Agenda Item: 9

CAMBRIDGESHIRE PENSION FUND

LGSS

LOCAL PENSION BOARD

Date: 3rd May 2019

Report by: HEAD OF PENSIONS

Subject	**Investment and Fund Accounting Reports presented to the Pension Fund Committee**
Purpose of the Report	The purpose of this report is to inform the Local Pension Board of reports presented to the Pension Fund Committee on the 28th March 2019 with respect to Investment and Fund Accounting matters.
Recommendations	**The Local Pension Board is asked to:** **1. Note the reports presented to the Pension Fund Committee on the 28th March 2019 with respect to:** **a) the Cash Management Strategy; and** **b) the Investment Strategy.**
Enquiries to	Name: Richard Perry, Pension Services Financial Manager Tel: 07717 360604 Email: RPerry@Northamptonshire.gov.uk

1. Purpose of the report

1.1. The purpose of this report is to inform the Local Pension Board of reports presented to the Pension Fund Committee on the 28th March 2019 with respect to Investment and Fund Accounting matters.

2. Background

2.1. The following reports regarding Investment and Fund Accounting matters were presented to the Pension Fund Committee on the 28th March 2019:-

4.1.1 Cash Management Strategy;

4.1.1 Investment Strategy.

3. Cash Management Strategy

3.1. The Fund requires a cash management strategy to ensure that cash is managed efficiently and is compliant with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

3.2. The Objectives and key features of the Strategy are set out in the Pension Fund Committee paper attached as Appendix 1.

3.3. The Pension Fund Committee approved the recommendation:

That the Pension Fund Committee:

1. Note the Report;
2. Approve the Cash Management Strategy.

4. Investment Strategy Statement

4.1. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Fund must prepare and publish an Investment Strategy Statement (ISS). The Investment Sub-Committee (ISC) reviews the ISS annually and any amendments are recommend to the Pension Fund Committee for approval.

4.2. The ISC has performed a detailed review of the Fund's Strategic Asset Allocation (SAA) during 2018, culminating in the agreement of a revised Investment Strategy, which was presented to the Pension Fund Committee for approval on 28th March 2019.

4.3. The revisions to the SAA and amendments to the ISS arising from the 2018/19 annual review are set out in the Pension Fund Committee paper attached as Appendix 2.

4.4. The Pension Fund Committee approved the recommendation:

That the Pension Fund Committee:

1. Approve the Strategic Asset Allocation set out in paragraph 4.1;
2. Approve the revised Investment Strategy Statement.

5. Recommendations

5.1. That the Local Pension Board:

Note the reports presented to the Pension Fund Committee on the 28th March 2019 with respect to:

a. the Cash Management Strategy; and
b. the Investment Strategy.

6. Relevant Pension Fund Objectives

Objective 1 Have robust governance arrangements in place, to facilitate informed decision-making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
Objective 3 Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
Objective 5 Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
Objective 18 Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.

7. Finance & Resources Implications

7.1. There are no costs associated with the recommendations.

8. Risk Management

8.1. The Pension Fund Committee have the authority to review and maintain the Investment Strategy Statement.

8.2. The risks associated with implementing the strategy have been captured in the Fund's risk register with respect to Funding and Investment as detailed below.

Risk	**Risk mitigated**	**Residual risk**
4	Fund assets are not sufficient to meet obligations and liabilities.	Amber
6	Inappropriate investment Strategy is adopted.	Green
13	Failure to administer the scheme in line with regulations and guidance.	Green
23	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided.	Green

8.3. The Fund's risk register can be found on the Fund's website at the following link:

https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf

9. Communication Implications

9.1. The revised ISS has been published on the Fund's website.

9.2. The revised Cash Management Strategy has been published on the Fund's website

10. Legal Implications

10.1. None.

11. Consultation with Key Advisers

11.1. None.

12. Alternative Options Considered

12.1. None.

13. Background Papers

13.1. Paper to the ISC in February 2019 – Investment Strategy Statement.

14. Appendices

14.1. Appendix A – Pension Fund Committee paper – Cash Management Strategy.

14.2. Appendix B – Pension Fund Committee paper – Investment Strategy.

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 9th April 2019

CAMBRIDGESHIRE PENSION FUND

Pension Fund Committee
Date: 28th March 2019

Report by: Head of Pensions

Subject:	**Cash Management Strategy**
Purpose of the Report	To present the Cash Management Strategy to Pension Committee.
Recommendations	**The Committee are asked to**: 1) Note the Report; 2) Approve the Cash Management Strategy
Enquiries to:	Name: Fiona Coates, Principal Finance Technician Tel: 01604 364682 Email: FCoates@Northamptonshire.gov.uk

1. Purpose of the report

1.1. To present the Cash Management Strategy to the Pension Committee.

2. Background

2.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") came into force on 1st November 2016, and require the Fund to review its Cash Management Strategy on a regular basis.

2.2. The Strategy has been reviewed and officers present a revised Strategy to the Committee for consideration and adoption.

3. Key Regulations

3.1 Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Fund is required to have its own separate bank account, may only borrow by way of temporary loan or overdraft for the purpose of paying benefits due under the scheme or to meet investment commitments and must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.

3.2 To meet the requirements of the Regulations, the Fund has identified Objectives and Key Principles to govern the Fund's approach to Cash Management, as can be seen in sections 3 and 4 of the Cash Management Strategy in Appendix 1.

4. Purpose of the Strategy

4.1. The overall purpose of the Strategy is to manage Fund cash efficiently, ensuring adequate cash is available in the Fund's accounts held at Barclays Bank to meet day to day cash requirements of the Fund, and to ensure timely payment of surplus cash to Northern Trust for investment in line with the Investment Strategy Statement.

