and on behalf of Hymans Robertson LLP



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Hymans Robertson LLP has carried out an actuarial valuation of the Derbyshire Pension Fund (“the Fund”) as at 31 March 2016, details of which are set out in the report dated 31 March 2017 (“the Report”), addressed to the Administering Authority of the Fund, Derbyshire County Council (“the Client”). The Report was prepared for the sole use and benefit of our Client and not for any other party; and Hymans Robertson LLP makes no representation or warranties to any third party as to the accuracy or completeness of the Report.

The Report was not prepared for any third party and it will not address the particular interests or concerns of any such third party. The Report is intended to advise our Client on the past service funding position of the Fund at 31 March 2016 and employer contribution rates from 1 April 2017, and should not be considered a substitute for specific advice in relation to other individual circumstances.

As this Report has not been prepared for a third party, no reliance by any party will be placed on the Report. It follows that there is no duty or liability by Hymans Robertson LLP (or its members, partners, officers, employees and agents) to any party other than the named Client. Hymans Robertson LLP therefore disclaims all liability and responsibility arising from any reliance on or use of the Report by any person having access to the Report or by anyone who may be informed of the contents of the Report.

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## Executive summary

We have carried out an actuarial valuation of the Derbyshire Pension Fund ('the Fund') as at 31 March 2016. The results are presented in this report and are briefly summarised below.

### Funding position

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

|                          | 31 March 2013 | 31 March 2016 |
|--------------------------|---------------|---------------|
| Past Service Position    | (£m)          | (£m)          |
| Past Service Liabilities | 3,784         | 4,236         |
| Market Value of Assets   | 3,121         | 3,672         |
| Surplus / (Deficit)      | (663)         | (564)         |
|                          |               |               |
| <b>Funding Level</b>     | <b>82%</b>    | <b>87%</b>    |

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

### Contribution rates

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

| Primary Rate (% of pay)<br>1 April 2017 - 31 March 2020 | 2017/18    | 2018/19    | 2019/20    |
|---------------------------------------------------------|------------|------------|------------|
| 17.1%                                                   | 19,457,000 | 19,379,000 | 19,289,000 |

The Primary rate also includes an allowance of 0.3% of pensionable pay for the Fund's expenses.

The average employee contribution rate is 6.1% of pensionable pay.

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

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



The minimum contributions to be paid by each employer from 1 April 2017 to 31 March 2020 are shown in the Rates and Adjustment Certificate in **Appendix H**.



# 1 Introduction

We have carried out an actuarial valuation of the Derbyshire Pension Fund (“the Fund”) as at 31 March 2016 under Regulation 62 of The Local Government Pension Scheme Regulations 2013 (“the Regulations”). The purpose of the valuation is to assess the value of the assets and liabilities of the Fund as at 31 March 2016 and to calculate the required rate of employers’ contributions to the Fund for the period from 1 April 2017 to 31 March 2020.

## Valuation Report

This report records the high level outcomes of the actuarial valuation as at 31 March 2016. The valuation report is prepared by the actuary to the Fund and is addressed to Derbyshire County Council as the Administering Authority to the Fund.

## Component reports

This document is part of an “aggregate” report, i.e. it is the culmination of various “component” reports and discussions, in particular:

- Correspondence relating to data including the Data Report.
- The Initial Results presentation (dated 26 October 2016) which outlined the whole fund results;
- The formal agreement by the Administering Authority of the actuarial assumptions used in this document, at a meeting dated 26 October 2016;
- The contribution modelling carried out for employers, as detailed in our report and presentation to the Administering Authority of 13 December 2016;
- The Funding Strategy Statement, confirming the different contribution rate setting approaches for different types of employer or in different circumstances.

## 2 Valuation Approach

The valuation is a planning exercise for the Fund, to assess the monies needed to meet the benefits owed to its members as they fall due. As part of the valuation process the Fund reviews its funding strategy to ensure that an appropriate contribution plan and investment strategy is in place.

It is important to realise that the actual cost of the pension fund (i.e. how much money it will ultimately have to pay out to its members in the form of benefits) is unknown. This cost will not be known with certainty until the last benefit is paid to the last pensioner. The purpose of this valuation is to estimate what this cost will be, so that the Fund can then develop a funding strategy to meet it.

Setting the funding strategy for an open defined benefit pension fund such as Derbyshire Pension Fund is complex. Firstly, the time period is very long; benefits earned in the LGPS today will be paid out over a period of the next 80 years or more and it remains open to new joiners and accrual of benefits. Secondly, the LGPS remains a defined benefit scheme so there are significant uncertainties in the final cost of the benefits to be paid. Finally, in order to reduce employer costs, Derbyshire Pension Fund invests in a return seeking investment strategy which can result in high levels of asset volatility.

Such a valuation can only ever be an estimate – as the future cannot be predicted with certainty. However, as actuaries, we can use our understanding of the Fund and the factors that affect it to set the pace of funding in conjunction with the Administering Authority. The pace of this funding can vary according to the level of prudence that is built into the valuation method and assumptions.

The valuation approach adopted recognises the uncertainties and risks posed to funding by the factors discussed above and follows the process outlined below.

Step 1: The Fund sets a funding target (or funding basis) which defines the target amount of assets to be held to meet the future cashflows. The assumptions underlying the funding target are discussed further in the next section. A measurement is made at the valuation date to compare the assets held with the funding target.

Step 2: The Fund sets the time horizon over which the funding target is to be reached

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon. More detail on this risk based approach to setting contribution rates can be found in **Appendix C**.

For this valuation, as for the previous valuation, our calculations identify separately the expected cost of members' benefits in respect of scheme membership completed before the valuation date ("past service") and that which is expected to be completed after the valuation date ("future service").

### Past service

The principal measurement here is the comparison of the funding position at the valuation date against the funding target. The market value of the Fund's assets as at the valuation date are compared against the value placed on the Fund's liabilities in today's terms (calculated using a market-based approach). By maintaining a link to the market in both cases, this helps ensure that the assets and liabilities are valued in a consistent manner. Our calculation of the Fund's liabilities also explicitly allows for expected future pay and pension

increases. The assumptions used in the assessment of the funding position at the valuation date are detailed in the next section.

The funding level is the ratio of assets to liabilities at the valuation date. A funding level of less/more than 100% implies that there is a deficit/surplus in the Fund at the valuation date against the funding target.

Funding plans are set to eliminate any deficit (or surplus) over the set time horizon and therefore get back to a funding level of 100%. To do so, additional contributions may be required to be paid into the Fund; these contributions are known as the “secondary rate”.

### Future service

In addition to benefits that have already been earned by members prior to the valuation date, employee members will continue to earn new benefits in the future. The cost of these new benefits must be met by both employers and employees. The employers’ share of this cost is known as the “primary rate”.

The primary rates for employers are determined with the aim of meeting the funding target in respect of these new benefits at the end of the set time horizon with an appropriate likelihood of success. The primary rate will depend on the profile of the membership (amongst other factors). For example, the rate is higher for older members as there is less time to earn investment returns before the member’s pension comes into payment.

The methodology for calculating the primary rate will also depend on whether an employer is open or closed to new entrants. A closed employer will have a higher rate as we must allow for the consequent gradual ageing of the workforce.

For the reasons outlined above regarding the uncertainty of the future, there is no guarantee that the amount paid for the primary rate will be sufficient to meet the cost of the benefits that accrue. Similarly, there is no guarantee that the secondary contributions will result in a 100% funding level at the end of the time horizon. Further discussion of this uncertainty is set out in **Appendix C**.

### 3 Assumptions

Due to the long term nature of the Fund, assumptions about the future are required to place a value of the benefits earned to date (past service) and the cost of benefits that will be earned in the future (future service).

Broadly speaking, our assumptions fall into two categories when projecting and placing a value on the future benefit payments and accrual – financial and demographic.

Demographic assumptions typically try to forecast **when** benefits will come into payment and what form these will take. For example, when members will retire (e.g. at their normal retirement age or earlier), how long they will then survive and whether a dependant's pension will be paid. In this valuation of the Fund, we use a single agreed set of demographic assumptions which is set out below and in more detail in **Appendix E**.

Financial assumptions typically try to anticipate the **size** of these benefits. For example, how large members' final salaries will be at retirement and how their pensions will increase over time. In addition, the financial assumptions also help us to estimate how much all these benefits will cost the Fund in today's money by making an assumption about the return on the Fund's investments in the future.

For measuring the funding position, the liabilities of the Fund are reported on a single constant set of financial assumptions about the future, based on financial market data as at 31 March 2016.

However, when we assess the required employer contributions to meet the funding target, we use a model that calculates the contributions required under 5000 different possible future economic scenarios. Under these 5000 different economic scenarios, key financial assumptions about pension increases and Fund investment returns vary across a wide range. More information about these types of assumptions is set out in **Appendix F**.

#### Financial assumptions

##### Discount rate

In order to place a current value on the future benefit payments from the Fund, an assumption about future investment returns is required in order to “discount” future benefit payments back to the valuation date. In setting the discount rate the Fund is determining the extent to which it relies on future investment returns required to meet benefit payments in excess of the monies already held at the valuation date.

For a funding valuation such as this, the discount rate is required by Regulations to incorporate a degree of prudence. The discount rate is therefore set by taking into account the Fund's current and expected future investment strategy and, in particular, how this strategy is expected to outperform the returns from Government bonds over the long term. The additional margin for returns in excess of that available on Government bonds is called the Asset Outperformance Assumption (AOA).

The selection of an appropriate AOA is a matter of judgement and the degree of risk inherent in the Fund's investment strategy should always be considered as fully as possible.

There has been a downward shift in the expected returns on many asset classes held by the Fund since the 2013 valuation. Following modelling, analysis and discussion reported in the “2016 Valuation Asset Outperformance Assumption Report” dated 29 February 2016, the

Fund is satisfied that an AOA of 1.8% p.a. is a prudent assumption for the purposes of this valuation.

### Price inflation/pension increases

Pension (both in payment and deferment) benefit increases and the revaluation of career-average earnings are in line with Consumer Price Index (CPI) inflation. As there continues to be no deep market for CPI linked financial instruments, the Fund derives the expected level of future CPI with reference to the Retail Price Index (RPI).

Due to further analysis of the CPI since 2013, the Fund expects the average long term difference between RPI and CPI to be 1.0% p.a. compared with 0.8% p.a. at the 2013 valuation.

At the previous valuation, the assumption for RPI was derived from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. At this valuation, the Fund continues to adopt a similar approach.

### Salary increases

Due to the change to a CARE scheme from 2014, there is now a closed group of membership in the Fund with benefits linked to final salary. The run-off of this final salary linked liability was modelled, taking into account the short-term restrictions in public sector pay growth.

The results of this modelling and analysis were reported in the “2016 Valuation Pay Growth Assumption” paper dated 9 February 2016. Based on the results of this modelling the Fund set a salary growth assumption of RPI - 0.5%. This reflects both short term pay constraints and the belief that general economic growth and hence pay growth may be at a lower level than historically experienced for a prolonged period of time.

Note that this assumption is made in respect of the general level of salary increases (e.g. as a result of inflation and other macroeconomic factors). We also make a separate allowance for expected pay rises granted in the future as a result of promotion. This assumption takes the form of a set of tables which model the expected promotional pay awards based on each member’s age and class. Please see **Appendix E**.

A summary of the financial assumptions underpinning the target funding basis and adopted during the assessment of the liabilities of the Fund as at 31 March 2016 (alongside those adopted at the last valuation for comparison) are shown below.

| Financial assumptions                    | 31 March 2013 | 31 March 2016 |
|------------------------------------------|---------------|---------------|
| Discount rate                            |               |               |
| Return on long-dated gilts               | 3.0%          | 2.2%          |
| Asset Outperformance Assumption          | 1.6%*         | 1.8%**        |
| <b>Discount rate</b>                     | <b>4.6%</b>   | <b>4.0%</b>   |
| Benefit increases                        |               |               |
| Retail Prices Inflation (RPI)            | 3.3%          | 3.2%          |
| Assumed RPI/CPI gap                      | (0.8%)*       | (1.0%)**      |
| <b>Benefit increase assumption (CPI)</b> | <b>2.5%</b>   | <b>2.1%</b>   |
| Salary increases                         |               |               |
| Retail Prices Inflation (RPI)            | 3.3%          | 3.2%          |
| Increases in excess of RPI               | 0.0%*         | (0.5%)**      |
| <b>Salary increase assumption</b>        | <b>3.3%</b>   | <b>2.7%</b>   |

\*Arithmetic addition

\*\*Geometric addition

## Demographic assumptions

### Longevity

The main demographic assumption to which the valuation results are most sensitive is that relating to the longevity of the Fund's members. For this valuation, the Fund has adopted assumptions which give the following sample average future life expectancies for members:

|        |                | 31 March 2013 | 31 March 2016 |
|--------|----------------|---------------|---------------|
| Male   | Pensioners     | 22.0 years    | 21.9 years    |
|        | Non-pensioners | 24.1 years    | 23.9 years    |
| Female | Pensioners     | 24.2 years    | 24.4 years    |
|        | Non-pensioners | 26.6 years    | 26.5 years    |

Further details of the longevity assumptions adopted for this valuation can be found in **Appendix E**. Note that the figures for actives and deferreds assume that they are aged 45 at the valuation date.

### Other demographic assumptions

We are in the unique position of having a very large local authority data set from which to derive our other demographic assumptions. We have analysed the trends and patterns that are present in the membership of local authority funds and tailored our demographic assumptions to reflect LGPS experience.

Details of the other demographic assumptions adopted by the Fund are set out in **Appendix E**.

### Further comments on the assumptions

As required for Local Government Pension Scheme valuations, our approach to this valuation must include a degree of prudence. This has been achieved by explicitly allowing for a margin of prudence in the AOA.

For the avoidance of doubt, we believe that all other proposed assumptions represent the "best estimate" of future experience. This effectively means that there is a 50% chance that future experience will be better or worse than the chosen assumption.

Taken as a whole, we believe that our proposed assumptions are more prudent than the best estimate.

The actuarial assumptions underlying the Scheme Advisory Board's Key Performance Indicators are viewed as best estimate. Using these best estimate assumptions, the assessed funding position as at 31 March 2016 would have been 103%.

### Assets

We have taken the assets of the Fund into account at their bid value as informed to us by the Administering Authority.

In our opinion, the basis for placing a value on members' benefits is consistent with that for valuing the assets - both are related to market conditions at the valuation date

## 4 Results

The Administering Authority has prepared a Funding Strategy Statement which sets out its funding objectives for the Fund. In broad terms, the main valuation objectives are to hold sufficient assets in the Fund to meet the assessed cost of members' accrued benefits on the target funding basis ("the Funding Objective") and to set employer contributions which ensure both the long term solvency and the long term cost efficiency of the Fund ("the Contribution Objective").

### Funding Position Relative to Funding Target

In assessing the extent to which the Funding Objective was met at the valuation date, we have used the actuarial assumptions described in the previous section of this report for the target funding basis and the funding method also earlier described. The table below compares the value of the assets and liabilities at 31 March 2016. The 31 March 2013 results are also shown for reference.

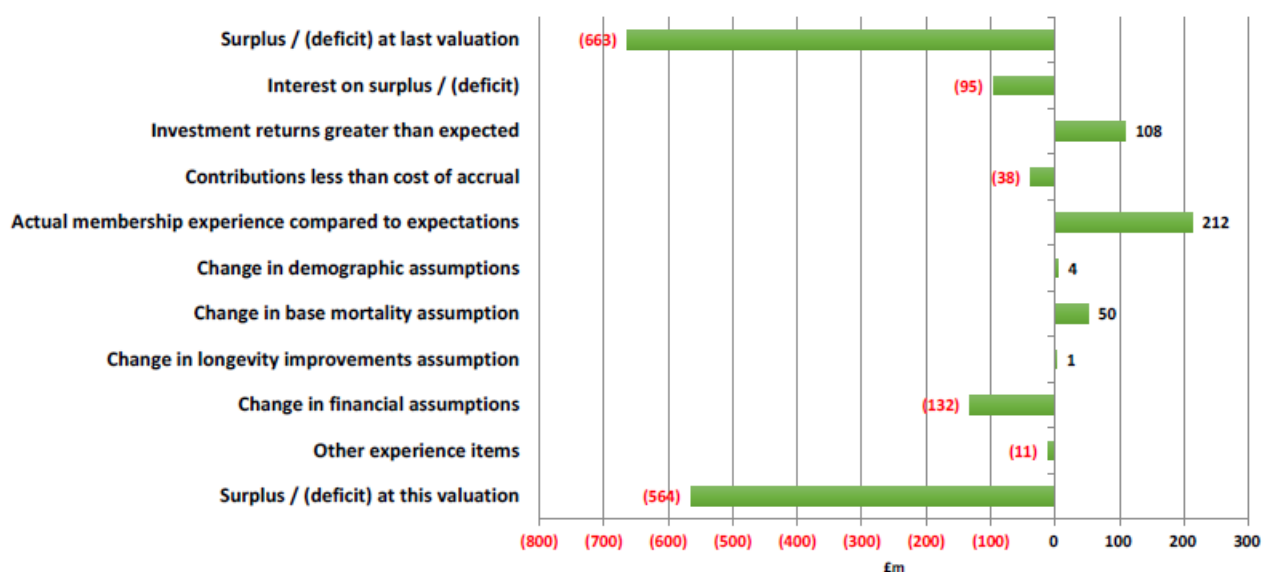
A funding level of 100% would correspond to the Funding Objective being met at the valuation date.

| Valuation Date                  | 31 March 2013 | 31 March 2016 |
|---------------------------------|---------------|---------------|
| <b>Past Service Liabilities</b> | <b>(£m)</b>   | <b>(£m)</b>   |
| Employees                       | 1,681         | 1,703         |
| Deferred Pensioners             | 557           | 758           |
| Pensioners                      | 1,546         | 1,776         |
| <b>Total Liabilities</b>        | <b>3,784</b>  | <b>4,236</b>  |
| <b>Assets</b>                   | <b>3,121</b>  | <b>3,672</b>  |
| <b>Surplus / (Deficit)</b>      | <b>(663)</b>  | <b>(564)</b>  |
| <b>Funding Level</b>            | <b>82%</b>    | <b>87%</b>    |

The Funding Objective was not met: there was a shortfall of assets relative to the assessed cost of members' benefits on the target funding basis of £564m.

### Summary of changes to the funding position

The chart below illustrates the factors that caused the changes in the funding position between 31 March 2013 and 31 March 2016:





Further comments on some of the items in this chart:

- There is an interest cost of £95m. This is broadly three years of compound interest at 4.6% p.a. applied to the previous valuation deficit of £663m (and can be thought of as the investment return that would have been achieved on the extra assets the Fund would have held if fully funded).
- Investment returns being higher than expected since 2013 lead to a gain of £108m. This is roughly the difference between the actual three-year return (18.2%) and expected three-year return (14.4%) applied to the whole fund assets from the previous valuation of £3,121m, with a differences for further allowance made for cashflows during the period.
- The membership experience of the Fund has differed to the assumptions made at the 2013 valuation. The table below summarises the significant factors that underlie these

|                                       | Expected | Actual | Difference | Impact   |
|---------------------------------------|----------|--------|------------|----------|
| <b>Pre-retirement experience</b>      |          |        |            |          |
| Early leavers (no.of lives)           | 13,622   | 11,705 | (1,917)    | Negative |
| Ill-health retirements* (no.of lives) | 528      | 136    | (392)      | Positive |
| Salary increases (p.a.)               | 4.9%     | 2.8%   | (2.1%)     | Positive |
| <b>Post-retirement experience</b>     |          |        |            |          |
| Benefit increases (p.a.)              | 2.5%     | 1.3%   | (1.2%)     | Positive |
| Pensions ceasing (£m)                 | 7.3      | 8.0    | 0.7        | Positive |

\*Tier1 and Tier 2 ill-health retirements only

- The impact of the change in demographic assumptions has been a gain of around £4m.
- The change in mortality assumptions (baseline and improvements) has given rise to a gain of £51m. .
- The change in financial assumptions since the previous valuation has led to a loss of £132m. This is due to a decrease in the real discount rate between 2013 and 2016. This has partially been offset by the increase to 1.0% p.a. of the assumed gap between RPI and CPI and a reduction in the expected future salary growth for benefits linked to final salary.
- Other experience items, such as changes in the membership data, have served to increase the deficit at this valuation by around £11m.

### Employer Contribution Rates

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates.

For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon. These rates have been assessed using a financial model that assesses the funding outcome for the employer under 5000 different possible future economic scenarios where the key financial assumptions about pension increases and investment returns vary. The employer contribution rates have been set to achieve the funding target over the agreed time horizon and with the appropriate likelihood of success. The time horizon and the likelihood parameters vary by employer

according to each employer's characteristics. These parameters are set out in the Funding Strategy Statement and have been communicated to employers. More information about the methodology used to calculate the contribution rates is set out in **Appendix C**.

The employer contributions payable from 1 April 2017 are given in **Appendix H**, and these have been devised in line with the Funding Strategy Statement: see **section 6**.

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

| Primary Rate (% of pay)<br>1 April 2017 - 31 March 2020 | Secondary Rate (£) |            |            |
|---------------------------------------------------------|--------------------|------------|------------|
|                                                         | 2017/18            | 2018/19    | 2019/20    |
| 17.1%                                                   | 19,457,000         | 19,379,000 | 19,289,000 |

The Primary rate also includes an allowance of 0.3% of pensionable pay for the Fund's expenses.

The average employee contribution rate is 6.1% of pensionable pay. Note that the employee contribution rate includes any additional contributions being paid by employees as at 31 March 2016 into the Fund.

The table below shows the Fund "Common Contribution rate" as at 31 March 2013 for information purposes. **Although note that the change in regulatory regime and guidance on contribution rates means that a direct comparison to the whole fund rate at 2016 is not appropriate.**

| Contribution Rates                                       | 31 March 2013 |
|----------------------------------------------------------|---------------|
|                                                          | (% of pay)    |
| Employer future service rate (incl. expenses)            | 20.5%         |
| Past Service Adjustment                                  | 7.4%          |
| <b>Total employer contribution rate (incl. expenses)</b> | <b>27.9%</b>  |
| Employee contribution rate                               | 6.0%          |
| Expenses                                                 | 0.2%          |

## 5 Risk Assessment

The valuation results depend critically on the actuarial assumptions that are made about the future of the Fund. If all of the assumptions made at this valuation were exactly borne out in practice then the results presented in this document would represent the true cost of the Fund as it currently stands at 31 March 2016.

However, no one can predict the future with certainty and it is unlikely that future experience will exactly match the assumptions. The future therefore presents a variety of risks to the Fund and these should be considered as part of the valuation process. In particular:

- The main risks to the financial health of the Fund should be **identified**.
- Where possible, the financial significance of these risks should be **quantified**.
- Consideration should be given as to how these risks can then be **controlled** or **mitigated**.
- These risks should then be **monitored** to assess whether any mitigation is actually working.

This section investigates the potential implications of the actuarial assumptions not being borne out in practice.

Set out below is a brief assessment of the main risks and their effect on the valuation past service funding position results.

### Sensitivity of past service funding position results to changes in assumptions

The table below gives an indication of the sensitivity of the funding position to small changes in two of the main financial assumptions used:

| Discount Rates | Benefit Increases & CARE Revaluation |       |       |               |               |
|----------------|--------------------------------------|-------|-------|---------------|---------------|
|                | (£m)                                 | 1.9%  | 2.1%  | 2.3%          |               |
|                | 4.2%                                 | 3,968 | 4,088 | 4,213         | Liabilities   |
|                |                                      | 3,672 | 3,672 | 3,672         | Assets        |
|                |                                      | (296) | (417) | (541)         | (Deficit)     |
|                |                                      | 93%   | 90%   | 87%           | Funding Level |
|                | 4.0%                                 | 4,111 | 4,236 | 4,365         | Liabilities   |
|                |                                      | 3,672 | 3,672 | 3,672         | Assets        |
|                |                                      | (439) | (564) | (693)         | (Deficit)     |
|                |                                      | 89%   | 87%   | 84%           | Funding Level |
|                | 3.8%                                 | 4,260 | 4,390 | 4,524         | Liabilities   |
|                |                                      | 3,672 | 3,672 | 3,672         | Assets        |
|                |                                      | (588) | (718) | (852)         | (Deficit)     |
| 86%            |                                      | 84%   | 81%   | Funding Level |               |

The valuation results are also very sensitive to unexpected changes in future longevity. All else being equal, if longevity improves in the future at a faster pace than allowed for in the valuation assumptions, the funding level will decline and the required employer contribution rates will increase.

Recent medical advances, changes in lifestyle and a greater awareness of health-related matters have resulted in life expectancy amongst pension fund members improving in recent years at a faster pace than was originally foreseen. It is unknown whether and to what extent such improvements will continue in the future.

For the purposes of this valuation, we have selected assumptions that we believe make an appropriate allowance for future improvements in longevity, based on the actual experience of the Fund since the previous valuation.

The table below shows how the valuation results at 31 March 2016 are affected by adopting different longevity assumptions.

|                      | Peaked<br>improvements | Non-peaked<br>improvements |
|----------------------|------------------------|----------------------------|
|                      | (£m)                   | (£m)                       |
| Liabilities          | 4,236                  | 4,337                      |
| Assets               | 3,672                  | 3,672                      |
| (Deficit)            | (564)                  | (665)                      |
| <b>Funding Level</b> | <b>87%</b>             | <b>85%</b>                 |

The “further improvements” are a more cautious set of improvements that, in the short term, assume the ‘cohort effect’ of strong improvements in life expectancy currently being observed amongst a generation born around the early and mid 1930s will continue to strengthen for a few more years before tailing off. This is known as “non- peaked”.

This is not an exhaustive list of the assumptions used in the valuation. For example, changes to the assumed level of withdrawals and ill health retirements will also have an effect on the valuation results.

Note that the tables show the effect of changes to each assumption in isolation. In reality, it is perfectly possible for the experience of the Fund to deviate from more than one of our assumptions simultaneously and so the precise effect on the funding position is therefore more complex. Furthermore, the range of assumptions shown here is by no means exhaustive and should not be considered as the limits of how extreme experience could actually be.

### Sensitivity of contribution rates to changes in assumptions

The employer contribution rates are dependent on a number of factors including the membership profile, current financial conditions, the outlook for future financial conditions, and demographic trends such as longevity. Changes in each of these factors can have a material impact on the contribution rates (both primary and secondary rates). We have not sought to quantify the impact of differences in the assumptions because of the complex interactions between them.

### Investment risk

The Fund holds some of its assets in return seeking assets such as equities to help reduce employers’ costs. However, these types of investments can result in high levels of asset volatility. Therefore, there is a risk that future investment returns are below expectations and the funding target is not met. This will require additional contributions from employers to fund any deficit.

Whilst the Fund takes steps to ensure that the level of investment risk is managed and monitored via strategy reviews and performance monitoring, it can never be fully mitigated.

### Regulatory risk

One further risk to consider is the possibility of future changes to Regulations that could materially affect the benefits that members become entitled to. It is difficult to predict the nature of any such changes but it is not inconceivable that they could affect not just the cost of

benefits earned after the change but could also have a retrospective effect on the past service position.

### Managing the risks

Whilst there are certain things, such as the performance of investment markets or the life expectancy of members, that are not directly within the control of the pension fund, that does not mean that nothing can be done to understand them further and to mitigate their effect. Although these risks are difficult (or impossible) to eliminate, steps can be taken to manage them.

Ways in which some of these risks can be managed could be:

- Set aside a specific reserve to act as a cushion against adverse future experience (possibly by selecting a set of actuarial assumptions that are deliberately more prudent).
- Take steps internally to monitor the decisions taken by members (e.g. 50:50 scheme take-up, commutation) and employers (e.g. relating to early/ ill health retirements or salary increases) in a bid to curtail any adverse impact on the Fund.
- Pooling certain employers together at the valuation and then setting a single (pooled) contribution rate that they will all pay. This can help to stabilise contribution rates (at the expense of cross-subsidy between the employers in the pool during the period between valuations).
- Carrying out a review of the future security of the Fund's employers (i.e. assessing the strength of employer covenants) and ultimately their ability to continue to pay contributions or make good future funding deficits.
- Carry out a bespoke analysis of the longevity of Fund members and monitor how this changes over time, so that the longevity assumptions at the valuation provide as close a fit as possible to the particular experience of the Fund.
- Undertake an asset-liability modelling exercise that investigates the effect on the Fund of possible investment scenarios that may arise in the future. An assessment can then be made as to whether long term, secure employers in the Fund can stabilise their future contribution rates (thus introducing more certainty into their future budgets) without jeopardising the long-term health of the Fund.
- Purchasing ill health liability insurance to mitigate the risk of an ill health retirement impacting on solvency and funding level of an individual employer where appropriate.
- Monitoring different employer characteristics in order to build up a picture of the risks posed. Examples include membership movements, cash flow positions and employer events such as cessations.
- Regularly reviewing the Fund's membership data to ensure it is complete, up to date and accurate.

## 6 Related issues

The Fund's valuation operates within a broader framework, and this document should therefore be considered alongside the following:

- the Funding Strategy Statement, which in particular highlights how different types of employer in different circumstances have their contributions calculated;
- Investment Strategy Statement (e.g. the discount rate must be consistent with the Fund's asset strategy);
- the general governance of the Fund, such as meetings of the Pensions Committee, decisions delegated to officers, the Fund's business plan, etc;
- the Fund's risk register;
- the information the Fund holds about the participating employers.

