

*Annual Report and Statement
of Accounts 2014-15*

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Introduction

This Annual Report and Statement of Accounts sets out the arrangements by which the Local Government Pension Scheme operates, reports changes which have taken place and reviews the investment activity and performance of the Cambridgeshire County Council Pension Fund ("Fund") during the year.

The Statement of Accounts has been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2014/15.

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after year end. The actuarial position of the Fund which takes into account these obligations is available on the Cambridgeshire Fund's County Council website, <http://cambridgeshire.gov.uk>.

Mr C Malyon

Chief Finance Officer
(Section 151 Officer)

Dated

2015

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Chief Finance Officer has also:

- kept proper accounting records which are up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of Accounts

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Pension Fund at 31 March 2015 and of its income and expenditure for the year 2014-15, and authorise the accounts for issue.

Mr C Malyon

Chief Finance Officer
(Section 151 Officer)

Dated 2015

Chairman's Foreword

It is my pleasure, as Chairman of the Pension Fund Committee to introduce the Cambridgeshire County Council Pension Fund Annual Report and Statement of Accounts for 2014-15.

There has been a steady growth of members in the Fund. Active membership has increased from 24,854 in 2014 to 25,345 in 2015, deferred membership has increased from 25,793 in 2014 to 28,255 and pensioners have increased from 15,091 in 2014 to 15,658 in 2015. The total Fund membership at 31 March 2015 was 69,258; this demonstrates a total Fund increase of 5%. There has also been a steady increase in the number of employers in the Fund. As at 31 March 2015 the Cambridgeshire Pension Fund had 219 active employers, an increase of 22 in the reporting period.

At 31 March 2015 the Fund was valued at £2.28bn. This is an increase in Fund value of £226m from March 2014, which equates to a 11.0% increase.

The Fund delivered a return of 12.2% for the year, under performing the Fund's benchmark return (13.5%) and the average Local Authority Pension Fund (13.2%). *(Source WM Universe).*

The Fund's investment strategy remains focused on growth assets which are expected to earn more attractive returns over the longer term than lower risk investments.

Over the year, the funding level for the Fund has decreased from 78% to 72%. This is principally due to the value of liabilities increasing faster than the increase in the value of assets. The Fund obtains regular quarterly updates on the funding level with a formal valuation of the Fund carried out triennially, the last being 31 March 2013.

Since 2010, Cambridgeshire County Council and Northamptonshire County Council have operated under a joint partnership, LGSS, to provide pensions administration. This has and continues to deliver savings to both Funds through efficient converged processes, sharing of resources and economies of scale.

The new Local Government Pension Scheme 2014 (LGPS) has been successfully implemented and continues to be embedded within the Cambridgeshire Pension Fund. This has been a challenging year due to these changes but has been a success due to the hard work invested by the members of the Pension Fund Committee and Investment Sub Committee, the Chief Finance Officer, the Head of Pensions and all staff involved in the administration and investment management of the Fund.

I am confident that this dedication will continue into 2015-16 where we are faced with challenges regarding the governance arrangements as well as to maintain the high standards of the administration of the Fund.

Councillor Steve Count
Chairman of Cambridgeshire County Council Pension Fund Committee

Scheme Framework

The Local Government Pension Scheme is a statutory funded pension scheme. It is “contracted-out” of the state scheme and is termed a defined benefit scheme. The operation of the Cambridgeshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 [as amended] and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [as amended] which have been made within the context of the Primary legislation of the Public Service Pensions Act 2013. The scheme covers eligible employees of the County Council, the Police Authority, Police and Crime Commissioner, Unitary, District and Borough Councils and Academies within the county area other than teaching staff, police officers and fire-fighters for whom separate statutory arrangements exist. A number of other bodies are also members of the Scheme.

Employers’ contribution rates are set by the Fund’s Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the Fund. The last valuation took place as at 31 March 2013. The results of the valuation resulted in a funding level of 72.4% and an average employer contribution rate of 30.5%. The next valuation will be produced as at 31 March 2016.

On 1 April 2014, the new Local Government Pension Scheme 2014 came into effect, allowing more flexibility around paying into the Scheme and when benefits may be drawn. Normal pension age is linked to the state pension age but benefits can be drawn earlier or later, between age 55 and 75. The normal retirement age is the age a member can access their pension in full; if it is claimed before that date it will usually be reduced and if claimed later it will increase. All service built up to 31 March 2014 in the LGPS is fully protected and will continue to be based on a member’s final year’s pay when the individual leaves the LGPS.

Benefits built up before April 2014 also retain their protected Normal Pension Age which for most members is 65, although certain members have a retirement age of 60 for all or part of their membership. There is an additional protection known as the ‘underpin’ for members who were active on 31 March 2012 and were within ten years of their Protected Normal Pension Age on 1 April 2012. These members will get a pension at least equal to the pension they would have received in the LGPS had it not changed on 1 April 2014, subject to meeting certain criteria.

The new scheme changes have been widely publicised with all stakeholders of the Fund via a range of communication methods including, e-mails, bulletins, seminars, presentations, forums and workshops. The Fund has assisted members and employers through the transition and provided information and guidance where required.

The below table compares the 2008 and 2014 Schemes.

	LGPS 2008	LGPS 2014
Basis of Pension	Final Salary	Career Average Revaluated Earnings (CARE)
Accrual Rate	1/60th	1/49th
Revaluation Rate	Based on Final Salary	Consumer Prices Index (CPI)
Pensionable Pay	Pay excluding non contractual overtime and non pensionable additional hours	Pay including non-contractual overtime and additional hours
Employee Contribution rates	Between 5.5% and 7.5%	Between 5.5% and 12.5%
Contribution Flexibility	No	Option to pay 50% contributions for 50% of pension benefit
Normal Pension Age	65	Equal to individuals state pension age
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160 th accrual based on Tier 1 ill health pension enhancement	1/160 th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65) Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age (65) Tier 3 – Temporary payment of pension for up to 3 years	Tier 1 – Immediate payment with service enhanced to Normal Pension Age Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 – Temporary payment of pension for up to 3 years
Indexation of Pension in Payment	CPI (RPI for pre-2011 increases)	CPI
Vesting Period	3 months	2 years

Active Employers (219)

Scheduled Bodies

Abbey College	Great Staughton Primary Academy	Parkside Federation
Active Learning Trust	Greater Peterborough UTC	Peckover Primary Academy
Alderman Jacobs School Academy Trust	Hampton College	Peterborough City Council
All Saints Inter Church Academy	Hatton Park School	Peterborough Regional College
Arthur Mellows Village College	Highlees Primary Academy	Police & Crime Commissioner
Bassingbourn Village College	Hills Road 6th Form College	Ramnoth Primary Academy
Bishop Creighton Academy	Hinchingsbrooke School	Round House CP School
Bottisham Village College	Histon and Impington Infants Academy	Sawston Village College
Bourn Church of England Primary	Histon and Impington Junior Academy	Sawtry Academy
Buckden Church of England Primary	Huntingdonshire College	Shade Primary Academy
Burrowmoor Primary Academy	Huntingdonshire District Council	Sir Harry Smith Community College
Bury CE Primary School	Impington Village College	Soham Village College
Cambourne Village Academy	Isle of Ely Primary School	South Cambridgeshire District Council
Cambridge City Council	Kennet Community School	St Andrew's CofE Primary School
Cambridge Meridian Academies Trust	Kimbolton Primary Academy	St Bedes Inter Church School
Cambridge Regional College	Kingsfield Primary School	St Ivo School
Cambridgeshire County Council	Leverington Primary Academy	St John's Academy
Cambridgeshire Fire Authority	Linton Village College	St Mary's CofE Junior School
Chesterton Community College Academy	Long Road 6th Form College	St Peter's CofE Junior School
Chesterton Primary Academy	Longsands Academy	St Peter's School Huntingdon
Cambridgeshire Constabulary	Meadow Primary Academy	Stanground Academy
City of Peterborough Academy	Melbourn Village College	Stanground St John's Academy
City of Peterborough Academy Special School	Mepal&WitchamCofE Primary	Swavesey Village College
Comberton Village College	Middlefield CP School	The Centre School
Combeton Academy Trust (HQ)	Murrow Primary School	The Kings Academy
Cottenham Village College	Neale Wade Academy	Thomas Clarkson CC Academy
Cromwell Academy	Nene Infants Academy	Thomas Deacon Academy
Cromwell Community College	Nene Park Academy	UTC Cambridge
Crosshall Infant School Academy Trust	New Road Primary School	Voyager Academy
Crosshall Junior School Ltd	Newark Hill Primary Academy	Welland Primary School
Dogsthorpe Academy	North Cambridge Academy	West Town Primary Academy
East Cambridgeshire District Council	OrmistonBushfield Academy	William de YaxleyCofE Junior School
Ely College	Ormiston Meadows Academy	William Law Cof E Primary
Ernulf Academy	Park Lane Primary and Nursey School	Winhill Primary Academy
Fenland District Council		Witchford Village College
Fulbridge Primary School		
Godmanchester CP School Academy		

Designated Bodies

Bretton Parish Council
 Burnt Fen Internal Drainage Board
 Burwell Parish Council
 Cambourne Parish Council
 Chatteris Town Council
 Cheveley Parish Council
 City Of Ely Council
 Eye Parish Council
 Farcet Parish Council
 Feldale Internal Drainage Board
 Gamlingay Parish Council
 Haddenham Level Drainage Commissioners
 Haddenham Parish Council
 Histon and Impington Parish Council
 Holmewood& District Internal Drainage Board
 Huntingdon Town Council
 Kimbolton&Stoneley Parish Council
 Linton Parish Council
 Little Downham Parish Council
 Little Paxton Parish Council
 Littleport&Downham Internal Drainage Board
 Middle Fen & Mere Internal Drainage Board
 Middle Level Commissioners
 Newborough Parish Council
 North Level Commissioners IDB
 Old West Internal Drainage Board
 Orton Waterville Parish Council
 Sawston Parish Council
 Soham Town Council
 St Ives Town Council
 St Neots Town Council
 Sutton Parish Council
 Swaffham Internal Drainage Board
 Swavesey Parish Council
 Thorney Parish Council
 Tydd St Giles Parish Council
 Waterbeach Level Internal Drainage Board
 Waterbeach Parish Council
 Whittlesey& District Internal Drainage Board
 Whittlesey Town Council
 Wimblington Parish Council
 Wisbech Town Council

Witcham Parish Council

Yaxley Parish Council

Admission Bodies

ABM Catering Ltd (Jeavons Primary)
 ABM Catering Ltd (Morley Memorial Primary)
 Action For Children
 ADEC
 Advanced Cleaning Services (Watheralls)
 Advanced Cleaning Services (Burwell &Netherall)
 Aspens Services (Ltd) Fen Drayton Primary)
 Aspens Services Ltd (Mayfield School)
 Aspens Services Ltd (Swavesey Primary)
 Avocet Cleaning Services Ltd
 Balfour Beatty Plc
 Cambridge Primary Education Trust
 Cambridgeshire Community Services Trust
 Cambridgeshire & Peterborough CCG
 Care Quality Commission
 Cater Link Limited
 Circle Anglia Limited
 Collections Trust
 Compass Contract Services
 Conservators of River Cam
 Coram Adoption Services
 Cross Keys Homes Limited
 Cucina Restaurants
 Dell (Neale Wade)
 Dell (Cromwell)
 Dell (Harry Smith)
 Drinksense
 East of England Local Government Association
 Easy Clean (Fenstanton)
 Easy Clean (St Peters)
 Ecovert FM Limited
 Edmund Trust (Mencap)
 Elior UK
 Enterprise Management
 Excelcare
 Etheldred House
 Friends Therapeutic
 Greenwich Leisure
 Home Close Limited

Homerton College

Inclusion

Indigo Spa Management Ltd

Innovate Services Limited

Kelsey Kerridge Sports Hall

Kimbolton School

Luminus Group Limited

Lunchtime UK Ltd

M & B Caterers Limited

Mears Group PLC

Mears Limited

Mitie PFI Limited

Oxford Archaeology (East)

Pabulum Limited (Swavesey)

Pabulum Limited (Cottenham)

Peterborough Primary Care Trust

Radis Community Care

Roddens Housing Association

Sanctuary Housing

Serco Limited (Peterborough)

Serco Limited (IT

Skanska

Spurgeons

Stephen Perse Foundation

Taylor Shaw Limited

TSG Building Services

Thorokleen Trading Limited

Vivacity Culture & Leisure

Wisbech& Fenland Museum

Wisbech Grammar School

Scheme Management and Advisers

Registered Pension Scheme Number: 00329261RX

Administering Authority Cambridgeshire County Council
Shire Hall
Castle Hill
Cambridgeshire
CB3 0AP

Administrator Mr C Maylon
Chief Finance Officer
S151 Officer Cambridgeshire County Council, LGSS

Pension Fund Committee and Investment Sub-Committee:

County Council Members

Cllr Steve Count (Chairman)
Cllr Roger Hickford (Vice Chairman)
Cllr Maurice Leeke
Cllr Ashley Walsh – Resigned June 2014
Cllr John Reynolds – Deceased November 2014
Cllr Peter Ashcroft
Cllr Michael Shellens – from July 2014
Cllr Mac McGuire – from November 2014

All other Local Authorities, Police and Fire (Unitary Representative)

Cllr David Seaton (Peterborough City Council)

All other Local Authorities, Police and Fire (Borough and District Representatives)

Cllr Nick Guyatt – Resigned June 2014
Cllr Andrew Fraser – from November 2014

Other Employers' Representatives

David Brooks – Resigned June 2014
Tim Woods – from September 2014

Member Representatives

John Walker
Matthew Pink

Key Officers supporting the Fund

Head of Pensions Mark Whitby

Investment & Fund Accounting Manager	Paul Tysoe
Operations Manager	Akhtar Pepper
Fund Financial Managers	Anthony Olaniyi (Investment) Ben Barlow (Fund)
Governance & Regulations Manager	Joanne Walton
Investment Advisers	Hymans Robertson LLP 20 Waterloo Street Glasgow, G2 6DB (To 30 September 2014) Mercer Investment Consulting Belvedere, 12 Booth Street Manchester M2 4AW (From 1 October 2014)
Investment Managers	Schroders Investment Management Ltd 31 Gresham Street London EC2V 7QA Amundi Limited 41 Lothbury London EC2R 7HF Newton Investment Management Ltd Mellon Financial Centre 160 Queen Victoria Street London EC4V 4LA M & G Group Governor's House Laurence Pountney Hill London EC4R 0HH Adams Street Partners 4th Floor 75 Davies Street London W1K 5JN Harbourvest Partners (UK) Ltd 8th Floor Berkeley Square House Berkeley Square London W1J 6DB

Equitix
10-11 Charterhouse Square
London EC1M 6EH

Skagen Funds
Albemarle House
1 Albemarle Street
London W1S 4HA

Partners Group (UK) Ltd
14th Floor
Heron Tower
110 Bishopsgate
London EC2N 4AY

UBS Global Asset Management (UK) Ltd
4th Floor
21 Lombard Street
London EC3V 9AH

Custodian

BNY Mellon
One Canada Square
London E14 5AL
(To 30 September 2014)

Northern Trust
50 Bank Street
Canary Wharf
London E14 5NT
(From 1 October 2014)

AVC Provider

Prudential Assurance Co Ltd
Laurence Pountney Hill
London EC4R 0HH

Equitable Life
PO Box 177
Walton Street
Aylesbury, Bucks
HP21 7YH

Fund Actuary

Hymans Robertson LLP
20 Waterloo Street
Glasgow G2 6DB

Auditor	PricewaterhouseCoopers LLP 10 Bricket Road St Albans Hertfordshire, AL1 3JX
Legal Advisor	LGSS Law Limited Shire Hall Castle Hill Cambridge CB3 0AP
Performance reporting	The World Markets Company plc 525 Ferry Road Edinburgh EH5 2AW
Banker	Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5HP

Further information regarding the accounts and investments can be obtained from:

Paul Tysoe, Investment and Fund Accounting Manager
phtysoe@northamptonshire.gov.uk
 01604 368671

Enquiries relating to benefits and administration should be directed to:

Mark Whitby, Head of Pensions, LGSS
MWhitby@northamptonshire.gov.uk
 01604 368502

Risk Management

Cambridgeshire County Council, the Administering Authority to the Cambridgeshire Pension Fund, has a process in place to identify, evaluate, mitigate and monitor risks associated with the activities that the Fund carries out. The arrangements in place which provide for the management of risk are described below. A full review of the Fund's risks, how they are managed and reported will be undertaken during 2015-16.