4.2. The processes set up in response to the Strategy include forecasting, monitoring and periodically moving cash to and from Barclays and Northern Trust.

4.3. The Strategy allows Officers the ability to react efficiently to the cash requirements of the Fund.

5. Key Features

5.1. Funds cash objectives

5.1.1. The Fund is compliant with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 regulations

5.1.2. Cash is available as and when required

5.1.3. Surplus cash is invested

5.1.4. Risks inherent within the Key Principles are managed

5.2. Current cash arrangements

5.2.1 The Fund currently holds cash at Barclay's and at the Fund's Custodian Northern Trust, both of which have access to interest bearing accounts. There is **no** cash held with the Administering Authority.

5.3. Key cash flow movements and timings

5.2.1 The key activities that occur within the Barclay's accounts above are monitored by Officers through regular profiling of cash movements, which identifies surplus balances or forecast shortfalls, prompting a transfer to, or from, the Custodian.

5.2.2 There are three streams of activity; receipt of income through Accounts Receivable, payment of pension benefits through payroll and ad hoc payments through Accounts Payable.

5.4. Operational Issues

5.4.1 Identifies the risk, the implications and the mitigations in place for the risk. Covers the key risks, implications and mitigations for Cash Management.

6. Recommendation

6.1. That the Pension Committee:

a. Note the Report;

b. Approve the Cash Management Strategy.

7. Relevant Fund objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
Continually monitor and measure clearly articulated objectives through business planning. Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
Ensure cash flows in to and out of the Fund are timely and of the correct amount.
Ensure the long-term solvency of the Fund, taking a prudent long-term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

8. Risk Management

8.1. The Pension Committee have the authority to review and maintain the Cash Management Strategy.

8.2. The risks associated with implementing the strategy have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Governance Risk 1	Failure to administer the scheme in line with regulations and policies	Green
Governance Risk 4	Policies and Strategies not being in place and up to date	Green
Investment Risk 22	Failure to invest surplus contributions	Green
Investment Risk 23	Fund assets are not sufficient to meet obligations and liabilities as they become payable.	Amber
Investment Risk 27	If liquidity is not managed correctly, assets may need to be sold at unattractive times or investment opportunities missed as cash is unavailable	Green

8.3. The Fund's full risk register can be found on the Fund's website at the following link:

http://pensions.cambridgeshire.gov.uk/governance/key-documents/cambridgeshire/

9. Communication Implications

9.1. The Cash Management Strategy will be published on the Fund's website when it has been approved by the Pension Committee.

10. Legal Implications

10.1. Legal advice will be sought as required.

11. Consultation with Key Advisers

11.1. None.

12. Alternative Options Considered

12.1. None.

13. Background Papers

13.1. None.

14. Appendices

14.1. Appendix 1 – Cash Management Strategy

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 March 2019
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Legal Services?	Fiona McMillan - 12 March 2019

Cambridgeshire
Pension Fund

Cambridgeshire Pension Fund
Cash Management Strategy
Published XX XX 2019

LGSS

Appendix A: Pension Fund Committee – Cash Management Strategy

1. Regulations

1.1. Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Fund is required to have its own separate bank account (paragraph 6.1). A number of other instructions are set out in the regulations regarding managing the Funds cash, these are listed below.

1.1.1. Regulation 5 – Restriction on power to borrow. This regulation states that an authority may only borrow by way of temporary loan or overdraft for the purpose of paying benefits due under the scheme or to meet investment commitments. The authority may only borrow if it reasonably believes that the sum borrowed and interest charged can be repaid by the pension fund within 90 days of borrowing.

1.1.2. Regulation 7.8 – Investment Strategy Statement. The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.

2. Other Regulatory Influences

2.1. The Fund will also have regard to:

2.1.1. Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) (2011),
2.1.2. MHCLG Investment Guidance,
2.1.3. The UK Money Markets Code,
2.1.4. EU Money Market Funds (MMF) Regulation.

3. Objectives

3.1. The main objectives of a Cash Management Strategy are to ensure that:

3.1.1. The Fund is compliant with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016,
3.1.2. Cash is available as and when required,
3.1.3. Surplus cash is invested,
3.1.4. Risks inherent within the Key Principles are managed.

4. Key Principles

4.1. There are three key principles relating to cash management:

4.1.1. Security – Safeguarding Pension Fund assets,
4.1.2. Liquidity – Ensuring the Pension Fund has cash available as and when required,
4.1.3. Yield – To achieve a market return.

5. Overdraft

5.1. An overdraft is a form of borrowing and the 2016 Regulations specify only two reasons that the Fund can legally overdraw, as set out in paragraph 1.1.1. above.

5.2. The Fund bank accounts operate with a zero aggregate overdraft facility, with strong financial control processes over cash activities.

6. Cash Arrangements

Appendix A: Pension Fund Committee – Cash Management Strategy

6.1. The Fund currently holds cash at Barclays and at the Fund's Custodian Northern Trust, both of which have access to interest bearing accounts. There is **no** cash held with the Administering Authority.

6.2. Barclays Bank Plc

Operational cash is held at Barclays Bank, managed directly by Officers. A minimal balance is maintained, varying upon the information available from the three key interfaces:

6.2.1. Accounts Receivable - this account receives all contributions, transfers and invoiced income.

6.2.2. Payroll Account – Pension benefits are paid from this account monthly.

6.2.3. Payables Account – All invoice payments, grants and lump sums are payments are made from this account.

At close of business each day, any surplus/shortfall on the above accounts are swept into an overarching interest-bearing Liquidity Account to ensure a residual balance of £10,000 on each.