### Further recommendations

#### Valuation frequency

Under the provisions of the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2019. In light of the uncertainty of future financial conditions, we recommend that the financial position of the Fund (and for individual employers in some cases) is monitored by means of interim funding reviews in the period up to this next formal valuation. This will give early warning of changes to funding positions and possible revisions to funding plans.

#### Investment strategy and risk management

We recommend that the Administering Authority continues to regularly review its investment strategy and ongoing risk management programme.

#### New employers joining the Fund

Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary for individual calculation as to the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.

#### Additional payments

Employers may make voluntary additional contributions to recover any funding shortfall over a shorter period, subject to agreement with the Administering Authority and after receiving the relevant actuarial advice.

Further sums should be paid to the Fund by employers to meet the capital costs of any unreduced early retirements, reduced early retirements before age 60 and/or augmentation (i.e. additional membership or additional pension) using the methods and factors issued by me from time to time or as otherwise agreed.

In addition, payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions.

#### Cessations and bulk transfers

Any employer who ceases to participate in the Fund should be referred to us in accordance with Regulation 64 of the Regulations.

Any bulk movement of Scheme members:

- involving 10 or more Scheme members being transferred from or to another LGPS fund, or
- involving 2 or more Scheme members being transferred from or to a non-LGPS pension arrangement should be referred to us to consider the impact on the Fund.



## 7 Reliances and limitations

### Scope

This document has been requested by and is provided to Derbyshire County Council in its capacity as Administering Authority to the Derbyshire Pension Fund. It has been prepared by Hymans Robertson LLP to fulfil the statutory obligations in accordance with regulation 62 of the Regulations. None of the figures should be used for accounting purposes (e.g. under FRS102 or IAS19) or for any other purpose (e.g. a termination valuation under Regulation 64).

This document should not be released or otherwise disclosed to any third party without our prior written consent, in which case it should be released in its entirety. Hymans Robertson LLP accepts no liability to any other party unless we have expressly accepted such liability.

The results of the valuation are dependent on the quality of the data provided to us by the Administering Authority for the specific purpose of this valuation. The data used in our calculations is as per our Data Report which confirms that the data is fit for the purposes of this valuation and includes comments on the quality of the data provided. However, if any material issues with the data provided are identified at a later date, then the results stated in this report may change.

### Actuarial Standards

The following Technical Actuarial Standards<sup>1</sup> are applicable in relation to this report and have been complied with where material:

- TAS R – Reporting;
- TAS D – Data;
- TAS M – Modelling; and
- Pensions TAS.



Geoff Nathan

Fellow of the Institute and Faculty of Actuaries  
For and on behalf of Hymans Robertson LLP  
31 March 2017



Richard Warden

Fellow of the Institute and Faculty of Actuaries  
For and on behalf of Hymans Robertson LLP  
31 March 2017

<sup>1</sup>Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work, including the information and advice contained in this report.



## Appendix A: About the pension fund

The purpose of the Fund is to provide retirement and death benefits to its members. It is part of the Local Government Pension Scheme (LGPS) and is a multi-employer defined benefit pension scheme.

For more details please refer to the Fund's Funding Strategy Statement.

### Defined benefit pension scheme

In a defined benefit scheme such as this, the nature of retirement benefits that members are entitled to is known in advance. For example, it is known that members will receive a pension on retirement that is linked to their salary (final salary and/or career average) and pensionable service (for service before 1 April 2014) according to a pre-determined formula.

However, the precise cost to the Fund of providing these benefits is **not** known in advance. The estimated cost of these benefits represents a liability to the Fund and assets must be set aside to meet this. The relationship between the value of the liabilities and the value of the assets must be regularly assessed and monitored to ensure that the Fund can fulfil its core objective of providing its members with the retirement benefits that they have been promised.

### Liabilities

The Fund's liabilities are the benefits that will be paid in the future to its members (and their dependants).

The precise timing and amount of these benefit payments will depend on future experience, such as when members will retire, how long they will live for in retirement and what economic conditions will be like both before and after retirement. Because these factors are not known in advance, assumptions must be made about future experience. The valuation of these liabilities must be regularly updated to reflect the degree to which actual experience has been in line with these assumptions.

### Assets

The Fund's assets arise from the contributions paid by its members and their employers and the investment returns that they generate. The way these assets are invested is of fundamental importance to the Fund. The selection, monitoring and evolution of the Fund's investment strategy are key responsibilities of the Administering Authority.

As the estimated cost of the Fund's liabilities is regularly re-assessed, this effectively means that the amount of assets required to meet them is a moving target. As a result, at any given time the Fund may be technically in surplus or in deficit.

A contribution strategy must be put in place which ensures that each of the Fund's employers pays money into the Fund at a rate which will target the cost of its share of the liabilities in respect of benefits already earned by members and those that will be earned in the future.

### The long-term nature of the Fund

The pension fund is a long-term commitment. Even if it were to stop admitting new members today, it would still be paying out benefits to existing members and dependants for many decades to come. It is therefore essential that the various funding and investment decisions that are taken now recognise this and come together to form a coherent long-term strategy.

In order to assist with these decisions, the Regulations require the Administering Authority to obtain a formal valuation of the Fund every three years. Along with the Funding Strategy Statement, this valuation will help determine the funding objectives that will apply from 1 April 2017.

## Appendix B: Summary of the Fund's benefits

Provided below is a brief summary of the non-discretionary benefits that we have taken into account for active members at this valuation. This should not be taken as a comprehensive statement of the exact benefits to be paid. For further details please see the Regulations.

| Provision                                                                                               | Benefit Structure To 31 March 2008                                                                                                                                                                                                                                                                                                                                                                                                                | Benefit Structure From 1 April 2008                                                                                                                                                                     | Benefit Structure From 1 April 2014                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Normal retirement age (NRA)                                                                             | Age 65.                                                                                                                                                                                                                                                                                                                                                                                                                                           | Age 65.                                                                                                                                                                                                 | Equal to the individual member's State Pension Age (minimum 65).                                                                                                                                                                                                                                                                                                                                                                                 |
| Earliest retirement age (ERA) on which immediate unreduced benefits can be paid on voluntary retirement | <p>As per NRA (age 65).</p> <p>Protections apply to active members in the scheme immediately prior to 1 October 2006 who would have been entitled to immediate payment of unreduced benefits prior to 65, due to:</p> <p>The benefits relating to various segments of scheme membership are protected as set out in Schedule 2 to the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 and associated GAD guidance.</p> |                                                                                                                                                                                                         | <p>As per NRA (minimum age 65).</p> <p>Protections apply to active members in the scheme for pensions earned up to 1 April 2014, due to:</p> <p>a) Accrued benefits relating to pre April 2014 service at age 65.</p> <p>b) Continued 'Rule of 85' protection for qualifying members.</p> <p>c) Members within 10 yrs of existing NRA at 1/4/12 – no change to when they can retire and no decrease in pension they receive at existing NRA.</p> |
| Member contributions                                                                                    | <p>Officers - 6% of pensionable pay</p> <p>Manual Workers – 5% of pensionable pay if has protected lower rates rights or 6% for post 31 March 1998 entrants or former entrants with no protected rights.</p>                                                                                                                                                                                                                                      | Banded rates (5.5%-7.5%) depending upon level of full-time equivalent pay. A mechanism for sharing any increased scheme costs between employers and Scheme members is included in the LGPS regulations. | Banded rates (5.5%-12.5%) depending upon level of actual pay.                                                                                                                                                                                                                                                                                                                                                                                    |
| Pensionable pay                                                                                         | <p>All salary, wages, fees and other payments in respect of the employment, excluding non-contractual overtime and some other specified amounts.</p> <p>Some Scheme members may be covered by special agreements.</p>                                                                                                                                                                                                                             |                                                                                                                                                                                                         | Pay including non-contractual overtime and additional hours.                                                                                                                                                                                                                                                                                                                                                                                     |
| Final pay                                                                                               | <p>The pensionable pay in the year up to the date of leaving the scheme. Alternative methods used in some cases, e.g. where there has been a break in service or a drop in pensionable pay.</p> <p>Will be required for the statutory underpin and in respect of the final salary link that may apply in respect of certain members of the CARE scheme who have pre April 2014 accrual.</p>                                                       |                                                                                                                                                                                                         | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                              |

| Provision                                                     | Benefit Structure To 31 March 2008                                                                                                                                                                                                                                                                                                                                                                 | Benefit Structure From 1 April 2008                                                                                                                                                                                                    | Benefit Structure From 1 April 2014                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Period of scheme membership                                   | Total years and days of service during which a member contributes to the Fund. (e.g. transfers from other pension arrangements, augmentation, or from April 2008 the award of additional pension). For part time members, the membership is proportionate with regard to their contractual hours and a full time equivalent). Additional periods may be granted dependent on member circumstances. |                                                                                                                                                                                                                                        | N/A                                                                                                                                                                                                                                                                                               |
| Normal retirement benefits at NRA                             | <p>Annual Retirement Pension - 1/80th of final pay for each year of scheme membership.</p> <p>Lump Sum Retirement Grant - 3/80th of final pay for each year of scheme membership.</p>                                                                                                                                                                                                              | <p>Scheme membership from 1 April 2008:</p> <p>Annual Retirement Pension - 1/60th of final pay for each year of scheme membership.</p> <p>Lump Sum Retirement Grant – none except by commutation of pension.</p>                       | <p>Scheme membership from 1 April 2014:</p> <p>Annual Retirement Pension - 1/49th of pensionable pay (or assumed pensionable pay) for each year of scheme membership revalued to NRA in line with CPI.</p> <p>Lump Sum Retirement Grant - none except by commutation of pension.</p>              |
| Option to increase retirement lump sum benefit                | In addition to the standard retirement grant any lump sum is to be provided by commutation of pension (within overriding HMRC limits). The terms for the conversion of pension in to lump sum is £12 of lump sum for every £1 of annual pension surrendered.                                                                                                                                       | No automatic lump sum. Any lump sum is to be provided by commutation of pension (within overriding HMRC limits). The terms for the conversion of pension in to lump sum is £12 of lump sum for every £1 of annual pension surrendered. | No automatic lump sum. Any lump sum is to be provided by commutation of pension (within overriding HMRC limits). The terms for the conversion of pension in to lump sum is £12 of lump sum for every £1 of annual pension surrendered.                                                            |
| Voluntary early retirement benefits (non ill-health)          | On retirement after age 60, subject to reduction on account of early payment in some circumstances (in accordance with ERA protections).                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                        | On retirement after age 55, subject to reduction on account of early payment in some circumstances (in accordance with ERA protections).                                                                                                                                                          |
| Employer's consent early retirement benefits (non ill-health) | <p>On retirement after age 55 with employer's consent.</p> <p>Benefits paid on redundancy or efficiency grounds are paid with no actuarial reduction.</p> <p>Otherwise, benefits are subject to reduction on account of early payment, unless this is waived by the employer.</p>                                                                                                                  |                                                                                                                                                                                                                                        | <p>Benefits paid on redundancy or efficiency grounds are paid with no actuarial reduction.</p> <p>Employer's consent is no longer required for a member to retire from age 55. However, benefits are subject to reduction on account of early payment, unless this is waived by the employer.</p> |

| Provision           | Benefit Structure To 31 March 2008                                                                                                                                                                                                       | Benefit Structure From 1 April 2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Benefit Structure From 1 April 2014                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ill-health benefits | <p>As a result of permanent ill-health or incapacity.</p> <p>Immediate payment of unreduced benefits.</p> <p>Enhancement to scheme membership, dependent on actual membership.</p> <p>Enhancement seldom more than 6 years 243 days.</p> | <p>As a result of permanent ill-health or incapacity and a reduced likelihood of obtaining gainful employment (local government or otherwise) before age 65.</p> <p>Immediate payment of unreduced benefits.</p> <p>Enhanced to scheme membership, dependent on severity of ill health.</p> <p>100% of prospective membership to age 65 where no likelihood of undertaking any gainful employment prior to age 65;</p> <p>25% of prospective membership to age 65 where likelihood of obtaining gainful employment after 3 years of leaving, but before age 65; or</p> <p>0% of prospective membership where there is a likelihood of undertaking gainful employment within 3 years of leaving employment</p> | <p>As a result of permanent ill-health or incapacity and a reduced likelihood of obtaining gainful employment (local government or otherwise) before NRA.</p> <p>Immediate payment of unreduced benefits.</p> <p>Enhanced to scheme membership, dependent on severity of ill health.</p> <p>100% of prospective membership to age NRA where no likelihood of undertaking any gainful employment prior to age NRA;</p> <p>25% of prospective membership to age NRA where likelihood of obtaining gainful employment after 3 years of leaving, but before age NRA; or</p> <p>0% of prospective membership where there is a likelihood of undertaking gainful employment within 3 years of leaving employment</p> |

| Provision           | Benefit Structure To 31 March 2008                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Benefit Structure From 1 April 2008                                                                                                                                                                                                                                                                                                                                                                                                                              | Benefit Structure From 1 April 2014 |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| Flexible retirement | <p>A member who has attained the age of 50, and who with their employer's consent, reduces the hours they work, or the grade in which they are employed, may elect in writing to the appropriate Administering Authority that such benefits may, with their employer's consent, be paid to them notwithstanding that he has not retired from that employment.</p> <p>Benefits are paid immediately and subject to actuarial reduction unless the reduction is waived by the employer.</p> | <p>A member who has attained the age of 55 and who, with his employer's consent, reduces the hours he works, or the grade in which he is employed, may make a request in writing to the appropriate Administering Authority to receive <b>all or part</b> of his benefits. Employer consent is required for benefits to be released.</p> <p>Benefits are paid immediately and subject to actuarial reduction unless the reduction is waived by the employer.</p> |                                     |
| Pension increases   | <p>All pensions in payment, deferred pensions and dependant's pensions other than benefits arising from the payment of additional voluntary contributions are increased annually. Pensions are increased partially under the Pensions (Increase) Act 1971 and partially in accordance with Social Security Pensions Act 1975 (depending on the proportions relating to pre 88 GMP, post 88 GMP and excess over GMP).</p>                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                     |



| Provision              | Benefit Structure To 31 March 2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Benefit Structure From 1 April 2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Benefit Structure From 1 April 2014                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Death after retirement | <p>Deceased member's former retirement pension is payable for 3 months or 6 months if there is a child in the care of the spouse, civil partner or co-habiting partner.</p> <p>A short term spouse's or civil partner's pension of one half of the member's pension (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners) is payable.</p> <p>Different rules also apply where marriage takes place after leaving service.</p> <p>plus</p> <p>If the member dies within five years of retiring and before age 75 the balance of five years' pension payments will be paid in the form of a lump sum; plus</p> <p>Children's pensions may also be payable.</p> | <p>A spouse's, civil partner's or nominated cohabiting partner's pension payable at a rate of 1/160th of the member's total membership multiplied by final pay (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners and nominated cohabiting partners) is payable.</p> <p>Different rules also apply where marriage takes place after leaving service</p> <p>plus</p> <p>If the member dies within ten years of retiring and before age 75 the balance of ten years' pension payments will be paid in the form of a lump sum; plus</p> <p>Children's pensions may also be payable.</p> | <p>A spouse's, civil partner's or nominated cohabiting partner's pension payable at a rate of 1/160th of the member's total membership multiplied by <b>final pay</b> for the pre 1 April 2014 membership (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners and nominated cohabiting partners). Different rules also apply where marriage takes place after leaving service</p> <p>For the period from 1 April 2014 the spouse, civil partner or cohabiting partner receives a pension calculated in the same way as the member's CARE benefits but using an accrual rate of 1/160.</p> <p>plus</p> <p>If the member dies within ten years of retiring and before age 75 the balance of ten years' pension payments will be paid in the form of a lump sum; plus</p> <p>Children's pensions may also be payable.</p> |

| Provision               | Benefit Structure To 31 March 2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Benefit Structure From 1 April 2008                                                                                                                                                                                                                                                                                                                                                                                           | Benefit Structure From 1 April 2014                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Death in service        | <p>A lump sum of two times final pay; plus</p> <p>A spouse's or civil partner's pension of one half of the ill-health retirement pension that would have been paid to the Scheme member if he had retired on the day of death (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners); plus</p> <p>Children's pensions may also be payable.</p>                                                                                                                                                                                                        | <p>A lump sum of three times final pay; plus</p> <p>A spouse's, civil partner's or cohabiting partner's pension payable at a rate of 1/160th of the member's total (augmented to age 65) membership (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners and nominated cohabiting partners), multiplied by final pay; plus</p> <p>Children's pensions may also be payable.</p> | <p>A lump sum of three times annual assumed pensionable pay; plus</p> <p>A spouse's, civil partner's or cohabiting partner's pension payable at a rate of 1/160th of the member's total membership prior to 31 March 2014, (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners and nominated cohabiting partners), multiplied by final pay.</p> <p>For the period from 1 April 2014 the spouse, civil partner or cohabiting partner receives a pension calculated in the same way as the member's CARE benefits but using an accrual rate of 1/160 and assuming the member had stayed in active membership until their SPA.</p> <p>Plus</p> <p>Children's pensions may also be payable.</p> |
| Leaving service options | <p>If the member has completed three months' or more scheme membership, deferred benefits with calculation and payment conditions similar to general retirement provisions (earliest date of payment without employer consent is 60); or</p> <p>A transfer payment to either a new employer's scheme or a suitable insurance policy, equivalent in value to the deferred pension; or</p> <p>If the member has completed less than three months' scheme membership, a return of the member's contributions with interest, less a State Scheme premium deduction and less tax at the rate of 20%.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>If the member has completed two years or more scheme membership, deferred benefits with calculation and payment conditions similar to general retirement provisions (earliest date of payment without employer consent is 55); or</p> <p>A transfer payment to either a new employer's scheme or a suitable insurance policy, equivalent in value to the deferred pension; or</p> <p>If the member has completed less than two years scheme membership, a return of the member's contributions with interest, less a State Scheme premium deduction and less tax at the rate of 20%.</p>                                                                                                                                                 |
| State pension scheme    | From 6th of April 2016, the Fund will no longer be contracted out of the State Second Pension. Until that date, the benefits payable to each member were guaranteed to be not less than those required to enable the Fund to be contracted-out.                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Assumed pensionable pay | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                               | This applies in cases of reduced contractual pay (CPP) resulting from sickness, child related and reserve forces absence, whereby the amount added to the CPP is the assumed pensionable pay rather than the reduced rate of pay actually received.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 50/50 option            | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                               | Optional arrangement allowing 50% of main benefits to be accrued on a 50% employee contribution rate.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

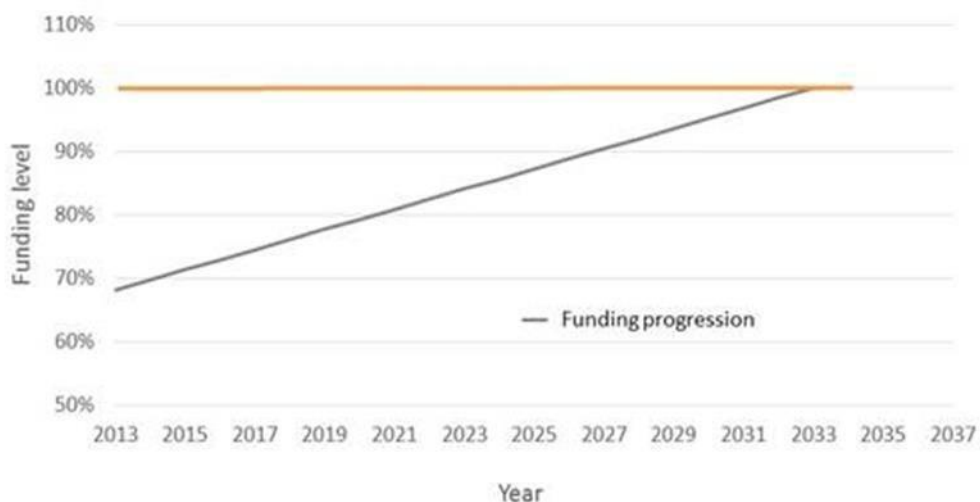
Note: Certain categories of members of the Fund are entitled to benefits that differ from those summarised above.

### Discretionary benefits

The LGPS Regulations give employers a number of discretionary powers. The effect on benefits or contributions as a result of the use of these provisions as currently contained within the Local Government Pension Scheme Regulations has been allowed for in this valuation to the extent that this is reflected in the membership data provided. No allowance has been made for the future use of discretionary powers that will be contained within the scheme from 1 April 2017.

## Appendix C: Risk based approach to setting contribution rates

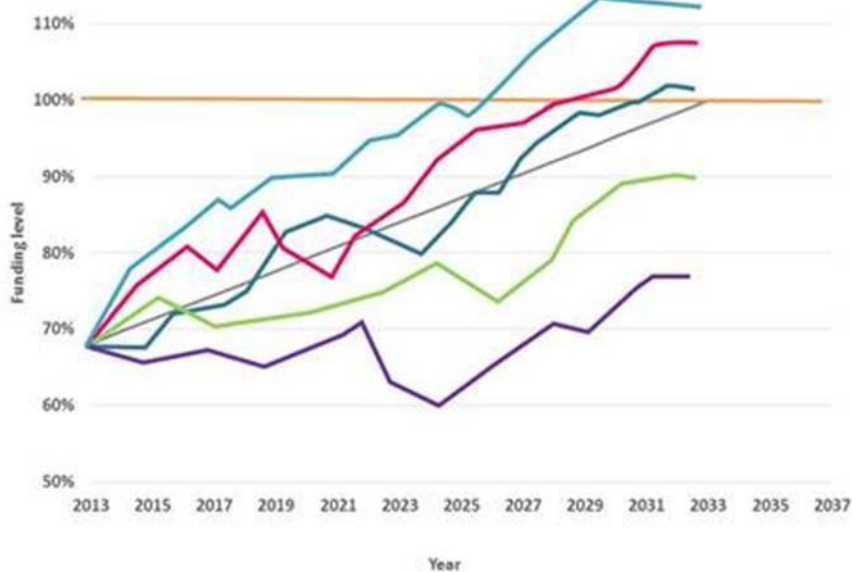
At previous valuations we have set contribution rates by calculating them using a single set of assumptions about the future economic conditions (a 'deterministic' method). By using this deterministic method, there is an implicit assumption that the future will follow expectations (i.e. the financial assumptions used in the calculation) and the employer will return to full funding via one 'journey'. This approach is summarised in the illustrative chart below.



However, pension funding is uncertain as:

- the Fund's assets are invested in volatile financial markets and therefore they go up and down in value; and
- the pension benefits are linked to inflation which again can go up and down in value over time.

One single set of assumptions is very unlikely to actually match what happens, and therefore, the funding plan originally set out will not evolve in line with the single journey shown above. The actual evolution of the funding position could be one of many different 'journeys', and a sample of these are given below.



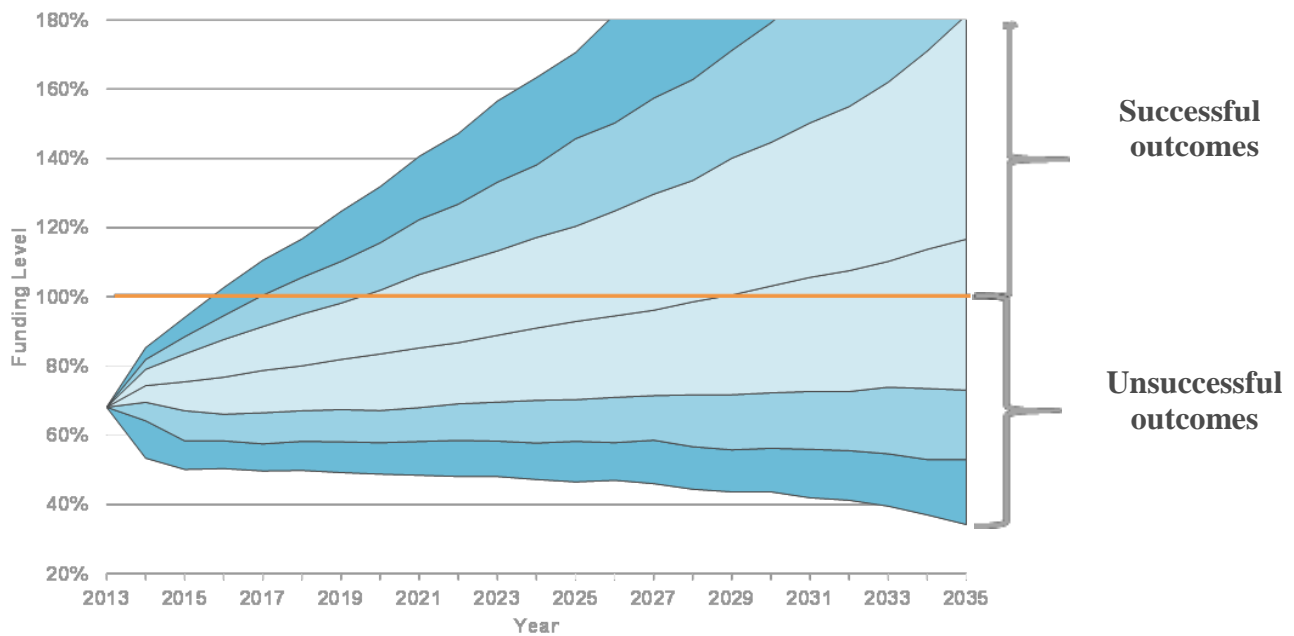
The inherent uncertainty in pension funding creates a risk that a funding plan will not be a success i.e. the funding target will not be reached over the agreed time period.

This risk can never be fully mitigated whilst invested in volatile assets and providing inflation linked benefits, however the main disadvantage of the traditional deterministic method is that it does not allow the Fund, employer, regulators or actuary to assess and understand the risk associated with the proposed funding plan and the likelihood of its success, or otherwise.

### Risk Based Approach

At this valuation, we have adopted a 'risk based' approach when setting contribution rates. This approach considers thousands of simulations (or 'journeys') to be projected of how each employer's assets and liabilities may evolve over the future until we have a distribution of funding outcomes (ratio of assets to liabilities). Each simulation represents a different possible journey of how the assets and liabilities could evolve and they will vary due to assumptions about investment returns, inflation and other financial factors. Further technical detail about the methodology underlying these projections is set out in **Appendix F**.

Once we have a sufficient number of outcomes to form a statistically credible distribution (we use 5,000 outcomes), we can examine what level of contribution rate gives an appropriate likelihood of meeting an employer's funding target (usually a 100% funding level) within the agreed timeframe ('time horizon') (i.e. a sufficient number of successful outcomes). The picture below shows a sample distribution of outcomes for an employer.



Having this 'funnel' of outcomes allows the Fund to understand the likelihood of the actual outcome being higher or lower than a certain level. For example, there is 2/3rds chance the funding level will be somewhere within the light shaded area, and there is a 1 in 100 chance that the funding level will be outside the funnel altogether. Using this 'probability distribution', we then set a contribution rate that leads to a certain amount of funding outcomes being successful (e.g. 2/3rds).

Further detail on the likelihoods used in employer's funding plans is set out in the Fund's Funding Strategy Statement.

## Appendix D: Data

This section contains a summary of the membership, investment and accounting data provided by the Administering Authority for the purposes of this valuation (the corresponding membership and investment data from the previous valuation is also shown for reference). For further details of the data, and the checks and amendments performed in the course of this valuation, please refer to our separate data report.

### Membership data – whole fund

#### Employee members

|                                  | 31 March 2013 |                            | 31 March 2016 |                            |                    |
|----------------------------------|---------------|----------------------------|---------------|----------------------------|--------------------|
|                                  | Number        | Pensionable Pay*<br>(£000) | Number        | Pensionable Pay*<br>(£000) | CARE Pot<br>(£000) |
| <b>Total employee membership</b> | 33,281        | 527,079                    | 34,762        | 574,275                    | 20,328             |

actual pay (not full-time equivalent)

#### Deferred pensioners

|                                  | 31 March 2013 |                            | 31 March 2016 |                            |
|----------------------------------|---------------|----------------------------|---------------|----------------------------|
|                                  | Number        | Deferred pension<br>(£000) | Number        | Deferred pension<br>(£000) |
| <b>Total deferred membership</b> | 24,352        | 31,198                     | 33,131        | 43,586                     |

The figures above also include any “frozen refunds” and “undecided leavers” members at the valuation date.

#### Current pensioners, spouses and children

|                                | 31 March 2013 |                   | 31 March 2016 |                   |
|--------------------------------|---------------|-------------------|---------------|-------------------|
|                                | Number        | Pension<br>(£000) | Number        | Pension<br>(£000) |
| Members                        | 20,833        | 90,661            | 22,904        | 101,287           |
| Dependants                     | 3,248         | 7,975             | 3,449         | 9,143             |
| Children                       | 157           | 182               | 160           | 180               |
| <b>Total pensioner members</b> | <b>24,238</b> | <b>98,819</b>     | <b>26,513</b> | <b>110,609</b>    |

Note that the membership numbers in the table above refer to the number of records provided to us and so will include an element of double-counting in respect of any members who are in receipt (or potentially in receipt of) more than one benefit.

| Membership Profile       | Average Age (years) |      | FWL (years) |      |
|--------------------------|---------------------|------|-------------|------|
|                          | 2013                | 2016 | 2013        | 2016 |
| Employees (CARE)         | -                   | 49.1 | 9.3         | 9.2  |
| Employees (Final Salary) | 51.0                | 51.8 |             |      |
| Deferred Pensioners      | 50.0                | 50.7 | -           | -    |
| Pensioners               | 67.1                | 68.0 | -           | -    |

The average ages are weighted by liability.