Managing decision making

Cambridgeshire County Council has established a Pension Fund Committee and Investment Sub-Committee having strategic and operational investment decision making powers, respectively.

Membership of both bodies consist of elected, non-elected and scheme member representatives. All members of the Investment Sub-Committee sit on the Pension Fund Committee.

The Pension Fund Committee's business covers all Fund matters with the exception of non-strategic investment issues, which are delegated to the Investment Sub-Committee. Officers across the administration, investment, accounting and governance functions support the Pension Fund Committee and Investment Sub-Committee meetings as required. All meetings of the Pension Fund Committee and Investment Sub-Committee are duly minuted.

Pension Fund Committee members and Investment Sub-Committee members are required to attain a desired level of training and knowledge, to ensure decisions being made on behalf of Cambridgeshire County Council Pension Fund are made with full understanding of the impact and therefore mitigating the risk of unfounded decisions.

The Board must at all times be conscious of its accountability to stakeholders. It is responsible for determining the nature and extent of any significant risks taken on by the Administering Authority in the pursuit of its strategic objectives. Risk management should be dynamic and comprehensive, considering operational, reputational and environmental, social and governance (ESG) risks in addition to financial risks.

With effect from 1 April 2015, there has been an additional layer of governance for the Fund in the form of a local pension board. The local pension board will be non-decision making but will have the responsibility of assisting the Administering Authority to:

- secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the Fund and also the requirements imposed by the Pensions Regulator in relation to the Fund; and
- ensure the effective and efficient governance and administration of the LGPS.

The local pension board will provide an annual report of its activities to Council at the end of each year.

Managing investment and funding risks

The Cambridgeshire Pension Fund has billions of pounds of assets under management as well as even larger long-term liabilities. It is essential to ensure that the Fund's assets are managed appropriately to ensure the Fund can meet the payment of its current and future liabilities.

The Fund currently has eleven investment mandates with eleven fund managers. The Fund is also joint owner of Cambridge and Counties Bank.

An Investment Management Agreement is in place for each fund manager, setting out the relevant benchmark, performance target, asset allocation ranges and any statutory restrictions or other restrictions determined by the Pension Fund Committee and/or Investment Sub-Committee as appropriate.

Fund managers are also instructed to comply with the investment restrictions as set out in the LGPS (Management and Investment of Funds) Regulations 2009.

The constant monitoring of performance relative to a performance target constrains fund managers from deviating significantly from the intended approach, whilst permitting flexibility to manage mandates in such a way as to enhance returns. The appointment of more than one fund manager introduces a level of diversification of manager risk. Fund managers are instructed to diversify between investment types and within each mandate so that the prospects of potential losses are reduced.

Fund managers will bias their portfolios towards stocks which are expected to out-perform in rising or falling markets, but not take such contrarian positions that major under-performance occurs if they are incorrect in their strategies. They are required to operate in such a way that the possibility of underperformance against the target is kept within an acceptable limit.

The Fund's investment performance is reviewed quarterly by the Investment Sub-Committee and should remedial action be required the Sub-Committee will determine the action to be taken and, where necessary, recommend this action to the Pension Fund Committee for approval.

An alternative review of performance is undertaken annually upon receipt of data from The World Markets Company plc ("WM"), which provides the perspective of other LGPS funds' performance. The Fund's Custodian will be reviewed annually by an independent monitoring service. The aim of this is to receive feedback on the quality and efficiency of services of the existing provider. The review also allows for provisions of transparency and openness with regard to the investment operations of the Fund.

The Fund uses third party providers for investment management and custodian services. The risk of misstatement or error in the processes operated by the third parties is mitigated by reviewing the ISAE3402 service auditors' assurance reports provided by the investment managers (where available) and the Custodian.

The overall risk for any pension scheme is that its assets will be insufficient to meet its liabilities.

In terms of specific investment risk, the Cambridgeshire Pension Fund is managed in a way that is designed to control and mitigate against this. Further Asset Liability Studies will be undertaken to help the Pension Fund Committee and Investment Sub-Committee determine, from time to time, appropriate asset allocation ranges. The aim of these is to ensure that the Fund's assets are prudently spread across different asset types and markets. As the Fund's liabilities are based in sterling, the majority of the Fund's assets are sterling denominated. The asset allocation will be formally reviewed following the triennial valuation, and at other times as required.

Over the long term, the Fund's investments should provide a hedge against inflation and grow in line with the underlying economy. To minimise the risks a broadly based portfolio of stocks is held, spread across different countries and different industrial sectors.

The Fund is subject to actuarial review every three years. The Fund's actuary calculates the contributions required from employing authorities to ensure the solvency of the Fund. The Fund's position is based on the market values of the assets at the time of the review and various other assumptions such as longevity.

At present the Fund has a positive cash flow and is forecast to remain in this position for a number of years. However the Fund is acutely aware of significant potential pressures arising from members opting out of the Scheme, financial pressures on employers, and the general economic climate. The Fund is actively monitoring the situation to ensure it can act quickly should the need arise. It does, however, sell investments from time to time as part of normal investment management activities.

Managing Scheme employer related risks

There are 263 scheme employers in the Cambridgeshire Pension Fund all of which have different risks associated with their financial positions. Therefore it is important that close monitoring processes are in place to ensure the Fund and its stakeholders are protected from these risks.

The Fund is aware that it is possible for an increase in the employer contribution rate to become unaffordable for both existing scheme employers and to potential admissions of new employers to the Scheme. In these instances the Fund would seek feedback and evidence from employers on their scope to absorb short-term contribution rises. It is also possible to mitigate the impact through deficit spreading and phasing in of contribution increases where this is possible and where this does not negatively impact the Fund. Another possible option is the "smoothing" of contribution increases over a number of valuation periods. Whichever option is considered, it is essential to ensure that decisions are well informed through actuarial advice and account for current and future asset and liability expectations.

It is essential for the Fund to actively manage those employers that cease to exist particularly those with insufficient funding or bonds in place to meet the liabilities that they leave behind. In some cases the liabilities will pass back to the ceding employer

or where this is not an option, the liabilities will be spread across the remaining employers within the Fund. The Fund has in place a comprehensive Admissions Policy which clearly sets out where a guarantee or bond is required in order for a new employer to secure admission to the Fund,

Scheme employers can also present the Fund with risks in the form of the provision of poor quality data. Inaccurate data can lead to the miscalculation of pension benefits which can lead to the misstatement of the benefits the member is actually due. If this occurs on a consistent basis for medium to large employers or even just once for a small employer, it could have a detrimental effect on the size of the employer's liabilities which may result in a higher and potentially unaffordable employer contribution rate at the next valuation. The Fund has and will continue to actively engage with the scheme employers to ensure that they provide accurate data and provide them with the training and tools to do so. The Fund also monitors employer performance in the form of key performance indicators which are regularly fed back to the employers.

Managing demographic risks

The increasing life expectancy of Scheme members over the years has increased the value of the Fund's liabilities which has resulted in a decrease in the funding position. In order to ensure that the funding position doesn't continue to deteriorate it has proved necessary for the employer contribution rates to be increased at each triennial valuation. The Fund also participates in an extra level of analysis of changing life expectancy trends which feed into the Fund's valuation process to ensure that employer contribution rates are calculated based on the most accurate data available.

Financial Performance

The following tables provide details regarding the management of the Fund's income and expenditure.

Three year forecast of income and expenditure

	2014-15 Estimated Outturn £000	2014-15 Final Outturn £000	2015-16 Forecast £000	2016-17 Forecast £000	2017-18 Forecast £000
Contributions.	105,100	109,103	111,000	115,400	120,100
Transfers in from other pension funds:	4,100	2,866	5,700	5,700	5,700
TOTAL INCOME	109,200	111,969	116,700	121,100	125,800
Benefits payable.	(93,800)	(91,901)	(97,800)	(102,300)	(107,200)
Payments to and on account of leavers.	(36,680)	(36,845)	(5,700)	(5,700)	(5,700)
	(130,480)	(128,746)	(103,500)	(108,000)	(112,900)
Management Expenses	(7,226)	(9,898)	(7,285)	(7,566)	(7,827)
TOTAL EXPENDITURE.	(28,506)	(26,675)	5,915	5,534	5,073
Investment Income	34,000	35,712	37,000	40,000	43,000
Taxes on income	0	(1,177)	0	0	0
Profit and losses on disposal of investments and changes in the market value of investment	120,000	218,316	130,000	139,000	150,000
Net return on investments	154,000	252,851	167,000	179,000	193,000
Net (increase)/decrease in the net assets available for benefits during the year	125,494	226,177	172,915	184,534	198,073

Performance against budget – net operational expenses

The following table shows the Fund's forecast for total administration and investment expenses for 2014-15 compared with the outturn.

	2014-15 Forecast £'000	2014-15 Outturn £'000	Variance £'000
Administration Expenses	2,375	2,292	(83)
Investment Management Expenses	4,458	7,198	2,740
Oversight and Governance	393	408	15
Total Management Expenses	7,226	9,898	2,672

Investment Management Expenses outturn include performance related fees.

Timeliness of contributions

The following table shows the amount of regular monthly employee and employer contributions paid during 2014-15 and the value and percentage of which were paid both on time and after the deadline of the 19th day of the month following deduction.

	Total Paid in 2014-15	Total Paid On Time	% Paid On Time	Total Paid Late	% Paid Late
Employer Contributions	£71,310,094	£70,295,817	98.58	£1,014,277	1.42
Employee Contributions	£20,489,905	£20,204,656	98.61	£285,248	1.39
Total	£91,800,000	£90,500,473	98.60	£1,299,525	1.42

No interest was charged on any of the late payments.

Movement in assets & liabilities

The table below shows the forecast against the outturn on the Fund's cash flows and asset values in respect of 2014-15.

	2014-15 Estimated Outturn	2014-15 Final Outturn
	£'000	£'000
Cash flows		
Fund surplus / (deficit) cash from dealings with members	(21,280)	(16,906)
Management expenses *	(7,226)	(9,898)
Returns on investments **	160,000	252,851
Net increase in the net assets available for benefits during the year	131,494	226,177
Assets held		
Equities – directly held	803,972	843,577
Pooled investments	1,029,711	1,044,265
Pooled property investments	157,565	162,593
Private equity/infrastructure	149,100	165,436
Cash deposits	50,945	48,731
Other	483	3,156
Net investment assets	2,191,776	2,267,758

* Higher performance related manager fees have been paid in 2014-15 arising from recent strong asset performance.

** Investments performed more strongly than forecast in 2014-15.

Recovery of overpayments of pension

The following tables show the analysis of pension overpayments that occurred during 2014-15.

Type of Overpayment	Action Taken	Number of Cases	Amount £
Retirement	Recovered	0	0
	Requested	0	6,365
	Written off	68	771
Total		68	7,136
Death	Recovered	27	14,749
	Requested	26	13,310
	Written off	194	12,802
Total			40,861
National Fraud Initiative	Recovered		384
	Requested		6,069
	Written off		2,024
Total			8,477
Total Overpayments			56,474

The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. There are 35 NFI cases currently under investigation.

Annual Pensioner Payroll(excluding additional pension awarded by the employer)	£69,694,639
Total write off amount	£15,597
Write offs as a % of payroll	0.022
Number of cases written off	188
Number of cases in the process of recovery	40
Number of cases recovered	25
Number of cases currently being investigated	35

Cambridgeshire Pension Fundhas an automatic write off process of any amount less than £250; the average write off amount per individual is £82.97.

Administrative management performance

Key administration performance indicators

The below table shows the number and trend of the top 10 types of scheme administration cases.

Case Type	Target (working days)	Number Received	Number within target	Target	% within target
Confirm transfer-in payment and service credited to scheme member	10	197	181	90%	92%
Provide employer with requested estimate of benefits	10	835	794	90%	94%
Provide a maximum of one estimate to employees per request per year	10	1,535	1,325	90%	87%
Provide a maximum of one cash equivalent transfer to employees per year on request	10	550	504	90%	92%
Notify employees retiring from active membership of benefit award	5	1,119	1,035	95%	92%
Acknowledge death of active/deferred/pensioner member	5	862	851	100%	99%
Change of address	2	2,083	1,889	100%	91%
Expression of Wish form received	2	1,867	1,845	100%	99%
Opt out form received	2	1,444	1,393	100%	96%
Personal change update	2	451	445	100%	98%

The Fund has developed a number of KPIs to monitor service delivery, these KPIs are reviewed internally on a monthly basis to monitor and inform where delivery is met or

remedial action is required. The Pension Fund Committee receives quarterly performance updates within the Business Plan update.

Performance is a partnership between the administration team and the constituent employers of the Fund and the targets shown are well in excess of statutory guidance therefore representing stretch targets. Where there is material shortfall on the stretch targets we are working with scheme employers to improve timeliness and quality of data received to improve delivery.