6.3. Northern Trust (Custodian)

The Fund will transfer surplus money from Barclay's Bank accounts to the Fund's account at the Custodian for investment in line with the Fund's Investment Strategy. This account also acts as a gateway to receive and pay monies to Investment Managers, for example, cash from Investment distributions. The Fund has a contractual agreement with the Custodian to sweep excess cash into Money Market Funds.

6.4. Investment Managers

Investment managers hold cash at Northern Trust as part of their mandates. Whilst this cash is under the managers' control, it can be recalled by the Fund.

7. Key Cash Flow Movements/Timings

7.1. Barclays Bank

The key activities that occur within the Barclay's accounts, noted at 6.2. above are monitored by Officers through regular profiling of cash movements, which identifies surplus balances or forecast shortfalls, prompting a transfer of cash to, or from, the Custodian.

There are three streams of activity; receipt of income through Accounts Receivable, payment of pension benefits through payroll and ad hoc payments through Accounts Payable. Contribution income is required to be received by the 19th of the month. This is important as it represents the receipt of income prior to the payment of the pensioners' payroll on the 25th of the month. The payments through Accounts Payable occur on an irregular pattern dependent upon demand, with its main activity being the payment of new pension liabilities such as retirement grants, in addition to death grants and transfers out.

7.2. Custodian

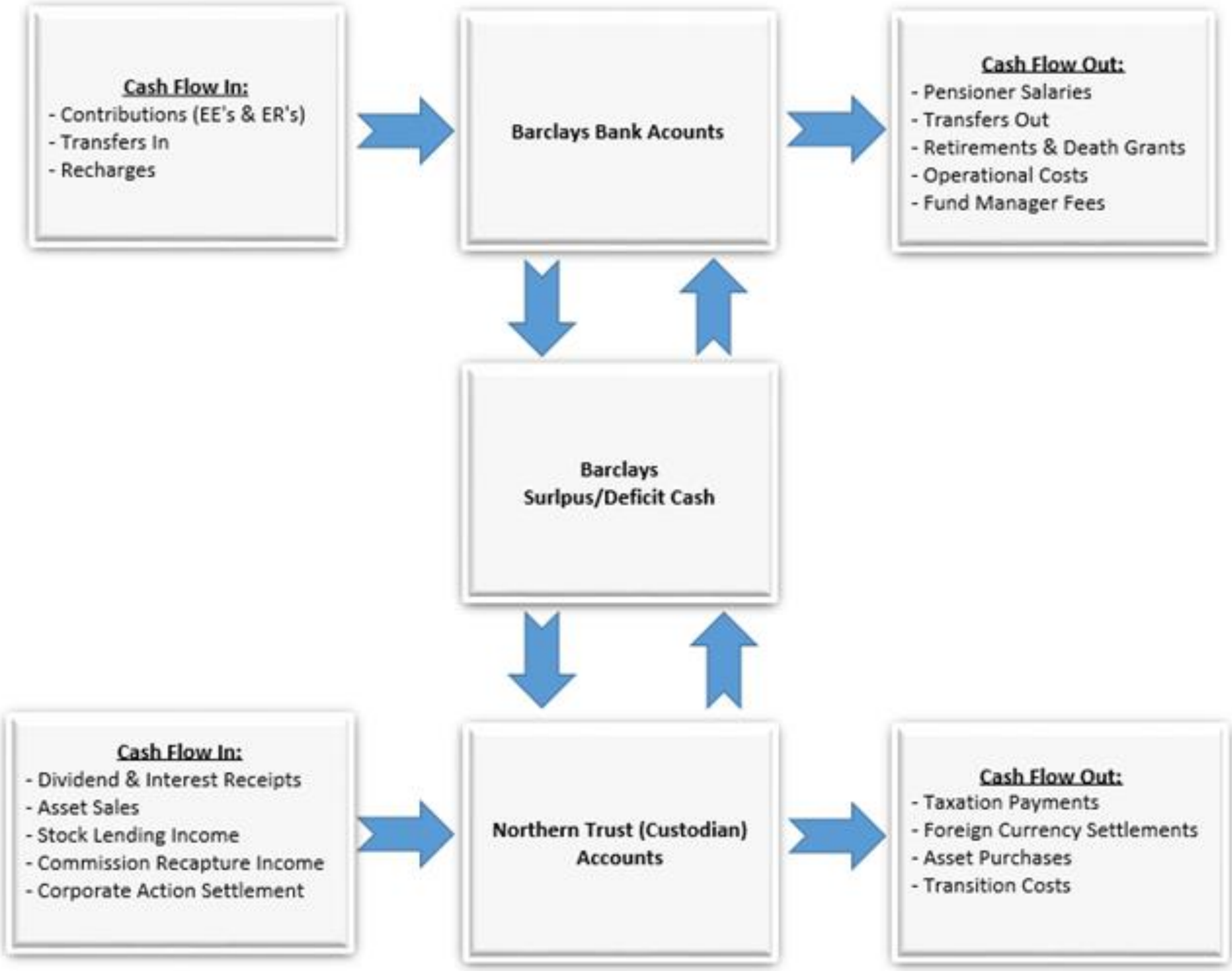
Officers manage the Fund's cash requirements and will first recall cash from the Custodian cash account, then from Investment Managers, giving regard to the asset allocation, liquidity and exit costs of investment assets, as required. Similarly, investing of Fund surpluses will also be in line with the Fund's Investment Strategy.