The expected future working lifetime (FWL) indicates the anticipated length of time that the average employee member will remain as a contributor to the Fund. Note that it allows for the possibility of members leaving, retiring early or dying before retirement.

## Assets at 31 March 2016

A summary of the Fund's assets provided by the Administering Authority (excluding members' money-purchase Additional Voluntary Contributions) as at 31 March 2016 and 31 March 2013 is as follows:

| Asset class                 | 31 March 2013 (Market Value)<br>(£000) | Allocation<br>% | 31 March 2016 (Market Value)<br>(£000) | Allocation<br>% |
|-----------------------------|----------------------------------------|-----------------|----------------------------------------|-----------------|
| UK equities                 | 1,088                                  | 35%             | 1,161                                  | 32%             |
| UK fixed interest gilts     | 254                                    | 8%              | 249                                    | 7%              |
| UK corporate bonds          | 103                                    | 3%              | 243                                    | 7%              |
| UK index-linked gilts       | 177                                    | 6%              | 178                                    | 5%              |
| Overseas equities           | 1,053                                  | 34%             | 1,336                                  | 36%             |
| Overseas bonds              | 81                                     | 3%              | 74                                     | 2%              |
| Property                    | 148                                    | 5%              | 243                                    | 7%              |
| Cash and net current assets | 218                                    | 7%              | 189                                    | 5%              |
| <b>Total</b>                | <b>3,120</b>                           | <b>100%</b>     | <b>3,672</b>                           | <b>100%</b>     |

## Accounting data – revenue account for the three years to 31 March 2016

| Consolidated accounts (£000)                                      | Year to          |                  |                  | Total            |
|-------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                   | 31 March 2014    | 31 March 2015    | 31 March 2016    |                  |
| <b>Income</b>                                                     |                  |                  |                  |                  |
| Employer - normal contributions                                   | 102,957          | 111,199          | 113,577          | 327,732          |
| Employer - additional contributions                               | -                | -                | -                | -                |
| Employer - early retirement and augmentation strain contributions | 4,283            | 2,762            | 1,771            | 8,815            |
| Employee - normal contributions                                   | 34,108           | 35,829           | 36,457           | 106,394          |
| Employee - additional contributions                               | 206              | 226              | 188              | 619              |
| Transfers In Received (including group and individual)            | 7,367            | 8,310            | 2,507            | 18,184           |
| Other Income                                                      | -                | -                | -                | -                |
| <b>Total Income</b>                                               | <b>148,920</b>   | <b>158,325</b>   | <b>154,500</b>   | <b>461,745</b>   |
| <b>Expenditure</b>                                                |                  |                  |                  |                  |
| Gross Retirement Pensions                                         | 100,310          | 104,925          | 109,528          | 314,763          |
| Lump Sum Retirement Benefits                                      | 21,122           | 25,990           | 26,628           | 73,740           |
| Death in Service Lump sum                                         | 3,458            | 3,656            | 3,466            | 10,580           |
| Death in Deferment Lump Sum                                       | -                | -                | -                | -                |
| Death in Retirement Lump Sum                                      | -                | -                | -                | -                |
| Gross Refund of Contributions                                     | 2                | 140              | 301              | 443              |
| Transfers out (including bulk and individual)                     | 6,878            | 51,057           | 6,203            | 64,138           |
| Fees and Expenses                                                 | 1,512            | 1,927            | 1,881            | 5,320            |
| <b>Total Expenditure</b>                                          | <b>133,282</b>   | <b>187,695</b>   | <b>148,007</b>   | <b>468,984</b>   |
| <b>Net Cashflow</b>                                               | <b>15,638</b>    | <b>-29,370</b>   | <b>6,493</b>     | <b>-7,239</b>    |
| <b>Assets at start of year</b>                                    | <b>3,120,045</b> | <b>3,323,126</b> | <b>3,694,207</b> | <b>3,120,045</b> |
| Net cashflow                                                      | 15,638           | -29,370          | 6,493            | -7,239           |
| Change in value                                                   | 187,443          | 400,451          | -29,097          | 558,797          |
| <b>Assets at end of year</b>                                      | <b>3,323,126</b> | <b>3,694,207</b> | <b>3,671,603</b> | <b>3,671,603</b> |

Note that the figures above are based on the Fund accounts provided to us for the purposes of this valuation, which were fully audited at the time of our valuation calculations.



## Appendix E: Assumptions

### Financial assumptions

| Financial assumptions               | 31 March 2013<br>(% p.a.) | 31 March 2016<br>(% p.a.) |
|-------------------------------------|---------------------------|---------------------------|
| Discount rate                       | 4.6%                      | 4.0%                      |
| Price inflation                     | 2.5%                      | 2.1%                      |
| Pay increases*                      | 3.3%                      | 2.7%                      |
| Pension increases:                  |                           |                           |
| pension in excess of GMP            | 2.5%                      | 2.1%                      |
| post-88 GMP                         | 2.5%                      | 2.1%                      |
| pre-88 GMP                          | 0.0%                      | 0.0%                      |
| Revaluation of deferred pension     | 2.5%                      | 2.1%                      |
| Revaluation of accrued CARE pension | 2.5%                      | 2.1%                      |
| Expenses                            | 0.2%                      | 0.3%                      |

\*An allowance is also made for promotional pay increases (see table below).

### Mortality assumptions

| Longevity assumptions                            | 31 March 2016                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Longevity - baseline                             | Vita                                                                                                                                                                                                                                                                                                                                                 |
| Longevity - improvements                         |                                                                                                                                                                                                                                                                                                                                                      |
| CMI Model version used                           | CMI_2013                                                                                                                                                                                                                                                                                                                                             |
| Starting rates                                   | CMI calibration based on data from Club Vita using the latest available data as at January 2014.                                                                                                                                                                                                                                                     |
| Long term rate of improvement                    | Period effects:<br>1.25% p.a. for men and women.<br>Cohort effects:<br>0% p.a. for men and for women.                                                                                                                                                                                                                                                |
| Period of convergence                            | Period effects:<br><br>CMI model core values i.e. 10 years for ages 50 and below and 5 years for those aged 95 and above, with linear transition to 20 years for those aged between 60 and 80.<br><br>Cohort effects:<br><br>CMI core i.e. 40 years for those born in 1950 or later declining linearly to 5 years for those born in 1915 or earlier. |
| Proportion of convergence remaining at mid point | 50%                                                                                                                                                                                                                                                                                                                                                  |

As a member of Club Vita, the baseline longevity assumptions that have been adopted at this valuation are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the Fund. These curves are based on the data the Fund has provided us with for the purposes of this valuation. Full details of these are available on request.

We have used a longevity improvement assumption based on the industry standard projection model calibrated with information from our longevity experts in Club Vita. The starting point for the improvements has been based on observed death rates in the Club Vita data bank over the period up to 2012.

We have used the 2013 version of the Continuous Mortality Investigation (CMI) longevity improvements model, instead of the more recent 2015 version, as we do not believe the increased mortality experience factored into the 2015 model is the start of a new trend. We believe it is more appropriate to use the 2013 version of the model for the 2016 valuation.

In the short term we have assumed that the improvements in life expectancy observed up to 2010 will start to tail off immediately, resulting in life expectancy increasing less rapidly than has been seen over the last decade or two. This could be described as assuming that improvements have 'peaked'.

In the longer term we have assumed that increases in life expectancy will stabilise at a rate of increase of 0.9 years per decade for men and women. This is equivalent to assuming that longer term mortality rates will fall at a rate of 1.25% p.a. for men and women.

However, we have assumed that above age 90 improvements in mortality are hard to achieve, and so the long term rate of improvement declines between ages 90 and 120 so that no improvements are seen at ages 120 and over. The initial rate of mortality is assumed to decline steadily above age 98.

#### Other demographic valuation assumptions

|                              |                                                                                                                                                                                                                                                                |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Retirements in normal health | We have adopted the retirement age pattern assumption as specified by the Scheme Advisory Board for preparing Key Performance Indicators. Further details about this assumption are available on request.                                                      |
| Retirements in ill health    | Allowance has been made for ill-health retirements before Normal Pension Age (see table below).                                                                                                                                                                |
| Withdrawals                  | Allowance has been made for withdrawals from service (see table below).                                                                                                                                                                                        |
| Family details               | A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Husbands are assumed to be 3 years older than wives. |
| Commutation                  | 50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008).                                                                                 |

50:50 option

5.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

The tables below show details of the assumptions actually used for specimen ages. The promotional pay scale is an annual average for all employees at each age. It is in addition to the allowance for general pay inflation described above. For membership movements, the percentages represent the probability that an individual at each age leaves service within the following twelve months. The abbreviations FT and PT refer to full-time and part-time respectively.

The tables below show details of the assumptions actually used for specimen ages. The promotional pay scale is an annual average for all employees at each age. It is in addition to the allowance for general pay inflation described above. For membership movements, the percentages represent the probability that an individual at each age leaves service within the following twelve months. The abbreviations FT and PT refer to full-time and part-time respectively.

#### Males

| Age | Salary Scale | Incidence per 1000 active members per annum |             |        |                   |       |                   |      |  |
|-----|--------------|---------------------------------------------|-------------|--------|-------------------|-------|-------------------|------|--|
|     |              | Death Before Retirement                     | Withdrawals |        | Ill Health Tier 1 |       | Ill Health Tier 2 |      |  |
|     |              | FT & PT                                     | FT          | PT     | FT                | PT    | FT                | PT   |  |
| 20  | 105          | 0.21                                        | 219.73      | 439.47 | 0.00              | 0.00  | 0.00              | 0.00 |  |
| 25  | 117          | 0.21                                        | 145.14      | 290.28 | 0.00              | 0.00  | 0.00              | 0.00 |  |
| 30  | 131          | 0.26                                        | 102.98      | 205.93 | 0.00              | 0.00  | 0.00              | 0.00 |  |
| 35  | 144          | 0.30                                        | 80.46       | 160.88 | 0.12              | 0.09  | 0.10              | 0.07 |  |
| 40  | 150          | 0.51                                        | 64.78       | 129.48 | 0.20              | 0.15  | 0.16              | 0.12 |  |
| 45  | 157          | 0.85                                        | 60.85       | 121.60 | 0.44              | 0.33  | 0.35              | 0.27 |  |
| 50  | 162          | 1.36                                        | 50.16       | 100.12 | 1.13              | 0.85  | 1.14              | 0.85 |  |
| 55  | 162          | 2.13                                        | 39.50       | 78.88  | 4.42              | 3.32  | 2.56              | 1.92 |  |
| 60  | 162          | 3.83                                        | 35.20       | 70.28  | 7.78              | 5.84  | 2.20              | 1.65 |  |
| 65  | 162          | 6.38                                        | 0.00        | 0.00   | 14.78             | 11.09 | 0.00              | 0.00 |  |

Please note that the withdrawal figures include tier 3 ill health.

#### Females

| Age | Salary Scale | Incidence per 1000 active members per annum |             |        |                   |       |                   |      |  |
|-----|--------------|---------------------------------------------|-------------|--------|-------------------|-------|-------------------|------|--|
|     |              | Death Before Retirement                     | Withdrawals |        | Ill Health Tier 1 |       | Ill Health Tier 2 |      |  |
|     |              | FT & PT                                     | FT          | PT     | FT                | PT    | FT                | PT   |  |
| 20  | 105          | 0.12                                        | 151.58      | 252.63 | 0.00              | 0.00  | 0.00              | 0.00 |  |
| 25  | 117          | 0.12                                        | 101.99      | 169.97 | 0.12              | 0.09  | 0.10              | 0.07 |  |
| 30  | 131          | 0.18                                        | 85.50       | 142.46 | 0.16              | 0.12  | 0.13              | 0.10 |  |
| 35  | 144          | 0.30                                        | 73.79       | 122.91 | 0.32              | 0.24  | 0.26              | 0.19 |  |
| 40  | 150          | 0.48                                        | 61.42       | 102.26 | 0.48              | 0.36  | 0.39              | 0.29 |  |
| 45  | 157          | 0.77                                        | 57.31       | 95.41  | 0.65              | 0.48  | 0.51              | 0.39 |  |
| 50  | 162          | 1.13                                        | 48.32       | 80.35  | 1.21              | 0.91  | 1.22              | 0.92 |  |
| 55  | 162          | 1.49                                        | 36.05       | 60.02  | 4.48              | 3.36  | 2.60              | 1.95 |  |
| 60  | 162          | 1.90                                        | 29.06       | 48.31  | 9.51              | 7.14  | 2.69              | 2.01 |  |
| 65  | 162          | 2.44                                        | 0.00        | 0.00   | 17.09             | 12.82 | 0.00              | 0.00 |  |

Please note that the withdrawal figures include tier 3 ill health.

## Appendix F: Technical appendix for contribution rate modelling

This appendix is provided for readers seeking to understand the technical methodology used in assessing the employer contribution rates.

In order to assess the likelihood of the employer's section of the Fund achieving full funding we have carried out stochastic asset liability modelling (ALM) that takes into account the main characteristics and features of each employer's share of the Fund's assets and liabilities. For stabilised employers a full ALM, known as comPASS has been used. For other employers a simplified ALM, known as TARGET has been used. Please refer to the Funding Strategy Statement to determine which method has been applied for each employer.

The following sections provide more detail on the background to the modelling.

### Cash flows

In projecting forward the evolution of each employer's section of the Fund, we have used anticipated future benefit cash flows. These cash flows have been generated using the membership data provided for the formal valuation as at 31 March 2016, the demographic and financial assumptions used for the valuation and make an allowance for future new joiners to the Fund (if any employer is open to new entrants).

For comPASS we have estimated future service benefit cash flows and projected salary roll for new entrants (where appropriate) after the valuation date such that payroll remains constant in real terms (i.e. full replacement) unless otherwise stated. There is a distribution of new entrants introduced at ages between 25 and 65, and the average age of the new entrants is assumed to be 40 years. All new entrants are assumed to join and then leave service at SPA, which is a much simplified set of assumptions compared with the modelling of existing members. The base mortality table used for the new entrants is an average of mortality across the LGPS and is not specific to the Fund, which is another simplification compared to the modelling of existing members. TARGET uses a similar but simplified approach to generating new entrants. Nonetheless, we believe that these assumptions are reasonable for the purposes of the modelling given the highly significant uncertainty associated with the level of new entrants.

We do not allow for any variation in actual experience away from the demographic assumptions underlying the cash flows. Variations in demographic assumptions (and experience relative to those assumptions) can result in significant changes to the funding level and contribution rates. We allow for variations in inflation (RPI or CPI as appropriate), inflation expectations (RPI or CPI as appropriate), interest rates, yield curves and asset class returns. Cash flows into and out of the Fund are projected forward in annual increments and are assumed to occur in the middle of each financial year (April to March). Investment strategies are assumed to be rebalanced annually.

### Asset liability model (comPASS)

These cash flows, and the employer's assets, are projected forward using stochastic projections of asset returns and economic factors such as inflation and bond yields. These projections are provided by the Economic Scenario Service (ESS), our (proprietary) stochastic asset model, which is discussed in more detail below.

In the modelling we have assumed that the Fund will undergo valuations every three years and a contribution rate will be set that will come into force one year after the simulated

valuation date. For 'stabilised' contributions, the rate at which the contribution changes is capped and floored. There is no guarantee that such capping or flooring will be appropriate in future; this assumption has been made so as to illustrate the likely impact of practical steps that may be taken to limit changes in contribution rates over time.

Unless stated otherwise, we have assumed that all contributions are made and not varied throughout the period of projection irrespective of the funding position. In practice the contributions are likely to vary especially if the funding level changes significantly.

Investment strategy is also likely to change with significant changes in funding level, but we have not considered the impact of this.

In allowing for the simulated economic scenarios, we have used suitable approximations for updating the projected cash flows. The nature of the approximations is such that the major financial and investment risks can be broadly quantified. However, a more detailed analysis would be required to understand fully the implications and appropriate implementation of a very low risk or 'cash flow matched' strategy.

We would emphasise that the returns that could be achieved by investing in any of the asset classes will depend on the exact timing of any investment/disinvestment. In addition, there will be costs associated with buying or selling these assets. The model implicitly assumes that all returns are net of costs and that investment/disinvestment and rebalancing are achieved without market impact and without any attempt to 'time' entry or exit.

### Asset liability model (TARGET)

TARGET uses a similar, but simplified, modelling approach to that used for comPASS.

Contribution rates are inputs to the model and are assumed not to vary throughout the period of projection, with no valuation every three years or setting of 'stabilised' contribution rates.

In allowing for the simulated economic scenarios, we have used more approximate methods for updating the projected cash flows. The nature of the approximations is such that the major financial and investment risks can be broadly quantified.

When projecting forward the assets, we have modelled a proxy for the Fund's investment strategy by simplifying their current benchmark into growth (UK equity) and non-growth (index-linked gilts) allocations, and then adjusting the volatility of the resultant portfolio results to approximately reflect the diversification benefit of the Fund's investment strategy.

### Economic Scenario Service

The distributions of outcomes depend significantly on the Economic Scenario Service (ESS), our (proprietary) stochastic asset model. This type of model is known as an economic scenario generator and uses probability distributions to project a range of possible outcomes for the future behaviour of asset returns and economic variables. Some of the parameters of the model are dependent on the current state of financial markets and are updated each month (for example, the current level of equity market volatility) while other more subjective parameters do not change with different calibrations of the model.

Key subjective assumptions are the average excess equity return over the risk free asset (tending to approximately 3% p.a. as the investment horizon is increased), the volatility of equity returns (approximately 18% p.a. over the long term) and the level and volatility of

yields, credit spreads, inflation and expected (breakeven) inflation, which affect the projected value placed on the liabilities and bond returns. The market for CPI linked instruments is not well developed and our model for expected CPI in particular may be subject to additional model uncertainty as a consequence. The output of the model is also affected by other more subtle effects, such as the correlations between economic and financial variables.

Our expectation (i.e. the average outcome) is that long term real interest rates will gradually rise from their current low levels. Higher long-term yields in the future will mean a lower value placed on liabilities and therefore our median projection will show, all other things being equal, an improvement in the current funding position (because of the mismatch between assets and liabilities). The mean reversion in yields also affects expected bond returns.

While the model allows for the possibility of scenarios that would be extreme by historical standards, including very significant downturns in equity markets, large systemic and structural dislocations are not captured by the model. Such events are unknowable in effect, magnitude and nature, meaning that the most extreme possibilities are not necessarily captured within the distributions of results.

### Expected Rate of Returns and Volatilities

The following figures have been calculated using 5,000 simulations of the Economic Scenario Service, calibrated using market data as at 31 March 2016. All returns are shown net of fees. Percentiles refer to percentiles of the 5,000 simulations and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the (simulated) yields in force at that time horizon. Only a subset of the asset classes are shown below.

The calibration of the model as at 31 March 2016 indicated that a period of outward yield movement is expected. For example, over the next 20 years our model expects the 17 year maturity annualised real (nominal) interest rate to rise from -1.0% (2.2%) to 0.8% (4.0%).

|                   |           | Annualised total returns        |           |                 |                |          |              |                    |                                            |                          |             | Inflation | 17 year real yield | 17 year yield |
|-------------------|-----------|---------------------------------|-----------|-----------------|----------------|----------|--------------|--------------------|--------------------------------------------|--------------------------|-------------|-----------|--------------------|---------------|
|                   |           | Index Linked Gilts (long dated) | UK Equity | Overseas Equity | Private Equity | Property | Senior Loans | Diversified Credit | Absolute Return Bonds (near zero duration) | Diversified Alternatives | Hedge Funds |           |                    |               |
| 5 years           | 16th %ile | -2.9%                           | -3.7%     | -5.6%           | -7.2%          | -3.8%    | -0.8%        | 0.2%               | -2.6%                                      | -2.0%                    | -3.7%       | 1.2%      | -1.6%              | 1.7%          |
|                   | 50th %ile | 0.5%                            | 4.5%      | 4.1%            | 5.3%           | 2.0%     | 2.2%         | 2.3%               | 2.0%                                       | 2.6%                     | 2.1%        | 2.6%      | -0.7%              | 3.0%          |
|                   | 84th %ile | 4.1%                            | 12.7%     | 14.3%           | 19.4%          | 8.3%     | 5.3%         | 4.5%               | 6.8%                                       | 7.5%                     | 8.2%        | 4.2%      | 0.2%               | 4.5%          |
| 10 years          | 16th %ile | -1.8%                           | -1.1%     | -2.6%           | -3.4%          | -1.8%    | 0.7%         | 1.3%               | -0.8%                                      | -0.1%                    | -1.3%       | 1.4%      | -1.5%              | 1.9%          |
|                   | 50th %ile | 0.3%                            | 5.0%      | 4.6%            | 5.9%           | 2.8%     | 3.1%         | 3.0%               | 2.6%                                       | 3.4%                     | 3.0%        | 2.8%      | -0.3%              | 3.5%          |
|                   | 84th %ile | 2.7%                            | 11.1%     | 12.1%           | 16.0%          | 7.5%     | 5.6%         | 4.7%               | 6.2%                                       | 7.2%                     | 7.5%        | 4.5%      | 0.9%               | 5.5%          |
| 20 years          | 16th %ile | -1.0%                           | 1.3%      | 0.2%            | 0.3%           | 0.1%     | 2.1%         | 2.4%               | 1.0%                                       | 1.8%                     | 0.7%        | 1.7%      | -0.7%              | 2.3%          |
|                   | 50th %ile | 0.5%                            | 5.9%      | 5.6%            | 7.0%           | 3.7%     | 4.2%         | 4.0%               | 3.6%                                       | 4.5%                     | 4.1%        | 3.0%      | 0.8%               | 4.0%          |
|                   | 84th %ile | 2.2%                            | 10.7%     | 11.2%           | 14.0%          | 7.6%     | 6.5%         | 5.8%               | 6.5%                                       | 7.5%                     | 7.8%        | 4.4%      | 2.3%               | 6.3%          |
| Dispersion (1 yr) |           | 9%                              | 16%       | 19%             | 29%            | 14%      | 6%           | 6%                 | 10%                                        | 10%                      | 12%         | 1%        |                    |               |



## Appendix G: Events since valuation date

### Post-valuation events

These valuation results are in effect a snapshot of the Fund as at 31 March 2016. Since that date, various events have had an effect on the financial position of the Fund. Whilst we have not explicitly altered the valuation results to allow for these events, a short discussion of these “post-valuation events” can still be beneficial in understanding the variability of pension funding.

In the period from the valuation date to early March 2017, the Fund asset returns have been significantly better than expected. However, global expectations for future asset returns have fallen in light of events such as the Brexit vote. Both events have roughly cancelled each other out in terms of the impact on the funding position. However, the day to day volatility is significant.

Overall, employer contributions continue to be subject to upwards pressure as a result of post-valuation events.

It should be noted that the above is for information only: the figures in this report have all been prepared using membership data, audited asset information and market-based assumptions all as at 31 March 2016. In particular, we do not propose amending any of the contribution rates listed in the Rates & Adjustments Certificate on the basis of these market changes, and all employer contribution rates are based on valuation date market conditions. In addition, these rates are finalised within a risk-measured framework as laid out in the Fund’s Funding Strategy Statement (FSS). We do not propose altering the FSS or valuation calculations to include allowance for post- valuation date market changes since a long term view has been taken.

### Other events

Other than investment conditions changes above, I am not aware of any material changes at whole fund level or events occurring since the valuation date.

## Appendix H: Rates and adjustments certificate

In accordance with regulation 62(4) of the Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2017 to 31 March 2020 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Funding Strategy Statement dated March 2017 and our report on the actuarial valuation dated March 2017.

Regulation 62(8) requires a statement of the assumptions on which the certificate is given regarding the number of members, and the associated of liabilities arising, who will become entitled to payment of pensions under the regulations of the LGPS. These assumptions can be found in Appendix E of the 31 March 2016 formal valuation report dated March 2017. These assumptions cover members who become entitled to payment of pension via normal retirement and ill health retirement. Further members will become entitled due to involuntary early retirement (for redundancy and efficiency reasons) for which no allowance has been made. The required minimum contribution rates are set out below.