An employer satisfaction survey was undertaken in March 2015 inviting responses from all of the employers in the Scheme. The response was overall very positive with some key results below:

Question	Result
On average, how efficient were we when responding to your query?	91.56% of responses were of satisfactory level and above
On average, how would you rate the quality of the responses that you received?	91.83% of responses were of satisfactory level and above
Overall how engaging were the bulletins we sent?	98.44% of responses were of satisfactory level and above

In November 2014, a survey was sent to all customers of LGSS to assess the level of satisfaction with the services provided. LGSS Pensions achieved an 86% rating of satisfactory and above.

During 2014-15, 21,130 cases were completed, from which only 10 complaints were received, this equates to 0.05%.

Administrative costs per member excluding investment management expenses were £22.62 compared to a benchmark cost for other LGPS funds of £20.75 (source: CIPFA Benchmarking Club 2014 Final Report). Please see below table for breakdown.

	Cambridgeshire Pension Fund	Benchmark
Unit costs per member excluding investment management expenses	£22.62 (2013-14)*	£20.75 <i>CIPFA Benchmarking average 2013-14(49 LGPS Funds)</i>
Unit costs per member including investment manager expenses	£9,898,000 / 65,738 = £150.56 per scheme member (2013-14)	N/A
	<i>* Results from the 2014-15 CIPFA Benchmarking exercise will be published on the LGSS Pensions website once released by CIPFA.</i>	

Key staffing indicators

In 2014-15, the average staff to member ratio was one full time member of staff to 3,527 members and the number of cases per full time member of staff was 1,015.

5 Year analysis of Fund membership as at year ending 31 March

	2011	2012	2013	2014	2015
Active Members	22,707	22,730	22,844	24,854	25,345
Deferred Beneficiaries	19,233	20,805	22,910	25,793	28,255
Pensions in Payment	12,670	13,408	14,288	15,091	15,658
Total	54,610	56,943	60,042	65,738	69,258

Age Profile of Fund membership at 31 March 2015

Age Band Years	Member Type			
	Actives	Deferred	Pensioners*	Total
<20	207	49	93	349
20 - 24	1,093	670	26	1,789
25 - 29	1,643	1,941	2	3,586
30 - 34	2,110	2,695	9	4,814
35 - 39	2,692	2,992	11	5,695
40 - 44	3,907	4,108	27	8,042
45 - 49	4,530	5,102	75	9,707
50 - 54	4,123	5,073	133	9,329
55 - 59	3,095	4,014	605	7,714
60 - 64	1,539	1,441	3,095	6,075
65 - 69	348	127	4,493	4,968
70 - 74	52	38	2,860	2,950
75 - 79	6	5	1,907	1,918
80 - 84			1,293	1,293
85 - 89			690	690
90 - 94			296	296
95 - 99			40	40
100 - 104			3	3

(* Includes surviving dependants).

Employee and employer contributions 2014-15

The following table shows the contributions paid by the active employers in the Fund during 2014-15.

	Employee(£000)	Employer(£000)	Total(£000)
Abbey College Academy	66	206	272
Abbey Meadows Academy	10	35	45
Abbey Meadows Primary School	29	102	130
* Action for Children	23	0	23
Active Learning Trust HQ	16	36	52
ADEC	3	13	16
Advance Cleaning Services	1	4	5
Alderman Jacobs School Academy	25	92	117
All Saints Inter Church VA Primary School (Academy)	10	36	46
Apollo Property Services Group Limited	20	90	111
Aspens Services Ltd (CPF)	0	2	2
Authur Mellows Village College Academy	75	265	340
Avocet Cleaning Services Ltd	1	2	3
Balfour Beatty	3	28	31
Bassingbourn Village College Academy	27	98	125
Bishop Creighton Academy	11	45	56
Bottisham Village Academy	63	159	222
Bourn Primary School Academy	9	32	42
Bretton Parish Council	2	9	11
Buckden CE School Academy	13	53	66
Burnt Fen IDB	1	7	8
Burrowmoor Primary Academy	35	130	165
Burwell Parish Council	1	7	8
Bury CE School	5	20	26
Caldecot Parish Council	0	2	2
Cambourne Parish Council	7	33	40
Cambourne Village College Academy	12	36	47
Cambridge Meridian Academy	20	51	72
Cambridge Regional College	362	1649	2011
Cambridgeshire County Council	7,367	27,278	34,645
Cambridgeshire Community Services Trust	76	312	388
Cambs & Ptboro Clinical Commissioning Group	3	15	18
Cambs Chief Constable	1,718	4,542	6,260
Cambs Coun On Alcohol	3	10	13
Cambs Fire Authority	365	1,019	1,385

	Employee(£000)	Employer(£000)	Total(£000)
Cambs and P'boro PCT Deficit	0	8,000	8,000
Cambs Soc M H Children	4	15	18
Cater Link Ltd	6	22	29
Chatteris Town Council	2	8	10
Chesterton Community College Academy	46	138	184
Chesterton Community Sports Centre	9	28	37
Chesterton Primary Academy	2	8	10
Cheveley Parish Council	1	5	6
Circle Anglia Limited	7	23	29
City Of Cambridge	1,548	4,956	6,504
City Of Ely Council	7	33	39
City of Peterborough Academy	4	17	21
City of Peterborough Special School (Academy)	19	77	95
Colville Primary	19	67	86
Comberton Academy Trust HQ	12	36	48
Comberton Village College Academy	101	361	462
Compass Contract Services	3	16	19
Conservators R Cam	7	29	36
Coram Cambridge Adoption Ltd	16	57	73
Cottenham Village College Academy	51	167	217
Cromwell Community College (Academy)	59	211	271
Cromwell Primary Academy	1	5	6
Cross Keys Housing Association	181	582	763
Crosshall Infant School Academy Trust	110	113	222
Crosshall Junior School Academy Trust	21	82	103
Cucina Ltd	1	3	4
Dell Corporation Ltd	6	21	27
Dogsthorpe Academy	20	72	93
E&Ess&HertsProvCIs	25	296	321
East Cambs District	511	883	1,394
Easy Clean Contractors Ltd	0	1	1
EasyClean (St Peter's)	0	1	1
ECOVERT	8	33	41
Elior UK	1	2	3
Ely College	64	231	295
Enterprise Management Services Limited	233	970	1,203
Ernulf Academy	44	144	189
Etheldred House	1	7	8
Eye Parish Council	0	2	3

	Employee(£000)	Employer(£000)	Total(£000)
Farcet Parish Council	1	4	4
Fenland District	1,219	1,743	2,962
Friends Therapeutic Community	77	264	341
Fulbridge Academy	71	252	323
Gamlingay Parish Council	4	19	22
Godmanchester Primary School (Academy)	15	56	71
Greenwich Leisure	12	48	60
Gt Staughton Academy	4	14	18
Haddenham IDB	2	8	9
Haddenham Parish Council	1	6	7
Hampton College Academy	15	50	64
Hampton Vale Primary School	4	15	19
Hatton Park (MAT)	8	31	39
Health Authority	19	-5	14
Hemingford Grey Parish Council	1	5	6
Hemingford Grey Primary	9	33	42
Highfield School	55	190	245
Highlees Primary Academy	157	68	224
Hills Road 6th Form College	179	332	510
Hinchingbrooke School Academy	159	289	448
Histon&Impington Infant School (MAT)	13	48	61
Histon&Impington Junior School (MAT)	14	53	67
Histon&Impington PC	5	26	32
Holmewood IDB	0	1	1
Home Close	2	73	75
Homerton College Cambridge	221	412	633
Huntingdon &Godmanchester	47	104	151
Huntingdon District	1,630	3,456	5,086
Huntingdon InfSch	4	14	17
Huntingdon Nursery School	4	14	17
Huntingdon Primary (CCC)	11	37	48
Huntingdonshire College	247	442	689
Impington Village College	96	303	398
Inclusion	1	4	5
Indigo Spa Management	0	1	1
Innovate Services Ltd	0	2	2
Isle of Ely Academy	1	0	1
Kelsey Kerridge	151	82	233
Ken Stimpson (PCC)	51	126	176
Kennett Primary School (Academy)	3	11	14

	Employee(£000)	Employer(£000)	Total(£000)
Kimbolton Primary Academy	4	16	21
Kimbolton School	58	229	287
Kings Hedges Pension	25	85	110
Kings School Academy	61	226	287
Kingsfield Primary Academy	19	70	89
Leverington Primary Academy	19	72	91
Linton Parish Council	1	7	8
Linton Village College Academy	55	189	243
Little Downham Parish Council	2	8	10
Little Paxton Parish Council	2	11	14
Littleport&Downham IDB	5	24	29
Long Road 6th Form College	31	218	249
Longsands College Academy	59	205	264
Luminus Group	125	595	720
Lunchtime UK Ltd	5	19	24
Matley Primary Academy	28	104	132
Mears Group	46	19	66
Mears Ltd (SCDC)	27	69	96
Melbourn Village College Academy	20	84	104
Mepal&Witcham C of E Primary Academy	2	6	8
Middle Fen & Mere IDB	15	59	74
Middle Level Commissioners	83	303	386
Middlefield Primary School (Academy)	12	46	59
MITIE Facilities Management	2	10	11
Museum Doc Assn	7	22	29
NCSC	8	39	47
Neale Wade Community College	83	270	353
Nene Infants Academy	31	97	127
Nene Park Academy	36	126	162
New Road Primary Academy	6	22	27
Newark Hill Primary Academy	26	97	123
Newborough Parish Council	1	4	5
North Cambridge Academy	32	114	146
North Level Commissioners	32	140	172
Northborough Primary School	1	2	3
Old West IDB	1	6	7
OrmistonBushfield Academy	81	280	361
Orton Waterville Parish Council	1	4	4
Oxford Archaeology(East)	51	112	163
Pabulum Catering Ltd (Cottenham)	1	4	5

	Employee(£000)	Employer(£000)	Total(£000)
Pabulum Limited	4	21	25
Park Lane Primary Academy & Nursery	21	87	107
Parkside Federation Academy	74	257	331
Peckover Primary School (Academy)	24	75	99
PerseSchl For Girls	32	104	136
Peterborough College of Adult Education	91	280	371
Peterborough Cultural and Leisure Trust	81	250	330
Peterborough District	4,507	9,860	14,367
Peterborough Regional College	297	1324	1621
Peterborough Womens Aid	1	7	9
Police & Crime Commissioners	46	106	152
Probation Ctte	93	189	282
Radis Community Care	41	191	232
Ramnoth Junior Academy	16	59	75
Roddons Housing Association	52	183	236
Round House Primary School	14	52	66
Sanctuary Housing	68	377	446
Sawston Parish Council	2	14	17
Sawston Village College Academy	65	228	294
Sawtry Community College Academy	37	151	188
Sawtry Parish Council	3	15	18
Serco	321	683	1,004
Serco Limited	36	-24	12
Shade Primary School	5	17	22
Sir Harry Smith Comm College (Academy)	46	169	215
Skanska PCC (Highways)	30	92	121
Soham Parish Council	2	10	12
Soham Village College Academy	58	211	270
South Cambs District	879	2,362	3,242
Spurgeons	21	1	22
St Andrews C of E Primary Academy	11	41	52
St Bedes School (Academy)	35	126	161
St Columba Centre	3	14	17
St Ives Town Council	13	61	74
St Ivo School Academy	79	285	365
St John Fisher School	51	162	214
St John's Academy (Stanground)	10	31	41
St Neots Town Council	8	56	64
St Peters C of E Junior Academy	7	26	33
St Peters School	1	21	22

	Employee(£000)	Employer(£000)	Total(£000)
St Peters School Academy	46	160	206
Stanground Academy	72	255	327
Sutton Parish Council	2	8	10
Swaffham IDB	2	8	10
Swavesey Parish Council	1	5	6
Swavesey Village College Academy	64	226	290
Taylor Shaw Ltd	2	8	10
The Centre School Academy	1	4	5
The Spinney Primary School (CCC)	9	32	41
The Voyager Academy	72	319	391
Thomas Clarkson Comm College Academy	85	232	317
Thomas Deacon Academy	146	500	646
Thorney Parish Council	2	10	12
Thorokleen Trading Limited	1	2	3
TSG Building Services	12	41	53
Tydd St Giles P C	0	1	1
University Technical College Academy	5	15	19
Waterbeach Level IDB	2	8	10
Waterbeach Parish Council	3	12	15
Welland Primary Academy	27	99	127
West Town Primary Academy	15	55	70
Whittlesey I D B	2	9	11
Whittlesey Town Council	1	3	3
William de Yaxley C of E Junior Academy	4	19	23
William Law Primary Academy	9	33	41
Wimblington P C	0	2	3
Winhills Primary School (Academy)	20	73	93
Wisbech& Fenland Museum	1	5	6
Wisbech Grammar	7	23	30
Wisbech Town Council	3	16	19
Witcham Parish Council	0	1	1
Witchford Village College Academy	60	188	248
Yaxley Parish Council	4	26	30
**Early retirement and other adjustments	2	-5,271	-5,269
Fund Account Contributions	27,017	82,086	109,103
*Action for Children are only paying Employee contributions for the year 14/15.			
** Includes adjustments arising from early retirements, pension strain and ill health.			

Investment Policy and Performance Report

The investment management of the Fund is governed by the provisions of the Local Government Pension Scheme – (Management and Investment of Funds) Regulations 2009. These seek to ensure that the Fund:

- is suitably invested and has taken appropriate advice;
- has suitably diversified investments;
- has an appropriate number of investment managers who invest fund monies on its behalf;
- relevant investment limits are not exceeded;
- Investments and investment arrangements are regularly monitored and reviewed;
- has an appropriate Statement of Investment Principles;
- understands its powers to borrow; and
- operates a separate bank account.

Investment Asset Allocation

Asset allocation is determined by the Pension Fund Committee upon recommendation from the Investment Sub-Committee, who are informed by officers and professional investment advisors on the categories of investment in which the Fund should invest. Mercer Limited were appointed as Investment Consultants to the Fund following their success in a mini competition involving four providers under the LGPS National Framework for Investment Consultancy Services. Hymans Robertson LLP were the Investment Consultants to the Fund until 30 September 2014.

The Fund reviews its asset allocation on an annual basis and conducts a more comprehensive review following each triennial valuation. The last triennial valuation indicated that the Fund expects to remain cash flow positive for many years to come. A full review conducted in 2013-14 following the 2013 triennial valuation recommended no immediate change to the asset allocation.

Following the appointment of the new investment consultant, Mercer Limited, the investment strategy was reviewed by the Investment Sub-Committee and a revised strategy was approved by the Pension Fund Committee on 18 December 2014.