Appendix A: Pension Fund Committee – Cash Management Strategy

8. Operational Issues

Risk	Implication	Mitigation
Exit payments, where cash is due to Employers within the Fund who have a contribution surplus, and Employers transferring their assets and liabilities out of the Fund, generate risks to cash flows and the balance of cash within the Fund.	- Becoming overdrawn - Lack of liquidity to fund payments	- Clear inter-team Communication - Segregation of duties - Sale of assets
Timing of payments result in payments exceeding the working balance held at Barclays Bank, requiring a recall of cash from the Custodian.	- Becoming overdrawn - Lack of liquidity to fund payments	-Stringent cash management and forecasting -Ability to delay non-essential payments to ease cashflow
A dependency upon LGSS Treasury to action instructions from the Pension Fund in a timely manner.	- Lack of liquidity to fund payments	-Stringent cash management and forecasting - Segregation of duties
An investment draw down where insufficient cash is held by the Custodian on behalf of the Fund.	- Becoming overdrawn - Lack of liquidity to fund payments	- Stringent cash management and forecasting
County Council officers, with access to Pensions systems, can action fraudulent or erroneous cash movements.	- Becoming overdrawn - Payments made to/from wrong bank account - Fraudulent activities	- Segregation of duties - Approval from Pension Senior Management required for cash movements
Surplus cash is not invested in line with the Investment Strategy Statement on a timely basis.	- Loss of economic benefit to the Fund	- Stringent cash management - Clear inter-team Communication

Appendix A: Pension Fund Committee – Cash Management Strategy



9. Glossary

Custodian – An external body responsible for ensuring the investing Fund's assets are registered in the name of the Fund, managing the settlement of trades, collecting income arising and reporting transactions and values to the Fund on a regular basis.

Deficit – An outcome where expenses exceed income.

Investment Manager – An external organisation that makes investments in assets on behalf of clients.

Money Market – A mutual fund that invests in cash and cash equivalent securities.

Surplus – An outcome where income exceeds expenditure.

CAMBRIDGESHIRE PENSION FUND

PENSIONS COMMITTEE

Date: 28th March 2019

Report by: HEAD OF PENSIONS

Subject	**Investment Strategy Statement**
Purpose of the Report	The purpose of this report is to present to the Pension Committee for approval the revised Investment Strategy recommended by the Investment Sub Committee.
Recommendations	**The Committee are asked to:** **1) Approve the Strategic Asset Allocation set out in paragraph 4.1.** **2) Approve the revised Investment Strategy Statement**
Enquiries to	Name: Richard Perry, Pension Services Financial Manager Tel: 07717 360604 Email: RPerry@Northamptonshire.gov.uk

1. Purpose of the report

1.1. The purpose of this report is to present to the Pension Fund Committee for approval amendments to the Investment Strategy recommended by the Investment Sub Committee.

2. Background

2.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”) came into force on 1st. November 2016.

2.2. The Regulations set out the requirement for the preparation and publication of the Fund’s Investment Strategy Statement (ISS). The Investment Sub Committee (ISC) reviews the (ISS) annually.

2.3. The ISC has performed a detailed review of the Fund’s Strategic Asset Allocation (SAA) during 2018, culminating in the agreement of a revised Strategy at the meeting of the ISC on 14 February 2019 to be presented to the Pension Fund Committee for approval.

2.4. The Fund's Investment Strategy is reflected in the ISS which, following agreed process, should be reviewed by the ISC before being presented to the Pension Fund Committee. However, due to the delay in determining the proposed revisions to SAA, the revised ISS is being presented to the Pension Fund Committee without initial review by the ISC.

3. Changes arising from the revised Strategic Asset Allocation

3.1. The previous SAA (reproduced below for reference) was approved by the Pension Fund Committee at the meeting on 29 March 2017.

Asset Class	Benchmark Allocation	Tolerance (range)
Equities	65.0%	+/- 5% (60.0%-70.0%)
Fixed Income	12.0%	+/- 3% (9.0%-15.0%)
Alternatives	23.0%	+/- 5% (18.0%-28.0%)
Total Target Allocation	100.0%	

3.2. At the February 2019 meeting, the ISC agreed the new SAA of 58% Equities, 12% Fixed Income, Property 10% and 20% Alternatives.

3.3. The key attributes of the this diversified approach are that it:

a. Should help protect gains in funding and reduce the sensitivity of the assets to an equity stress event, which in turn should help contribution rates remain stable or trend downwards.

b. Should manage risk more effectively, and would be expected to broadly maintain the expected return above the liabilities so as not to increase reliance on the underlying employers.

3.4. The return and risk metrics of the proposed strategic allocation are shown below:

	Current SAA	Diversified Portfolio
Expected Return above cash	4.4%	4.4%
Proportion of total return provided by equity	68%	60%
1 year 95% Value at Risk (VaR)	£816m	£807m
Proportion of total risk provided by equity	48%	45%

3.5. If the proposed high level SAA is approved, Mercer will work with Officers to propose implementation options. In formulating these proposals, consideration will be given to the availability of suitable options through the ACCESS pool (where these exist).

4. Presentation in the Investment Strategy Statement

4.1. The amended SAA table in the ISS is as follows:

Asset Class	Benchmark Allocation	Tolerance (range)
Equities	58.0%	+/- 5% (53.0%-62.0%)
Fixed Income	12.0%	+/- 3% (9.0%-15.0%)
Alternatives	30.0%	+/- 5% (25.0%-35.0%)
Total Target Allocation	100.0%	

4.2. The SAA includes tolerance ranges for each asset class within which they can vary from the strategic target. Flexibility is necessary, particularly for the illiquid Alternative assets, as they would take time to grow to the target level and when the target was achieved, could not be rebalanced readily.