| Employer Code                    | Employer/Pool name                               | Primary rate (%)             | Secondary Rate (%/£)   |                        |                        | Total Contribution rate (%/£) |                        |                        |
|----------------------------------|--------------------------------------------------|------------------------------|------------------------|------------------------|------------------------|-------------------------------|------------------------|------------------------|
|                                  |                                                  | 1 April 2017 - 31 March 2020 | 2017/18                | 2018/19                | 2019/20                | 2017/18                       | 2018/19                | 2019/20                |
| Councils                         |                                                  |                              |                        |                        |                        |                               |                        |                        |
| 1                                | Derbyshire County Council                        | 17.0%                        | -2.5% plus £15,230,000 | -2.5% plus £15,382,000 | -2.5% plus £15,536,000 | 14.5% plus £15,230,000        | 14.5% plus £15,382,000 | 14.5% plus £15,536,000 |
| 133                              | Derby City Council                               | 16.6%                        | -3.1% plus £6,844,000  | -3.1% plus £6,912,000  | -3.1% plus £6,981,000  | 13.5% plus £6,844,000         | 13.5% plus £6,912,000  | 13.5% plus £6,981,000  |
| 135                              | High Peak Borough Council                        | 16.9%                        | -4.5% plus £1,797,000  | -4.5% plus £1,815,000  | -4.5% plus £1,833,000  | 12.4% plus £1,797,000         | 12.4% plus £1,815,000  | 12.4% plus £1,833,000  |
| 131                              | Bolsover District Council                        | 16.9%                        | -3.0% plus £943,000    | -3.0% plus £953,000    | -3.0% plus £962,000    | 13.9% plus £943,000           | 13.9% plus £953,000    | 13.9% plus £962,000    |
| 132                              | Chesterfield Borough Council                     | 16.5%                        | -2.3% plus £1,951,000  | -2.3% plus £1,971,000  | -2.3% plus £1,991,000  | 14.2% plus £1,951,000         | 14.2% plus £1,971,000  | 14.2% plus £1,991,000  |
| 136                              | North East Derbyshire District Council           | 16.8%                        | -3.1% plus £1,497,000  | -3.1% plus £1,512,000  | -3.1% plus £1,527,000  | 13.7% plus £1,497,000         | 13.7% plus £1,512,000  | 13.7% plus £1,527,000  |
| 137                              | South Derbyshire District Council                | 16.6%                        | -2.8% plus £665,000    | -2.8% plus £671,000    | -2.8% plus £678,000    | 13.8% plus £665,000           | 13.8% plus £671,000    | 13.8% plus £678,000    |
| 138                              | Derbyshire Dales District Council                | 16.3%                        | -2.7% plus £632,000    | -2.7% plus £639,000    | -2.7% plus £645,000    | 13.6% plus £632,000           | 13.6% plus £639,000    | 13.6% plus £645,000    |
| 130                              | Amber Valley Borough Council                     | 17.1%                        | -3.1% plus £1,036,000  | -3.1% plus £1,047,000  | -3.1% plus £1,057,000  | 14.0% plus £1,036,000         | 14.0% plus £1,047,000  | 14.0% plus £1,057,000  |
| 134                              | Erewash Borough Council                          | 16.5%                        | -3.4% plus £1,103,000  | -3.4% plus £1,114,000  | -3.4% plus £1,125,000  | 13.1% plus £1,103,000         | 13.1% plus £1,114,000  | 13.1% plus £1,125,000  |
| -                                | Town and Parish Councils (Pre 2001)              | 17.5%                        | 6.3%                   | 6.3%                   | 6.3%                   | 23.8%                         | 23.8%                  | 23.8%                  |
| -                                | Town and Parish Councils (Post 2001)             | 18.2%                        | -1.0%                  | -1.0%                  | -1.0%                  | 17.2%                         | 17.2%                  | 17.2%                  |
| Other Scheduled Bodies           |                                                  |                              |                        |                        |                        |                               |                        |                        |
| 139                              | Chesterfield Crematorium                         | 16.7%                        | 1.1% plus £28,000      | 1.1% plus £29,000      | 1.1% plus £29,000      | 17.8% plus £28,000            | 17.8% plus £29,000     | 17.8% plus £29,000     |
| 123                              | Derby Homes Ltd                                  | 16.2%                        | -2.8% plus £284,000    | -2.8% plus £287,000    | -2.8% plus £290,000    | 13.4% plus £284,000           | 13.4% plus £287,000    | 13.4% plus £290,000    |
| 403                              | Derbyshire Fire & Rescue                         | 16.3%                        | -3.1% plus £167,000    | -3.1% plus £168,000    | -3.1% plus £170,000    | 13.2% plus £167,000           | 13.2% plus £168,000    | 13.2% plus £170,000    |
| 401                              | Police and Crime Commissioner for Derbyshire     | 16.2%                        | -3.3% plus £1,436,000  | -3.3% plus £1,451,000  | -3.3% plus £1,465,000  | 12.9% plus £1,436,000         | 12.9% plus £1,451,000  | 12.9% plus £1,465,000  |
| 40                               | Peak District National Park Authority            | 17.0%                        | -3.0% plus £219,000    | -3.0% plus £221,000    | -3.0% plus £224,000    | 14.0% plus £219,000           | 14.0% plus £221,000    | 14.0% plus £224,000    |
| 126                              | Rykneld Homes                                    | 16.4%                        | 0.0%                   | 0.0%                   | 0.0%                   | 16.4%                         | 16.4%                  | 16.4%                  |
| Further Education Establishments |                                                  |                              |                        |                        |                        |                               |                        |                        |
| 169                              | University of Derby                              | 16.5%                        | -3.8% plus £730,000    | -3.8% plus £738,000    | -3.8% plus £745,000    | 12.7% plus £730,000           | 12.7% plus £738,000    | 12.7% plus £745,000    |
| 198                              | Derby College                                    | 17.2%                        | -3.5% plus £432,000    | -3.5% plus £437,000    | -3.5% plus £441,000    | 13.7% plus £432,000           | 13.7% plus £437,000    | 13.7% plus £441,000    |
| 192                              | Chesterfield College                             | 16.9%                        | -3.0% plus £155,000    | -3.0% plus £156,000    | -3.0% plus £158,000    | 13.9% plus £155,000           | 13.9% plus £156,000    | 13.9% plus £158,000    |
| 422                              | Landau Forte College                             | 15.8%                        | -3.5% plus £3,000      | -3.5% plus £3,000      | -3.5% plus £3,000      | 12.3% plus £3,000             | 12.3% plus £3,000      | 12.3% plus £3,000      |
| Admitted Bodies                  |                                                  |                              |                        |                        |                        |                               |                        |                        |
| 120                              | Amber Valley Housing                             | 26.7%                        | -2.8% plus £103,000    | -2.8% plus £103,000    | -2.8% plus £103,000    | 23.9% plus £103,000           | 23.9% plus £103,000    | 23.9% plus £103,000    |
| 124                              | Three Valleys Housing Ltd                        | 26.9%                        | -4.6% plus £161,000    | -4.6% plus £161,000    | -4.6% plus £161,000    | 22.3% plus £161,000           | 22.3% plus £161,000    | 22.3% plus £161,000    |
| 128                              | Dales Housing                                    | 29.3%                        | -1.2% plus £18,000     | -1.2% plus £18,000     | -1.2% plus £18,000     | 28.1% plus £18,000            | 28.1% plus £18,000     | 28.1% plus £18,000     |
| 170                              | Crich Tramway Museum                             | 27.4%                        | -3.4% plus £15,000     | -3.4% plus £15,000     | -3.4% plus £15,000     | 24.0% plus £15,000            | 24.0% plus £15,000     | 24.0% plus £15,000     |
| 176                              | Derbyshire Coalition for Inclusive Living (DCIL) | 31.0%                        | -4.3% plus £15,000     | -4.3% plus £15,000     | -4.3% plus £15,000     | 26.7% plus £15,000            | 26.7% plus £15,000     | 26.7% plus £15,000     |
| 184                              | Chesterfield Care Group                          | 26.9%                        | -1.7%                  | -1.7%                  | -1.7%                  | 25.2%                         | 25.2%                  | 25.2%                  |
| 185                              | Belper Leisure Centre Ltd                        | 28.5%                        | 2.9%                   | 2.9%                   | 2.9%                   | 31.4%                         | 31.4%                  | 31.4%                  |
| 404                              | Derbyshire Student Residences Ltd                | 25.1%                        | 0.7%                   | 0.7%                   | 0.7%                   | 25.8%                         | 25.8%                  | 25.8%                  |
| 414                              | Veolia (Chesterfield Refuse)                     | 29.1%                        | -11.6%                 | -11.6%                 | -11.6%                 | 17.5%                         | 17.5%                  | 17.5%                  |
| 416                              | Vinci UK Ltd                                     | 33.0%                        | 0.0%                   | 0.0%                   | 0.0%                   | 33.0%                         | 33.0%                  | 33.0%                  |
| 417                              | Veolia (Amber Valley Refuse)                     | 30.2%                        | -24.1%                 | -24.1%                 | -24.1%                 | 6.1%                          | 6.1%                   | 6.1%                   |
| 418                              | Initial Facilities Management                    | 32.7%                        | -25.6%                 | -25.6%                 | -25.6%                 | 7.1%                          | 7.1%                   | 7.1%                   |
| 419                              | Initial Catering Services Ltd                    | 31.2%                        | -11.0%                 | -11.0%                 | -11.0%                 | 20.2%                         | 20.2%                  | 20.2%                  |
| 420                              | Leisure Amber Valley                             | 26.3%                        | -12.5%                 | -12.5%                 | -12.5%                 | 13.8%                         | 13.8%                  | 13.8%                  |
| 424                              | Balfour Beatty                                   | 27.4%                        | -10.9%                 | -10.9%                 | -10.9%                 | 16.5%                         | 16.5%                  | 16.5%                  |
| 425                              | MacIntyre Care                                   | 29.5%                        | -27.5%                 | -27.5%                 | -27.5%                 | 2.0%                          | 2.0%                   | 2.0%                   |
| 426                              | SIV Enterprises Ltd                              | 27.2%                        | -22.6%                 | -22.6%                 | -22.6%                 | 4.6%                          | 4.6%                   | 4.6%                   |
| 427                              | Veolia Ltd (High Peak Refuse)                    | 28.6%                        | -23.3%                 | -23.3%                 | -23.3%                 | 5.3%                          | 5.3%                   | 5.3%                   |
| 428                              | Leisure High Peak                                | 26.5%                        | -25.1%                 | -25.1%                 | -25.1%                 | 1.4%                          | 1.4%                   | 1.4%                   |
| 433                              | Absolutely Catering                              | 31.3%                        | -16.9%                 | -16.9%                 | -16.9%                 | 14.4%                         | 14.4%                  | 14.4%                  |
| 435                              | Superclean - Fire                                | 30.2%                        | -19.0%                 | -19.0%                 | -19.0%                 | 11.2%                         | 11.2%                  | 11.2%                  |
| 438                              | Northgate Info Sol UK Ltd (SDDC)                 | 27.0%                        | -3.5%                  | -3.5%                  | -3.5%                  | 23.5%                         | 23.5%                  | 23.5%                  |
| 441                              | Arvato Government Services (Sefton) Ltd          | 28.7%                        | -14.2%                 | -14.2%                 | -14.2%                 | 14.5%                         | 14.5%                  | 14.5%                  |
| 442                              | Kier Ltd                                         | 27.3%                        | -13.5%                 | -13.5%                 | -13.5%                 | 13.8%                         | 13.8%                  | 13.8%                  |
| 443                              | Mitie Facilities Services Ltd                    | 30.8%                        | 6.9%                   | 6.9%                   | 6.9%                   | 37.7%                         | 37.7%                  | 37.7%                  |
| 444                              | Compass Services (DCC)                           | 29.4%                        | -12.9%                 | -12.9%                 | -12.9%                 | 16.5%                         | 16.5%                  | 16.5%                  |
| 445                              | Barnardos                                        | 29.0%                        | -7.9%                  | -7.9%                  | -7.9%                  | 21.1%                         | 21.1%                  | 21.1%                  |
| 446                              | Active Nation                                    | 28.2%                        | £2,000                 | £2,000                 | £2,000                 | 28.2% plus £2,000             | 28.2% plus £2,000      | 28.2% plus £2,000      |
| 451                              | Compass Contract Services (UK) Ltd               | 27.6%                        | -17.3%                 | -17.3%                 | -17.3%                 | 10.3%                         | 10.3%                  | 10.3%                  |
| 453                              | Clean Slate (UK) Ltd (Pottery)                   | 30.4%                        | £600                   | £600                   | £600                   | 30.4% plus £600               | 30.4% plus £600        | 30.4% plus £600        |
| 454                              | Clean Slate (UK) Ltd (City)                      | 26.7%                        | -3.9%                  | -3.9%                  | -3.9%                  | 22.8%                         | 22.8%                  | 22.8%                  |
| 456                              | Vinci Construction UK Ltd                        | 24.4%                        | -5.6%                  | -5.6%                  | -5.6%                  | 18.8%                         | 18.8%                  | 18.8%                  |
| 457                              | Derby Museums & Art Trust                        | 26.7%                        | -7.5%                  | -7.5%                  | -7.5%                  | 19.2%                         | 19.2%                  | 19.2%                  |
| 458                              | Elior UK                                         | 32.7%                        | 0.0%                   | 0.0%                   | 0.0%                   | 32.7%                         | 32.7%                  | 32.7%                  |
| 460                              | Balfour Beatty (Derby BSF)                       | 25.4%                        | -4.8%                  | -4.8%                  | -4.8%                  | 20.6%                         | 20.6%                  | 20.6%                  |
| 461                              | European Electronique LTD                        | 22.0%                        | -8.6%                  | -8.6%                  | -8.6%                  | 13.4%                         | 13.4%                  | 13.4%                  |
| 466                              | Arvato (DDDC)                                    | 29.3%                        | -15.5%                 | -15.5%                 | -15.5%                 | 13.8%                         | 13.8%                  | 13.8%                  |
| 467                              | Derby County Community Trust                     | 23.1%                        | 0.0%                   | 0.0%                   | 0.0%                   | 23.1%                         | 23.1%                  | 23.1%                  |
| 468                              | Aspens Services Ltd                              | 27.1%                        | 1.1% plus £1,000       | 1.1% plus £1,000       | 1.1% plus £1,000       | 28.2% plus £1,000             | 28.2% plus £1,000      | 28.2% plus £1,000      |
| 469                              | Elite Cleaning & Environmental Services          | 32.8%                        | 0.0%                   | 0.0%                   | 0.0%                   | 32.8%                         | 32.8%                  | 32.8%                  |
| 470                              | Vinci Construction UK Ltd - Ashcroft & Portway   | 33.2%                        | -1.5%                  | -1.5%                  | -1.5%                  | 31.7%                         | 31.7%                  | 31.7%                  |
| 471                              | NSL Ltd                                          | 28.4%                        | -6.1%                  | -6.1%                  | -6.1%                  | 22.3%                         | 22.3%                  | 22.3%                  |
| 472                              | Mellors Catering                                 | 28.5%                        | -2.8%                  | -2.8%                  | -2.8%                  | 25.7%                         | 25.7%                  | 25.7%                  |
| 473                              | Vinci plc (Ravensdale)                           | 31.8%                        | -1.9%                  | -1.9%                  | -1.9%                  | 29.9%                         | 29.9%                  | 29.9%                  |
| 474                              | 7 Hills                                          | 28.6%                        | -3.3%                  | -3.3%                  | -3.3%                  | 25.3%                         | 25.3%                  | 25.3%                  |



| Employer Code | Employer/Pool name                                              | Primary rate (%)  | Secondary Rate (%/£) |         |         | Total Contribution rate (%/£) |         |         |
|---------------|-----------------------------------------------------------------|-------------------|----------------------|---------|---------|-------------------------------|---------|---------|
|               |                                                                 | 1 April 2017 - 31 | 2017/18              | 2018/19 | 2019/20 | 2017/18                       | 2018/19 | 2019/20 |
| Academies     |                                                                 |                   |                      |         |         |                               |         |         |
| 199           | Derby Manufacturing University Technical College                | 15.2%             | 5.9%                 | 5.9%    | 5.9%    | 21.1%                         | 21.1%   | 21.1%   |
| 335           | Chellaston Academy                                              | 18.1%             | 2.8%                 | 2.8%    | 2.8%    | 20.9%                         | 20.9%   | 20.9%   |
| 336           | Ecclesbourne School                                             | 16.7%             | 5.9%                 | 5.9%    | 5.9%    | 22.6%                         | 22.6%   | 22.6%   |
| 337           | Kirk Hallam Community Technology & Sports College               | 16.4%             | 2.0%                 | 2.0%    | 2.0%    | 18.4%                         | 18.4%   | 18.4%   |
| 338           | John Port School                                                | 16.6%             | 3.8%                 | 3.8%    | 3.8%    | 20.4%                         | 20.4%   | 20.4%   |
| 340           | Brookfield Academy                                              | 17.4%             | 2.6%                 | 2.6%    | 2.6%    | 20.0%                         | 20.0%   | 20.0%   |
| 341           | The Long Eaton School                                           | 16.8%             | 3.1%                 | 3.1%    | 3.1%    | 19.9%                         | 19.9%   | 19.9%   |
| 342           | West Park School                                                | 17.6%             | 3.6%                 | 3.6%    | 3.6%    | 21.2%                         | 21.2%   | 21.2%   |
| 343           | Queen Elizabeth's Grammar School Ashbourne Academy <sup>1</sup> | 17.8%             | 2.4%                 | 2.4%    | 2.4%    | 20.2%                         | 20.2%   | 20.2%   |
| 345           | Hope Valley College                                             | 17.6%             | 5.7%                 | 5.7%    | 5.7%    | 23.3%                         | 23.3%   | 23.3%   |
| 347           | Pennine Way Junior Academy                                      | 17.7%             | 2.0%                 | 2.0%    | 2.0%    | 19.7%                         | 19.7%   | 19.7%   |
| 348           | Heanor Gate Science College                                     | 17.5%             | 3.0%                 | 3.0%    | 3.0%    | 20.5%                         | 20.5%   | 20.5%   |
| 349           | Lees Brook Community Sports College                             | 16.3%             | 3.4%                 | 3.4%    | 3.4%    | 19.7%                         | 19.7%   | 19.7%   |
| 350           | Cavendish Learning Trust <sup>2</sup>                           | 17.6%             | 1.7%                 | 1.7%    | 1.7%    | 19.3%                         | 19.3%   | 19.3%   |
| 351           | Redhill Primary School                                          | 18.8%             | 1.9%                 | 1.9%    | 1.9%    | 20.7%                         | 20.7%   | 20.7%   |
| 352           | St John Houghton Catholic Voluntary Academy                     | 16.9%             | 3.7%                 | 3.7%    | 3.7%    | 20.6%                         | 20.6%   | 20.6%   |
| 353           | Allestree Woodlands School                                      | 16.5%             | 3.4%                 | 3.4%    | 3.4%    | 19.9%                         | 19.9%   | 19.9%   |
| 354           | Grampian Primary Academy                                        | 15.7%             | 3.5%                 | 3.5%    | 3.5%    | 19.2%                         | 19.2%   | 19.2%   |
| 360           | St Benedict Voluntary Catholic Academy                          | 16.8%             | 5.2%                 | 5.2%    | 5.2%    | 22.0%                         | 22.0%   | 22.0%   |
| 361           | St Marys Catholic High School Academy Trust                     | 17.3%             | 4.1%                 | 4.1%    | 4.1%    | 21.4%                         | 21.4%   | 21.4%   |
| 362           | St John fisher Catholic Voluntary Academy                       | 18.6%             | 3.1%                 | 3.1%    | 3.1%    | 21.7%                         | 21.7%   | 21.7%   |
| 363           | St Georges Voluntary Catholic Academy                           | 16.2%             | 3.9%                 | 3.9%    | 3.9%    | 20.1%                         | 20.1%   | 20.1%   |
| 364           | Wyndham Primary Academy (Boulton Primary School)                | 15.3%             | 1.4%                 | 1.4%    | 1.4%    | 16.7%                         | 16.7%   | 16.7%   |
| 365           | The Bolsover School                                             | 18.0%             | 2.9%                 | 2.9%    | 2.9%    | 20.9%                         | 20.9%   | 20.9%   |
| 366           | Landau Forte Academy Moorhead                                   | 16.2%             | 3.4%                 | 3.4%    | 3.4%    | 19.6%                         | 19.6%   | 19.6%   |
| 367           | Derby Pride Academy                                             | 13.2%             | 2.3%                 | 2.3%    | 2.3%    | 15.5%                         | 15.5%   | 15.5%   |
| 368           | Merrill Academy                                                 | 16.2%             | 6.3%                 | 6.3%    | 6.3%    | 22.5%                         | 22.5%   | 22.5%   |
| 369           | City of Derby Academy                                           | 16.9%             | 5.9%                 | 5.9%    | 5.9%    | 22.8%                         | 22.8%   | 22.8%   |
| 370           | Ormiston Ilkeston Enterprise Academy                            | 17.8%             | 5.9%                 | 5.9%    | 5.9%    | 23.7%                         | 23.7%   | 23.7%   |
| 371           | English Martyrs                                                 | 17.1%             | 1.4%                 | 1.4%    | 1.4%    | 18.5%                         | 18.5%   | 18.5%   |
| 372           | Newbold CofE Primary School                                     | 16.8%             | 0.5%                 | 0.5%    | 0.5%    | 17.3%                         | 17.3%   | 17.3%   |
| 373           | Bishop Lonsdale CofE                                            | 17.7%             | 8.1%                 | 8.1%    | 8.1%    | 25.8%                         | 25.8%   | 25.8%   |
| 374           | The Al Madinah School                                           | 15.5%             | 4.5%                 | 4.5%    | 4.5%    | 20.0%                         | 20.0%   | 20.0%   |
| 375           | Ripley Academy                                                  | 17.2%             | 7.8%                 | 7.8%    | 7.8%    | 25.0%                         | 25.0%   | 25.0%   |
| 376           | St Joseph's Catholic Primary School Voluntary Academy           | 16.7%             | 0.9%                 | 0.9%    | 0.9%    | 17.6%                         | 17.6%   | 17.6%   |
| 377           | Dovedale Primary School (Willows Academy Trust)                 | 17.5%             | 3.4%                 | 3.4%    | 3.4%    | 20.9%                         | 20.9%   | 20.9%   |
| 378           | Sawly Infant School                                             | 17.5%             | 2.5%                 | 2.5%    | 2.5%    | 20.0%                         | 20.0%   | 20.0%   |
| 379           | Sawley Junior School (Willows Academy Trust)                    | 17.4%             | 3.8%                 | 3.8%    | 3.8%    | 21.2%                         | 21.2%   | 21.2%   |
| 380           | Shardlow Primary School (Willows Academy Trust)                 | 18.1%             | 5.2%                 | 5.2%    | 5.2%    | 23.3%                         | 23.3%   | 23.3%   |
| 381           | Immaculate Conception Academy Trust                             | 16.0%             | 4.7%                 | 4.7%    | 4.7%    | 20.7%                         | 20.7%   | 20.7%   |
| 382           | Allenton Primary                                                | 16.6%             | 11.3%                | 11.3%   | 11.3%   | 27.9%                         | 27.9%   | 27.9%   |
| 383           | Outwood Academy Newbold (Newbold Community School)              | 17.2%             | 3.0%                 | 3.0%    | 3.0%    | 20.2%                         | 20.2%   | 20.2%   |
| 384           | Turnditch Primary                                               | 17.1%             | 3.1%                 | 3.1%    | 3.1%    | 20.2%                         | 20.2%   | 20.2%   |
| 385           | William Gilbert Primary                                         | 17.8%             | 3.4%                 | 3.4%    | 3.4%    | 21.2%                         | 21.2%   | 21.2%   |
| 386           | St Laurence Primary School                                      | 17.1%             | 4.1%                 | 4.1%    | 4.1%    | 21.2%                         | 21.2%   | 21.2%   |
| 387           | Akaal Academy Trust Derby Limited                               | 17.7%             | 1.8%                 | 1.8%    | 1.8%    | 19.5%                         | 19.5%   | 19.5%   |
| 388           | Inkersall Primary School                                        | 17.2%             | 3.0%                 | 3.0%    | 3.0%    | 20.2%                         | 20.2%   | 20.2%   |
| 389           | St Philip Howard Catholic Voluntary Academy                     | 16.4%             | 3.8%                 | 3.8%    | 3.8%    | 20.2%                         | 20.2%   | 20.2%   |
| 390           | St Giles CofE Aided Primary School                              | 17.6%             | 2.7%                 | 2.7%    | 2.7%    | 20.3%                         | 20.3%   | 20.3%   |
| 439           | Shirebrook Academy                                              | 17.0%             | 3.4%                 | 3.4%    | 3.4%    | 20.4%                         | 20.4%   | 20.4%   |

<sup>1</sup>The contribution rates shown allow for two schools joining the multi-academy trust as at 1 April 2017.

<sup>2</sup>The contribution rates shown allow for two schools joining the multi-academy trust as at 1 September 2016.

## Notes

Contributions expressed as a percentage of payroll and monetary amounts (where appropriate) should be paid into Derbyshire Pension Fund ('the Fund') at a frequency in accordance with the requirements of the Regulations.

Further sums should be paid into the Fund to meet the cost of any non-ill health early retirement or augmentation (i.e. additional membership or additional pension) using methods and factors issued by me from time to time, or GAD guidance if I consider it to be appropriate. In addition, further sums may be required to meet the capital costs of any ill-health retirements that exceed these included within my assumptions.

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

If an employer has ill health liability insurance in place with a suitable insurer and provides satisfactory evidence to the Administering Authority, then their Primary Rate may be reduced by the cost of their insurance premium, for the period the insurance is in place.

The Town and Parish Councils are split as per the following table:

| <b>Town and Parish Councils (Pre 2001)</b> | <b>Town and Parish Councils (Post 2001)</b> |
|--------------------------------------------|---------------------------------------------|
| Ashbourne Town Council                     | Alfreton Town Council                       |
| Bakewell Town Council                      | Breaston Parish Council                     |
| Belper Town Council                        | Bretby Parish Council                       |
| Clay Cross Parish Council                  | Burnaston Parish Council                    |
| Dronfield Town Council                     | Codnor Parish Council                       |
| Dronfield Town Council                     | Darley Dale Town Council                    |
| Eckington Parish Council                   | Heanor & Loscoe Town Council                |
| Elmton Parish Council                      | Heath & Holmewood Parish Council            |
| Glapwell Parish Council                    | Kilburn Parish Council                      |
| Holymoorside Parish Council                | Morton Parish Council                       |
| Killamarsh Parish Council                  | North Wingfield Parish Council              |
| Matlock Town Council                       | Shardlow & Great Wilne Parish Council       |
| New Mills Town Council                     | Stenson Fields Parish Council               |
| Old Bolsover Town Council                  | Tibshelf Parish Council                     |
| Pinxton Parish Council                     | Ticknall Parish Council                     |
| Shirebrook Town Council                    | Tupton Parish Council                       |
| Smalley Parish Council                     | Wingerworth Parish Council                  |
| Staveley Town Council                      |                                             |
| Whaley Bridge Town Council                 |                                             |
| Whitwell Parish Council                    |                                             |
| Willington Parish Council                  |                                             |
| Wirksworth Town Council                    |                                             |

Signature:




Date: 31 March 2017

31 March 2017

Name: Geoff Nathan

Richard Warden

Qualification: Fellow of the Institute and  
Faculty of Actuaries

Fellow of the Institute and  
Faculty of Actuaries

Firm: Hymans Robertson LLP  
20 Waterloo Street  
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Hymans Robertson LLP  
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Glasgow  
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# Derbyshire Pension Fund

Funding Strategy Statement

**March 2017**

Approved by Pensions and Investments Committee 20 March 2017

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# 1 Introduction

## 1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Derbyshire Pension Fund (“the Fund”), which is administered by Derbyshire County 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 16 March 2017.

## 1.2 What is the Derbyshire 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 Derbyshire Fund, in effect the LGPS for the Derbyshire 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 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 Nigel Dowey, Pensions Manager in the first instance at e-mail address ([nigel.dowey@derbyshire.gov.uk](mailto:nigel.dowey@derbyshire.gov.uk)).

## 2 Basic Funding issues

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

### 2.1 How does the actuary measure the required 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.

### 2.2 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.

### 2.3 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 measured 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; and
3. The **probability of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see [3.4](#).

Any costs of non ill-health early retirements must be paid by the employer, see [3.6](#).

Costs of ill-health early retirements are covered in [3.7](#) and [3.8](#).

## 2.5 How is a deficit (or surplus) calculated?

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

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

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

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

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

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

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

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

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

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

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

The Administering Authority is building an employer risk assessment framework using a knowledge base which will be 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.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation ([see 3.3 Note \(b\)](#)), a longer time horizon relative to other employers, and/or a lower probability of achieving their funding target. 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, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter deficit recovery period relative to other employers, and/or a higher probability of achieving the target may be required.

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

## 3 Calculating contributions for individual Employers

### 3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What probability is required to reach that funding target? This will always be less than 100% as we cannot be certain of future market movements. Higher probability "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.

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## 3.3 The different approaches used for different employers

| Type of employer                                           | Scheduled Bodies                                                                                                                                                                                                                                                 |                         |                          | Community Admission Bodies and Designating                                                                                                                                         |                 | Transferee Admission Bodies                                                                                                                                                                        |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sub-type                                                   | Local Authorities                                                                                                                                                                                                                                                | Police, Fire,           | Academie s               | Open to new                                                                                                                                                                        | Closed to new   | (all)                                                                                                                                                                                              |
| Funding Target Basis                                       | Ongoing, assumes long-term Fund participation (see <a href="#">Appendix</a> )                                                                                                                                                                                    |                         |                          | Ongoing, but may move to “gilts basis” - see <a href="#">Note (a)</a>                                                                                                              |                 | Ongoing, assumes fixed contract term in the Fund (see                                                                                                                                              |
| Primary rate approach                                      | (see <a href="#">Appendix D – D.2</a> )                                                                                                                                                                                                                          |                         |                          |                                                                                                                                                                                    |                 |                                                                                                                                                                                                    |
| Stabilised contribution rate?                              | Yes - see                                                                                                                                                                                                                                                        | Yes - see               | Yes - see                | No                                                                                                                                                                                 | No              | No                                                                                                                                                                                                 |
| Maximum time horizon – <a href="#">Note (c)</a>            | 19 years                                                                                                                                                                                                                                                         | 19 years                | 19 years                 | 12 years                                                                                                                                                                           | 12 years        | The lower of 12 years and the outstanding contract                                                                                                                                                 |
| Secondary rate – <a href="#">Note (d)</a>                  | Monetary                                                                                                                                                                                                                                                         | Monetary                | Percentage of Payroll    | Monetary                                                                                                                                                                           | Monetary amount | Monetary amount                                                                                                                                                                                    |
| Treatment of surplus                                       | Covered by stabilisation                                                                                                                                                                                                                                         | Covered by stabilisatio | Covered by stabilisatio  | Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the                                                                                |                 | Reduce contributions by spreading the surplus over The lower of 12 years and the outstanding contract term                                                                                         |
| Probability of achieving target – <a href="#">Note (e)</a> | 66%                                                                                                                                                                                                                                                              | 70%                     | 66%                      | 80%                                                                                                                                                                                | 80%             | 70%                                                                                                                                                                                                |
| Phasing of contribution changes                            | Covered by stabilisation                                                                                                                                                                                                                                         | Covered by stabilisatio | Covered by stabilisatio  | 3 years                                                                                                                                                                            | 3 years         | None                                                                                                                                                                                               |
| Review of rates – <a href="#">Note (f)</a>                 | Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between                                                                                                            |                         |                          |                                                                                                                                                                                    |                 | Particularly reviewed in last 3 years of contract                                                                                                                                                  |
| New employer                                               | n/a                                                                                                                                                                                                                                                              | n/a                     | <a href="#">Note (g)</a> | <a href="#">Note (h)</a>                                                                                                                                                           |                 | <a href="#">Notes (h) &amp; (i)</a>                                                                                                                                                                |
| Cessation of participation: cessation debt payable         | Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as |                         |                          | Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see <a href="#">Note (i)</a> . |                 | Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis.<br><br>Awarding Authority will be liable for future deficits and contributions |

## 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) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

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

## Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible. This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the 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  | Local Authorities | Police, Fire, Colleges etc. | Academies |
|-------------------|-------------------|-----------------------------|-----------|
| Max cont increase | 1%                | 1%                          | 1%        |
| Max cont decrease | 0%                | 0%                          | -1%       |

The stabilisation criteria and limits will be reviewed at the 31 March 2019 valuation, to take effect from 1 April 2020. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

#### 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)

For some employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the three year period until the next valuation will often be set as a percentage of salaries. However, 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:

- 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;
- 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;
- 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 share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;
- The new academy's initial contribution rate will be calculated using market conditions, the council funding position and, membership data, all as at the day prior to conversion;
- As an alternative to (iv), the academy will have the option to elect to pay contributions initially in line with the ceding Council instead. However, this election will not alter its asset or liability allocation as per (ii) and (iii) above. Ultimately, all academies remain responsible for their own allocated deficit.

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) 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/outourcing 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 \(i\)](#).

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

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

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.

### 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. The current pools in place within the Fund are as follows:

- Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools.
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

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

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

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

### 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.

Strain costs may be paid in full in the year in which the strain is incurred.

### 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 will be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

### 3.8 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 \(i\)](#)) 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.
- 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**

The Fund has a separate written policy which 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 Investment Strategy Statement (which replaces the Statement of Investment Principles 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 will monitor the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, on an annual basis. It will report this to the regular Pensions Committee meetings, and also to employers through newsletters and Employers Forums.