The review concluded that the existing strategy of 64% equities, 22% alternatives and 14% bonds was supportive of the funding arrangements in place as part of the 2013 actuarial valuation and that no change to this high level allocation was necessary. However, the review concluded that the existing global equity structure was over complex. As a result the strategy for global equities was re-focussed on high conviction mandates with a preference for global rather than regional mandates with the consequence that in the last quarter of the financial year the Fund performed a selection process to appoint managers to deliver this strategy.

The Fund also investigated the options for improving inflation protection in the Fund, as and when this might be appropriate. This work will continue 2015-16.

As the performance and therefore relative value of each investment asset class will vary over time, the Pension Fund Committee have approved tolerance levels around the target asset allocation percentages by which actual values can vary from the target allocation for each investment asset class.

Role of Investment Managers

Following the approval of the strategic asset allocation by the Pension Fund Committee, the Investment Sub-Committee appoints external investment fund managers for each asset class. Managers are responsible for all “day to day” investment decisions, providing them with the flexibility to manage the Fund in such as way as to enhance returns and achieve the performance objectives for the funds under their management whilst acting within the constraints of an Investment Management Agreement (IMA) that is approved upon their appointment.

With the exception of one passive UK Equity and one passive Global Equity mandate, all investment managers have been given “active” briefs to outperform agreed specific benchmarks.

The IMA for each investment manager will include:

- the specific class or classes in which they are permitted to invest, in line with the Fund’s asset allocation, allowing little or no flexibility between asset classes;
- the value of the mandate under their management to invest. The Fund’s allocation to a specific asset class may be divided between more than one manager to minimise disruption should the need arise to replace the manager;
- the relevant performance target above benchmark to reflect the intensity of their specific specialist investment brief; and
- any geographic constraints.

There were no new manager appointments or terminations effective during the year. However, in February 2015 the Investment Sub-Committee approved the investment in pooled global equity funds managed by of JO Hambro Capital Management Limited and Dodge & Cox Worldwide Investments Limited to replace the Newton, Amundi, and Schroders global equity mandates. The transition to these managers was completed in the first quarter of 2015-16.

Investment Manager Profiles and performance targets for 2014-15

The high level target asset allocation approved by the Pension Fund Committee in December 2014 is shown in the table below. However, this had not been implemented at 31 March 2015.

Asset Class	Weighting (%)
Equities	64.0
Passive	22.0
UK	10.0
Global	26.0
Emerging markets	6.0
Bonds and Fixed Income	14.0
Alternatives	22.0
Total	100.0

The target asset and manager allocation, associated benchmarks and performance targets at 31 March 2014 are shown in the table below. This also reflects the manager allocation at 31 March 2015 before the implementation of the revised strategy.

	Weighting (%)	Market Benchmark Adopted	Target above bench-mark (%)
UK Equity	20.0		
Schroders – Multi Asset	10.0	Composite benchmark	+1.00
State Street	10.0	FTSE All-Share index	n/a
Global Equity	44.5		
Amundi	12.0	MSCI Europe NDR	+2.00
Newton	12.0	MSCI AC World	+2.00
Skagen	5.0	MSCI Emerging Markets	+2.00
State Street	11.0	FTSE All World	n/a
Schroders – Multi Asset	4.5	Composite benchmark	+1.00
Bonds	14.5		
Schroders – Multi Asset	12.0	Composite benchmark	+1.00
M&G	2.5	3m Libor +4%	n/a
Private Equity	5.0		
Adams Street	2.0	MSCI World	n/a
HarbourVest	2.0	MSCI World	n/a
Cambridge and Counties Bank	1.0	MSCI World	n/a
Infrastructure	5.0		
Equitix	No split calculated	MSCI World	n/a
Partners Group	No split calculated	MSCI World	n/a
UBS	No split calculated	MSCI World	n/a
Property	11.0		
Schroders	11.0	IPD UK All Balanced Property Fund Index	+0.75
Total	100.0		+1.1*

* Overall Fund Target – the overall performance target is calculated taking into account the weightings for each manager.

The values of actual manager allocations, the percentage of the Fund and variance from the target asset allocation at 31 March 2014 and 31 March 2015 are shown below:

31 March 2014					31 March 2015		
Market Value (£m)	Holding (%)	Above/ (below) target (%)	Asset Class	Manager	Market Value (£m)	Holding (%)	Above/ (below) target (%)
675.4	33.3	6.8	UK Equity	Schroders – Multi Asset	320.0	14.0	4.0
201.5	9.9	(0.1)		State Street	215.1	9.5	(0.5)
214.4	10.5	(1.5)	Global Equity	Amundi	241.3	10.7	(1.3)
235.0	11.6	(0.4)		Newton	284.4	12.6	0.6
90.2	4.4	(0.6)		Skagen	91.5	4.0	(1.0)
269.2	13.2	2.2		State Street	320.3	14.1	3.1
*	*	*		Schroders – Multi Asset	112.6	5.0	0.5
*	*	*					
			Bonds	Schroders – Multi Asset	284.4	12.6	0.6
49.4	2.4	(0.1)		M&G	51.8	2.3	(0.2)
45.7	2.2	0.2	Private equity	Adams Street Partners	57.9	2.5	0.5
38.7	1.9	(0.1)		HarbourVest	45.1	2.0	-
14.5	0.7	(0.3)		Cambridge and Counties Bank (direct holding)	17.3	0.7	(0.3)
17.5	0.9	**	Infra-structure	UBS Infrastructure	18.0	0.8	**
16.3	0.8	**		Equitix	18.4	0.8	**
5.6	0.3	**		Partners Group	11.2	0.5	**
152.1	7.5	(3.5)	Property	Schroders – Property	178.2	7.9	(3.1)
7.7	0.4	0.4	Cash		0.3	0.0	-
2,033.2	100.0		Total		2,267.8	100.0	

* Schroder Multi Asset mandate is reported in aggregate under UK Equities at 31 March 2014.

** No target allocated by individual manager.

Performance monitoring

Investment manager performance is reviewed quarterly by the Investment Sub-Committee. The Committee review a comprehensive quarterly performance report that includes the performance of each manager measured against benchmark and target and the actual asset allocation compared to the Fund's target allocation. Managers are subject to challenge in these meetings from the Committee members and the Committee's independent investment adviser.

Total Fund and individual Manager performance is shown later in this section.

Investment Performance 2014-2015

Investment performance data comparing the Cambridgeshire County Council Pension Fund with other local authority funds and indices are shown in the table below:

% Returns per annum for the financial year ended 31 March 2015						
		The Fund	The Benchmark	Retail Price Index	UK Average Weekly Earnings Index	Local Authority Average
2014-2015	1 year	12.2	13.5	0.9	3.3	13.2
2012-2015	3 years	11.7	11.4	2.2	1.7	11.0
2010-2015	5 years	8.4	9.0	3.1	1.6	8.7
2005-2015	10 years	7.5	8.2	3.0	3.1	7.9

(Source: WM Universe).

Investment Manager Performance for periods ending 2014-15

		1 Year(%)			3 Years (% pa)		
Asset Class	Manager	Return	Bench-mark	Variance	Return	Bench-mark	Variance
UK Equity	Schroders – Multi Asset ¹	8.4	7.9	0.5	11.2	7.5	3.7
	State Street	6.7	6.5	0.2	10.3	10.3	-
Global Equity	Amundi	12.0	6.8	5.2	14.2	12.1	2.1
	Newton	20.8	18.4	2.4	16.6	13.5	3.1
	Skagen ²	1.5	12.8	(11.3)	n/a	n/a	n/a
	State Street	19.0	19.2	(0.2)	14.1	14.2	(0.1)
	Schroders – Multi Asset ¹	8.4	7.9	0.5	11.2	7.5	3.7
Fixed Income	Schroders – Multi Asset ¹	8.4	7.9	0.5	11.2	7.5	3.7
	M&G	4.6	4.6	-	5.7	4.6	1.3
Property	Schroders – Property	15.2	16.6	(1.4)	7.6	9.4	(2.2)

¹ Schroders Multi Asset mandate: performance measure is the aggregate for all asset classes in the mandate. Performance for the Multi Asset mandate over 10 years was 9.3% compared to benchmark 7.5%.

² Skagen were appointed in 2012-13, therefore 3 year return is not yet available.

³ Performance for the Schroders Property mandate over 10 years was 3.9% compared to benchmark 4.2%.

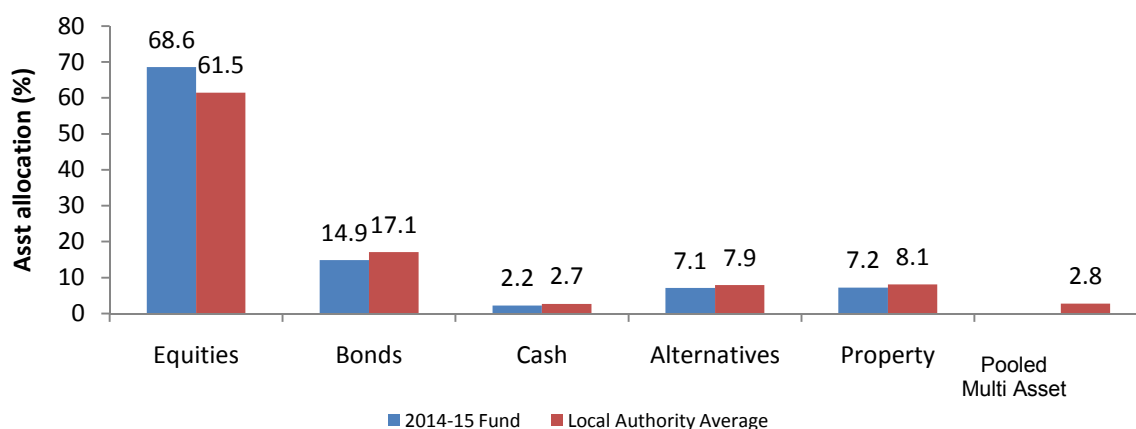
Other than The Schroders Multi Asset and Property mandates, no other manager has been in place for 10 years therefore no 10 year performance measure is available.

Performance in comparison with Local Authority Universe

The Local Authority Universe is a National scheme consisting of over 90 Pension Funds. This scheme compares many aspects of Fund performance, the key areas of which are shown on the following pages.

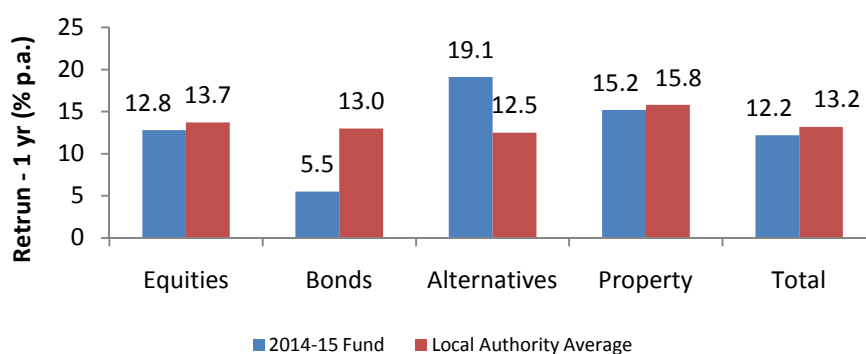
The Fund participates in the WM Company's benchmarking of Local Authority investment performance, which provides useful information on how well the Fund has performed in comparison with other Local Authorities.

Asset Mix Compared to the Local Authority Universe



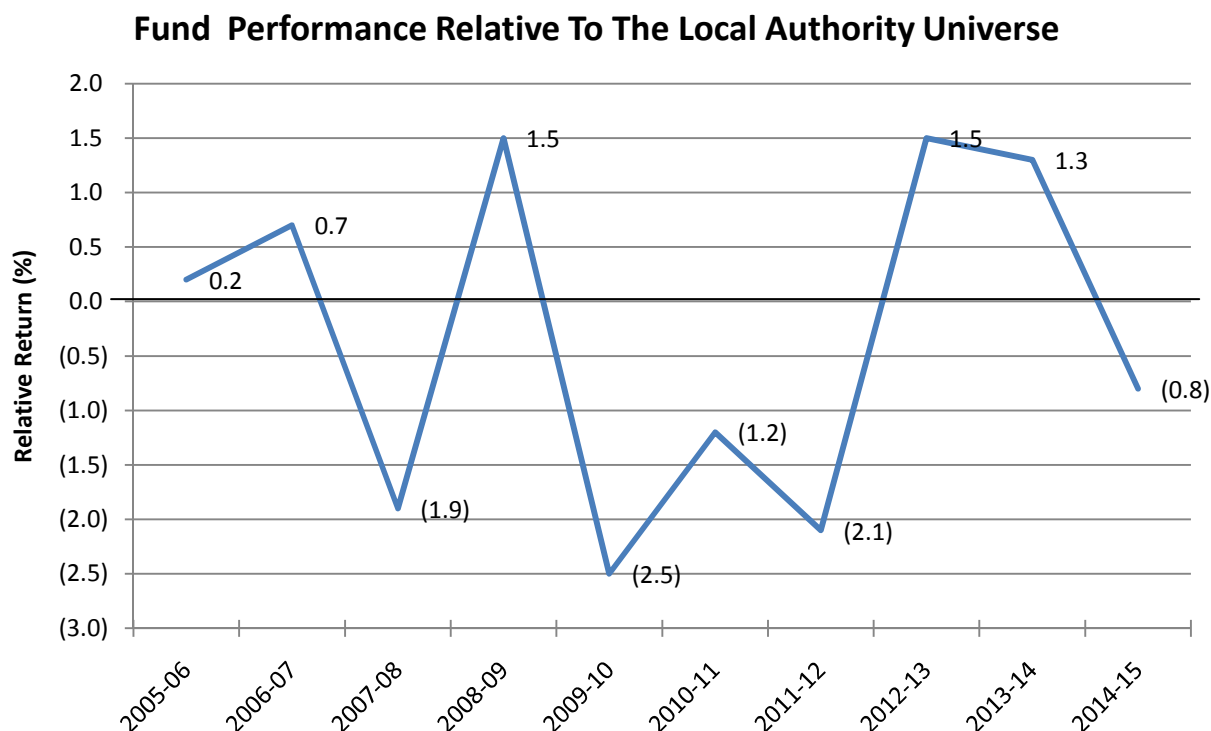
The graph shows that the Fund's asset mix is broadly comparable with the Local Authority Average, the main variances indicating the Fund's preference for equity and bonds.

Investment Return Compared to Local Authority Universe 1 year return annualised



Year	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Annual Return (%)										
Total Fund	25.2	7.8	(4.7)	(18.8)	31.9	6.9	0.5	15.4	7.8	12.2
WMBenchmark	24.9	7.0	(2.8)	(19.9)	35.2	8.2	2.6	13.8	6.4	13.2

The table above compares the Fund's performance with the WM Company Local Authority Average for the ten years since 2005. The relative performance is shown graphically below.