4.3. As a result of the change in SAA, the tables showing the linkage of the strategic asset classes to the investment risk factors and the graph presenting the Value at Risk (VaR) has been updated accordingly.

5. Other changes to the Investment Strategy Statement

5.1. Other minor changes have been made to the ISS to update it to the February 2019 position, particularly with regards to asset pooling and to improve clarity.

5.2. A copy of the revised ISS is attached as Appendix A.

6. Future revisions to the Investment Strategy Statement

6.1. Continue to review the ISS and amend accordingly if there are any material impacts.

7. Recommendation

7.1. The Pension Committee are asked to:

Approve the Strategic Asset Allocation set out in paragraph 4.1.

Approve the revised Investment Strategy Statement.

8. Relevant Pension Fund Objectives

Objective 1 Have robust governance arrangements in place, to facilitate informed decision-making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
Objective 3 Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
Objective 5 Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
Objective 18

Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.

9. Risk Management

9.1. The Pension Committee have the authority to review and maintain the ISS.

9.2. The risks associated with implementing the strategy have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Investment (Risk 3)	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided.	Green
Investment (Risk 5)	Fund assets are not sufficient to meet obligations and liabilities as they become payable.	Green
Investment (Risk 11)	Mismatch in asset returns and liability movements result in increased employer contributions.	Green

9.3. The Fund's full risk register can be found on the Fund's website at the following link:
http://pensions.cambridgeshire.gov.uk/governance/key-documents/cambridgeshire/

10. Communication Implications

10.1. The revised ISS will be published on the Fund's website when it has been approved by the Pension Fund Committee.

11. Legal Implications

11.1. None.

12. Consultation with Key Advisers

12.1. None.

13. Alternative Options Considered

13.1. None.

14. Background Papers

14.1. ISC papers on the Investment Strategy Review -14 February 2019.

15. Appendices

15.1. Appendix A – Revised Investment Strategy Statement.

15.2. Appendix B – Tracked changes version compared to current Investment Strategy Statement.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable.
Will further decisions be required? If so, please outline the timetable here	No.
Is this report proposing an amendment to the budget and/or policy framework?	No.
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 12 March 2019
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Legal Services?	Fiona McMillan - 13 March 2019

Cambridgeshire
Pension Fund

Investment Strategy Statement (Published XX XX 2019)

Introduction and background

This is the Investment Strategy Statement ("ISS") of the Cambridgeshire County Council Pension Fund ("the Fund"), which is administered by Cambridgeshire County Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") and supersedes all previously published Statement of Investment Principles.

The ISS has been prepared by the Fund's Pension Fund Committee ("the Committee") having consulted on the contents of the Fund's investment strategy with such persons it considers appropriate. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was last approved by the Pension Fund Committee on 23 March 2018, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement which can be found at
http://pensions.cambridgeshire.gov.uk/k

Objectives of the Fund

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. Pensions and benefits will be met by contributions, asset returns and income.

The Pension Fund Committee works to endeavour that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

The Fund is subject to an actuarial review every three years, in preparation for which the Fund, in conjunction with the Fund's Actuary and taking investment advice, prepares a Funding Strategy Statement (FSS) that sets out the strategy to ensure the long-term solvency of the Fund whilst recognising the need for a minimum (where possible and subject to a level of prudence) and, stable level of employer contributions.

The Administering Authority runs the Cambridgeshire Fund, in effect the LGPS for the Cambridgeshire area, to make sure it:

- Invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth.

Cambridgeshire
Pension Fund

Investment Beliefs

The strategy adopted by the Fund reflects the FSS requirements to invest surplus contributions appropriately with the aim that the Fund's assets grow over time with investment income and capital growth by applying the following investment beliefs:

1. The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments and recognises that the Fund is a long-term, open scheme that has an obligation to pay benefits that are linked to inflation. The Committee also takes into account the covenant associated with the Fund's employers in deciding how much risk is appropriate.
2. Asset allocation and specifically the headline amounts invested in equities, fixed income and alternatives, will drive risk and return levels.
3. Investing over the long-term provides opportunities to improve returns.
    a. Asset classes that return over a reasonably long duration are suitable for this Fund.
    b. The Fund has a policy of holding managers over the longer-term to reduce the impact of transitions and believes in the benefits of compounded returns.
4. Equities are expected to generate returns above the growth of liabilities over the long-term and have an indirect link to inflation.
    a. The Fund predominately holds equities due to the belief that they will provide returns above liabilities over the long-term and this helps to ensure that contributions remain affordable.
5. Inflation linked UK Government bonds provide a high degree of liability matching and a direct link to inflation.
    a. Investments in government bonds are not held for return purposes but are held in order to mitigate the risk that contribution rates need to increase significantly should yields fall.
6. Non-Government bonds are expected to provide a return above government bonds and can provide some interest rate protection relative to the liabilities.
7. Alternative assets are expected to generate returns above liabilities over the long-term, can have an inflation link, as well as providing diversification benefits.
8. Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
9. The Committee favours active management, where there are opportunities for active managers to add value, increasing overall expected return net of fees.
10. Passive strategies provide low cost access to market returns.
11. Responsible Investment including Environmental, Social and Governance are important factors for the sustainability of longer term investment returns.
12. Value for money is defined as recognising net return over absolute cost.

Appendix B: Pension Fund Committee – Investment Strategy Statement

Cambridgeshire
Pension Fund

Selecting a suitable strategy

The Pensions Committee is responsible for the Fund's asset allocation which is determined via a triennial strategy review as part of the valuation process, but is kept under regular review; noting that strategic changes are an evolutionary process.