## 5 Statutory reporting and comparison to other LGPS Funds

### 5.1 Purpose

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

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

### 5.2 Solvency

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

- (a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- (b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- (c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

### 5.3 Long Term Cost Efficiency

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

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

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

Relative considerations include:

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

Absolute considerations include:

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

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

## Appendix A – Regulatory framework

### A1 Why does the Fund need an FSS?

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

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

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

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

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

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

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

### A2 Does the Administering Authority consult anyone on the FSS?

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

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

- a) A draft version of the FSS was issued to all participating employers, members of the Derbyshire Pension Board and published on the Fund’s website in February 2017 for comment;
- b) Comments were requested within 20 days;
- c) Following the end of the consultation period the FSS was updated where required and then published, in March 2017.

### A3 How is the FSS published?

The FSS is made available through the following routes:

Published on the website

A copy sent by e-mail to each participating employer in the Fund;

A copy sent to by e-mail to the members of the Derbyshire Pension Board.

A link to the FSS is included in the annual report and accounts of the Fund;

A copy sent by email to the Fund's independent investment adviser;

Copies made available on request.

#### **A4 How often is the FSS reviewed?**

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

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

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

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

#### **A5 How does the FSS fit into other Fund documents?**

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

These documents can be found on the web at [www.derbyshire.gov.uk/pensions](http://www.derbyshire.gov.uk/pensions)

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

| Risk                                                                                                           | Summary of Control Mechanisms                                                                                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                | <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p> |
| 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                                                       | <p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see <a href="#">3.9</a>).</p>            |

### C3 Demographic risks

| Risk                                                                                                       | Summary of Control Mechanisms                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pensioners living longer, thus increasing cost to Fund.                                                    | <p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>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.</p> |
| 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                                                                | <p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>                                                                                                              |
| Reductions in payroll causing insufficient deficit recovery payments                                       | <p>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:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate</p>           |

| Risk | Summary of Control Mechanisms                                                                                                                                                                                                                                                                                                                     |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|      | <p>contribution increases (see <a href="#">Note (b)</a> to <a href="#">3.3</a>).</p> <p>For other employers, review of contributions is permitted in general between valuations (see <a href="#">Note (f)</a> to <a href="#">3.3</a>) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.</p> |

#### 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.                               | <p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>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.</p> |
| Time, cost and/or reputational risks associated with any DCLG intervention triggered by the Section 13 analysis (see <a href="#">Section 5</a> ). | 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.             | <p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>                                                                                                                                   |

## C5 Governance risks

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

| Risk | Summary of Control Mechanisms                                                                                                                                                                                |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|      | <p>intervals (see <a href="#">Note (f)</a> to <a href="#">3.3</a>).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see <a href="#">Note (a)</a> to <a href="#">3.3</a>).</p> |

## Appendix D – The calculation of Employer contributions

In [Section 2](#) there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

All three steps 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, eg 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?**

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

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus".

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

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



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

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

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

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

## Appendix E – Actuarial assumptions

### E1 What are the actuarial assumptions?

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

Changes in assumptions will affect the measured 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 1.8% per annum greater than gilt yields at the time of the valuation (this is slightly higher than the 1.6% used 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 is currently subject to restriction by the UK Government until 2020. Although this “pay freeze” does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, and continued austerity measures, the salary increase assumption at the 2016 valuation has been set to be a blended rate combined of:

1. 1% p.a. until 31 March 2020, followed by
2. the retail prices index (RPI) thereafter.

This is a change from the previous valuation, which assumed a flat assumption of RPI. The change has led to a reduction in the funding target (all other things being equal).

## c) Pension increases

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

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

## d) Life expectancy

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

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

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

#### e) General

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

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

## Appendix F – Glossary

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Actuarial assumptions/basis</b> | The combined set of assumptions made by the actuary, regarding the future, to calculate the value of <b>the funding target</b> . The main assumptions will relate to the <b>discount rate</b> , salary growth, pension increases and longevity. More prudent assumptions will give a higher target value, whereas more optimistic assumptions will give a lower value.                                                             |
| <b>Administering Authority</b>     | The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".                                                                                                                                                                                                                                                                                                                                   |
| <b>Admission Bodies</b>            | Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see <a href="#">2.3</a> ).                                                                                                                                                                                                                       |
| <b>Covenant</b>                    | The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.                                                                                                                     |
| <b>Designating Employer</b>        | Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.                                                                                                                                                                                                                                          |
| <b>Discount rate</b>               | The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a <b>funding target</b> which is consistent with the present day value of the assets. A lower discount rate gives a higher target value, and vice versa. It is used in the calculation of the <b>Primary and Secondary rates</b> .                                                      |
| <b>Employer</b>                    | An individual participating body in the Fund, which employs (or used to employ) <b>members</b> of the Fund. Normally the assets and <b>funding target</b> values for each employer are individually tracked, together with its <b>Primary rate</b> at each <b>valuation</b> .                                                                                                                                                      |
| <b>Funding target</b>              | The actuarially calculated present value of all pension entitlements of all <b>members</b> of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the <b>deficit</b> . It is calculated on a chosen set of <b>actuarial assumptions</b> .                                                                                                                                          |
| <b>Gilt</b>                        | A UK Government bond, ie 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.

An employer

**Letting employer**

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

**LGPS**

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

**Maturity**

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

**Members**

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

**Primary  
contribution rate**

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

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Profile</b>                           | The profile of an employer's membership or liability reflects various measurements of that employer's <b>members</b> , 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 <b>maturity</b> also.                                |
| <b>Rates and Adjustments Certificate</b> | A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal <b>valuation</b> . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.                                                                                                                                           |
| <b>Scheduled Bodies</b>                  | Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).                                                                                                             |
| <b>Secondary contribution rate</b>       | The difference between the employer's actual and <b>Primary contribution rates</b> . In broad terms, this relates to the shortfall of its asset share to its <b>funding target</b> . See <a href="#">Appendix D</a> for further details.                                                                                                                                                                                                                                                          |
| <b>Stabilisation</b>                     | Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.                                                                                   |
| <b>Valuation</b>                         | An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also. |

# APPENDIX 5

| 2017/2018 ACCOUNTS |                                                   | Employee Contributions |                 |                   |               | Employer Contributions   |                           |                 |                 | TOTAL EMPLOYEES           |                              |                          |                 |                                      |
|--------------------|---------------------------------------------------|------------------------|-----------------|-------------------|---------------|--------------------------|---------------------------|-----------------|-----------------|---------------------------|------------------------------|--------------------------|-----------------|--------------------------------------|
| EMPLOYER           | EMPLOYER NAME                                     | Basic Ees<br>172311    | 50 50<br>172310 | Arrears<br>172311 |               | Ees APC<br>(Main) 172312 | Ees APC<br>(50/50) 172312 | Add'n<br>172312 | TOTAL EMPLOYEES | Deficit Payment<br>172314 | Employer APC<br>Conts 172315 | Employer Conts<br>172315 | TOTAL EMPLOYERS |                                      |
| 00001              | Derbyshire County Council                         | 15,948,930.14          | 31,211.66       | 1,455.56          | 15,981,597.36 | 22,971.00                | -                         | 78,721.44       | 16,083,289.80   | -                         | -                            | 52,120,945.07            | 52,120,945.07   | ADMINISTERING AUTHORITY              |
| 00040              | Peak District National Park                       | 329,264.90             | 210.18          | 161.34            | 329,636.42    | -                        | -                         | 11,347.65       | 340,984.07      | 219,000.00                | -                            | 718,082.86               | 937,082.86      | SCHEDULED BODY                       |
| 00123              | Derby Homes Ltd                                   | 799,146.39             | 1,000.56        | -                 | 800,146.95    | -                        | -                         | -               | 800,146.95      | -                         | -                            | 2,567,001.16             | 2,567,001.16    | SCHEDULED BODY                       |
| 00126              | Rykneld Homes                                     | 374,911.05             | -               | -                 | 374,911.05    | -                        | -                         | -               | 374,911.05      | -                         | -                            | 930,981.42               | 930,981.42      | SCHEDULED BODY                       |
| 00130              | Amber Valley B C                                  | 330,482.33             | 1,361.59        | -                 | 331,843.92    | 422.76                   | -                         | -               | 332,266.68      | 1,036,018.00              | 845.51                       | 714,749.78               | 1,751,613.29    | UNITARY & DISTRICT LOCAL AUTHORITIES |
| 00131              | The District of Bolsover                          | 609,145.73             | -               | -                 | 609,145.73    | -                        | -                         | -               | 609,145.73      | 938,508.00                | 4,500.00                     | 1,320,676.49             | 2,263,684.49    | UNITARY & DISTRICT LOCAL AUTHORITIES |
| 00132              | Chesterfield B C                                  | 1,123,785.87           | 953.04          | -                 | 1,124,738.91  | -                        | -                         | -               | 1,124,738.91    | 1,951,008.00              | -                            | 2,486,335.46             | 4,437,343.46    | UNITARY & DISTRICT LOCAL AUTHORITIES |
| 00133              | Derby City Council                                | 6,908,147.46           | 17,013.10       | 240.00            | 6,925,400.56  | -                        | -                         | -               | 6,925,400.56    | -                         | -                            | 21,972,750.91            | 21,972,750.91   | UNITARY & DISTRICT LOCAL AUTHORITIES |
| 00134              | Erewash B C                                       | 531,775.95             | 3,021.61        | -                 | 534,797.56    | 3,384.34                 | -                         | -               | 538,181.90      | 1,103,004.00              | 366.91                       | 1,086,354.99             | 2,189,725.90    | UNITARY & DISTRICT LOCAL AUTHORITIES |
| 00135              | High Peak BC                                      | 401,979.74             | -               | -                 | 401,979.74    | -                        | -                         | -               | 401,979.74      | 1,797,000.00              | -                            | 739,532.65               | 2,536,532.65    | UNITARY & DISTRICT LOCAL AUTHORITIES |
| 00136              | North East Derbyshire DC                          | 557,139.89             | 545.86          | -                 | 557,685.75    | 3,015.89                 | -                         | 4,080.18        | 564,781.82      | 1,497,000.00              | 31.77                        | 1,210,869.22             | 2,707,900.99    | UNITARY & DISTRICT LOCAL AUTHORITIES |
| 00137              | South Derbyshire DC                               | 458,577.88             | 524.00          | -                 | 459,101.88    | -                        | -                         | -               | 459,101.88      | 665,004.00                | -                            | 957,916.03               | 1,622,920.03    | UNITARY & DISTRICT LOCAL AUTHORITIES |
| 00138              | Derbyshire Dales D C                              | 361,634.01             | -               | -                 | 361,634.01    | -                        | -                         | -               | 361,634.01      | 632,004.00                | -                            | 754,981.13               | 1,386,985.13    | UNITARY & DISTRICT LOCAL AUTHORITIES |
| 00139              | Chesterfield Crematorium                          | 13,366.59              | -               | -                 | 13,366.59     | -                        | -                         | -               | 13,366.59       | 28,008.00                 | -                            | 36,869.09                | 64,877.09       | SCHEDULED BODY                       |
| 00144              | Shirebrook Town Council                           | 9,793.65               | -               | -                 | 9,793.65      | -                        | -                         | -               | 9,793.65        | -                         | -                            | 37,582.40                | 37,582.40       | SCHEDULED BODY                       |
| 00145              | New Mills Town Council                            | 8,332.13               | -               | -                 | 8,332.13      | -                        | -                         | -               | 8,332.13        | -                         | -                            | 32,896.33                | 32,896.33       | SCHEDULED BODY                       |
| 00147              | Clay Cross Parish Council                         | 1,529.25               | -               | -                 | 1,529.25      | -                        | -                         | -               | 1,529.25        | -                         | -                            | 6,275.15                 | 6,275.15        | SCHEDULED BODY                       |
| 00148              | Eckington Parish Council                          | 10,414.97              | -               | -                 | 10,414.97     | -                        | -                         | -               | 10,414.97       | -                         | -                            | 41,568.31                | 41,568.31       | SCHEDULED BODY                       |
| 00150              | Pinxton Parish Council                            | 2,756.88               | -               | -                 | 2,756.88      | -                        | -                         | -               | 2,756.88        | -                         | -                            | 11,554.13                | 11,554.13       | SCHEDULED BODY                       |
| 00151              | Wirksworth Town Council                           | 3,807.53               | -               | -                 | 3,807.53      | -                        | -                         | -               | 3,807.53        | -                         | -                            | 15,381.28                | 15,381.28       | SCHEDULED BODY                       |
| 00152              | Old Bolsover Town Council                         | 9,830.01               | -               | -                 | 9,830.01      | -                        | -                         | -               | 9,830.01        | -                         | -                            | 38,580.83                | 38,580.83       | SCHEDULED BODY                       |
| 00155              | Glapwell Parish Council                           | 1,331.04               | -               | -                 | 1,331.04      | -                        | -                         | -               | 1,331.04        | -                         | -                            | 4,162.12                 | 4,162.12        | SCHEDULED BODY                       |
| 00157              | Beiper Town Council                               | 5,996.87               | -               | -                 | 5,996.87      | -                        | -                         | -               | 5,996.87        | -                         | -                            | 24,427.21                | 24,427.21       | SCHEDULED BODY                       |
| 00160              | Killamarsh Parish Council                         | 14,060.84              | -               | -                 | 14,060.84     | -                        | -                         | -               | 14,060.84       | -                         | -                            | 56,574.38                | 56,574.38       | SCHEDULED BODY                       |
| 00161              | Burnaston Parish Council                          | 246.74                 | -               | -                 | 246.74        | -                        | -                         | -               | 246.74          | -                         | -                            | 771.72                   | 771.72          | SCHEDULED BODY                       |
| 00165              | North Wingfield PC                                | 3,540.70               | -               | -                 | 3,540.70      | -                        | -                         | -               | 3,540.70        | -                         | -                            | 10,071.03                | 10,071.03       | SCHEDULED BODY                       |
| 00169              | University of Derby                               | 2,001,635.89           | 6,433.42        | -                 | 2,008,069.31  | 1,877.64                 | -                         | 3,369.45        | 2,013,316.40    | 730,044.00                | 825.99                       | 3,852,792.84             | 4,583,662.83    | SCHEDULED BODY                       |
| 00169              | University of Derby Student Employment Agency     | 16,160.90              | -               | -                 | 16,160.90     | -                        | -                         | -               | 16,160.90       | -                         | -                            | 37,247.13                | 37,247.13       | SCHEDULED BODY                       |
| 00171              | Ashbourne Town Council                            | 5,494.32               | -               | -                 | 5,494.32      | -                        | -                         | -               | 5,494.32        | -                         | -                            | 22,180.44                | 22,180.44       | SCHEDULED BODY                       |
| 00172              | Dronfield Town Council                            | 12,395.30              | 170.76          | -                 | 12,566.06     | -                        | -                         | -               | 12,566.06       | -                         | -                            | 51,448.52                | 51,448.52       | SCHEDULED BODY                       |
| 00173              | Whitwell Parish Council                           | 5,992.22               | -               | -                 | 5,992.22      | -                        | -                         | -               | 5,992.22        | -                         | -                            | 23,486.62                | 23,486.62       | SCHEDULED BODY                       |
| 00174              | Tupton Parish Council                             | 879.51                 | -               | -                 | 879.51        | -                        | -                         | -               | 879.51          | -                         | -                            | 2,592.29                 | 2,592.29        | SCHEDULED BODY                       |
| 00175              | Staveley Town Council                             | 11,601.47              | -               | -                 | 11,601.47     | -                        | -                         | -               | 11,601.47       | -                         | -                            | 43,355.64                | 43,355.64       | SCHEDULED BODY                       |
| 00178              | Matlock Town Council                              | 7,226.18               | -               | -                 | 7,226.18      | -                        | -                         | -               | 7,226.18        | -                         | -                            | 29,200.76                | 29,200.76       | SCHEDULED BODY                       |
| 00179              | Whaley Bridge Town Council                        | 1,597.92               | -               | -                 | 1,597.92      | -                        | -                         | -               | 1,597.92        | -                         | -                            | 5,850.96                 | 5,850.96        | SCHEDULED BODY                       |
| 00186              | Alfreton Town Council                             | 2,711.31               | -               | -                 | 2,711.31      | -                        | -                         | -               | 2,711.31        | -                         | -                            | 8,324.52                 | 8,324.52        | SCHEDULED BODY                       |
| 00187              | Wingerworth Parish Council                        | 2,040.64               | -               | -                 | 2,040.64      | -                        | -                         | -               | 2,040.64        | -                         | -                            | 6,186.12                 | 6,186.12        | SCHEDULED BODY                       |
| 00188              | Heanor + Loscoe TC                                | 1,881.71               | -               | -                 | 1,881.71      | -                        | -                         | -               | 1,881.71        | -                         | -                            | 5,007.11                 | 5,007.11        | SCHEDULED BODY                       |
| 00189              | Darley Dale Town Council                          | 1,096.56               | -               | -                 | 1,096.56      | -                        | -                         | -               | 1,096.56        | -                         | -                            | 2,901.84                 | 2,901.84        | SCHEDULED BODY                       |
| 00192              | Chesterfield College                              | 393,986.91             | 412.00          | -                 | 394,398.91    | -                        | -                         | -               | 394,398.91      | 155,004.00                | -                            | 784,830.93               | 939,834.93      | SCHEDULED BODY                       |
| 00198              | Derby College                                     | 599,890.35             | 7,586.36        | -                 | 607,476.71    | -                        | -                         | -               | 607,476.71      | 432,000.00                | -                            | 1,301,581.56             | 1,733,581.56    | SCHEDULED BODY                       |
| 00199              | Derby Manufacturing University Technical College  | 15,498.02              | -               | -                 | 15,498.02     | -                        | -                         | -               | 15,498.02       | -                         | -                            | 52,828.74                | 52,828.74       | SCHEDULED BODY                       |
| 00234              | Tibshelf Parish Council                           | 2,248.68               | -               | -                 | 2,248.68      | -                        | -                         | -               | 2,248.68        | -                         | -                            | 7,032.36                 | 7,032.36        | SCHEDULED BODY                       |
| 00235              | Kilburn Parish Council                            | 870.84                 | -               | -                 | 870.84        | -                        | -                         | -               | 870.84          | -                         | -                            | 2,582.40                 | 2,582.40        | SCHEDULED BODY                       |
| 00236              | Codnor Parish Council                             | 696.39                 | -               | -                 | 696.39        | -                        | -                         | -               | 696.39          | -                         | -                            | 2,177.87                 | 2,177.87        | SCHEDULED BODY                       |
| 00237              | Shardlow & Great Wilne Parish Council             | 497.04                 | -               | -                 | 497.04        | -                        | -                         | -               | 497.04          | -                         | -                            | 1,554.36                 | 1,554.36        | SCHEDULED BODY                       |
| 00238              | Ticknall Parish Council                           | 164.20                 | -               | -                 | 164.20        | -                        | -                         | -               | 164.20          | -                         | -                            | 513.36                   | 513.36          | SCHEDULED BODY                       |
| 00239              | Stenson Fields Parish Council                     | 422.40                 | -               | -                 | 422.40        | -                        | -                         | -               | 422.40          | -                         | -                            | 1,320.96                 | 1,320.96        | SCHEDULED BODY                       |
| 00240              | Heath & Holmewood Parish Council                  | 1,911.41               | -               | -                 | 1,911.41      | -                        | -                         | -               | 1,911.41        | -                         | -                            | 5,365.83                 | 5,365.83        | SCHEDULED BODY                       |
| 00241              | Bretby Parish Council                             | 103.32                 | -               | -                 | 103.32        | -                        | -                         | -               | 103.32          | -                         | -                            | 333.82                   | 333.82          | SCHEDULED BODY                       |
| 00242              | Breaston Parish Council                           | 1,544.68               | -               | -                 | 1,544.68      | -                        | -                         | -               | 1,544.68        | -                         | -                            | 4,087.42                 | 4,087.42        | SCHEDULED BODY                       |
| 00243              | Woodville Parish Council                          | 1,156.65               | -               | -                 | 1,156.65      | -                        | -                         | -               | 1,156.65        | -                         | -                            | 3,643.45                 | 3,643.45        | SCHEDULED BODY                       |
| 00244              | Elvaston Parish Council                           | 425.26                 | -               | -                 | 425.26        | -                        | -                         | -               | 425.26          | -                         | -                            | 1,326.06                 | 1,326.06        | SCHEDULED BODY                       |
| 00245              | Hatton Parish Council                             | 440.64                 | -               | -                 | 440.64        | -                        | -                         | -               | 440.64          | -                         | -                            | 1,432.80                 | 1,432.80        | SCHEDULED BODY                       |
| 00246              | Tideswell Parish Council                          | -                      | -               | -                 | -             | -                        | -                         | -               | -               | -                         | -                            | -                        | -               | SCHEDULED BODY                       |
| 00248              | Clowne Parish Council                             | 1,253.39               | -               | -                 | 1,253.39      | -                        | -                         | -               | 1,253.39        | -                         | -                            | 3,170.34                 | 3,170.34        | SCHEDULED BODY                       |
| 00335              | Chellaston Academy                                | 52,588.25              | 584.04          | -                 | 53,172.29     | -                        | -                         | -               | 53,172.29       | -                         | -                            | 186,149.57               | 186,149.57      | SCHEDULED BODY                       |
| 00336              | Ecclesbourne Academy                              | 42,084.28              | -               | -                 | 42,084.28     | -                        | -                         | -               | 42,084.28       | -                         | -                            | 160,490.48               | 160,490.48      | SCHEDULED BODY                       |
| 00337              | Kirk Hallam Academy                               | 79,693.26              | -               | -                 | 79,693.26     | -                        | -                         | -               | 79,693.26       | -                         | -                            | 238,341.58               | 238,341.58      | SCHEDULED BODY                       |
| 00338              | John Port Academy                                 | 70,735.00              | -               | -                 | 70,735.00     | 800.00                   | -                         | -               | 71,535.00       | -                         | -                            | 241,475.07               | 241,475.07      | SCHEDULED BODY                       |
| 00340              | Brookfield Academy                                | 61,849.24              | -               | -                 | 61,849.24     | -                        | -                         | -               | 61,849.24       | -                         | -                            | 203,412.44               | 203,412.44      | SCHEDULED BODY                       |
| 00341              | Long Eaton Academy                                | 66,884.30              | -               | -                 | 66,884.30     | -                        | -                         | -               | 66,884.30       | -                         | -                            | 210,187.52               | 210,187.52      | SCHEDULED BODY                       |
| 00342              | West Park School (Academy)                        | 73,840.76              | -               | -                 | 73,840.76     | -                        | -                         | -               | 73,840.76       | -                         | -                            | 246,284.23               | 246,284.23      | SCHEDULED BODY                       |
| 00343              | Queen Elizabeths Grammar School (Academy) (QUEGS) | -                      | -               | -                 | -             | -                        | -                         | -               | -               | -                         | -                            | -                        | -               | SCHEDULED BODY                       |
| 00345              | Hope Valley College (Academy)                     | 38,678.84              | -               | -                 | 38,678.84     | -                        | -                         | -               | 38,678.84       | -                         | -                            | 156,187.27               | 156,187.27      | SCHEDULED BODY                       |
| 00347              | Pennine Way Junior School (Academy)               | 16,693.82              | -               | -                 | 16,693.82     | -                        | -                         | -               | 16,693.82       | -                         | -                            | 58,300.96                | 58,300.96       | SCHEDULED BODY                       |
| 00348              | Heanor Gate Science College (Academy)             | 66,201.96              | -               | -                 | 66,201.96     | -                        | -                         | -               | 66,201.96       | -                         | -                            | 230,193.48               | 230,193.48      | SCHEDULED BODY                       |
| 00349              | Lees Brook Community School (Academy)             | 65,956.17              | 67.61           | -                 | 66,023.78     | -                        | -                         | -               | 66,023.78       | -                         | -                            | 216,506.61               | 216,506.61      | SCHEDULED BODY                       |
| 00350              | Netherthorpe School (Academy)                     | -                      | -               | -                 | -             | -                        | -                         | -               | -               | -                         | -                            | -                        | -               | SCHEDULED BODY                       |
| 00351              | Redhill Primary School (Academy)                  | 8,042.42               | -               | -                 | 8,042.42      | -                        | -                         | -               | 8,042.42        | -                         | -                            | 29,239.14                | 29,239.14       | SCHEDULED BODY                       |
| 00352              | St John Houghton School (Academy)                 | 38,589.61              | -               | -                 | 38,589.61     | -                        | -                         | 2,679.30        | 41,268.91       | -                         | -                            | 124,607.40               | 124,607.40      | SCHEDULED BODY                       |
| 00353              | Woodlands School (Academy)                        | 4,723.63               | -               | -                 | 4,723.63      | -                        | -                         | -               | 4,723.63        | -                         | -                            | 15,742.61                | 15,742.61       | SCHEDULED BODY                       |
| 00354              | Gramscian Primary School (Academy)                | 13,212.23              | -               | -                 | 13,212.23     | -                        | -                         | -               | 13,212.23       | -                         | -                            | 43,120.46                | 43,120.46       | SCHEDULED BODY                       |
| 00360              | St Benedict Voluntary Catholic Academy            | 88,189.87              | -               | -                 | 88,189.87     | -                        | -                         | -               | 88,189.87       | -                         | -                            | 322,695.30               | 322,695.30      | SCHEDULED BODY                       |
| 00361              | St Mary's Catholic Academy                        | 62,253.21              | -               | -                 | 62,253.21     | -                        | -                         | -               | 62,253.21       | -                         | -                            | 225,736.65               | 225,736.65      | SCHEDULED BODY                       |
| 00362              | St John Fisher Catholic Academy                   | 11,263.38              | -               | -                 | 11,263.38     | -                        | -                         | -               | 11,263.38       | -                         | -                            | 41,169.34                | 41,169.34       | SCHEDULED BODY                       |
| 00363              | St George's Voluntary Academy                     | 21,843.59              | -               | -                 | 21,843.59     | -                        | -                         | -               | 21,843.59       | -                         | -                            | 74,400.74                | 74,400.74       | SCHEDULED BODY                       |
| 00364              | Wyndham Primary Academy                           | 25,716.71              | -               | -                 | 25,716.71     | -                        | -                         | -               | 25,716.71       | -                         | -                            | 74,951.95                | 74,951.95       | SCHEDULED BODY                       |