The graph demonstrates the volatility of annual return comparisons of Fund performance against the Local Authority Universe.

Of the ten years shown, the Fund has outperformed the Local Authority Average on five occasions, underperformed on five occasions.

Responsible Investment Policy

The Fund defines “responsible investment” as the “integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices”.

The Fund recognises that effective management of ESG issues can enhance long-term financial performance of investments, and therefore ESG factors should be a feature of investment analysis and management. This aligns with the best interests of the Fund's beneficiaries and is consistent with fiduciary duty.

The Fund only invests with reputable investment managers who will have their own policies and procedures for considering ESG issues in day to day investment decisions as far as they are consistent with their primary obligation to meet performance targets. As well as responsibility to manage day to day investments decisions to managers, the Fund has delegated voting rights on company resolutions to its investment managers. Managers regularly report on their ESG activities, voting record and direct engagement on ESG issues with companies.

The Fund supports the UK Stewardship Code and expects the Fund's investment managers to comply with the UK Stewardship Code. The Fund has produced a Statement of Commitment to the UK Stewardship Code highlighting how the Fund is discharging its stewardship responsibilities which can be found in Appendix D of the Statement of Investment Principles.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). This initiative enables the Fund to work with other investors to understand the impacts of ESG considerations on financial performance.

The Fund supports the Myners' Principles for good investment governance and has set out in Appendix E of the Statement of Investment Principles (See Appendix C attached to this report) the policies in place and actions taken to evidence compliance.

Custodian Services

Northern Trust were appointed as Global Custodian with effect from 1 October 2014 following their success in a mini competition involving five providers under the LGPS National Framework for Global Custody Services. BNY Mellon were the Custodian until 30 September 2014.

The responsibilities of the Global Custodian are:

- arranging for the custody of the Scheme's assets in compliance with the custody agreement;
- ensuring that all holdings have been registered as assets of the Fund;
- manage the settlement of all deals entered into by the fund managers, collect all dividends and coupons accruing to the Fund and to hold all cash;
- providing the administering authority with monthly valuations of the Scheme's assets and details of all transactions during the quarter; and
- providing details in a timely manner to the WM Company for performance reporting.

Investment Consultants' Annual Investment Review 2014/15

Economic and Market Background

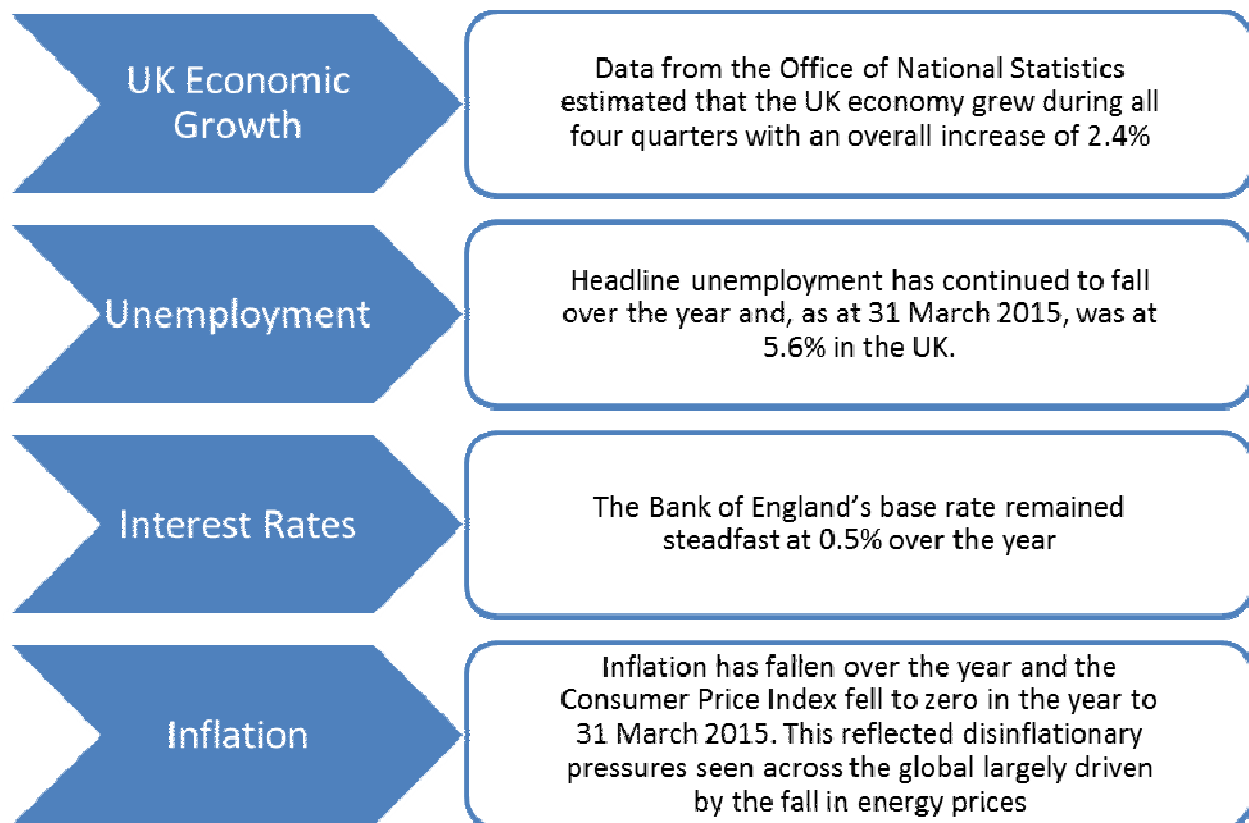
Both growth (equity type) and defensive (bond type) assets delivered positive returns over the 12 month period to 31 March 2015 with many of the world's central banks continuing to ease monetary policy. Strong economic growth at the start of the 12 month period slowed somewhat over the six months leading to 31 March 2015. The sharp fall in commodity prices in the second half of 2014 led to increased market volatility. Most pension schemes will have seen an increase in liability values as bond yields fell over the 12 month period.

Performance was positive both for growth and defensive assets, with long dated government bonds outperforming the equity market. In the UK, economic growth remained strong throughout the year, as the Office for National Statistics revised the

real GDP growth rate for 2014 from 2.6% to 2.8%, the fastest calendar year growth rate since 2006. The annual inflation rate fell to zero in February 2015.

Whilst economic growth in the UK has been strong, growth was strongest in the US which led to a US Dollar rally against Sterling and most other currencies. Sterling, however, appreciated against the Euro and the Japanese Yen. Emerging market assets underperformed their developed counterparts as falling commodity prices and the rising US dollar affected a number of countries in this region significantly.

Key Events during the Year



Growth Assets

Equity markets on the whole generated a positive return over the year to 31 March 2015.

North America delivered strong performance over the year, particularly for the sterling investor who also benefited from a strengthening of the US dollar.

Japan also delivered strong returns over the year.

Over the 12 month period to 31 March 2015, the IPD UK All Property Index returned 18.3% in Sterling terms. The three main sectors of the UK Property market each recorded strong positive returns over the period (retail: 13.4%; office: 22.9%; and; industrial 22.7%).

It was a tough year for commodities with the sharp fall in oil prices contributing to the fall in commodity index.

Bond Markets

Yields fell over the year to 31 March 2015 which led to positive returns of 27% from fixed interest gilts and 21.1% from index linked gilts.

European government bonds have generated a return of 13.7% over the year in local currency terms.

Currencies

Over the 12 month period to 31st March 2015, Sterling fell 11.0% against the US Dollar from \$1.667 to \$1.485. Sterling appreciated 3.7% against the Yen from ¥171.69 to ¥178.03, and also appreciated against the Euro by 14.3% from €1.21 to €1.38 over the same period.

Fund Performance

Over the twelve month period, the fund achieved a return of 12.2% versus a benchmark return of 13.5%. All managers generated a positive return over the year and all managers (with the exception of Skagen and Schroders property) generated a return above their respective benchmarks.

Outlook

We might reasonably expect growth assets to outperform defensive assets such as government bonds over the medium term. However, following the strength of global equities over the last few years we expect returns to be more modest going forward. We continue to expect equities to perform well (especially compared to other assets), but see prospective returns as more in-line with historical norms (around 7% p.a.).

The US economy weakened in the first quarter of 2015, despite the positive backdrop of lower oil and stronger asset prices. We expect this weakness to prove temporary and the US economy to grow at a decent, above trend, pace for the rest of the year.

In contrast to the weakness in the US, the Eurozone was stronger than expected with strength in most countries. The region was boosted by the weakness in the euro and oil prices as well as the substantial fall in bond yields. Importantly, credit growth has at last started to recover and this means the recovery could be sustained for some time.

We continue to expect the US Federal Reserve to raise interest rates this year. However, the weakness in the US economy over the last few months may allow the Fed to wait until the autumn. When the Fed does raise rates, it is likely to signal that it will proceed cautiously. Nonetheless, the first rate hike in almost 10 years may unnerve markets and lead to bouts of volatility.

The biggest risk to financial markets is whether the Fed is able to raise interest rates to more normal levels over the next few years without damaging the US and global

economy or financial markets. In addition, at the time of writing, it remains unclear whether Greece will be able to reach agreement with its creditors. While the Eurozone is much more stable than a few years ago, an exit from the euro could destabilise markets.

Investment Strategy

The Fund's strategic benchmark is allocated across a diverse range of asset classes expected to generate a return above the growth in the Fund's liabilities over the long term. The Fund holds a large equity portfolio which is held to generate strong real returns above that of the Fund's liabilities. The Fund also holds a defensive portfolio (made up of bond investments) and an alternatives portfolio which aims to achieve strong real returns whilst giving the Fund some diversification away from equity markets. The Fund's investment strategy is largely focused on equity markets with the view that equities will outperform over the long term and that this outperformance will improve the funding level over time.

During the year, the Committee has conducted a full review of the investment strategy. During the first 3 months of 2015 the Committee have reviewed the makeup of the defensive bond portfolio and are investigating ways to improve the ability of this portfolio to defend against adverse changes in interest rates and inflation (the main drivers for an increase in the Fund's liabilities).

The Committee has also considered enhancements to the growth portfolio. A review of the equity portfolio resulted in a simplified global approach and two managers were replaced. The Committee is currently investigating ways to structure the large passive equity portfolio in a more efficient manner.

The Committee intends to review the alternative portfolio towards the end of 2015.

Joanne Holden
Mercer Limited
June 2015

Scheme Administration Report

Cambridgeshire County Council is responsible for administering the Cambridgeshire Pension Fund. In 2010, Cambridgeshire County Council and Northamptonshire County Council formed a joint partnership, LGSS, to deliver pensions administration with the aim of delivering cost savings to both Funds through efficient converged processes, sharing of resources and economies of scale.

The now fully converged LGSS Pensions has seen a reduction of staff from 75.5 FTE to 60 FTE, delivering significant cost savings whilst retaining a high level of performance during this reporting period. This shows that the LGSS Pensions has become more efficient and working at higher capacity, moving closer towards being a Centre of Excellence for pensions administration, a founding principal of LGSS.

Implementing the new LGPS 2014

This financial year has seen LGSS Pensions successfully implement the new Local Government Pension Scheme 2014 changes. The pensions administration system was upgraded to reflect the changes and administrators received training on both the new scheme and the upgraded administration system.

Pension Fund Website

The LGSS Pensions website contains detailed information for all the Fund's stakeholders and has dedicated pages for both members and employers. The information is regularly updated to ensure the accuracy of the information being published. There is a comprehensive suite of forms and factsheets for members, prospective members and employers. Contact details are on the website so support can be sought in conjunction with the online information.

Employer Self Service

Employer Self Service (ESS) gives employers access to the pensions database remotely and securely allowing them to view, create and amend their employees' data, run reports and perform benefit calculations. Employers who have successfully used the system with no issues have been given direct access, allowing them to make live updates to pension records.

ESS continues to be promoted to employers to generate further efficiencies. ESS has been offered to all employers across the Cambridgeshire Pension Fund with a concerted effort to increase use in place since January 2015.

Member Self Service

Member Self Service (MSS), allows members to securely access their own records held on the pensions database to enable them view their personal information and perform certain benefit calculations.

MSS, like ESS, is expected to generate further efficiencies. MSS has been rolled out to all active members across the Cambridgeshire Pension Fund; there has been a take up rate of approximately 18%.

During 2014-15, the MSS facility has been extended to deferred members. This will be further promoted via information contained within deferred annual benefit statements issued in 2015-16.

i-Connect

i-Connect allows employers to securely upload payroll data to the pensions database on a monthly basis, ensuring accurate and timely record maintenance and providing a solution to the demands of automatic enrolment. LGSS Pensions has been working with its largest employers to implement i-Connect. Full implementation will achieve significant efficiencies for both the Fund and scheme employers.

Administration Strategy

The Administration Strategy underwent a review in 2014-15 to update it in line with the 2014 Regulations. It was re-launched in December 2014 following a consultation with scheme employers. The Strategy is viewed as one of the main tools to aid the delivery of a high quality administration service to all stakeholders.

Internal Disputes Resolution Procedure

Safeguards for Scheme members are contained within the LGPS Regulations, which contain comprehensive complaints and disputes procedures. Members are able to seek redress through the Internal Disputes Resolution Procedure which allows access to a two stage procedure in an attempt to bring a solution to any dispute. If the member or former member is still unhappy with the decision reached at stage two there is the right for the complainant to then lodge their grievance with the Pensions Ombudsman. At any stage a Scheme member has the right to direct their complaint to The Pensions Advisory Service (TPAS).

The following formal disputes have arisen and/or been resolved during 2014-15:

- one Stage 1 IDRP case relating to an administering authority decision arose and was dealt with in 2014-15. The appeal was not upheld; it related to a decision that a transfer could not be made as pension benefits were payable immediately due to redundancy after age 55;
- two Stage 2 IDRP cases relating to employing authority decisions arose in 2013-14 and were dealt with in 2014-15. One appeal was upheld; this related to an ill health pension decision. One appeal was not upheld; this related to a decision not to grant early payment of deferred benefits; and
- one case that was raised with the Pensions Ombudsman in 2013-14 had a determination issued in 2014-15. The appeal was not upheld; it related to an administering authority decision and centred around whether a statement with an estimate that no early payment reduction would apply, when the figures provided were reduced, had a material effect on the member's decision to retire.

Two cases were referred to the Pensions Ombudsman in 2014-15 and await determination; one relates to an administering authority decision, the other to an employing authority decision.

Actuarial Report on Funds

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £1,905m, were sufficient to meet 72% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £728m.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2014. The valuation report can be found at:
<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>.