The triennial review looks at both qualitative and quantitative analysis, covering the following, which are expanded upon later in this statement:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit
- An analysis of the magnitude of the various risks facing the Fund is established in order that a priority for mitigation can be determined
- The desire for diversification across asset class, region, sector, and type of security

The Committee utilises a wide range of professional support such as an investment consultant, an independent advisor and the Fund's Actuary.

As noted above, the Fund's objective is to pay benefits as they fall due and this requires the build-up of sufficient reserves in advance. The Fund is currently assessed to have a deficit in terms of the reserves needed and so the asset strategy is focused on achieving returns in excess of inflation, without taking undue risk. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund's current investment strategy is set out below reflecting agreed changes made in the 2018/19 financial year with particular emphasis on reducing the allocation to listed equities and increasing the allocation to alternatives. Set out below is the high level strategic asset allocation setting out the acceptable tolerance ranges within each asset class.

Asset class	Target allocation %	Tolerances%
Equities	58.0%	+/- 5% (53.0% - 63.0%)
Fixed Income	12.0%	+/- 3% (9.0%-15.0%)
Alternatives	30.0%	+/- 5% (25.0% - 35.0%)
Total target Allocation	**100.0%**	

The tolerance ranges allow for the long-term natural deviation from the strategic percentage allocation due to differential relative performance of each investment type. Exceeded tolerances will be reported in the quarterly performance report to the Investment Sub Committee.

The expected return of this portfolio is 4.4% per annum.

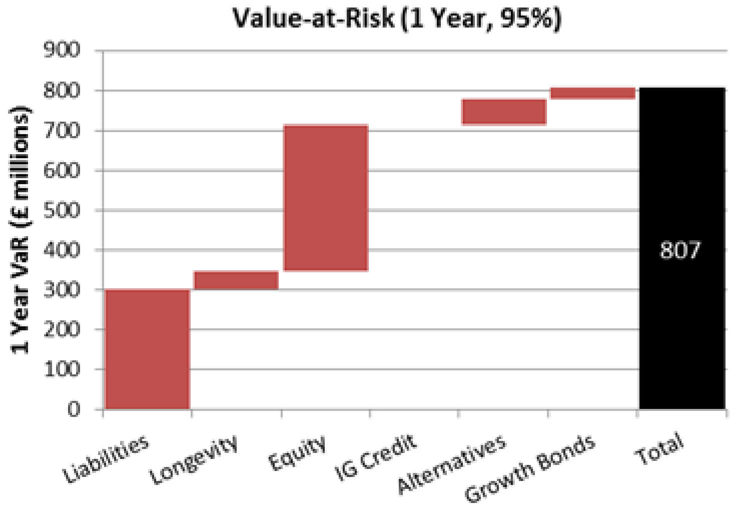
Risks

This section considers key investment risks and mitigations.

Cambridgeshire
Pension Fund

Investment Risks

The Committee uses Risk Attribution Analysis to determine the order of magnitude of the main investment risks the Fund is facing. The chart below shows the VaR (Value at Risk, essentially the losses that would occur in a 1-in-20 event) facing the Fund, split into major risk categories.



As an additional illustration of risk, the table below shows how a range of events could impact the Fund:

Event	**Event movement**	**Impact on Deficit**
Fall in equity markets	20% fall in equities	£405m
Active Manager underperformance	3% underperformance from all active managers	£68m

As shown in both the Value-at-Risk attribution chart and the table above, the two most significant risks that the Fund is running are equity risk and liability risk (arising from interest rates and inflation). The risks associated with active management underperformance of investment assets, whilst not immaterial, is relatively less.

Liabilities (interest rate and inflation) – The largest risk that the Fund faces is in relation to interest rates and inflation. The investment strategy recognises this and looks to increase the allocation to assets that provide protection against falling rates and rising inflation expectations when affordable to do so, which is considered appropriate in the context of the Fund's position as a long-term investor.

Equities – Should equity market conditions deteriorate significantly this will have a negative impact on the funding level. The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensates the level of risk equities bring to the Fund, but does believe in diversification, and looks to mitigate equity risk by investing significantly in bonds and alternatives.

Cambridgeshire
Pension Fund

Alternatives – The Fund has a significant amount of assets allocated to a range of alternatives, with allocations to property and private equity, amongst others. The risks that these investments bring at an individual level is not insignificant however the Committee believe that over the long term alternatives will provide returns that compensate for the risks being run. Additionally the level of diversification the assets provide helps to reduce the Funds reliance on returns from equities. Illiquid assets such as property and infrastructure provide regular cash returns in addition to capital appreciation.

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund by investing in a range of different investments can minimise the level of risk run to a degree.

Passive Manager Risk **–** This is the simplest style of investment which places monies purely to track indices with the associated risks of following the full effects of both positive and negative market movements benefiting from the most economical fee rates. This contrasts to active management which is applied to smooth volatility and improve market returns albeit at higher fee rates, the assumption being that the net return after fees is greater than pure passive management.

Active Manager Risk – Active Investment Managers are appointed to manage the Fund's investments on its behalf in the expectation that they will outperform the market but also recognising that their mandates may underperform passive managers. This risk is small relative to other risks; however the Fund still addresses this risk. Extensive due diligence takes place before managers are appointed. The investment managers are also monitored regularly by the Investment Sub Committee, Officers and by the Fund's Advisors. There is a risk is that net performance underperforms a passive arrangement over the long-term.

Liquidity risk – It is recognised that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long-term investment horizon, the Committee believes that a degree of liquidity risk is acceptable given the potential for accessing higher returns. The majority of the Fund's assets however, remain realisable at short notice.