| 2017/2018 ACCOUNTS |                                               | Employee Contributions |                 |                   |              |                          |                           |                 | Employer Contributions |                           |                              |                          |                 |
|--------------------|-----------------------------------------------|------------------------|-----------------|-------------------|--------------|--------------------------|---------------------------|-----------------|------------------------|---------------------------|------------------------------|--------------------------|-----------------|
| EMPLOYER           | EMPLOYER NAME                                 | Basic Ees<br>172310    | 50 50<br>172310 | Arrears<br>172311 |              | Ees APC<br>(Main) 172312 | Ees APC<br>(50/50) 172312 | Add'n<br>172312 | TOTAL EMPLOYEES        | Deficit Payment<br>172314 | Employer APC<br>Conts 172315 | Employer Conts<br>172315 | TOTAL EMPLOYERS |
| 00365              | The Bolsover School Academy                   | 46,919.21              | 226.15          | -                 | 47,145.36    | -                        | -                         | -               | 47,145.36              | -                         | -                            | 157,433.37               | 157,433.37      |
| 00366              | Landau Forte Moorhead Academy                 | 18,017.69              | -               | -                 | 18,017.69    | -                        | -                         | -               | 18,017.69              | -                         | -                            | 61,028.55                | 61,028.55       |
| 00367              | Derby Pride Academy                           | 11,576.85              | 971.50          | -                 | 12,548.35    | -                        | -                         | -               | 12,548.35              | -                         | -                            | 34,908.19                | 34,908.19       |
| 00368              | Merrill Academy                               | 39,320.48              | -               | -                 | 39,320.48    | -                        | -                         | -               | 39,320.48              | -                         | -                            | 148,544.21               | 148,544.21      |
| 00369              | City of Derby Academy                         | 16,585.61              | 438.54          | -                 | 17,024.15    | -                        | -                         | -               | 17,024.15              | -                         | -                            | 64,799.93                | 64,799.93       |
| 00370              | Ormiston Ilkeston Enterprise Academy          | 52,619.77              | -               | -                 | 52,619.77    | -                        | -                         | -               | 52,619.77              | -                         | -                            | 203,986.57               | 203,986.57      |
| 00371              | English Martyrs Academy                       | 14,055.30              | -               | -                 | 14,055.30    | -                        | -                         | -               | 14,055.30              | -                         | -                            | 45,744.99                | 45,744.99       |
| 00372              | Newbold CoE School                            | 9,142.26               | -               | -                 | 9,142.26     | -                        | -                         | -               | 9,142.26               | -                         | -                            | 28,142.75                | 28,142.75       |
| 00373              | Bishop Lonsdale Co E Primary School           | 17,968.19              | -               | -                 | 17,968.19    | -                        | -                         | -               | 17,968.19              | -                         | -                            | 80,227.59                | 80,227.59       |
| 00374              | Al-Madinah                                    | 16,174.48              | -               | -                 | 16,174.48    | -                        | -                         | -               | 16,174.48              | -                         | -                            | 51,185.33                | 51,185.33       |
| 00375              | The Ripley Academy                            | 29,179.33              | -               | -                 | 29,179.33    | -                        | -                         | -               | 29,179.33              | -                         | -                            | 126,894.16               | 126,894.16      |
| 00376              | St Josephs Catholic Primary Academy           | 10,299.82              | -               | -                 | 10,299.82    | -                        | -                         | -               | 10,299.82              | -                         | -                            | 31,626.23                | 31,626.23       |
| 00377              | Dovedale Primary School                       | 13,894.47              | -               | -                 | 13,894.47    | -                        | -                         | -               | 13,894.47              | -                         | -                            | 49,447.24                | 49,447.24       |
| 00378              | Sawley Infant School                          | 18,910.65              | -               | -                 | 18,910.65    | -                        | -                         | -               | 18,910.65              | -                         | -                            | 65,516.27                | 65,516.27       |
| 00379              | Sawley Junior School                          | 10,319.70              | -               | -                 | 10,319.70    | -                        | -                         | -               | 10,319.70              | -                         | -                            | 38,113.49                | 38,113.49       |
| 00380              | Shardlow Primary School                       | 5,185.53               | -               | -                 | 5,185.53     | -                        | -                         | -               | 5,185.53               | -                         | -                            | 21,547.60                | 21,547.60       |
| 00381              | Immaculate Conception Academy Trust           | 13,781.82              | -               | -                 | 13,781.82    | -                        | -                         | -               | 13,781.82              | -                         | -                            | 44,068.06                | 44,068.06       |
| 00382              | Allenton Primary School                       | 25,381.08              | -               | -                 | 25,381.08    | -                        | -                         | -               | 25,381.08              | -                         | -                            | 118,084.98               | 118,084.98      |
| 00383              | Outward Academy Newbold                       | 53,322.58              | -               | -                 | 53,322.58    | -                        | -                         | -               | 53,322.58              | -                         | -                            | 182,797.45               | 182,797.45      |
| 00384              | Turnditch Primary                             | 2,361.95               | -               | -                 | 2,361.95     | -                        | -                         | -               | 2,361.95               | -                         | -                            | 8,471.01                 | 8,471.01        |
| 00385              | William Gilbert Primary                       | 14,265.53              | -               | -                 | 14,265.53    | -                        | -                         | -               | 14,265.53              | -                         | -                            | 51,798.78                | 51,798.78       |
| 00386              | St Laurence Primary School                    | 12,735.97              | -               | -                 | 12,735.97    | -                        | -                         | -               | 12,735.97              | -                         | -                            | 50,849.61                | 50,849.61       |
| 00387              | Akaal Academy Trust Derby Limited             | 3,833.87               | -               | -                 | 3,833.87     | -                        | -                         | -               | 3,833.87               | -                         | -                            | 12,699.88                | 12,699.88       |
| 00388              | Inkersall Primary Academy                     | 19,802.22              | -               | -                 | 19,802.22    | -                        | -                         | -               | 19,802.22              | -                         | -                            | 68,928.58                | 68,928.58       |
| 00389              | St Philip Howard Catholic Voluntary Academy   | 15,102.54              | -               | -                 | 15,102.54    | -                        | -                         | -               | 15,102.54              | -                         | -                            | 51,195.72                | 51,195.72       |
| 00390              | St Giles CoE Aided Primary School             | 4,203.37               | -               | -                 | 4,203.37     | -                        | -                         | -               | 4,203.37               | -                         | -                            | 15,400.64                | 15,400.64       |
| 00391              | Walter Evans Primary School                   | 19,421.62              | -               | -                 | 19,421.62    | -                        | -                         | -               | 19,421.62              | -                         | -                            | 73,985.77                | 73,985.77       |
| 00392              | Swanwick Hall School                          | 52,036.21              | -               | -                 | 52,036.21    | -                        | -                         | -               | 52,036.21              | -                         | -                            | 173,710.23               | 173,710.23      |
| 00393              | John Flamsteed Community School               | 26,714.03              | -               | -                 | 26,714.03    | -                        | -                         | -               | 26,714.03              | -                         | -                            | 88,955.08                | 88,955.08       |
| 00395              | David Neiper Academy                          | 22,762.59              | -               | -                 | 22,762.59    | -                        | -                         | -               | 22,762.59              | -                         | -                            | 67,514.87                | 67,514.87       |
| 00396              | Christ Church CoE Primary School              | 11,242.43              | -               | -                 | 11,242.43    | -                        | -                         | -               | 11,242.43              | -                         | -                            | 42,056.36                | 42,056.36       |
| 00397              | Whitecotes Primary Academy                    | -                      | -               | -                 | -            | -                        | -                         | -               | -                      | -                         | -                            | -                        | -               |
| 00398              | Poolsbrook Primary Academy                    | -                      | -               | -                 | -            | -                        | -                         | -               | -                      | -                         | -                            | -                        | -               |
| 00399              | Barrow Hill Primary Academy                   | -                      | -               | -                 | -            | -                        | -                         | -               | -                      | -                         | -                            | -                        | -               |
| 00401              | Derbyshire Police Authority                   | 2,481,147.13           | 7,129.92        | -                 | 2,488,277.05 | 6,656.27                 | 1,528.93                  | -               | 2,496,462.25           | 1,436,004.00              | 3,942.00                     | 4,933,882.98             | 6,373,828.98    |
| 00403              | Derbys Fire & Rescue Service                  | 350,194.64             | -               | -                 | 350,194.64   | 12,150.00                | -                         | -               | 362,344.64             | 167,004.00                | -                            | 693,913.71               | 860,917.71      |
| 00422              | Landau Forte College                          | 103,034.77             | 22.37           | -                 | 103,057.14   | -                        | -                         | -               | 103,057.14             | 3,000.00                  | -                            | 196,314.49               | 199,314.49      |
| 00439              | Shirebrook Academy                            | 57,732.56              | -               | -                 | 57,732.56    | -                        | -                         | -               | 57,732.56              | -                         | -                            | 198,515.69               | 198,515.69      |
| 00601              | Holbrook Primary School                       | 7,687.58               | 66.89           | -                 | 7,754.47     | -                        | -                         | -               | 7,754.47               | -                         | -                            | 31,689.13                | 31,689.13       |
| 00602              | St Edward's Catholic Academy                  | 9,507.87               | -               | -                 | 9,507.87     | -                        | -                         | -               | 9,507.87               | -                         | -                            | 33,559.80                | 33,559.80       |
| 00603              | St Joseph's Catholic Primary School - Matlock | 11,047.51              | -               | -                 | 11,047.51    | -                        | -                         | -               | 11,047.51              | -                         | -                            | 39,093.62                | 39,093.62       |
| 00604              | Mary Swanwick Primary                         | 14,908.54              | -               | -                 | 14,908.54    | -                        | -                         | -               | 14,908.54              | -                         | -                            | 53,616.57                | 53,616.57       |
| 00605              | Brimington Infant School                      | 5,309.84               | -               | -                 | 5,309.84     | -                        | -                         | -               | 5,309.84               | -                         | -                            | 18,166.09                | 18,166.09       |
| 00606              | Brimington Junior School                      | 18,609.32              | -               | -                 | 18,609.32    | -                        | -                         | -               | 18,609.32              | -                         | -                            | 59,788.32                | 59,788.32       |
| 00607              | Noel Baker Academy                            | 50,175.32              | -               | -                 | 50,175.32    | -                        | -                         | -               | 50,175.32              | -                         | -                            | 176,550.66               | 176,550.66      |
| 00608              | All Saints Infant, Matlock                    | 8,704.03               | -               | -                 | 8,704.03     | -                        | -                         | -               | 8,704.03               | -                         | -                            | 32,233.26                | 32,233.26       |
| 00609              | St Giles Primary (Killamarsh)                 | 9,602.08               | -               | -                 | 9,602.08     | -                        | -                         | -               | 9,602.08               | -                         | -                            | 35,475.64                | 35,475.64       |
| 00610              | QUEGS MAT                                     | 99,330.80              | -               | -                 | 99,330.80    | 1,614.24                 | -                         | -               | 100,945.04             | -                         | -                            | 345,757.19               | 345,757.19      |
| 00611              | Cavendish MAT                                 | 101,289.39             | -               | -                 | 101,289.39   | -                        | -                         | -               | 101,289.39             | -                         | -                            | 322,623.41               | 322,623.41      |
| 00612              | All Saints Junior, Matlock                    | 11,545.07              | -               | -                 | 11,545.07    | -                        | -                         | -               | 11,545.07              | -                         | -                            | 41,066.39                | 41,066.39       |
| 00613              | Heritage High School                          | 47,524.62              | -               | -                 | 47,524.62    | -                        | -                         | -               | 47,524.62              | -                         | 120.00                       | 160,343.59               | 160,463.59      |
| 00614              | New Whittington Primary                       | 18,594.50              | -               | -                 | 18,594.50    | 100.00                   | -                         | -               | 18,694.50              | -                         | -                            | 69,923.14                | 69,923.14       |
| 00615              | Eckington Junior                              | 10,954.85              | -               | -                 | 10,954.85    | -                        | -                         | -               | 10,954.85              | -                         | -                            | 35,845.16                | 35,845.16       |
| 00616              | Darley Churchtown Primary                     | 5,246.82               | -               | -                 | 5,246.82     | -                        | -                         | -               | 5,246.82               | -                         | -                            | 18,870.77                | 18,870.77       |
| 00617              | Temple Normanton Primary                      | 2,456.54               | -               | -                 | 2,456.54     | -                        | -                         | -               | 2,456.54               | -                         | -                            | 9,379.40                 | 9,379.40        |
| 00618              | Da Vinci Academy                              | 32,055.81              | -               | -                 | 32,055.81    | -                        | -                         | -               | 32,055.81              | -                         | -                            | 111,798.67               | 111,798.67      |
| 00619              | The Pingle Academy                            | 51,689.03              | -               | -                 | 51,689.03    | -                        | -                         | -               | 51,689.03              | -                         | -                            | 187,856.78               | 187,856.78      |
| 00620              | Springfield Junior                            | -                      | -               | -                 | -            | -                        | -                         | -               | -                      | -                         | -                            | -                        | -               |
| 00621              | Derwent Primary                               | 15,364.45              | -               | -                 | 15,364.45    | -                        | -                         | -               | 15,364.45              | -                         | -                            | 54,060.61                | 54,060.61       |
| 00622              | Breadsall Hill Top Primary                    | 21,393.46              | -               | -                 | 21,393.46    | -                        | -                         | -               | 21,393.46              | -                         | -                            | 74,530.32                | 74,530.32       |
| 00623              | Peartree Junior                               | 15,084.66              | -               | -                 | 15,084.66    | -                        | -                         | -               | 15,084.66              | -                         | -                            | 52,931.30                | 52,931.30       |
| 00624              | Granville Sports College                      | 14,823.60              | -               | -                 | 14,823.60    | -                        | -                         | -               | 14,823.60              | -                         | -                            | 51,862.63                | 51,862.63       |
| 00625              | St Georges Primary (New Mills)                | 6,217.31               | -               | -                 | 6,217.31     | -                        | -                         | -               | 6,217.31               | -                         | -                            | 22,603.54                | 22,603.54       |
| 00626              | Scargill Primary                              | 8,694.80               | -               | -                 | 8,694.80     | -                        | -                         | -               | 8,694.80               | -                         | -                            | 32,315.14                | 32,315.14       |
| 00627              | Cavendish Close Junior School                 | 11,859.77              | -               | -                 | 11,859.77    | -                        | -                         | -               | 11,859.77              | -                         | -                            | 42,974.00                | 42,974.00       |
| 00628              | Cloudside Junior                              | 6,513.92               | -               | -                 | 6,513.92     | -                        | -                         | -               | 6,513.92               | -                         | -                            | 24,373.48                | 24,373.48       |
| 00629              | Somercotes Infant School                      | 5,457.10               | -               | -                 | 5,457.10     | -                        | -                         | 257.04          | 5,714.14               | -                         | -                            | 20,636.78                | 20,636.78       |
| 00630              | Somerlea Park Junior                          | 4,562.61               | -               | -                 | 4,562.61     | -                        | -                         | -               | 4,562.61               | -                         | -                            | 16,643.97                | 16,643.97       |
| 00631              | Bolsover CoE Junior                           | 5,035.80               | -               | -                 | 5,035.80     | -                        | -                         | -               | 5,035.80               | -                         | -                            | 18,219.30                | 18,219.30       |
| 00632              | Frederick Gent                                | 18,317.83              | -               | -                 | 18,317.83    | -                        | -                         | -               | 18,317.83              | -                         | 44.00                        | 64,996.77                | 65,040.77       |
| 00633              | Firs Estate Primary School                    | 6,464.06               | -               | -                 | 6,464.06     | -                        | -                         | -               | 6,464.06               | -                         | -                            | 23,161.68                | 23,161.68       |
| 00634              | Hardwick Primary                              | 10,960.47              | -               | -                 | 10,960.47    | -                        | -                         | -               | 10,960.47              | -                         | -                            | 38,546.25                | 38,546.25       |
| 00635              | Derby Moor Community Sports College           | 16,050.16              | -               | -                 | 16,050.16    | -                        | -                         | -               | 16,050.16              | -                         | -                            | 56,319.49                | 56,319.49       |
| 00636              | John King Infant                              | 1,782.58               | -               | -                 | 1,782.58     | -                        | -                         | -               | 1,782.58               | -                         | -                            | 6,616.14                 | 6,616.14        |
| 00637              | Longwood Community Infant                     | 1,206.18               | -               | -                 | 1,206.18     | -                        | -                         | -               | 1,206.18               | -                         | -                            | 4,239.56                 | 4,239.56        |

| 2017/2018 ACCOUNTS                     |                                                | Employee Contributions |                 |                   |               | Employer Contributions   |                           |                 |                 | Employer Contributions    |                              |                          |                 |                |
|----------------------------------------|------------------------------------------------|------------------------|-----------------|-------------------|---------------|--------------------------|---------------------------|-----------------|-----------------|---------------------------|------------------------------|--------------------------|-----------------|----------------|
| EMPLOYER                               | EMPLOYER NAME                                  | Basic Ees<br>172310    | 50 50<br>172310 | Arrears<br>172311 |               | Ees APC<br>(Main) 172312 | Ees APC<br>(50/50) 172312 | Add'n<br>172312 | TOTAL EMPLOYEES | Deficit Payment<br>172314 | Employer APC<br>Conts 172315 | Employer Conts<br>172315 | TOTAL EMPLOYERS |                |
| 00638                                  | Langley Mill Junior                            | 2,721.81               | -               | -                 | 2,721.81      | -                        | -                         | -               | 2,721.81        | -                         | -                            | 9,765.65                 | 9,765.65        | SCHEDULED BODY |
| 00639                                  | Kirkstead Junior Academy                       | 1,608.44               | -               | -                 | 1,608.44      | -                        | -                         | -               | 1,608.44        | -                         | -                            | 5,860.31                 | 5,860.31        | SCHEDULED BODY |
| 00640                                  | Gilbert Heathcote Nursery and Infant           | -                      | -               | -                 | -             | -                        | -                         | -               | -               | -                         | -                            | -                        | -               | SCHEDULED BODY |
| 00641                                  | Ironville & Codnor Park Primary                | 638.76                 | -               | -                 | 638.76        | -                        | -                         | -               | 638.76          | -                         | -                            | 2,364.01                 | 2,364.01        | SCHEDULED BODY |
| 00120                                  | Amber Valley Housing Ltd (Futures)             | 230,664.48             | -               | -                 | 230,664.48    | -                        | -                         | -               | 230,664.48      | 103,008.00                | -                            | 778,573.30               | 881,581.30      | ADMITTED BODY  |
| 00124                                  | Three Valleys Housing Ltd (EM A Homes)         | 109,232.03             | -               | -                 | 109,232.03    | -                        | -                         | -               | 109,232.03      | 161,004.00                | -                            | 378,789.44               | 539,793.44      | ADMITTED BODY  |
| 00128                                  | Dales Housing Ltd (Acclaim Housing Group)      | 49,541.50              | -               | -                 | 49,541.50     | -                        | -                         | -               | 49,541.50       | 18,000.00                 | -                            | 217,519.84               | 235,519.84      | ADMITTED BODY  |
| 00170                                  | Tramway Museum Society                         | 3,017.73               | -               | -                 | 3,017.73      | -                        | -                         | -               | 3,017.73        | 15,000.00                 | -                            | 12,156.72                | 27,156.72       | ADMITTED BODY  |
| 00176                                  | D.C.I.L                                        | 1,635.36               | -               | -                 | 1,635.36      | -                        | -                         | -               | 1,635.36        | 15,000.00                 | -                            | 6,717.36                 | 21,717.36       | ADMITTED BODY  |
| 00184                                  | Chesterfield Care Group                        | 5,354.87               | -               | -                 | 5,354.87      | -                        | -                         | -               | 5,354.87        | -                         | -                            | 22,570.97                | 22,570.97       | ADMITTED BODY  |
| 00185                                  | Belper Sports Centre                           | 14,596.37              | -               | -                 | 14,596.37     | -                        | -                         | -               | 15,333.17       | -                         | -                            | 67,970.71                | 67,970.71       | ADMITTED BODY  |
| 00404                                  | Derbys Student Residences Ltd                  | 61,516.71              | -               | -                 | 61,516.71     | -                        | -                         | 736.80          | 61,516.71       | -                         | -                            | 259,653.79               | 259,653.79      | ADMITTED BODY  |
| 00414                                  | Cleanaway Ltd (C'field Refuse)                 | 18,766.79              | -               | -                 | 18,766.79     | -                        | -                         | -               | 18,766.79       | -                         | -                            | 53,600.81                | 53,600.81       | ADMITTED BODY  |
| 00416                                  | VINCI PLC                                      | 291.89                 | -               | -                 | 291.89        | -                        | -                         | -               | 291.89          | -                         | -                            | 1,751.46                 | 1,751.46        | ADMITTED BODY  |
| 00417                                  | Cleanaway Ltd (AV Refuse)                      | 20,188.24              | -               | -                 | 20,188.24     | -                        | -                         | -               | 20,188.24       | -                         | -                            | 19,900.48                | 19,900.48       | ADMITTED BODY  |
| 00418                                  | Initial Facilities Services                    | 1,880.99               | -               | -                 | 1,880.99      | -                        | -                         | -               | 1,880.99        | -                         | -                            | 2,368.94                 | 2,368.94        | ADMITTED BODY  |
| 00419                                  | Initial Catering Services                      | 4,386.69               | -               | -                 | 4,386.69      | -                        | -                         | -               | 4,386.69        | -                         | -                            | 15,933.62                | 15,933.62       | ADMITTED BODY  |
| 00420                                  | DC Leisure Management Ltd (AV)                 | 25,664.43              | -               | -                 | 25,664.43     | -                        | -                         | -               | 25,664.43       | -                         | -                            | 58,260.32                | 58,260.32       | ADMITTED BODY  |
| 00421                                  | L + C Partnership Ltd (AV)                     | -                      | -               | -                 | -             | -                        | -                         | -               | -               | -                         | -                            | -                        | -               | ADMITTED BODY  |
| 00424                                  | Balfour Beatty (Monthly)                       | 1,986.32               | -               | -                 | 1,986.32      | -                        | -                         | -               | 1,986.32        | -                         | -                            | 4,782.09                 | 4,782.09        | ADMITTED BODY  |
| 00424(2)                               | Balfour Beatty Power Networks                  | 3,436.19               | -               | -                 | 3,436.19      | -                        | -                         | -               | 3,436.19        | -                         | -                            | 8,723.17                 | 8,723.17        | ADMITTED BODY  |
| 00425                                  | Macintyre Care                                 | 11,618.24              | -               | -                 | 11,618.24     | -                        | -                         | -               | 11,618.24       | -                         | -                            | 4,044.71                 | 4,044.71        | ADMITTED BODY  |
| 00426                                  | SIV Enterprises Ltd                            | 5,819.67               | -               | -                 | 5,819.67      | -                        | -                         | -               | 5,819.67        | -                         | -                            | 4,307.74                 | 4,307.74        | ADMITTED BODY  |
| 00427                                  | Veloia Ltd (HP Refuse)                         | 11,103.62              | -               | -                 | 11,103.62     | -                        | -                         | -               | 11,103.62       | -                         | -                            | 9,243.08                 | 9,243.08        | ADMITTED BODY  |
| 00428                                  | HP - DC Leisure Management                     | 21,961.52              | -               | -                 | 21,961.52     | -                        | -                         | -               | 21,961.52       | -                         | -                            | 5,135.47                 | 5,135.47        | ADMITTED BODY  |
| 00429                                  | HP - Leisure & Community Partnership           | -                      | -               | -                 | -             | -                        | -                         | -               | -               | -                         | -                            | -                        | -               | ADMITTED BODY  |
| 00433                                  | Grayson's Restaurants now Brookwood            | 3,216.73               | -               | -                 | 3,216.73      | -                        | -                         | -               | 3,216.73        | -                         | -                            | 9,422.96                 | 9,422.96        | ADMITTED BODY  |
| 00435                                  | Superclean - Fire Cleaners                     | 274.54                 | -               | -                 | 274.54        | -                        | -                         | -               | 274.54          | -                         | -                            | 559.02                   | 559.02          | ADMITTED BODY  |
| 00441                                  | Anato                                          | 92,715.48              | -               | -                 | 92,715.48     | -                        | -                         | -               | 92,715.48       | -                         | -                            | 221,015.18               | 221,015.18      | ADMITTED BODY  |
| 00442                                  | Kier                                           | 36,139.26              | -               | -                 | 36,139.26     | -                        | -                         | -               | 36,139.26       | -                         | -                            | 73,149.43                | 73,149.43       | ADMITTED BODY  |
| 00443                                  | Mitie                                          | 5,449.72               | -               | -                 | 5,449.72      | -                        | -                         | -               | 5,449.72        | -                         | -                            | 36,593.34                | 36,593.34       | ADMITTED BODY  |
| 00444                                  | Compass                                        | 1,412.33               | -               | -                 | 1,412.33      | -                        | -                         | -               | 1,412.33        | -                         | -                            | 4,237.47                 | 4,237.47        | ADMITTED BODY  |
| 00445                                  | Barnados                                       | 3,208.19               | -               | -                 | 3,208.19      | -                        | -                         | -               | 3,208.19        | 415.00                    | -                            | 10,414.37                | 10,829.37       | ADMITTED BODY  |
| 00446                                  | Active Nation                                  | 2,639.70               | -               | -                 | 2,639.70      | -                        | -                         | -               | 2,639.70        | 2,004.00                  | -                            | 13,150.52                | 15,154.52       | ADMITTED BODY  |
| 00451                                  | Compass Ltd (City)                             | 7,357.47               | -               | -                 | 7,357.47      | -                        | -                         | -               | 7,357.47        | -                         | -                            | 14,200.35                | 14,200.35       | ADMITTED BODY  |
| 00453                                  | Cleanslate (UK) Ltd (Pottery)                  | 660.67                 | -               | -                 | 660.67        | -                        | -                         | -               | 660.67          | 600.00                    | -                            | 3,651.65                 | 4,251.65        | ADMITTED BODY  |
| 00454                                  | Cleanslate (UK) Ltd (City Schools)             | 54.04                  | -               | -                 | 54.04         | -                        | -                         | -               | 54.04           | -                         | -                            | 224.02                   | 224.02          | ADMITTED BODY  |
| 00456                                  | Vinci Construction                             | 2,146.91               | -               | -                 | 2,146.91      | -                        | -                         | -               | 2,146.91        | -                         | -                            | 8,807.60                 | 8,807.60        | ADMITTED BODY  |
| 00457                                  | Derby Museums and Arts Trust                   | 28,423.21              | -               | -                 | 28,423.21     | -                        | -                         | -               | 28,423.21       | -                         | -                            | 85,548.91                | 85,548.91       | ADMITTED BODY  |
| 00458                                  | Elior UK plc                                   | 602.22                 | -               | -                 | 602.22        | -                        | -                         | -               | 602.22          | -                         | -                            | 3,560.07                 | 3,560.07        | ADMITTED BODY  |
| 00460                                  | Balfour Beatty (Derby BSF)                     | 3,120.05               | -               | -                 | 3,120.05      | -                        | -                         | -               | 3,120.05        | -                         | -                            | 11,472.25                | 11,472.25       | ADMITTED BODY  |
| 00461                                  | European Electronique                          | 2,605.25               | -               | -                 | 2,605.25      | -                        | -                         | -               | 2,605.25        | -                         | -                            | 5,585.29                 | 5,585.29        | ADMITTED BODY  |
| 00466                                  | Anato (DDDC)                                   | 17,443.70              | -               | -                 | 17,443.70     | -                        | -                         | -               | 17,443.70       | -                         | -                            | 40,254.68                | 40,254.68       | ADMITTED BODY  |
| 00467                                  | Derby County Community Trust                   | 3,334.32               | -               | -                 | 3,334.32      | -                        | -                         | -               | 3,334.32        | -                         | -                            | 11,057.64                | 11,057.64       | ADMITTED BODY  |
| 00468                                  | Aspens                                         | 2,023.77               | -               | -                 | 2,023.77      | -                        | -                         | -               | 2,023.77        | 1,008.00                  | -                            | 10,272.94                | 11,280.94       | ADMITTED BODY  |
| 00469                                  | Elite                                          | 193.10                 | -               | -                 | 193.10        | -                        | -                         | -               | 193.10          | -                         | -                            | 971.78                   | 971.78          | ADMITTED BODY  |
| 00470                                  | Vinci Construction UK Ltd - Ashcroft & Portway | 1,373.83               | -               | -                 | 1,373.83      | -                        | -                         | -               | 1,373.83        | -                         | -                            | 7,918.09                 | 7,918.09        | ADMITTED BODY  |
| 00471                                  | NSL Ltd                                        | 2,012.30               | -               | -                 | 2,012.30      | -                        | -                         | -               | 2,012.30        | -                         | -                            | 7,107.33                 | 7,107.33        | ADMITTED BODY  |
| 00472                                  | Mellors Catering Services                      | 3,005.29               | -               | -                 | 3,005.29      | 70.00                    | -                         | -               | 3,075.29        | -                         | 432.16                       | 13,710.60                | 14,142.76       | ADMITTED BODY  |
| 00473                                  | Vinci Plc (Ravensdale)                         | 496.50                 | -               | -                 | 496.50        | -                        | -                         | -               | 496.50          | -                         | -                            | 2,638.16                 | 2,638.16        | ADMITTED BODY  |
| 00474                                  | 7 Hills Leisure Trust                          | 3,030.80               | -               | -                 | 3,030.80      | -                        | -                         | -               | 3,030.80        | -                         | -                            | 13,220.67                | 13,220.67       | ADMITTED BODY  |
| 00475                                  | Voluntary and Community Services Peaks & Dales | 1,087.32               | -               | -                 | 1,087.32      | -                        | -                         | -               | 1,087.32        | -                         | -                            | 6,242.40                 | 6,242.40        | ADMITTED BODY  |
| 00476                                  | DCS Cleaning Solutions                         | 290.47                 | -               | -                 | 290.47        | -                        | -                         | -               | 290.47          | -                         | -                            | 1,072.15                 | 1,072.15        | ADMITTED BODY  |
| 00477                                  | Churchill Contractor Services                  | 144.13                 | -               | -                 | 144.13        | -                        | -                         | -               | 144.13          | -                         | -                            | 678.70                   | 678.70          | ADMITTED BODY  |
| 00478                                  | Taylor Shaw                                    | 4,558.52               | -               | -                 | 4,558.52      | -                        | -                         | -               | 4,558.52        | -                         | -                            | 26,190.13                | 26,190.13       | ADMITTED BODY  |
| 00479                                  | Action for Children                            | 4,445.48               | -               | -                 | 4,445.48      | -                        | -                         | -               | 4,445.48        | -                         | -                            | 22,013.23                | 22,013.23       | ADMITTED BODY  |
| 00480                                  | CSE Education                                  | 1,226.58               | -               | -                 | 1,226.58      | -                        | -                         | -               | 1,226.58        | -                         | -                            | 6,133.03                 | 6,133.03        | ADMITTED BODY  |
| 00482                                  | Derbyshire Building Control                    | 35,492.59              | -               | -                 | 35,492.59     | 1,845.00                 | -                         | -               | 37,337.59       | -                         | -                            | 118,566.70               | 118,566.70      | ADMITTED BODY  |
| 00481                                  | Mellors Catering                               | 690.12                 | -               | -                 | 690.12        | -                        | -                         | -               | 690.12          | -                         | -                            | 3,977.49                 | 3,977.49        | ADMITTED BODY  |
| 00483                                  | Amber Valley School Sports Partnership         | 3,352.45               | -               | -                 | 3,352.45      | -                        | -                         | -               | 3,352.45        | -                         | -                            | 10,352.94                | 10,352.94       | ADMITTED BODY  |
| 00484                                  | Caterlink Ltd (Lea Primary)                    | -                      | -               | -                 | -             | -                        | -                         | -               | -               | -                         | -                            | -                        | -               | ADMITTED BODY  |
| 00485                                  | Alliance Environmental Services Ltd            | 20,096.50              | -               | -                 | 20,096.50     | -                        | -                         | -               | 20,096.50       | -                         | -                            | 84,955.53                | 84,955.53       | ADMITTED BODY  |
| 00486                                  | KCLS Ltd (Insight Services Ltd)                | 226.36                 | -               | -                 | 226.36        | -                        | -                         | -               | 226.36          | -                         | -                            | 1,415.82                 | 1,415.82        | ADMITTED BODY  |
| 00487                                  | RM Education Ltd                               | 762.60                 | -               | -                 | 762.60        | -                        | -                         | -               | 762.60          | -                         | -                            | 3,786.92                 | 3,786.92        | ADMITTED BODY  |
| 00488                                  | Caterlink Ltd (Shirebrook/Stubbins Wood)       | -                      | -               | -                 | -             | -                        | -                         | -               | -               | -                         | -                            | -                        | -               | ADMITTED BODY  |
| 00489                                  | Office Care Ltd (Brookfield Academy)           | 553.01                 | -               | -                 | 553.01        | -                        | -                         | -               | 553.01          | -                         | -                            | 2,968.19                 | 2,968.19        | ADMITTED BODY  |
| 00490                                  | Caterlink Ltd (Swanwick Hall)                  | -                      | -               | -                 | -             | -                        | -                         | -               | -               | -                         | -                            | -                        | -               | ADMITTED BODY  |
| 00491                                  | Caterlink Ltd (St Mary's Chesterfield)         | -                      | -               | -                 | -             | -                        | -                         | -               | -               | -                         | -                            | -                        | -               | ADMITTED BODY  |
| TOTALS                                 |                                                | 38,029,565.87          | 79,951.16       | 1,856.90          | 38,111,373.93 | 54,907.14                | 1,528.93                  | 101,191.86      | 38,269,001.86   | 13,105,649.00             | 11,108.34                    | 110,779,491.45           | 123,896,248.79  |                |
| Plus adjustments for DCC contributions |                                                |                        |                 |                   | -             |                          |                           |                 | 38,269,001.86   |                           |                              |                          |                 |                |
|                                        |                                                |                        |                 |                   | -             |                          |                           |                 |                 | 795,983.43                |                              |                          | 795,983.43      |                |
|                                        |                                                |                        |                 |                   | -             |                          |                           |                 |                 | 13,901,632.43             | 11,108.34                    | 110,779,491.45           | 124,692,232.22  |                |

## COMMUNICATIONS POLICY

### 1 Statement of Policy on Communications - Pensions Administrations

At its meeting on 9 September 2015 the Pensions and Investment Committee approved the following Communications Policy Statement for the Pension Administration Team.