Method

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

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2013 valuation were as follows:

Financial assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount rate	4.60%	2.10%
Pay increases	4.30%	1.80%
Price inflation/pension increases	2.50%	-

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current pensioners	22.5 years	24.5 years
Future pensioners*	24.4 years	26.9 years

* Currently aged 45

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

Experience over the period since April 2013

Experience has been slightly better than expected since the last valuation (excluding the effect of any membership movements). Real bond yields have risen and asset returns have been slightly better than expected meaning that funding levels are likely to have improved since the 2013 valuation.

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

Geoffrey Nathan FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP

Hymans Robertson LLP
20 Waterloo Street
Glasgow

Extract from the actuarial valuation report

Executive Summary

We have carried out an actuarial valuation of the Cambridgeshire Pension Fund (the Fund) as at 31 March 2013. The results are presented in this report and are briefly summarised below.

Funding position

The table below summarises the financial position of the Fund at 31 March 2013 in respect of benefits earned by members up to this date.

Past Service Position	31 March 2010 (£m)	31 March 2013 (£m)
Past Service Liabilities	2,048	2,633
Market Value of Assets	1,494	1,905
Surplus/(Deficit)	(555)	(728)
Funding Level	72.9%	72.4%

The increase in deficit reflects the adverse conditions which the Fund has had to contend with since the previous valuation. In particular, the decrease in the real gilt yield has increased the value placed on the Fund's liabilities.

Contribution rates

The table below summarises the average employer contribution rate that would be required, based on this triennial valuation.

Contribution Rates	31 March 2010 (% of pay)	31 March 2013 (% of pay)
Employer future service rate (incl. Expenses)	17.2%	20.0%
Past Service Adjustment (20 year spread)	8.8%	10.5%
Total Employer contribution rate (incl. Expenses)	26.1%	30.5%
Employee contribution rate	6.5%	6.1%
Expenses	0.5%	0.7%

Again, the increase in the total employer contribution rate is primarily due to the decrease in the real gilt yields which has increased both the employer future service rate and the past service adjustment.

The common contribution rate is a theoretical figure – an average across the whole Fund. In practice each employer that participates in the Fund has its own underlying funding position and circumstances, giving rise to its own contribution rate

requirement. The minimum contributions to be paid by each employer from 1 April 2014 to 31 March 2017 are shown in the Rates and Adjustment Certificate.

The Fund does not undertake formal interim valuations. However, it receives quarterly funding updates based upon the latest triennial valuation funding data. This is reported to the InvestmentSub Committee quarterly.

The key demographic assumptions are formally reviewed with the actuary at the start of each triennial valuation and any changes reflected in the valuation results. The assumptions used in the latest valuation are set out in Appendix E of the Funding Strategy Statement which can be found at Appendix B to the Annual Report.

Governance Policy and Compliance Statement

It is a requirement for the Administering Authority to publish a Governance Policy and Compliance Statement since the Local Government Pension Scheme (Administration) Regulations 2008 came into force and this remains the case following the enactment of the Local Government Pension Scheme Regulations 2013 the (under regulation 55).

The Governance Policy and Compliance Statement incorporates a statement on how compliant the Administering Authority is against a set of best practice principles issued by Communities and Local Government in 2008. The compliance statement is intended to ensure transparency, accountability and stakeholder involvement.

The Governance Policy and Compliance Statement was last updated in January 2013 and can be found on the Cambridgeshire Pension Fund website, <http://pensions.cambridgeshire.gov.uk> and in appendix A of this report.

The Governance Policy and Compliance Statement was reviewed in June 2015 and the revised Statement will be updated and published on the website.

The activities of the Fund are controlled by the County Council's Pension Fund Committee

The Pension Fund Committee consists of the following representatives:

Representing	No.
Cambridgeshire County Council (County Councillors)	6
All other Local Authorities, Police and Fire	2
All other employers	1
Active Scheme members	1
Deferred and Pensioner Scheme members	1
Total	11

Operational investment matters are dealt with by the Investment Sub-Committee which consists of the following representatives:

Representing	No.
Cambridgeshire County Council (County Councillors)	4
All other employers	2
Scheme members	1
Total	7

All members have equal voting rights.

The Pension Fund Committee meets 4 times a year and holds an Annual General Meeting each July. The Investment Sub-Committee meets 4 times a year. In 2014-15, the meetings were held on the following dates;

Pension Fund Committee <i>(meeting in April is normally held in March)</i>	Date	Investment Sub-Committee	Date
	8 April 2014		5 June 2014
	26 June 2014		11 September 2014
	24 July 2014 (AGM)		20 November 2014
	23 October 2014		19 February 2015
	18 December 2014		
	19 March 2015		

The following table shows the attendance of committee members at both the Pension Fund Committee and Investment Sub-Committee meetings during 2014-15.

		Attendance at Pension Fund Committee Meetings	Attendance at Investment Sub-Committee Meetings
County Council Members	Cllr S Count	6/6	3/4
	Cllr P Ashcroft	5/6	4/4
	Cllr R Hickford	6/6	4/4
	Cllr M Leeke	6/6	3/4
	Cllr J Reynolds	1/4	1 *
	Cllr M McGuire	2/2	N/A
	Cllr A Walsh	1/1	N/A
	Cllr M Shellens	4/4	2
District/Borough/Police and Fire Representatives	Cllr N Guyatt	1/1	1/1
	Cllr A Fraser	2/2	2/2
	Cllr D Seaton	3/6	4/4
All Other Employers' Representatives	David Brooks	0/1	N/A
	Tim Woods	3/3	N/A
Member Representatives	Matthew Pink	4/6	N/A
	John Walker	6/6	4/4

* Attended as a substitute

Pensions Administration Strategy Report

The Fund's Pensions Administration Strategy is produced in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013. The Regulations provide that administering authorities may prepare, maintain and publish a written statement setting out their policy concerning administration matters, and the administering authority and its employing authorities must then have regard to that strategy when carrying out their functions.

The Regulations also require that the administering authority should consult with its employing authorities (and any other persons it considers appropriate) in preparing or reviewing its administration strategy.

In addition, regulation 70 of the Local Government Pension Scheme Regulations 2013 allows an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

The current Pensions Administration Strategy was approved by the Pension Fund Committee in October 2014, followed by a 30 day consultation period with the Scheme's employers. The strategy is published on the LGSS Pensions website and can be found in appendix B of this report.

To reinforce the importance of the Pensions Administration Strategy, regular employer forums are held to communicate the performance against agreed standards. Examples of the key performance indicators that are measured are detailed below:

Service Standard	Target (working days)
The provision of named pension contacts for the scheme employer	30 working days
Scheme employers must have published Employer Discretions, accessible to all employees and a copy provided to LGSS Pensions	Within 30 working days of approval
Accurate year end information must be provided for all Scheme members	By 30 April

During 2014-15 the scheme did not exercise its powers to recover additional costs from scheme employers.

Funding Strategy Statement

The Fund is required to ensure that sufficient funds are available not only to meet its current liabilities, but also to make advance provision of accruing future liabilities. Decisions taken regarding the approach to funding will therefore determine the rate of pace at which this advance provision is made, in addition to the need to ensure sufficient funds are available for its current liabilities.

Although the regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the administering authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement 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 requirement to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

This strategy is both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the administering authority to implement and maintain.

The Funding Strategy Statement is reviewed in line with the valuation cycle to ensure that the strategy is appropriate and relevant.

In 2014-15, contribution increases were implemented in accordance with the Statement to the Rates and Adjustments Certificate attached to the 2013 valuation of the Fund.

New admitted bodies are admitted into the Scheme in accordance with the Funding Strategy Statement and the Admission Bodies, Scheme Employers and Bulk Transfer Policy.

During 2014-15 one new bond and eight new guarantee agreements were put in place as security for the Fund.

The Funding Strategy Statement was updated in March 2014 and can be found on the Cambridgeshire Pension Fund website, <http://pensions.cambridgeshire.gov.uk> and in appendix B of this report.

Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which came into force on 1 January 2010, require an administering authority, after consultation with such persons as it considers appropriate, to prepare, maintain and publish a written statement of the principles governing its decisions about the investment of scheme money.

The statement must also state the extent to which the administering authority complies with guidance given by the Secretary of State, and, to the extent the authority does not comply, the reasons for not complying. Currently the SIP compliance rating is deemed “fully compliant”.

The statement must be reviewed and if necessary, revised, by the administering authority from time to time and, in the case of any material change in the authority’s policies or breach of compliance, within six months of such change. To meet these requirements the Pension Fund Committee usually review the SIP at the annual general meeting each July.

The purpose of this document is to satisfy the requirements of these regulations. In addition, Local Government Pension Scheme (England and Wales) (Amendment) Regulations 2004 came into effect 1 April 2004, requiring administering authorities to publish a Funding Strategy Statement (FSS). The FSS must have regard to the Statement of Investment Principles (SIP). This document contains reference to the FSS for information.

The Statement of Investment Principles was reviewed and approved by the Pension Fund Committee in March 2015. The SIP that was enforced in 2014-15 and can be found on the Cambridgeshire Pension Fund website, <http://pensions.cambridgeshire.gov.uk> and in appendix C of this report.

Communication Policy Statement

The Communications Policy is guided by the standards set out in regulation 61 of the Local Government Pension Scheme Regulations 2013.

These Regulations require administering authorities to:

- prepare, maintain and publish a written statement setting out their policy concerning communications with:
 - Scheme members
 - representatives of Scheme members
 - prospective Scheme members
 - employing authorities;
- set out their policy on:
 - the provision of information and publicity about the Scheme to members, representatives of members and employing authorities
 - the format, frequency and method of distributing such information or publicity
 - the promotion of the Scheme to prospective members and their employing authorities; and
- keep the statement under review and make such revisions as are appropriate following a material change in the policy on any of the matters mentioned below and if revisions are made, publish a revised statement.

The current Communications Policy was approved by the Pension Fund Committee in October 2014. The policy is published on the LGSS Pensions website and can be found in appendix D of this report.

In line with the Communications Policy the Fund's website has dedicated sections that provide up to date and detailed information for members, prospective members and employers.

Communications with the Scheme's employers take place on a regular basis through the use of bulletins which cover subjects ranging from changes to reporting procedures and notification of new employee contribution rate bandings to be applied.

The Fund delivers training and workshops for scheme employers on topics such as employers' responsibilities in the Fund and dealing with ill health retirements.

During 2014-15 presentations were delivered at strategic points around the County to ensure all members were in a reasonable commuting distance to be able to receive information on the new LGPS 2014. These sessions were very well attended with positive feedback received.

Pre-retirement presentations are regularly delivered, normally at the request of the scheme employer and at the employer's establishment to allow ease of access for Scheme members.

Any Other Appropriate Material

The table below shows a summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Scheduled body	106	0	106
Admitted body	69	42	111
Designated body	44	2	46
Total	219	44	263

The following table shows an analysis of the Fund's assets at 31 March 2015 by asset class, based upon manager mandates.

	UK	Non UK	Global	Total
	£m	£m	£m	£m
Equities	535	91	960	1,586
Bonds	0	52	284	336
Property - direct holdings	0	0	0	0
Alternatives	36	29	281	346
Cash and cash equivalents	0	0	0	0
Other	0	0	0	0
Total	571	172	1,525	2,268

The following table shows an analysis of investment income accrued during the reporting period by asset class.

	UK	Non UK	Global	Total
	£000	£000	£000	£000
Equities	15,365	0	10,956	26,321
Bonds	0	2,351	0	2,351
Property - direct holdings	0	0	0	0
Alternatives	0	4,123	2,535	6,658
Cash and cash equivalents	382	0	0	0
Other	0	0	0	0
Total	15,747	6,500	13,491	35,712

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Fund Account, Net Assets Statement and Notes

Introduction

- 1.1** The following comprises the Statement of Accounts for the Cambridgeshire County Council Pension Fund. The accounts cover the financial year from 1 April 2014 to 31 March 2015.
- 1.2** These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis. They do not take account of liabilities to pay pensions and other benefits in the future.
- 1.3** The accounts are set out in the following order:

Fund Account which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

Net Assets Statement which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

Notes to the Accounts which gives supporting accounting policies, detail and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

Cambridgeshire Fund Account for the year ended 31 March 2015

2013/14			2014/15
£000		Notes	£000
	Dealings with members, employers and others directly involved in the fund		
99,575	Contributions	7	109,103
4,249	Transfers in from other pension funds	8	2,866
103,824			111,969
(87,599)	Benefits	9	(91,901)
(5,514)	Payments to and on account of leavers	10	(36,845)
(93,113)			(128,746)
10,711	Net additions/(withdrawals) from dealings with members		(16,777)
(7,221)	Management Expenses	11	(9,898)
	Returns on investments		
36,504	Investment income	12	35,712
(1,803)	Taxes on income		(1,176)
115,628	Profit and losses on disposal of investments and changes in the market value of investments	14a	218,316
150,329	Net return on investments		252,852
153,819	Net increase in the net assets available for benefits during the year		226,177

Note: Management Expenses for 2013/14 have been re-presented to combine Administrative Expenses and Investment Expenses.

Net Assets Statement as at 31 March 2015

2013/14			2014/15
£000		Notes	£000
1,991,232	Investment assets	14	2,219,621
47,259	Cash deposits	14	48,731
2,038,491			2,268,352
(5,311)	Investment liabilities	14	(594)
22,202	Current assets	19	16,055
4,053	Non current assets	20	1,896
(1,894)	Current liabilities	21	(1,991)
19,050			15,366
2,057,541	Net assets of the fund available to fund benefits at the period end		2,283,718
1,903,722	Opening net assets as at 1 April		2,057,541
153,819	Net increase in the net assets available for benefits during the year		226,177
2,057,541	Closing net assets as at 31 March		2,283,718

Notes to the Accounts

1. Description of Fund

The Cambridgeshire County Council Pension Fund is part of the Local Government Pension Scheme and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2014/15 on pages 3 to 54 and the underlying statutory powers underpinning the scheme, namely the Public Services Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined benefit pension scheme administered by Cambridgeshire County Council to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire County and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and fire-fighters are not included as they come within other national pension schemes.

The Fund is overseen by the Cambridgeshire Pension Fund Committee, which is a committee of Cambridgeshire County Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Cambridgeshire Fund include:

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

As at 31 March 2015 there are 219(2014: 197) active employer organisations within the Cambridgeshire Pension Fund including the County Council itself, an increase of 22, as detailed below:

Cambridgeshire Fund	31 March 2014	31 March 2015
Number of employers with active members	197	219
Number of employees in scheme		
County council	10,723	10,824
Other employers	14,131	14,521
Total	24,854	25,345
Number of Pensioners		
County council	7,304	7,529
Other employers	7,787	8,129
Total	15,091	15,658
Deferred pensioners		
County council	12,993	14,097
Other employers	12,800	14,158
Total	25,793	28,255

c) Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2015. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Employers' contributions comprise a percentage rate on active payroll between 11% and 25.1% and deficit payments of fixed cash amount set for each employer as part of the triennial funding valuation.

d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service from April 2008 to 31 March 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

e) Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their of 1/49th of each year's pensionable pay which creates a pension pot which is revalued annually by CPI until retirement.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits.