Exchange rate risk – This risk arises from unhedged investment overseas. The Committee believes that a long-term investor can tolerate a degree of short term fluctuations in currency movements, particularly with reference to the Fund's equity portfolio.

Demographic Risks

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as the pensioner liability increases. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that investments would need to be realised in order to pay benefits. The Fund is not in that situation at present as cash inflows from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

Cashflow Management Risks

The Fund is gradually becoming more mature and although it is cashflow positive after taking investment income, managing cashflow will become an increasingly important consideration in setting the investment strategy.

Governance Risks

The Fund believes that there is a benefit to the Fund to be gained from good governance in the form of either or both of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit.

Details of the Fund's governance structure can be found in the Governance Compliance Statement.

Sustainable Responsible Investment Risks

The Fund recognises that effective management of Environmental, Social and Governance ("ESG") issues, captured under the phrase "Sustainable Responsible Investment" ("SRI"), 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 Committee believes that engagement is key to responsible investing and strong corporate governance, which will enhance returns over the long term. Details of the Fund's responsible investment policies are set out later in this statement.

Investment of money in a wide variety of investments

The Fund will invest in a range of investments, diversified by type, class, geographical location and market exposure.

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including:

- Equities,
- Fixed interest and index linked bonds,
- Cash,
- Property and commodities, either directly or through pooled funds,
- Private Equity
- Infrastructure,
- Debt,
- Insurance Instruments,
- Contracts for differences and other derivatives either directly or in pooled funds.

Appendix B: Pension Fund Committee – Investment Strategy Statement

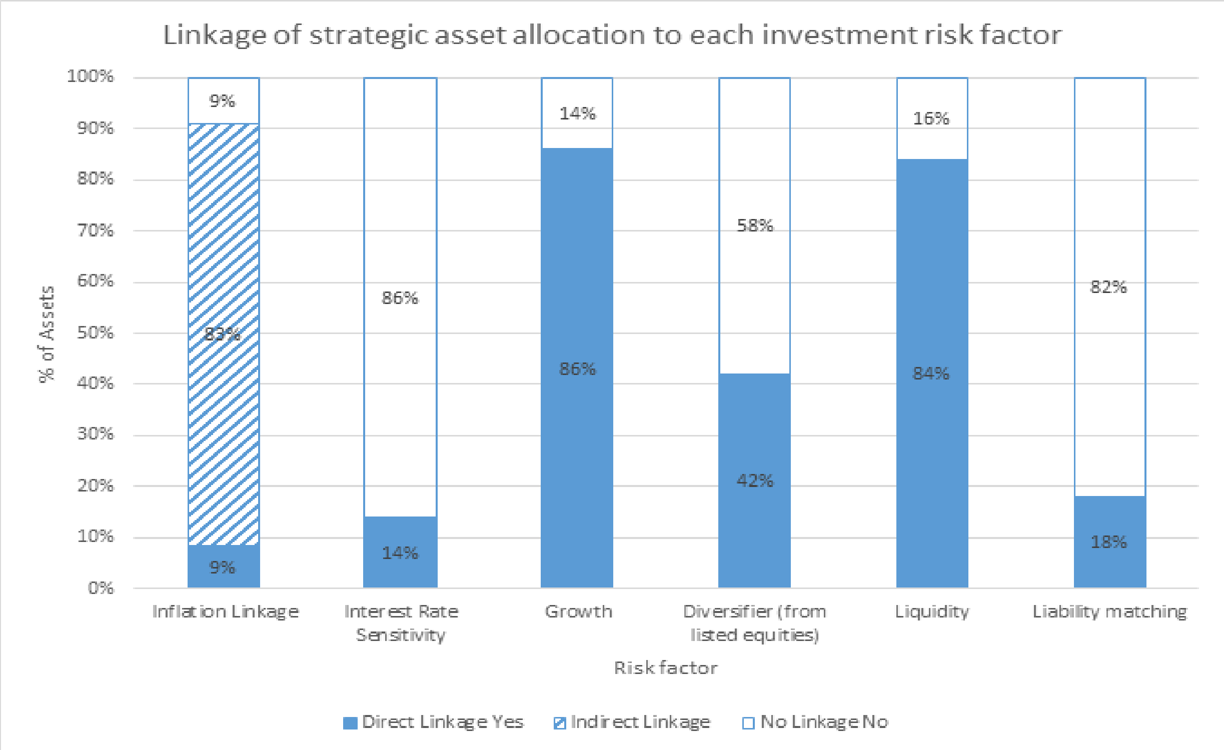
Cambridgeshire
Pension Fund

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007".

Factor	Allocation	Inflation linkage	Interest rate sensitivity	Growth	Diversifier from equities	Liquidity	Liability matching
Equities	58%	Indirect link to inflation over the long-term	No	Yes	No	Yes	No
Index Linked Gov't bonds	5	Yes	Yes	No	Yes	Yes	Yes
Non-Gov't Bonds	7	No	Yes	No	Yes	Yes	Yes
Property	10	Indirect link to inflation over the long-term	No	Yes	Yes	No	No
Private Equity	7	Yes	No	Yes	Yes	No	No
Local Investing	5	Yes	No	Yes	Yes	No	No
Infrastructure	6	Yes	No	Yes	Yes	No	Yes
Loans	2	No	Yes	No	Yes	Yes	No
TOTAL	100						

Cambridgeshire
Pension Fund

The graph below illustrates the linkage of the asset allocation to the key investment risk factors shown in the table above. The ongoing monitoring of the Investment Strategy will review the adequacy of the strategy against these factor risks.