#### Communications Strategy

The Pensions Administration Team prepares a communication strategy on an annual basis with progress on delivery being reported back to the Pensions and Investment Committee. The key themes for 2015-16 are as follows:

- a) continuing to communicate the benefits of the scheme amongst stakeholders and potential members, whilst going into greater detail with those Fund members who are approaching and planning their retirement;
- b) establishing a communications framework in collaboration with employers to provide timely, pertinent messages which are meaningful for their employees;
- c) using electronic communications whenever appropriate, as well as continuing to promote the web-pages as the 'hub' for providing communications material and supporting employing authorities with employee processes (e.g. auto-enrolment and switching to and from the new 50/50 scheme);
- d) developing channels for Fund member access and feedback;
- e) monitoring the cost-effectiveness of all communication and developing the Fund's activities accordingly, including taking a pragmatic approach to estimate requests; and
- f) developing our commitment to regional and national initiatives, taking advantage of partnership working and innovative communication methods developed and tested elsewhere, and sharing the Fund's experience in return.

#### Communication with Scheme Members

The objectives of the Fund's communications with Scheme members include: highlighting the benefits of the LGPS, encouraging and retaining membership, allowing members to keep up-to-date with LGPS development, reducing the level of questions and queries and encouraging members to use the website to carry out 'self-service' calculations.

The Fund's employers should provide access to details of the LGPS on appointment within:

- The letter of appointment
- The Membership Information form

A statutory notification of admission to the LGPS is issued by the Administering Authority to all new members within 12 weeks of receiving notification from their employer.

An annual benefit statement is provided by the Administering Authority to all active and deferred Scheme members.

The Fund promotes its website which is maintained by the Administering Authority (Derbyshire

County Council – [www.derbyshire.gov.uk](http://www.derbyshire.gov.uk)) as the principal means of communicating with those who have an interest in the LGPS, including active, deferred members and pensioners. Details of the scheme, access to calculating an estimate of pension entitlement and the Fund's policies are all available. The website also provides links to other related sites such as the LGA and DCLG.

In the case of those who do not have access to the internet or, where paper copies are required, the Fund's Pension Administration Team and the Derbyshire County Council contact centre, Call Derbyshire, can provide booklets and factsheets on request.

In addition to showing changes on the website, any significant scheme changes are notified to Scheme members through collaboration with employers. Greater collaboration allows the employers to communicate key messages to members through internal emailing facilities, chief officer messages, pay-slips and e-magazines.

Deferred pensioner members receive an annual benefit statement together with details of any changes insofar as they are affected.

### **Communication with Representatives of Members**

Information on the LGPS is available on the Fund's website to representatives of LGPS members to assist with enquiries from trade unions, Independent Financial Advisors and Solicitors.

### **Communication with Prospective Members**

The objectives of the Fund's communications with prospective members include encouraging membership and ensuring that prospective members have sufficient information to understand the nature of the LGPS.

Prospective members have access to the website and can request a copy of the scheme guide and factsheets.

### **Communication with Scheme Employers**

The objectives of the Fund's communications with Scheme members include: improving relationships, ensuring Scheme employers are up-to-date with LGPS developments (including their obligations), working together to maintain accurate data, ensuring Scheme employers understand the benefits of LGPS and exploring opportunities to reduce costs through greater collaboration.

Scheme employers are informed of changes to the scheme, policies and procedures by an Employers' Newsletter. These are issued as and when required in both electronic and paper format. This is increasingly supported by more regular email alerts to key employer contacts. In addition, information is available to employers on dedicated "employer pages" of the Fund's website, along with the provision of training events as required.

### **Annual General Meeting**

An Annual General Meeting is held each year which is open to all Scheme Members

and Employers.

## **Others**

Non-Scheme employers are made aware of the provisions of the LGPS by the Fund's website.

## **2 Statement of Policy on Communications - Investments**

At its meeting on 9 September 2015 the Pensions and Investment Committee approved the following Communications Policy Statement for the Investment Team.

It is the Pensions and Investment Committee's policy to provide the Fund's stakeholders, including Scheme Members, Representatives of Members, Prospective Members and Scheme Employers with as much information as possible to understand the investment strategy, funding levels and risk strategy.

This is achieved by the following means:

### **a) Policy documents**

The following investment-related documents are available to the Fund's stakeholders on the Fund's website and in hard copy form (on request):

### **Statement of Investment Principles**

The Statement of Investment Principles describes the broad principles adopted by the Pensions and Investment Committee in carrying out its duties and how it complies with best practice (Myners' Principles).

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The Statement of Investment Principles describes the broad principles adopted by the Pensions and Investment Committee in carrying out its duties and how it complies with best practice (Myners' Principles).

### **Pension Fund's Annual Report**

The Committee's Annual Report provides background information relating to investment markets in the previous year, extracts from the Fund's accounts and its performance details over the longer term.

## **Funding Strategy Statement**

The Funding Strategy Statement looks at the Pension Fund's liabilities and how these are to be met over the longer term.

### **b) Pensions and Investment Committee meetings**

Pensions and Investment Committee meetings are held quarterly. The Committee comprises members representing Derbyshire County Council and Derby City Council. Trades Union representatives attend as observers. The meetings are open to members of the public, other than for exempt reports (e.g. those dealing with contractual arrangements). Copies of reports and minutes are available on request and are published on Derbyshire County Council's website.

### **How to contact the Fund**

Telephone the helpline number: 01629 538900

Or write to:

Pensions Section  
Derbyshire County Council  
County Hall  
Matlock  
Derbyshire  
DE4 3AH

**Date approved by the P&IC 9 September 2015.**

**DERBYSHIRE  
PENSION  
FUND**

**PENSIONS  
ADMINISTRATION  
STRATEGY  
2018**

# 1. Introduction

This is the **Pension Administration Strategy** of Derbyshire Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by Derbyshire County Council (the administering authority).

The LGPS is a statutory scheme and governed by regulations. The current regulations relating to administration are The Local Government Pension Scheme Regulations 2013 (as amended).

In discharging their roles and responsibilities under these regulations, the Fund and its employers are required to comply with any relevant overriding legislation and recognise any regulatory guidance or Code of Practice issued by The Pension Regulator.

The legal context for this Strategy is Regulation 59 of **The Local Government Pension Scheme Regulations 2013** which allows Funds the opportunity to prepare a Pensions Administration Strategy.

The Strategy sets out the standards of performance and best practice that the Fund and its employers should aim to meet when carrying out their scheme functions.

In preparation for this revised strategy, the Fund sought the views of its employers by consulting through an Employer Questionnaire developed to examine employers' understanding of and views on their pivotal role in the administration of the scheme, and of charging employers who consistently fail to meet required deadlines and consequently incur additional administrative costs. The results and feedback from the Questionnaire have enabled employers to influence the revisions to this Strategy and the related Derbyshire Pension Fund Communications Strategy.

The Derbyshire Pension Board has also contributed to revising this strategy with recommendations designed to encourage the best possible performance of both the Fund's administration team and its employing authorities.

The Pensions Administration Strategy is reviewed annually and will be revised to reflect changes to LGPS regulations, policies determined the Administering Authority or administrative practices executed by the Fund and its Employers in fulfilling its functions.

A copy of this strategy is issued to each of the relevant employers as well as to the Secretary of State.

## 2. Aims of the Strategy

The aims of this Pension Administration Strategy are to:

- support the provision of a high quality pension service to Fund Members
- set out the quality and performance standards expected of the Fund and its Scheme employers in relation to each other
- promote good working relationships and improve efficiency between the Fund and its Scheme employers for the benefit of Fund members; and
- provide a framework to enable administration costs relating to significant employer underperformance to be met directly by the employer responsible, rather than shared across all the employers in the Fund\*



*(\* Regulation 70 of the 2013 LGPS Regulations permits the recovery of additional costs from an employer where its level of performance has caused additional costs to the Fund).*

The efficient delivery of the benefits of the scheme is dependent upon effective administrative procedures being in place between the Fund and Scheme employers, principally the timely exchange of accurate information in relation to Scheme members.

This strategy sets out the expected levels of performance of the Fund and the Scheme employers and provides details about the monitoring of performance levels.

The strategy will be kept under review and updated as required to reflect changes in scheme regulations and Fund working practices, including the planned development of Member Self-Service functionality to improve the efficiency of service to members and promote increased engagement with the Fund.

### **3. Record keeping**

Record-keeping is a fundamental part of running a scheme such as the LGPS, and Funds and their employers have a legal obligation to collate and maintain certain data which is key to managing the scheme.

Derbyshire Pension Fund must be able to demonstrate that it keeps accurate, up-to-date and long-term records, within the parameters of data protection legislation, so it can govern and administer the pension scheme efficiently for all Scheme members.

Employers provide the core data needed by the Fund and must ensure that they are meeting their legal obligations to the scheme.

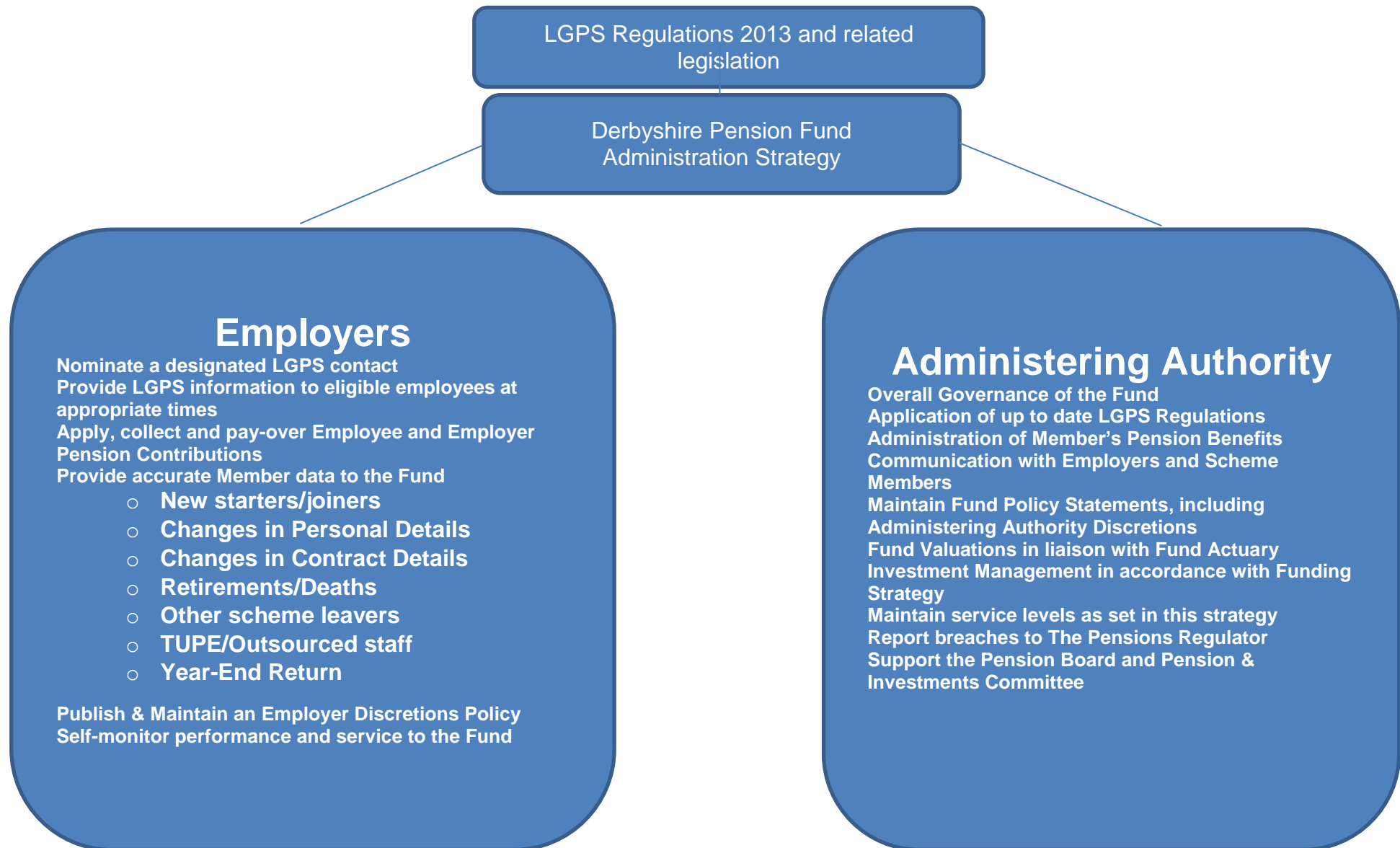
The Fund has a legal duty to provide its members with accurate and timely information about their benefits, which it cannot do without the core data from employers.

Consequently, the working partnership between the Fund and employers is key in the successful ongoing administration of the scheme. This document describes how the Fund supports employers in meeting their responsibilities, and also how the cost of underperformance on the part of one employer is to be charged to that employer, rather than borne by all.

If employers have concerns about the data they provide, they should contact the Fund without delay. This will allow the Fund to work with employers to resolve any issues and enable both parties to meet their requirements for the benefit of Scheme members.

Where an employer does not look to work with the Fund to resolve problems and consistently fails to meet its responsibilities under the LGPS Regulations, the Fund (or stakeholders such as the Pensions Board) has a duty to report that employer to The Pensions Regulator, who has the power to tackle such breaches.

## 4. Roles and Responsibilities – Overview



## 4.1 Roles and Responsibilities

The aims of the strategy set out in Section 2 will be achieved by:

- Clearly defining the respective roles of Scheme Employers and the Administering Authority
- Setting clear and achievable standards of service levels for the functions carried out by Scheme Employers and the Administering Authority
- Setting out clear procedural guidance for the secure and effective exchange of information between Scheme Employers and the Administering Authority
- Monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required
- Applying additional charges where an employer consistently fails to meet deadlines to ensure the resulting additional administrative strain is not a burden on all employers

### The Employer's Roles and Responsibilities

The key responsibilities for the Employer are to:

**Communicate** the LGPS to eligible staff

**Apply** the scheme via the collection and payment of the correct levels of pension contributions

**Report** information and data to the Pension Fund as set out in this Strategy

A guide to the employer's roles and responsibilities is set out in **Appendix A**. The guide includes a summary of duties which defines the main functions of the employer role which, in turn, enables the Pension Fund to deliver an efficient, accurate and high quality pension service to Scheme members.

### The Administering Authority's Roles and Responsibilities

The key responsibilities for the Administering Authority are to:

- Administer the LGPS in respect of all Scheme members (Active, Deferred and Pensioner members) in accordance with this Strategy
- Maintain and review the Fund's Statements, Policies and Reports and all other matters relating to the Governance of the scheme
- Communicate and engage with employers on LGPS matters
- Provide support/training to Scheme employers
- Maintain and develop an effective web presence for the benefit of members and Scheme employers

A guide to the Administering Authority's main roles and responsibilities are set out in **Appendix B**.

The list of functions, which concentrates on the main roles, rather than being an exhaustive list, sets out the key areas which involve interaction and liaison with Scheme employers and/or Scheme members.

### New Pensions Administration System

During 2018/19 the administering authority will be moving to a new Pensions Administration System following a review of the effectiveness of the current system.

The move to a new system will enable the authority's goals of;

- achieving prompt and accurate delivery of benefits to Fund members,
- providing on-line services to Fund members, and

- improving the efficiency and security of data transmission from employers.

## **5. Performance Monitoring**

### **5.1 Approach to Managing Performance**

The responsibility for ensuring compliance with the LGPS regulations and this administration strategy sits with the administering authority and the Scheme employers. This section describes the ways in which performance and compliance will be monitored, how the costs of underperformance will be addressed, and the scale of the potential charges.

The Fund and Scheme employers must aim to ensure that all functions and tasks are carried out to the agreed quality standards set out in this Strategy. The Fund will, on a regular basis, monitor, measure and report on the Fund's and Scheme employers' compliance with the agreed service standards outlined in this document.

The Fund will undertake a formal review of performance against this strategy on an annual basis and liaise with employers in relation to any concerns on performance.

The Fund monitors its own performance against internal key performance indicators. Monitoring is carried out on a monthly basis and is reported to the Administering Authority's Pensions and Investments Committee and Pensions Board on a quarterly basis.

The performance of Scheme employers against the standards set out in this document are incorporated into the reporting to the Committee and Board, as appropriate, including data quality.

The Fund will also regularly report back to employers about their individual performance, identifying any areas for improvement including outstanding data items.

### **5.2 Policy on Employer Underperformance Costs**

The LGPS regulations provide pension funds with the ability to recover from a Scheme employer any additional costs associated with the administration of the scheme incurred as a result of the underperformance of that Scheme employer.

To date the Fund has not charged underperforming employers for the additional administrative resource requirements they have generated, so the costs have been shared across all employers via their employer contribution rates. However, employers were asked in the Fund's 2017 Employer Questionnaire if they had a view on commencing charging in such cases.

The overwhelming response from employers was that the additional administration costs generated by the underperformance of one employer should be met directly by that employer, rather than shared across all employers in the fund.

As a result the Fund's Admin Team will, from 1<sup>st</sup> April 2018, monitor any additional costs incurred in the administration of the scheme as a direct result of underperformance in respect of the following measurable indicators.

- Late, poor quality or non-submission of the Year-End Return
- Late, poor quality or non-submission of monthly contributions and/or Form CR1 (Contributions Return)
- Late, poor quality or non-reporting of information relating to in-service deaths

Further to this, in the areas of day to day administration, such as the notification of starters and leavers to and from the Fund, cost monitoring will be applied where it becomes apparent that employer underperformance may be an issue.

Taking the specific, readily measurable costs of underperformance identified above, the costs to potentially be invoiced to an underperforming employer would be;

|                                                      |                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Payment of Monthly contributions and Form CR1</b> | Where an employer submits a third late payment or Form CR1 within a 12 month period,<br><ul style="list-style-type: none"> <li>- 3<sup>rd</sup> late payment – £250</li> <li>- 4<sup>th</sup> late payment - £500</li> <li>- 5<sup>th</sup> and subsequent late payments - £750 each time</li> </ul>                                                                               |
| <b>Submission of Year-End Return</b>                 | Where an employer submits a late year-end return, the administrative cost for each day that the return is late is £5 per member. So, an employer with 30 Scheme members to report that submits their Year-End Return 2 weeks late may incur an administrative charge of £1,500.                                                                                                    |
| <b>Reporting of in-service deaths</b>                | Where an employer does not report the death in service of an active member to the Pension Fund, the extra administration cost increases the longer the delay, as follows;<br><ul style="list-style-type: none"> <li>- More than 30 days following death - £100</li> <li>- 31 to 99 days - £250</li> <li>- 100 to 199 days - £500</li> <li>- More than 199 days – £1,000</li> </ul> |

Where underperformance occurs in relation to administration requirements and no improvement is demonstrated by an employer, and/or willingness is shown by the employer to work with the Fund's Admin Team to resolve the identified issue(s) the Fund will:

- Write to the Scheme employer, setting out area(s) of non-compliance with performance standards, offer support and, where applicable, request attendance at a training/coaching session.
- Where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the Scheme employer, or no response is received to the initial letter, the Scheme employer will be asked to attend a meeting with representatives of the Fund to discuss area(s) of non-compliance with performance standards and to agree an action plan to address them. Where appropriate in respect of Admission Bodies, the originating employer will be informed and expected to work with the Fund to resolve the issues.

- If no improvement is seen within one month or a Scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out:
  - the area(s) of non-compliance with performance standards that have been identified;
  - the steps taken to resolve those area(s);
  - how the underperformance contributed to the additional cost,
  - the amount of the additional cost incurred; and
  - provide notice that the additional costs incurred by the Fund as a direct result of the employer's poor performance will now be reclaimed.
- An invoice will then be issued to the Scheme employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scale set out in this document.
- A report will be presented to the quarterly Committee meeting detailing charges levied against Scheme employers and outstanding payments.
- If poor performance continues, and impacts the Fund's ability to perform statutory functions and/or measures are not being taken by the employer to address this, the Fund will consider reporting the employer to The Pension Regulator.
- Where it is necessary to ensure that Fund members' benefits are not delayed unduly as a result of employer underperformance in providing the required information, the Fund reserves the right to calculate and pay benefits based on the best information available. The basis of the calculation will be explained to the Fund member and employer in each case, and further to completing the process above, the costs of additional administration caused by the need for a subsequent revision of benefits will be charged to the employer.

Please note that where an employer fails to pay any amount due to the Fund (other than monthly contributions) within 30 days, interest for late payment will be charged accordingly.

This includes charges and recharges levied in respect of cost recovery.

### **Feedback from Employers**

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy, as set out in Appendix B, should send their comments to:

[pensions.regs@derbyshire.gov.uk](mailto:pensions.regs@derbyshire.gov.uk)

Any feedback received will be incorporated into the quarterly reports provided to the Pensions and Investments Committee and Pensions Board.

# Derbyshire Pension Fund

## Pensions Administration Strategy

### Appendix A: The Employer's Role

## 1. The role of the employer's primary LGPS contact

The delivery of an efficient and cost effective administration is dependent upon a successful joint working partnership between the Pension Fund and key individuals within or representing the Scheme employer.

To support and nurture the joint working partnership with the Fund, each Employer is asked to designate a primary contact for liaison with the Pension Fund with regard to their employer responsibilities in the administration of the scheme.

Their key responsibilities will be to:

- Ensure that the standards and levels of service set out in this Administration Strategy are delivered and regulatory responsibility is complied with.  
In brief summary, the main elements are:
  - Monthly Payment of Contributions and **Form CR1**
  - Accurate submission of **Year-End Return**
  - New Starter/Joiner Information (**Form S1** or spreadsheet submission arranged with the Fund)
  - Changes to Personal Details (**Form C1**)
  - Changes to Employment Details (**Form C2**)
  - Unpaid absence details (**Form C3**)
  - Leaver Notifications (**Form L1**)
  - Provision of evidence supporting employer's pension-related decisions (eg Ill-Health Retirements, Flexible Retirement, Redundancy, the early release of benefits to deferred members on compassionate or ill-health grounds etc)
- Channel communications to appropriate staff within the employer - for example, Human Resources, Payroll teams, Directors of Finance.
- Arrange distribution of communications literature to Scheme members as and when required.
- Assist and liaise with the Fund on promotional activities.
- Inform the Fund of any outsourcings of service which involve TUPE transfers as soon as possible to ensure that appropriate pensions information can be included in tender documentation.
- Inform the Fund of changes to service delivery arrangements (eg changing payroll provider)
- Liaise with, and assist the Administering Authority in the identification, explanation, reporting and resolution of statutory breaches, as required by the Pensions Regulator's Code of Practice for public sector pension scheme (code of practice 14)

## 2. The Employer's Responsibilities

This section outlines the responsibilities of each Scheme employer in the Fund and the performance standards employers are expected to achieve to enable the Fund to deliver an efficient service.

**The performance standards expected are expressed as targets i.e. the level of performance expected in normal circumstances. It is accepted that, on an exception basis, it may not be possible to achieve the target indicated and a pragmatic approach will be adopted, subject to employers using their best endeavours to meet expected standards wherever possible.**

## i. Scheme Governance and Administration

This section details the functions which relate to the governance and administration of the whole Fund, rather than individual Scheme members' benefits.

### 1. Employer contacts

| Function / Role                                                                                                                                                                                                                                                                                 | Performance Target                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| <b>Main Contact</b>                                                                                                                                                                                                                                                                             |                                                                                                                         |
| Nominate a named primary contact to liaise with the Fund.                                                                                                                                                                                                                                       | Within <b>1 month</b> of employer joining fund or change to nominated representative                                    |
| <b>All Authorised Contacts</b>                                                                                                                                                                                                                                                                  |                                                                                                                         |
| Designate and confirm other nominated representative(s) (e.g. Payroll, HR, Finance) to act on behalf of the employer in respect of administering the LGPS by submitting the Fund's Authorised Signatory (AS) form. (AS forms available from the Fund)                                           | Within <b>1 month</b> of becoming a Scheme employer or within <b>1 month</b> of a change in nominated representative(s) |
| <b>Appeals Adjudicator</b>                                                                                                                                                                                                                                                                      |                                                                                                                         |
| Appoint a person to consider appeals under Stage 1 of the Applications for the Adjudication of Disagreements Procedure (AADP) and provide full, up to date contact details to the Fund                                                                                                          | Within <b>1 month</b> of becoming a Scheme employer or within <b>1 month</b> of a change in adjudicator                 |
| <b>Independent Registered Medical Practitioner</b>                                                                                                                                                                                                                                              |                                                                                                                         |
| Appoint an Independent Registered Medical Practitioner(s) (IRMP) qualified in occupational health medicine, or arrange with a third party, and seek approval of the appointment from the Fund, for the consideration of all ill-health retirement applications from active and deferred members | Within <b>1 month</b> of becoming a Scheme employer or within <b>1 month</b> of a change in IRMP(s)                     |

### 2. Preparing an Employer Discretions Policy

| Function / Role                                                                                                                                                                       | Performance Target                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS (including providing a copy of the policy document to the Fund). | To be kept under review and a revised statement published within <b>1 month</b> of any changes and no later than 6 months after being informed by the Fund of any relevant change in regulations. |



### 3. Pension Contributions

| Function / Role                                                                                                                                                                                                   | Performance Target                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>The Employer's Rate</b>                                                                                                                                                                                        |                                                                                                                                                                                                 |
| Apply the employer contribution rate agreed with the Fund on becoming a Scheme employer and adjust as instructed by the Fund from a date determined by the Fund                                                   | Immediately on receipt of information from the Fund effective from a date determined by the Fund following advice from the scheme actuary                                                       |
| <b>The Employee's Rate</b>                                                                                                                                                                                        |                                                                                                                                                                                                 |
| Calculate and review the correct employee contribution rate for all members at commencement and on 1 <sup>st</sup> April each year. Also to be reviewed at intervals during the year at the employer's discretion | Immediately on commencement, on <b>1<sup>st</sup> April</b> each year and as per the employer's discretionary policy on adjusting the employee's contribution rate at intervals during the year |
| <b>Assumed Pensionable Pay</b>                                                                                                                                                                                    |                                                                                                                                                                                                 |
| Ensure the correct application of Assumed Pensionable Pay (APP) during periods of reduced/nil pay in accordance with the LGA's HR & Payroll Guides                                                                | Review of eligibility for APP immediately upon a member moving to reduced/nil pay                                                                                                               |
| <b>Payment to the Fund</b>                                                                                                                                                                                        |                                                                                                                                                                                                 |
| Remit Employee, Employer and any Additional contributions <u>and</u> submit the Contributions Report Form (CR1) to the Fund                                                                                       | By the <b>19<sup>th</sup></b> of the month after collection from pay                                                                                                                            |
| <b>Payment of AVCs</b>                                                                                                                                                                                            |                                                                                                                                                                                                 |
| Remit Additional Voluntary Contributions (AVCs) <b>to the AVC provider(s)</b>                                                                                                                                     | By the <b>19<sup>th</sup></b> of the month following the collection from pay                                                                                                                    |

### 4. Year-End Return

| Function / Role                                                                                                                         | Performance Target                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Completing the Year-End Return</b>                                                                                                   |                                                                                                                                                                                                                                                                         |
| Provide a fully reconciled and completed Year-End Return to the Fund in the format stipulated in the instructions issued each February. | By <b>19th April</b> following the year-end unless employers are notified of an alternative date by the Fund                                                                                                                                                            |
| To ensure optimum accuracy of year-end information.                                                                                     | With no less than 90% accuracy across all members.                                                                                                                                                                                                                      |
| <b>Queries from the Year-End Return</b>                                                                                                 |                                                                                                                                                                                                                                                                         |
| To resolve all queries returned from the Year-End Return                                                                                | To respond fully to all queries from the Fund within <b>3 weeks</b> of receipt of the query<br>In circumstances where an employer submits a late year-end return limiting the Fund's time to complete its duties, the timescales may be reduced, as advised by the Fund |

## 5. Communications

| Function / Role                                                                                                                                                                 | Advised Performance Target                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| <b>LGPS content in Contracts</b>                                                                                                                                                |                                                                                                                           |
| Ensure Fund- approved LGPS content is included in all contract/appointment/adjustment communications for LGPS-eligible positions including direction to the Fund's web presence | Review LGPS content annually or within <b>2 weeks</b> of receipt of information about adjustment to Fund approved wording |
| <b>Fund Communications to Scheme Members</b>                                                                                                                                    |                                                                                                                           |
| Distribute any information provided by the Fund to Scheme members/potential Scheme members.                                                                                     | Within <b>2 weeks</b> of its receipt.                                                                                     |
| Refer new/prospective Scheme members to the Fund's website.                                                                                                                     | Within <b>2 weeks</b> of commencement of employment or change in contractual conditions.                                  |

## 6. Appeals

| Function / Role                                                                                          | Performance Target                            |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| <b>AADP Stage 1 Appeals</b>                                                                              |                                               |
| The Employer's Adjudicator to notify the Fund of the receipt of a Stage 1 appeal via AADP                | Within <b>1 week</b> of receipt of the appeal |
| The Employer's Adjudicator to notify the Fund of the decision in respect of an appeal at Stage 1 of AADP | Within <b>1 week</b> of the decision          |

## 7. Outsourcing/TUPE arrangements

| Function / Role                                                                                                                                                                                                       | Performance Target                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Notify the Fund of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors                   | At the point of deciding to tender                                                 |
| Notify the Fund of lead strategic and operational officers in respect of outsourcing of service provision where a prospective contractor may request to join the Fund as a result of re-organisation or TUPE transfer | At commencement of the review                                                      |
| Work with Fund Officers to arrange for the admission of a contractor as a new employer in the Fund                                                                                                                    | A minimum of <b>2 months</b> in advance of the date of contract                    |
| Notify the Fund of changes/extension/cessation of arrangements with a contractor                                                                                                                                      | As soon as decision is agreed                                                      |
| Assist the Pension Fund in ensuring that the terms of the contractor's admission as a Scheme employer (Admission Agreement) are complied with                                                                         | Notify the Pension Fund if the terms of the Admission Agreement have been breached |

## 8. Strain/Shortfall Payments to the Pension Fund

| Function / Role                                                                                                                                                                                                    | Performance Target                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| Make strain/shortfall payments to the Fund in respect of early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent. | <b>Immediate</b> payment upon receipt of invoice from the Fund. |
| Remit recharge payments in respect of pension members –<br>e.g Discretionary Compensation/Enhancement                                                                                                              | <b>Immediate</b> payment upon receipt of invoice from the Fund. |

## 9. Miscellaneous

| Function / Role                                                                                                                                               | Performance Target                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| Payments in respect of FRS102 and IAS19 work carried out on behalf of Employers by the Fund and the Fund Actuary                                              | <b>Immediate</b> payment upon receipt of invoice from the Fund. |
| Payments in respect of all other work carried out on behalf of the Employer by the Fund's Actuary and connected data quality assurance undertaken by the Fund | <b>Immediate</b> payment upon receipt of invoice from the Fund. |
| Prompt payment of invoices issued by the Fund for specific services provided.                                                                                 | <b>Immediate</b> payment upon receipt of invoice from the Fund. |
| Respond to enquiries from the Fund.                                                                                                                           | Within <b>2 weeks</b> from receipt of the enquiry.              |
| Make payment of additional costs to the Fund associated with non-compliance with performance standards of the Scheme employer.                                | <b>Immediate</b> payment upon receipt of invoice from the Fund. |
| Respond to enquiries from the Fund relating to Breaches of the Law.                                                                                           | Within <b>1 week</b> of the request.                            |

## ii. Individual Member Administration

This section details the functions which relate to Scheme member benefits from the LGPS.