For more details, please refer to the Cambridgeshire Pension Fund scheme handbook available from LGSS Pension Services based at John Dryden House, Northampton NN4 7YD or online at pensions.cambridgeshire.gov.uk

Benefits are index linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the Retail Prices Index to the Consumer Prices Index. This change took effect from 1 April 2011.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position at year-end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 18 of these accounts.

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis in the payroll period to which they relate.

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

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 10).

Individual transfers in/out are accounted for on an accruals basis when the associated liability is accepted by the receiving scheme.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

v) Stock lending

Stock lending income is recognised in the Fund Account as it accrues. Stock lending income represents the transfer of securities by the Pension Fund to an approved counterparty ("Borrower"), against a receipt of collateral (non-cash), for a fee, subject to the obligation by that same counterparty to redeliver the same or similar securities back to the Lender at a future date.

Fund Account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities and paid in the following month.

e) Taxation

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

f) Management expenses

All management expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

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

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

Schroders Investment Management – Multi Asset

Amundi Asset Management – Pan European Equity

Newton Asset Management – Global Asset

Skagen Asset Management - Emerging Market

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account.

The cost of obtaining investment advice from external consultants is included in investment management charges.

The costs of the Council's in house fund management team are charged direct to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management are also charged to the Fund.

Net Assets Statement

g) Financial assets

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

The values of investments as shown in the net assets statement have been determined as follows:

i. Market quoted securities

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii. Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Investments in pooled investment vehicles are valued at the net asset value or a single price advised by the Fund Manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective Fund Managers in accordance with the guidelines set out by the British Venture Capital Association.
- The joint ownership of Cambridge and Counties Bank is valued using the profit before tax multiple method.

iii. Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

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

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

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

j) Cash and cash equivalents

Cash comprises cash in hand and 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.

k) Financial liabilities

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

l) Contingent liabilities

Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards [Code Para 6.5.2.8].

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 18).

n) Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential and Equitable Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing

additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 22).

4. Critical Judgements in Applying Accounting Policies

Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equity and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2015 was £165.4m (£138.3m at 31 March 2014).

Pension Fund liability

The Pension Fund liability is calculated every three years by the appointed actuary, with quarterly updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £191m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £49m, and a one-year increase in assumed life expectancy would increase the liability by approximately £41m.
Private equity and infrastructure	Private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £148.1m. There is a risk that this investment may be under- or overstated in the accounts.
Cambridge and Counties Bank	Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. For prudence, the Pension Fund's investment is valued using the profit before tax multiple basis.	The investment in the financial statements is £17.3m. There is a risk that this investment may be under- or overstated in the accounts.

6. Events After the Year End Date

There have been no events since 31 March 2015, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions Receivable

By category

2013/14		2014/15
£000		£000
76,086	Employers	82,086
23,489	Members	27,017
99,575		109,103

By authority

2013/14		2014/15
£000		£000
30,525	Administering Authority	34,689
62,884	Scheduled Bodies	65,771
6,166	Admitted Bodies	8,643
99,575		109,103

8. Transfers In From Other Pension Funds

2013/14		2014/15
£000		£000
4,249	Individual transfers	2,866
4,249		2,866

Transfers in from other pension funds are contingent on positive transfer elections from new employees with previous pension rights available to transfer.

9. Benefits Payable

By category

2013/14		2014/15
£000		£000
68,383	Pensions	68,310
17,691	Commutation and lump sum retirement benefits	21,942
1,525	Lump sum death benefits	1,649
87,599		91,901

By authority

2013/14		2014/15
£000		£000
34,247	Administering Authority	37,220
49,744	Scheduled Bodies	49,158
3,608	Admitted Bodies	5,523
87,599		91,901

The commutation and lump sum retirement benefits value is dependent on volumes of retirements and the specific commutation decisions of retirees. The value is expected to reduce year on year, even if commutation trends remain constant, as the amount of post 31/3/2008 service (which provides no automatic lump sum) forms an ever increasing component of the service on which pension benefits are based. The increase in benefits payable to Admitted Bodies in 2014/15 is due to schools converting to academies.

10. Payments To and On Account of Leavers

2013/14		2014/15
£000		£000
15	Refunds to members leaving service	108
-	Payments for members joining state scheme	-
-	Group transfers	32,745
5,499	Individual transfers	3,992
5,514		36,845

Individual transfers are dependent on individuals having an approved pension arrangement to transfer their LGPS benefits to after leaving the Cambridgeshire Fund and also the relative merits of that destination arrangement in comparison with the LGPS. Group transfers in 2014-15 represent a payment in February 2015 in connection with the transfer of the administration of pensions for the Probation Service to the Greater Manchester Pension Fund.

11. Management Expenses

2013/14		2014/15
£000		£000
2,205	Administrative costs	2,292
4,569	Investment management expenses (see note 13)	7,198
447	Oversight and governance costs	408
7,221		9,898

12. Investment Income

2013/14		2014/15
£000		£000
24,275	Equity dividends	26,067
9,645	Pooled investments – unit trusts and other managed funds	7,978
161	Interest on cash deposits	102
2,423	Other (includes stock lending, class action and underwriting)	1,565
36,504		35,712

13. Investment Management Expenses

2013/14		2014/15
£000		£000
4,015	Management fees	6,688
554	Investment support costs	510
4,569		7,198

The increase in management fees between 2013-14 and 2014–15 is due to performance related fees. Performance related fees in 2014/15 were £4.1m (2013/14: £1.7m)

14. Investments

Market value 31 March 2014		Market value 31 March 2015
£000		£000
	Investment assets	
745,800	Equities	843,577
955,205	Pooled investments	1,044,265
146,164	Pooled property investments	162,593
138,312	Private equity/infrastructure	165,436
	Derivatives	
199	• Futures	386
47,259	Cash deposits	48,731
3,462	Investment income due	3,276
2,090	Amounts receivable for sales	88
2,038,491	Total investment assets	2,268,352
	Investment liabilities	
	Derivative contracts:	
	• Futures	(393)
(107)	• Forward currency contracts	(157)
(5,204)	Amounts payable for purchases	(44)
(5,311)	Total investment liabilities	(594)
2,033,180	Net investment assets	2,267,758

14a: Reconciliation of Movements in Investments and Derivatives

	Market value 1 April 2014	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2015
	£000	£000	£000	£000	£000
Equities	745,800	236,732	(221,233)	82,278	843,577
Pooled investments	955,205	25,227	(25,513)	89,346	1,044,265
Pooled property investments	146,164	9,916	(15,565)	22,078	162,593
Private equity/infrastructure	138,312	17,565	(20,003)	29,562	165,436
	1,985,481	289,440	(282,314)	223,264	2,215,871
Derivative contracts:					
• Futures	199	27	(4,276)	4,043	(7)
• Forward currency contracts	(107)	2,470	(2,522)	2	(157)
	1,985,573	291,937	(289,112)	227,309	2,215,707
Other investment balances:	47,607	0	(0)	(8,993)	52,051
• Cash deposits	47,259				48,731
• Amount receivable for sales	2,090				88
• Investment income due	3,462				3,276
• Amounts payable for purchases of investments	(5,204)				(44)
Net investment assets	2,033,180			218,316	2,267,758

Transaction costs are included in the cost of purchases and in sale proceeds. They include costs charged directly to the Fund, such as fees, commissions, stamp duty and other fees.

Transaction costs incurred during the year totalled £709k (£670k in 2013/14). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

	Market value 1 April 2013	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2014
	£000	£000	£000	£000	£000
Equities	703,467	223,658	(248,972)	67,647	745,800
Pooled investments	869,170	149,107	(98,038)	34,966	955,205
Pooled property investments	132,546	39,577	(34,221)	8,262	146,164
Private equity/infrastructure	129,218	21,090	(17,623)	5,627	138,312
	1,834,401	433,432	(398,854)	116,502	1,985,481
Derivative contracts:					
• Futures	302	234	(427)	90	199
• Forward Currency Contracts	714	1,289	(1,643)	(467)	(107)
	1,835,417	434,955	(400,924)	116,125	1,985,573
Other investment balances:	44,069			(497)	47,607
• Cash deposits	42,647				47,259
• Amount receivable for sales	1,018				2,090
• Investment income due	2,955				3,462
• Amounts payable for purchases of investments	(2,551)				(5,204)
Net investment assets	1,879,486			115,628	2,033,180

14b: Analysis of Investments (Excluding Derivative Contracts)

31 March 2014		31 March 2015
£000		£000
Equities		
UK		
335,542	Quoted	364,898
Overseas		
410,258	Quoted	478,679
745,800		843,577
Pooled funds – additional analysis		
UK		
270,273	Fixed income	122,420
206,166	Equity	567,016
Overseas		
49,419	Fixed income	213,787
429,347	Equity	140,276
0	Cash Fund	766
955,205		1,044,265
146,164	Pooled property investments	162,593
138,312	Private equity/infrastructure	165,436
284,476		328,029
1,985,481		2,215,871

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

a) Futures

The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund's investment managers enter into forward foreign currency contracts to take advantage of current exchange rates.

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic exposure	Market value 31 March 2014	Economic exposure	Market value 31 March 2015
		£000	£000	£000	£000
Assets					
UK Equity	Less than 1 year	17,050	221	0	0
Overseas Equity	Less than 1 year	0	0		
Overseas Cash Futures	Less than 1 year	0	0	(18,077)	386
Total assets		17,050	221	(18,077)	386
Liabilities					
UK Equity	Less than 1 year	0	0		
Overseas Equity	Less than 1 year	(10,330)	(22)	0	0
Overseas Cash Futures	Less than 1 year	0	0	(2)	(393)
Total Liabilities		(10,330)	(22)	(2)	(393)
Net Futures		6,720	199	(18,079)	(7)

Open forward currency contracts

Settlement	Currency bought	Base market value	Currency sold	Base market value	Asset value	Liability value
		£000		£000	£000	£000
Up to one month	SEK	134,251	EUR	(14,711)	0	(157)
Open forward currency forward currency contracts at 31 March 2015						0 (157)
Net forward currency forward currency contracts at 31 March 2015						(157)
<u>Prior year comparative</u>						
Open forward currency contracts at 31 March 2014						5 (112)
Net forward currency contracts at 31 March 2014						(107)

Investments analysed by fund manager and direct holdings

Market value 31 March 2014			Market value 31 March 2015	
£000	%		£000	%
827,497	40.7	Schroders Investment Management	895,098	39.5
470,731	23.2	State Street Global Asset Management	535,387	23.6
234,932	11.6	Newton Investment Management	284,373	12.6
214,409	10.5	Amundi Asset Management	241,325	10.7
90,157	4.4	Skagen	91,480	4.0
49,418	2.4	M&G	51,829	2.3
45,668	2.2	Adams Street Partners	57,942	2.5
38,740	1.9	HarbourVest	45,123	2.0
17,498	0.9	UBS Infrastructure	18,011	0.8
16,302	0.8	Equitix	18,420	0.8
14,478	0.7	Cambridge and Counties Bank (direct holding)	17,289	0.7
5,626	0.3	Partners	11,154	0.5
7,724	0.4	Cash with custodian	327	0.0
2,033,180	100.0		2,267,758	100.00

All the above companies are registered in the United Kingdom.

The following investments represent more than 5% of the net assets of the Scheme

Security	Market value 31 March 2014 £000	% of total Fund	Market value 31 March 2015 £000	% of total Fund
Schroders International Selection Fund – Strategic Bond	156,756	7.7	161,958	7.1
Schroders Unit Trusts Instl Sterling Broad Mkt Bond X ACC	113,517	5.6	122,420	5.4
MPF All World Equity Index Sub-Fund	269,174	13.3	320,365	14.1
MPF UK Equity Index Sub-Fund	201,556	9.9	215,022	9.5

14c: Stock Lending

The Fund Strategy Statement sets the parameters for the Fund's stock-lending programme. At 31 March 2015, the value of securities on loan was £58.4m (31 March 2014: £126.7m) in exchange for which the Custodian held collateral at fair value of £64.6m (31 March 2014: £140.9m). Collateral consists of acceptable securities and government debt.

15: Financial Instruments

15a: Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the year.

31 March 2014			31 March 2015		
Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£000	£000	£000	£000	£000	£000
Financial assets					
745,800			843,577		
955,205			1,044,265		
146,164			162,593		
138,312			165,436		
199			386		
	47,259			48,731	
3,462			3,364		
	2,090			0	
1,989,142	49,349	0	2,219,621	48,731	0
Financial liabilities					
		(107)			(550)
		(5,204)			(44)
0	0	(5,311)			(594)
1,989,142	49,349	(5,311)	2,219,621	48,731	(594)

15b: Net Gains and Losses on Financial Instruments

Fair value 31 March 2014 £000		Fair value 31 March 2015 £000
Financial assets		
116,502	Fair value through profit and loss	223,264
(497)	Loans and receivables	(8,993)
Financial liabilities		
(377)	Financial liabilities measured at amortised cost	4,045
115,628	Total	218,316

15c: Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

31 March 2014		31 March 2015	
Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Financial assets			
1,989,142	1,989,142	2,219,621	2,219,621
49,349	49,349	48,731	48,731
2,038,491	2,038,491	2,268,352	2,268,352
Financial liabilities			
(5,311)	(5,311)	(594)	(594)
(5,311)	(5,311)	(594)	(594)

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

15d: Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2015	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total £000s
Financial assets				
Financial assets at fair value through profit and loss	1,140,664	761,572	317,385	2,219,621
Loans and receivables	47,232	1,499	0	48,731
Total financial assets	1,187,896	763,071	317,385	2,268,352
Financial liabilities				
Financial liabilities at amortised cost	(594)	0	0	(594)
Total financial liabilities	(594)	0	0	(594)
Net financial assets	1,187,302	763,071	317,385	2,267,758

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2014	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total £000s
Financial assets				
Financial assets at fair value through profit and loss	1,727,026	8,791	253,325	1,989,142
Loans and receivables	49,349	0	0	49,349
Total financial assets	1,776,375	8,791	253,325	2,038,491
Financial liabilities				
Financial liabilities at amortised cost	(5,311)	0	0	(5,311)
Total financial liabilities	(5,311)	0	0	(5,311)
Net financial assets	1,771,064	8,791	253,325	2,033,180

16: Nature and Extent of Risks Arising From Financial Instruments

Risk and risk management

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

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

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

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

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

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels; and
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

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

b) Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the

individual instrument or its issuer or factors affecting all such instruments in the market.

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

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

c) Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on Funds' asset allocations.

We provide an example below;

Asset Type	Potential Market Movement +/- (%p.a.)
Equities	9.7
Pooled Bonds	1.1
Property	2.8
Alternatives	3.8
Cash and Other Investment Balances	0.0

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2015 (£'000s)	Percentage Change (% rounded)	Value on Increase (£'000s)	Value on Decrease (£'000s)
Equities	1,550,869	9.7	1,701,303	1,400,435
Pooled Bonds	336,207	1.1	339,905	332,509
Property	162,593	2.8	167,146	158,040
Alternatives	165,436	3.8	171,723	159,149
Cash	49,497	0.0	49,497	49,497
Other investment balances	3,156	0.0	3,156	3,156
Total Assets	2,267,758	6.6	2,417,430	2,118,086

Asset Type	Value as at 31 March 2014 (£'000s)	Percentage Change (% rounded)	Value on Increase (£'000s)	Value on Decrease (£'000s)
Equities	1,381,313	12.5	1,553,977	1,208,649
Pooled Bonds	319,692	3.5	330,721	308,663
Property	146,164	2.3	149,482	142,846
Alternatives	138,312	2.9	142,378	134,246
Cash	47,259	0.0	47,268	47,249
Other investment balances	440	2.7	440	440
Total Assets	2,033,180	8.3	2,202,710	1,863,649

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2015 £000	As at 31 March 2014 £000
Cash and cash equivalents	48,731	47,259
Cash balances	4,033	8,299
Fixed interest securities	336,207	49,419
Total	388,971	104,977

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/-100 BPS (1.0%) change in interest rates:

Asset type	Carrying amount as at 31 March 2015 £000	Change in year in the net assets available to pay benefits	
		+100 BPS £000	-100 BPS £000
Cash and cash equivalents	48,731	487	(487)
Cash balances	4,033	40	(40)
Fixed interest securities	336,207	3,362	(3,362)
Total change in assets available	388,971	3,889	(3,889)

Asset type	Carrying amount as at 31 March 2014 £000	Change in year in the net assets available to pay benefits	
		+100 BPS £000	-100 BPS £000
Cash and cash equivalents	47,259	473	(473)
Cash balances	8,299	83	(83)
Fixed interest securities	49,419	494	(494)
Total change in assets available	104,977	1,050	(1,050)

Currency risk

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

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations. The following table summarises the Fund's currency exposure as at 31 March 2015 and as at the previous yearend:

Currency exposure – asset type	Asset Value as at 31 March 2015 £000	Asset Value as at 31 March 2014 £000
Overseas Equities	618,954	839,605
Overseas Fixed Income	213,787	49,419
Overseas Cash Fund	766	0
Total overseas assets	833,507	889,024

Currency risk – sensitivity analysis

We consider the following approach to determining potential currency risk.

We determine the potential volatility of the aggregate currency exposure within the Fund at the yearend and apply this single outcome to all non-UK assets. In order to calculate this, we need to create a currency basket based on a fund's currency mix.

We do this by multiplying the weight of each currency by the change in its exchange rate (relative to GBP) and sum to create the aggregate currency change of the 'basket'. The aggregate currency change for March 2015 was 5.4% (7.7% for March 2014).

Repeating this for all of the months in our measurement year allows us to measure the observed volatility of this unique currency basket's changes relative to GBP. The 5.4% currency change is applied to the Fund's overseas assets as follows:

Asset Type	Asset Value as at 31/03/15 £000	Change to net assets available to pay benefits	
		+5.4%	-5.4%
Overseas Equities	618,954	652,378	585,530
Overseas Fixed Income	213,787	225,331	202,243
Overseas Cash Fund	766	807	725
Total overseas assets	833,507	878,516	788,498

Asset Type	Asset Value as at 31/03/14 £000	Change to net assets available to pay benefits	
		+7.7%	-7.7%
Overseas Equities	839,605	903,953	775,257
Overseas Fixed Income	49,419	51,124	47,714
Overseas Cash Fund	0	0	0
Total overseas assets	889,024	955,077	822,971

b) Credit risk

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

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

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2015 was £4.03m (31 March 2014: £8.3m). This was held with the following institution:-:

	Rating	Balances as at 31 March 2015 £000	Balances as at 31 March 2014 £000
Bank deposit accounts			
Barclays Bank	A	4,033	8,299
Total		4,033	8,299

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2015 the value of illiquid assets was £328.0m, which represented 14.5% of the total Fund assets (31 March 2014: £284.5m, which represented 14.0% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2015 are due within one year.

17: Funding Arrangements

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

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible

- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years but in some cases a maximum period of 12 years can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 90% of the 100% funding target, a deficit recovery plan has been put in place requiring additional contributions from the employer to meet the shortfall.

At the 2013 actuarial valuation, the Fund was assessed as 72.4% funded (72.9% at the March 2010 valuation). This corresponded to a deficit of £728m (2010 valuation: £555m) at that time.

The common contribution rate (i.e. the rate which all employers in the fund pay) is:

Year	Employers' contribution rate
2013/14	26.1%
2014/15	30.5%
2015/16	30.5%

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the funding strategy statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

31 March 2013			
Assumption	Description	Nominal	Real
Price Inflation (CPI)/Pension increases		2.5%	-
Pay increases	CPI plus 1.8% p.a.	4.3%	1.8%
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.6% p.a.	4.6%	2.1%

Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Assumed life expectancy at age 65	Active & Deferred Members		Current Pensioners	
	Male	Female	Male	Female
2010 valuation – baseline	21.2	23.8	21.2	23.8
2010 valuation – improvements	23.5	25.9	22.4	25.0
2013 valuation - baseline	20.1	22.8	20.3	22.4
2013 valuation - improvements	24.4	26.9	22.5	24.5

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

Other demographic valuation assumptions:

a) Retirements in ill health

Allowance has been made for ill-health retirements before Normal Pension Age.

b) Withdrawals

Allowance has been made for withdrawals from service.

c) 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.

d) Commutation

Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 25% of HMRC limits for service to 31 March 2008 and 63% of HMRC limits for service from 1 April 2008.

18: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 17). The actuary has also used valued ill health and death benefits in line with IAS 19.

The actuarial present value of promised retirement benefits at 31 March 2015 was £3.791bn (31 March 2014: £3.120bn.) The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2013 triennial funding valuation (see note 17) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

	31 March 2015 % p.a.	31 March 2014 % p.a.
Inflation/pension increase rate assumption	2.4	2.8
Salary increase rate	4.3	4.6
Discount rate	3.2	4.3

19: Current Assets

31 March 2014		31 March 2015
£000		£000
2,114	Contributions due - members	1,601
5,921	Contributions due – employers	4,295
146	Transfer values receivable (joiners)	260
5,892	Sundry receivables	5,866
8,129	Cash balances	4,033
22,202		16,055

20: Non Current Assets

With effect from 1 April 2005, 71 employees of the Cambridgeshire Magistrates' Courts transferred out of the Cambridgeshire Fund as part of a national transfer of the Magistrates' Courts out of Local Government schemes. However, the Cambridgeshire Fund has retained the liability for the Magistrates' pensioners and deferred pensioners. An assessment of the transfer by the Scheme's actuary, which was agreed by the Government Actuary's Department in March 2011, has resulted in an annual amount of £0.632m to be paid by the Ministry of Justice (former Department for Constitutional Affairs) to the Fund as the valuation of the transfer out was less than the retained liability. Annual Payments commenced in April 2011 for ten years. At 31 March 2015, a total of £2,528,000 was still due from the Ministry of Justice, with £632,000 being shown in Current Assets and £1,896,000 being due after 31 March 2016 being shown in Non Current Assets.

21: Current Liabilities

31 March 2014	31 March 2015
£000	£000
885 Sundry payables	1,080
389 Transfer values payable (leavers)	450
620 Benefits payable	461
1,894	1,991

22: Additional Voluntary Contributions

Market value 31 March 2014	Market value 31 March 2015
£000	£000
578 Equitable Life	539
6,984 Prudential	7,394
7,562	7,933

Total contributions of £5k were paid directly to Equitable Life during the year (2013-14: £2k) and total contributions of £1,109k were paid directly to Prudential during the year (2013-14: £1,170k). The value of the Equitable Life fund decreased during the year due to the payment of retirement benefits exceeding receipts from contributions and investment income.

23: Related Party Transactions

Cambridgeshire County Council

The Cambridgeshire County Council Pension Fund is administered by Cambridgeshire County Council. Consequently there is a strong relationship between the Council and the Fund.

The Council incurred costs of £2.4m (2013/14: £2.7m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £34.5m to the Fund in 2014/15 (2013/14: £23.3m).

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). The Council's Section 151 Officer is Non-executive Director on the Board of CCB; for which CCB pays £35,000 p.a. to the Council.

Governance

The following Pension Fund Committee members declared a personal interest due to either being a member of the Scheme themselves or having a family member in the Scheme:-

Councillor Michael Shellens
Councillor Seaton
Matthew Pink
John Walker

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pension Fund Committee are required to declare their interests at each meeting.

24: Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2015 totalled £119.5m (31 March 2014: £93.9m)

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between three and fifteen years from the date of each original commitment.

25: Contingent Assets

Eighteen admitted body employers in the Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

26: Impairment Losses

Impairment for bad and doubtful debts

During 2014/15 the Fund did not suffer any impairment loss (2013/14: Nil) for overpayment of pensions unable to be recovered due to reasons of estoppel.

Glossary of Terms

Terms used in this report and general terms used in financial markets.

Accruals

Income and expenditure which is due but will not be received or paid until after the end of the financial year.

Actuary

An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

Admitted Bodies

Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

All Share Index

Properly the FTSE All Share index which summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

Arbitrage

Buying and selling securities (usually in different markets) to take advantage of small pricing anomalies.

At Best

An instruction to deal at the best price ruling in the market at the time, i.e. The highest price (selling) or lowest (buying).

Authorised Unit Trusts

A unit trust which is approved by the Financial Services Authority (FSA) to be sold to members of the public.

Bargain

Another name for a trade or transaction of the Stock Exchange.

Bear

Someone who believes prices will fall in the future

Bearer

Securities which are legally owned by the Bearer of the document. No registration of ownership.

Beneficial Owner

The true owner of a security regardless of the name in which it is registered.

Bid Price

The price at which securities are purchased by market makers.

Bond

Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured. [See also Non-Current Assets].

Bonus issue

Bonds, scrip or free issue are equivalent in terms. Free shares are issued to existing shareholders out of company reserves.

Bull

Someone who believes prices will rise in the future.

Certificate of Deposit

Certificate evidencing deposit of cash with a commercial bank.

Clean Price

The price of a bond which is quoted without accrued interest.

Commercial paper

Short term loan stock issued by corporates as part of a funding programme. Unsecured, Bearer securities.

Commutation

Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

Contract note

The documentary record of a trade which is sent from the broker to the investor.

Convertible

Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts which convert into other government stock.

Coupon

The regular payment made on bonds.

Debenture

Fixed loan stock (bond) secured against the company's non-current assets. First in the event of the company going into liquidation.

Derivative

A financial instrument derived from a security, currency or commodity, or an index or indicator representing any of these, the price of which will move in a direct relationship to the price of the base instrument.

Distribution dates

The date when interest or dividends are distributed to investors. Also called Payment Date.

Dividend

The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. {See also Equities}

Deferred Pension Benefit

A pension benefit which a member has accrued but is not yet entitled to receive.

Earnings per share (Eps)

The net (after tax) profits of a company divided by the number of ordinary shares in

issue. This is used as the 'E' term in the P/E ratio to value shares.

Equities

Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

Exercise Price

The price at which the holder of an option or warrant can buy/sell the underlying asset.

Expiry

The date on which an option or warrant expires.

Financial Services Authority (FSA)

The lead UK regulator. A designated agency which is not a government department.

Fixed Interest Corporate Bond

A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum.

Gilt

Similar to Corporate Bonds by way of interest and redemption but these are issued by Government and are a loan to the Government.

FTSE-100 Index

The main UK index used to represent the approximate price movements of the top 100 shares.

Futures

Instruments which give a buyer the right to purchase a commodity at a future date.

Gearing

The amount of borrowing versus debt on a company's Balance Sheet (Net debt/Ordinary shareholders' funds). Warrants and options also exhibit gearing, i.e. a small move in the price of the

underlying asset can be magnified in the move in the price of the option.

Hedge

To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

Hedge Fund

A limited partnership with very little restriction on the scope of its investment. Usually quoted in Luxembourg or Dublin. Hedge funds often use borrowing to gear up exposure to markets.

IMRO

Investment Management Regulatory Organisation. Fund Manager Regulator.

Index Linked

Stock whose value is related directly to an index, usually the Retail price Index and therefore provides a hedge against inflation.

Interest Yield

The annual coupon on a bond divided by the clean price.

Loan Stock

Unsecured bonds, which may be convertible if they have a warrant attached.

Longs

Long dated gilts with time frame to maturity of more than 15 years.

Market Capitalisation

For an individual stock it is the value of all shares held in the equity of the company. For a market or index it is the total of all the market caps of the constituent companies.

Mediums

Medium-dated Gilts with time to maturity of 5-15 years.

Nominee

A firm which acts on behalf of the underlying beneficial owner of the securities and in whose name the securities are registered.

Offer Price

The price at which market makers will sell stock.

Ordinary Shares

'A' Shares which confer full voting and dividend rights to the Owner.

Rights Issue

A new issue of shares offered to existing shareholders in proportion to their existing holdings. Usually offered at a discount to entice take-up, which causes the existing shares to fall in value to the theoretical ex-rights price.

Scheduled Bodies

Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

Scrip Issue

Issue of free shares to current shareholders. Often used instead of a cash dividend (scrip dividend alternative).

Short

Selling more of an asset than the investor owns.

Spread

The difference between the bid and offer prices.

Stag

A person who applies for a new issue in the hope of selling quickly to make a profit.

Stock

Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

Transfer Values

Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

Trust

Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

Underwriter

A firm which agrees to underwrite a new issue, for a fee, thereby guaranteeing the securities will be sold.

Unit trust

An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Fund manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

Warrants

Long dated options warrants give the holder the right to buy/sell a specified quantity of a particular stock, or any other asset, at a fixed price on or before a specified date.

Yield Gap

Spread between gilt yields and yields on the stock market.

Zero coupon bond

A bond which is issued at a discount to par and does not pay coupons but is redeemed at par

Appendix A – Governance Policy & Governance Compliance Statement
Appendix B – Funding Strategy Statement
Appendix C – Statement of Investment Principles
Appendix D – Communication Policy Statement