### 1. New Starters

| Function / Role                                                                                                                                                                    | Performance Target                                                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Contract Wording</b>                                                                                                                                                            |                                                                                                                                           |
| Ensure DPF approved content relating to pensions is included in all contract/appointment communications for LGPS-eligible positions including direction to the Fund's web presence | As part of standard contract/appointment templates                                                                                        |
| <b>Applying contributions</b>                                                                                                                                                      |                                                                                                                                           |
| Ensure that the correct percentage and banding for employee's LGPS contributions is applied to the new joiners pay record                                                          | From date of commencement or joining the scheme                                                                                           |
| <b>Notifying the Fund</b>                                                                                                                                                          |                                                                                                                                           |
| Notify the Fund of new scheme joiners via secure data transfer, new joiner spreadsheet or the individual <b>S1 Starter form</b>                                                    | Within <b>1 month</b> of member's entry into the scheme via contractual enrolment, auto-enrolment, re-enrolment date or election to join. |
| Liaise with the Fund before any change in method of submitting starter details                                                                                                     | Prior to change                                                                                                                           |

## 2. Additional Pension Contributions (APCs)

| Function / Role                                                                                                          | Performance Target                                                                           |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| <b>Notification to member of APC option</b>                                                                              |                                                                                              |
| Ensure members are notified of the option to pay Additional Pension Contributions following absences not covered by APP. | Within <b>2 weeks</b> of the return to work.                                                 |
| <b>Application of Additional Contributions</b>                                                                           |                                                                                              |
| Apply/adjust/cease the deduction of Additional Pension Contributions following an APC application from a Scheme member   | In the month following receipt of election from Scheme member or notification from the Fund. |

## 3. Additional Voluntary Contributions (AVCs)

| Function / Role                                                                                                                                                                                                             | Performance Target                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| Arrange for the deduction of AVCs from Scheme member's pay following election<br><i>Note: AVCs must be paid over to the AVC Provider by 19<sup>th</sup> of the following month as per Appendix A – Section 2 Part i (3)</i> | Commence deduction of AVCs in month following the month of election, as advised by Fund/AVC Provider |

## 4. Changes to Personal Details

| Function / Role                                                                                                                                                                                                                                                                                                                   | Performance Target                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Notify the Fund of changes in employees' personal details via the individual <b>C1 Change of Personal Details Form</b> . <ul style="list-style-type: none"> <li>• Change of Name</li> <li>• Change of Address</li> <li>• Correction of Date of Birth/NI number</li> <li>• Change of Marital / Civil Partnership Status</li> </ul> | Within <b>1 month</b> of the event or receipt of information |

## 5. Changes to Employment Details

| Function / Role                                                                                                                                                                                          | Performance Target                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Notify the Fund of Changes in Employment Details via the individual <b>C2 Change of Employment Details Form</b> where required, including movement in and out of the 50/50 scheme, changes in hours etc. | Within <b>1 month</b> of the event or receipt of information |

## 6. Notification of Unpaid Absences

| Function / Role                                                                                                                 | Performance Target                                            |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| Notify the Fund of periods of unpaid absence not covered by Assumed Pensionable Pay (APP) via the <b>C3 Unpaid Absence Form</b> | Within <b>2 months</b> of the event or receipt of information |

## Opt-Outs

| Function / Role                                                         | Performance Target                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Contributions</b>                                                    |                                                                                                                                                                                                                                                                          |
| Apply an election to opt out of the LGPS to the member's payroll record | From the 1 <sup>st</sup> of the month for the next available payroll.<br><i>Except...where an opt-out is made within 3 months of an employee joining the scheme. In such cases the opt-out is backdated to the joining date and all contributions refunded directly.</i> |
| <b>Notification to the Fund</b>                                         |                                                                                                                                                                                                                                                                          |
| Notify the Fund via the scheme Leaver Notification <b>Form L1</b>       | Within <b>1 month</b> of the opt-out date.<br><i>Except...where the opt-out is made within 3 months and is backdated to the start date, an <b>L1 must still be submitted</b> showing the scheme leaving date as the first date of employment.</i>                        |

## 7. Notification of Leaver

| Function / Role                                                                                                                                                                                                                    | Performance Target                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Leaver Notification</b>                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                 |
| Notify the Fund of all scheme leavers via the individual <b>L1 Leaver Notification Form</b> , <i>(including optants-out where the member remains in employment)</i>                                                                | Within <b>1 month</b> of date of leaving/opt out date                                                                                                                                                                                                                                                                           |
| As part of the L1 Leaver Notification Form, accurately determine the Final Pensionable Pay for all cases where the member had LGPS membership before 1 <sup>st</sup> April 2014                                                    | As part of the completion of the <b>L1</b>                                                                                                                                                                                                                                                                                      |
| <b>Retirements</b>                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                 |
| Notify the Fund via Form L1 when a member is due to retire including an accurate assessment of final pay and authorisation of reason for retirement <i>(including Flexible Retirements where the member remains in employment)</i> | <ul style="list-style-type: none"> <li>For members in receipt of <b>regular</b> pay where the employer can accurately project pay to the date of retirement, up to <b>1 month</b> prior</li> <li>For members in receipt of <b>variable</b> pay, within <b>1 week</b> of finalising the member's last contractual pay</li> </ul> |
| <b>Terminal Illness/Deaths</b>                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                 |
| Notify the Fund of the Death of an Employee and provide Next of Kin details via Leaver Notification Form L1.                                                                                                                       | Provide an initial notification within <b>3 working days</b> of the employer being informed of the death of the employee                                                                                                                                                                                                        |
| <b>Advisory Note</b><br><i>Where an employee is suffering from a <b>Terminal Illness</b> and limited life expectancy, employers should contact the Fund for guidance without delay.</i>                                            | <i>As soon as practicable following receipt of information about the terminal illness</i>                                                                                                                                                                                                                                       |

## 8. Appeals

| Function / Role                                                                                                                                                                                       | Performance Target                                                                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| The employer's adjudicator to acknowledge and determine appeals against the employer at Stage 1 of AADP in accordance with <i>The Local Government Pension Scheme Regulations 2013</i> (Regs 74 & 75) | Acknowledgment – Immediately<br>Decision – Within 2 months of receipt of the appeal |

# Derbyshire Pension Fund

## Pensions Administration Strategy

### Appendix B: The Administering Authority's Role

This section outlines the key responsibilities of Derbyshire County Council as the administering authority for the Derbyshire Pension Fund and the performance standards which Scheme employers and Scheme members should expect. It is focussed on the key activities which involve interaction with Scheme employers and/or Scheme members and should not be viewed as an exhaustive list.

#### i. Scheme Governance and Administration

This section details the functions which relate to the governance of the whole Fund, rather than functions that effect individual Scheme members' benefits.

##### 1. Fund Policies and Strategies

| Function/Task                                                                                                                                                   | Performance target                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Publish and keep under review the <b>Pensions Administration Strategy</b> .                                                                                     | To review <b>annually</b> or earlier where material changes to regulation, policy or process impacts on the Strategy, and consult with employers prior to publication                                                                                                                                                        |
| Publish, and keep under review, the Fund's <b>Governance Policy Statement</b> .                                                                                 | By <b>30 September</b> , following the year-end as part of the Fund's annual report and accounts, or within 1 month of the policy being agreed/amended by the Pensions and Investments Committee                                                                                                                             |
| Publish, and keep under review, the Fund's <b>Funding Strategy Statement</b> .                                                                                  | To be reviewed at each <b>triennial</b> valuation (or whenever there is a material change in either the policy or the Statement of Investment Principles) following consultation with Scheme employers and the Fund's actuary. Revised statement to be published by <b>31 March</b> following valuation date or as required. |
| Publish the Fund's <b>Annual Statement of Accounts</b> .                                                                                                        | By <b>30 September</b> following the year-end as part of the Fund's annual report and accounts or following the issue of the auditor's opinion.                                                                                                                                                                              |
| Publish the Fund's <b>Annual Report</b> .                                                                                                                       | By <b>30 September</b> following the year-end.                                                                                                                                                                                                                                                                               |
| Publish, and keep under review, the Fund's <b>Communication Policy Statement</b> .                                                                              | By <b>30 September</b> , following the year-end, as part of the Fund's annual report and accounts, or within 1 month of the policy being agreed by the Pensions and Investments Committee.                                                                                                                                   |
| Formulate and publish policies in relation to areas where the Administering Authority may exercise a <b>discretion</b> within the scheme and keep under review. | Annual Review and publish within <b>1 month</b> of any changes being agreed by the Pensions and Investments Committee.                                                                                                                                                                                                       |

##### 2. Fund Communications - Employers

| Function/Task                                                                                                                       | Performance target                                    |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Provide Scheme employers with information and guidance for the Year-End Return (including where applicable, the annual spreadsheet) | No later than <b>28 February</b> before the year-end. |
| Publish and keep up to date all forms required for completion by Scheme employers.                                                  | Within <b>1 month</b> of any revision.                |

|                                                                                                                                                                    |                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| Notify Scheme employers of changes to key scheme rules.                                                                                                            | Within <b>1 month</b> of the change(s) coming into effect.                                           |
| Host meetings for all Scheme employers.                                                                                                                            | At least <b>1 per year</b> , in liaison with the Pension Board                                       |
| Provide training for new Scheme employers.                                                                                                                         | All new employers invited to a training session within <b>3 months</b> of becoming a Scheme employer |
| Provide an ongoing programme of refresher or subject specific training or meetings with Scheme employers.                                                          | As required                                                                                          |
| Provision of a newsletter/briefing note to Scheme employers.                                                                                                       | At least <b>quarterly</b>                                                                            |
| Notify a Scheme employer of issues relating to its non-compliance with performance standards.                                                                      | Within <b>1 month</b> of a performance issue becoming apparent.                                      |
| Notify a Scheme employer of decisions to recover additional costs associated with the Scheme employer's poor performance (including any interest that may be due). | Within <b>1 month</b> of Scheme employer failure to improve performance, as agreed.                  |

### 3. Fund Communications – Scheme Members

| Function/Task                                                                                                 | Performance target                                                                                         |
|---------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Publish and keep up to date all forms required for completion by Scheme members or prospective Scheme members | Within <b>1 month</b> of any revision.                                                                     |
| Issue Annual Benefit Statements to active and deferred members as at 31 March each year.                      | By <b>31 August</b> following the year-end.                                                                |
| Arrange information sessions for Scheme members                                                               | At least <b>1 programme</b> of sessions per year                                                           |
| Issue Pension Saving Statements each year to Scheme members who have exceeded their Annual Allowance          | By <b>6<sup>th</sup> October</b> , subject to the Scheme employer having provided all required information |

### 4. Contributions

| Function/Task                                                                                        | Performance target                                                                                     |
|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| Consult with employers on the outcome of the triennial Fund valuation                                | At least <b>2 months</b> before the issue of the final Rates and Adjustments Certificate               |
| Issue formal valuation results to individual Scheme employer following the triennial Fund Valuation. | No later than <b>1 month</b> before the issue of the final Rates and Adjustments Certificate           |
| Notify new Scheme employers of their contribution requirements                                       | Within <b>2 months</b> of joining the Fund (see Section 5 – Scheme Employer Admissions and Cessations) |



## 5. Scheme Employer Admissions and Cessations

| Function/Task                                                                                                                                                                                                        | Performance target                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Process the admission of new Scheme employers into the Fund including signed admission agreements where required, and issuing the scheme actuary's contribution rate / allocation of assets report.                  | Within <b>2 months</b> of date joining the Fund subject to the new Scheme employer providing all relevant information upon request             |
| Arrange for all new prospective admitted bodies to undertake, to the satisfaction of the Fund, a risk assessment of the level or bond required in order to protect other Scheme employers participating in the Fund. | To be completed before the body can be admitted to the Fund subject to the new Scheme employer providing all relevant information upon request |
| Undertake a review of the level of bond or indemnity required to protect other Scheme employers participating in the Fund                                                                                            | <b>Annually</b> , or 3 months prior to bond expiry as necessary                                                                                |
| Carry out valuation assessments on cessation of admission agreements or a Scheme employer ceasing participation in the Fund.                                                                                         | Within <b>2 months</b> of a cessation subject to the new Scheme employer providing all relevant information upon request                       |

## ii. Pension Fund Administration

This sections details the Administering Authority functions which specifically relate to the administration and processing of Scheme member benefits from the LGPS.

### 1. General Enquiries

| Function/Task                                                                                                                                                       | Performance target                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| Acknowledge or respond to written or verbal enquiries from Scheme employers and Scheme members or their representatives or dependents and other authorised persons. | Within 2 weeks from receipt of an enquiry. |

### 2. New Scheme Joiners and 50/50 Elections

| Function/Task                                                                    | Performance target                                                                        |
|----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Set up a new scheme joiner and provide the statutory notification to the member. | Within 1 month from receipt of correctly completed starter form from a Scheme employer.   |
| Set up a new 50/50 Membership.                                                   | Within 1 month from receipt of correctly completed 50/50 election from a Scheme employer. |

### 3. Aggregation, Transfers and Estimates

| Function/Task                                                                                                                                               | Performance target                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issue statement to Scheme member relating to the aggregation of previous LGPS membership                                                                    | Within <b>2 months</b> of receipt of all necessary information                                                                                                                                                                                                                                                                                           |
| Commencement of Transfer-In requests.                                                                                                                       | Within <b>1 month</b> of receipt of request from Scheme member.                                                                                                                                                                                                                                                                                          |
| Completion of Transfer-In applications                                                                                                                      | Information provided within <b>2 months</b> of receipt of all required information                                                                                                                                                                                                                                                                       |
| Transfer-Out quotations issued                                                                                                                              | Within <b>3 months</b> of the date of request or up to 6 months if the reason for a delay is outside the Fund's control.                                                                                                                                                                                                                                 |
| Transfer out payments processed and notification to Scheme member.                                                                                          | If Transfer-Out finalised within 3 month guarantee period, payment made within <b>1 month</b> of guarantee date                                                                                                                                                                                                                                          |
| CETV Estimates for divorce purposes.                                                                                                                        | Within <b>1 month</b> of receipt of request.                                                                                                                                                                                                                                                                                                             |
| Provide requested estimates of benefits to employees/employers including any additional shortfall/strain costs in relation to the early payment of benefits | <p>Within <b>2 months</b> of receiving all required information from the employer<br/> Note: bulk requests of more than 10 estimates per month will be subject to prior agreement between the Fund and the employer.</p> <p><i>Members may receive 1 estimate for a potential retirement date no later than 2 years ahead in any 12 month period</i></p> |

### 4. Additional Contributions

| Function/Task                                                                                                                                                                 | Performance target                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| Notify the Scheme employer of any Scheme member's election to purchase additional pension contributions, including all required information to enable deductions to commence. | Within <b>2 weeks</b> of receipt of election from Scheme member to meet the employer's next available payroll |

### 5. Deferred Benefits/Refunds

| Function/Task                               | Performance target                                                                              |
|---------------------------------------------|-------------------------------------------------------------------------------------------------|
| Deferred benefits options letter to members | Within <b>2 months</b> of the leaving date subject to the receipt of all necessary information. |
| Process Refund payments.                    | Within <b>2 months</b> from receipt of all necessary information.                               |

## 6. Retirements/Deaths

| Function/Task                                                                                                               | Performance target                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provision of retirement options letters detailing member options.                                                           | Within <b>2 weeks</b> from receipt of all necessary information.                                                                                             |
| Process of retirement benefits, including deferred benefits, for payment following receipt of a request to access benefits. | Within <b>1 month</b> of retirement date or from the receipt of all necessary information with the first pension payment made on next available payroll run. |
| Notification of death                                                                                                       | Acknowledge within <b>1 week</b> of initial notification.                                                                                                    |
| Process of death grant for payment.                                                                                         | Within <b>2 weeks</b> of receipt of all necessary documentation.                                                                                             |
| Processing of beneficiaries pensions for payment.                                                                           | Within <b>2 weeks</b> of receipt of all necessary documentation.                                                                                             |
| Provide payslips to Scheme members in receipt of a pension.                                                                 | In March, April and May of each year and where the monthly pension amount changes by at least 1%.                                                            |

## 7. Appeals

| Function/Task                                                                                                                                                              | Performance target                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Prepare a report for the Pensions and Investments Committee to consider an appeal at Stage 2 under the Applications for the Adjudication of Disagreements Procedure (AADP) | Within <b>2 months</b> of receipt of the application, or such longer time as is required to process the application where further information or clarification is required. |
| Issue a formal letter to the appellant following the Committee considering the Stage 2 Application                                                                         | Within <b>1 week</b> of the publication of the minutes of the Committee                                                                                                     |

## COMMON AND CONDITIONAL DATA CERTIFICATE 2017/18

### 1. Introduction

In line with the Pension Regulator's guidance, the following charts demonstrate the accuracy of Derbyshire Pension Fund's records in respect of Common and Conditional Data items at 31<sup>st</sup> March 2018.

The Common Data Items are those that are required for all members of all schemes, and are self-explanatory. The Pensions Regulator recommends every item of this data should be present, and our target is therefore to achieve 100% accuracy.

The key Common Data improvement area identified in Part 3 below is clearly that of members' addresses. This has been highlighted in the Fund's Data Improvement Plan and work has commenced on tracing, checking and inputting up to date addresses on Fund members' records.

The Pensions Regulator accepts that Funds are best placed to decide the data items appropriate for Conditional Data measurement, and the Conditional Data Items identified by Derbyshire Fund in Part 4 below comprise the following issues;

| Data Item             | Comprises                                                                                                                                          |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Basic Information     | Folder status mismatch on UPM (equivalent on Altair would be discrepancies between record types)                                                   |
| Active Member Data    | Earnings and Conts not up to date, CARE not up to date, Pension Input not up to date, all backlogs, postings queries and leaver forms not received |
| Deferred Member Data  | PI override date missing, Pension History not up to date, Future Review date missing                                                               |
| Pensioner Member Data | PI Override date not up to date, Pension history not up date                                                                                       |
| Transfer In Data      | Transfer value received but system not updated                                                                                                     |
| Contracted-out Data   | Contracted out date mismatch                                                                                                                       |

These Data Items have been selected because they all represent areas which could result in payment of benefits being missed, delayed, paid incorrectly or result in incorrect data held on the pension administration system in comparison to payroll.

The key areas to improve are in Active Member Data and Contracted Out Data.

The majority of the Active Member discrepancies relate to backlogs of deferred beneficiaries (440), aggregation processing (2111), transfers (260) and outstanding leaver forms from employers (3000+). The backlog areas have been closely managed and significantly reduced during 2017/18, and work is underway with employers to improve the quality and timeliness of the data they provide.

The Contracted Out Data Items are to a large extent historical, and overlap with a number of outstanding GMP Reconciliation cases. The target date for completion of the GMP Reconciliation exercise is December 2018, after which the remaining items will be resolved.

A realistic target for Conditional Data is 95%, because many of the items are dependent upon the actions of third parties, i.e. employers and Fund members. It is not expected that this will be achieved during 2018/19 because focus will be on the migration from the UPM pension administration system to Altair. However, the system switch will enable more efficient processing thereafter leading to significant improvement the following year.

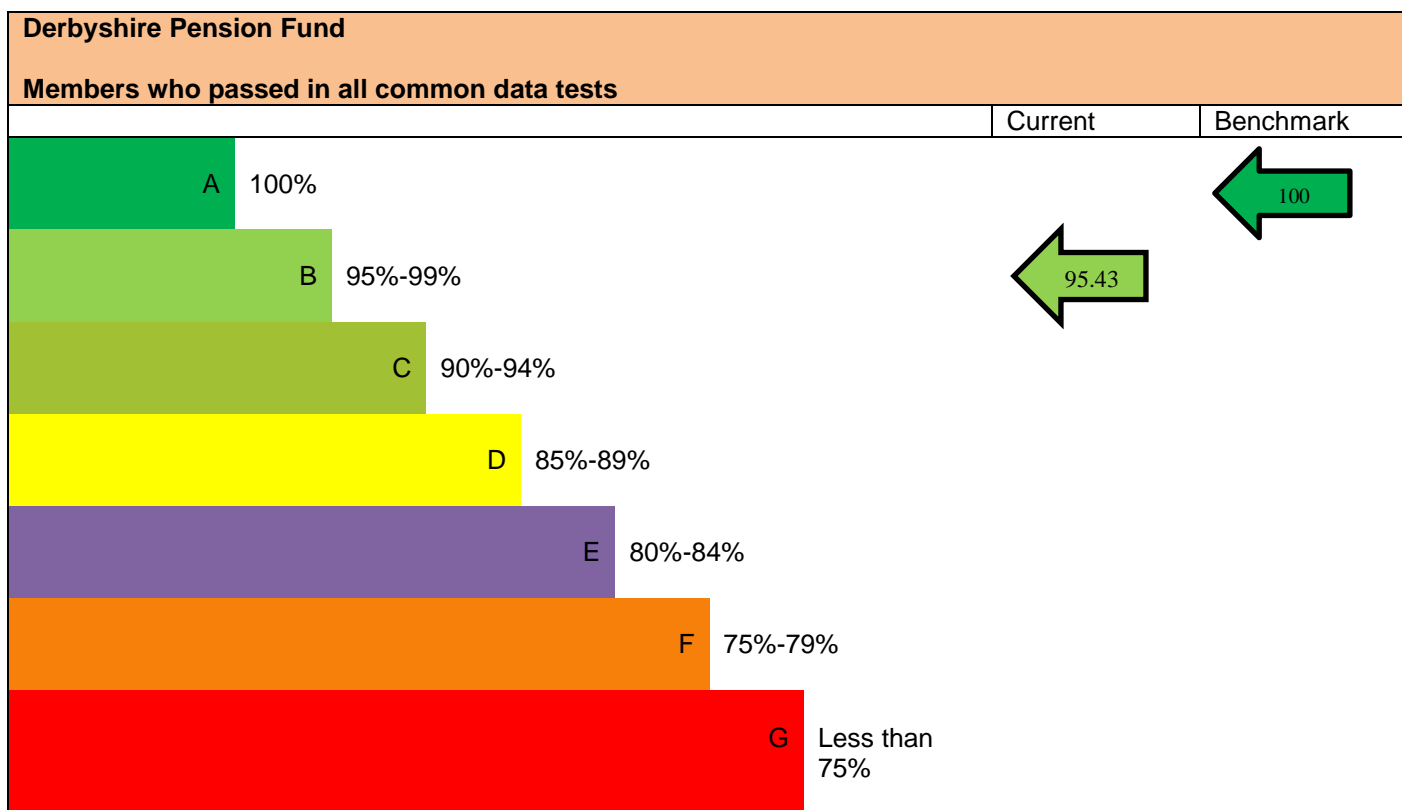
## 2. Numerical Data

The Pensions Regulator advises on the inclusion of numerical data to enable checking of the overall reasonableness of the data results, and give a degree of perspective:

|          |                                                                    |        |
|----------|--------------------------------------------------------------------|--------|
| <b>1</b> | <b>Membership Statistics</b>                                       |        |
|          | Number of benefit categories with separate benefits structure      | 2      |
|          | Total active members                                               | 44,702 |
|          | Total deferred members                                             | 26,205 |
|          | Total preserved refunds                                            | 1,585  |
|          | Total pension in payment members                                   | 28,654 |
|          | Member pensioners                                                  | 24,803 |
|          | Spouse/dependant/civil partner pensioners                          | 3,655  |
|          | <b>Child pensioners</b>                                            | 196    |
| <b>2</b> | <b>Additional Data Statistics</b>                                  |        |
|          | Number of active members with part-time service                    | 25,174 |
|          | Number of active and deferred members with AVC's                   | 2,008  |
|          | Number of active members with a transfer in record                 | 1,862  |
|          | Number of active and deferred members with a pension sharing order | 62     |
|          | Number of active and deferred members with an earmarking order     | 2      |
|          | Number of active and deferred members with Primary Protection      | 0      |
|          | Number of active and deferred members with Enhanced Protection     | 0      |

## 3. Common Data Checking

| Data Item                        | Maximum Population | Fails        |
|----------------------------------|--------------------|--------------|
| National Insurance Number        | 63,132             | 36           |
| Surname                          | 63,132             | 0            |
| Forename                         | 63,132             | 0            |
| Gender                           | 63,132             | 17           |
| DOB                              | 63,132             | 0            |
| Date Pensionable Service Started | 63,132             | 0            |
| Expected Retirement Date         | 63,132             | 4            |
| Address or Postcode              | 63,132             | 2,831        |
| <b>Total Number of Fails</b>     | <b>63,132</b>      | <b>2,888</b> |



#### 4. Conditional Data Checking

| Data Item                                                     | Maximum Population | Fails         |
|---------------------------------------------------------------|--------------------|---------------|
| Basic Information                                             | 99,561             | 98            |
| Active Member Data                                            | 44,702             | 8,741         |
| Deferred Member Data                                          | 26,205             | 56            |
| Pensioner Member Data                                         | 28,654             | 167           |
| Transfer In Data                                              | 44,702             | 171           |
| Contracted-out Data                                           | 70,907             | 6,436         |
| <b>Total Number of Members failing at least one data test</b> | <b>99,561</b>      | <b>14,596</b> |