Asset Pooling

Cambridgeshire is a member of the ACCESS pool along with the following 10 other pension funds:

East Sussex
Essex
Hampshire
Hertfordshire
Isle of Wight
Kent
Norfolk
Northamptonshire
Suffolk
West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed an Inter-Authority Agreement to underpin their partnership. The ACCESS funds are working in the expectation that, over time, all investments will be pooled apart from where there is a no value for money benefit to pooling a specific investment as identified and agreed by an individual fund.

Cambridgeshire
Pension Fund

Asset pooling is intended to provide the benefits of scale that will enable it to meet its Value for Money objective, defined as recognising net return over absolute cost. In the pooled investment structure individual funds will remain responsible for their own investment strategy and asset allocation decisions. The pool will be responsible for selecting a suitable number of Investment Managers in order to meet the requirements of all of the funds' investment strategies.

Cambridgeshire will not be pooling an allocation to local alternatives currently comprising interests in the Cambridge & Counties Bank and The Cambridge Building Society. In addition the Fund is exploring local economic development opportunities.

In addition Cambridgeshire will not pool cash held for the efficient administration of the scheme, which is needed to manage cash flow to meet statutory liabilities including monthly pension payroll payments.

Sustainable Responsible Investment Policy (Environmental, Social and Governance policy)

The Committee considers the financial impact arising from Environmental, Social and Governance ("ESG") risks to be a fiduciary responsibility and an integral part of the risk assessment of any investment, captured under the phrase "Sustainable Responsible Investment" ("SRI"). The Committee recognises that effective management of SRI issues can enhance long-term financial performance of investments and seeks to promote this through two key areas:

- **SRI factors** – considering the financial impact of environmental, social and governance (ESG) factors on the long-term prospects of investments, with awareness of the growing concerns around climate change.
- **Stewardship and governance** – Good governance can enhance the long-term performance of companies, and this is encouraged by the Fund through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee has directed investment managers to consider the effects of social, environmental and ethical issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund.

The Fund recognizes the benefits of working in collaboration with other investors to achieve its aims. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which is an initiative that enables the Fund to work with other investors to understand the impacts of SRI considerations on financial performance.

The Fund is committed to working with the ACCESS Pool Operator and fellow funds in ACCESS to ensure that the Investment Managers appointed to the pool adopt the Fund's SRI policies.

The Fund does not exclude investments in order to pursue boycotts, divestment or sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Voting rights

The Fund believes that good stewardship can enhance long-term portfolio performance, and is in the best interests of the Fund's beneficiaries and aligned with fiduciary duty. The Fund supports

Cambridgeshire
Pension Fund

the principles of the UK Stewardship Code (the “Code”) and is working with the Fund’s advisers with the intention to sign up to the Code.

The Committee has delegated the exercise of voting rights to investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. For investments held within the ACCESS pool, the Operator has implemented its own voting policy, which has been agreed by all partner Funds and the Operator has included the requirement of all managers to adopt this policy on a comply or explain basis in each sub fund prospectus.

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For and on behalf of Cambridgeshire County Council Pension Fund Committee

Appendix B: Pension Fund Committee – Investment Strategy Statement

Cambridgeshire
Pension Fund

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Investment Strategy Statement (Published XX XX 2019)

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Introduction and background

This is the Investment Strategy Statement ("ISS") of the Cambridgeshire County Council Pension Fund ("the Fund"), which is administered by Cambridgeshire County Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") and supersedes all previously published Statement of Investment Principles.

The ISS has been prepared by the Pension Fund Committee ("the Committee") having consulted on the contents of the Fund's investment strategy with such persons it considers appropriate. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was last approved by the Pension Committee on 29 March 2018, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement which can be found at http://pensions.northamptonshire.gov.uk/wpcontent/uploads/2016/12/CambridgeshireFundingStrategyStatement2016.pdf .

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Objectives of the Fund

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. Pensions and benefits will be met by contributions, asset returns and income.

The Pension Fund Committee works to endeavour that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

The Fund is subject to an actuarial review every three years, in preparation for which the Fund, in conjunction with the Fund's Actuary and taking investment advice, prepares a Funding Strategy Statement (FSS) that sets out the strategy to ensure the long-term solvency of the Fund whilst recognising the need for a minimum (where possible and subject to a level of prudence) and, stable level of employer contributions.

The Administering Authority runs the Cambridgeshire Fund, in effect the LGPS for the Cambridgeshire area, to make sure it:

- Invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth.

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Appendix B: Pension Fund Committee – Investment Strategy Statement

Cambridgeshire Pension Fund

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Investment Beliefs

The strategy adopted by the Fund reflects the FSS requirements to invest surplus contributions appropriately with the aim that the Fund's assets grow over time with investment income and capital growth by applying the following investment beliefs:

1. The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments and recognises that the Fund is a long-term, open scheme that has an obligation to pay benefits that are linked to inflation. The Committee also takes into account the covenant associated with the Fund's employers in deciding how much risk is appropriate.
2. Asset allocation and specifically the headline amounts invested in equities, fixed income and alternatives, will drive risk and return levels.
3. Investing over the long-term provides opportunities to improve returns.
    a. Asset classes that return over a reasonably long duration are suitable for this Fund.
    b. The Fund has a policy of holding managers over the longer-term to reduce the impact of transitions and believes in the benefits of compounded returns.
4. Equities are expected to generate returns above the growth of liabilities over the long-term and have an indirect link to inflation.
    a. The Fund predominately holds equities due to the belief that they will provide returns above liabilities over the long-term and this helps to ensure that contributions remain affordable.
5. Inflation linked UK Government bonds provide a high degree of liability matching and a direct link to inflation.
    a. Investments in government bonds are not held for return purposes but are held in order to mitigate the risk that contribution rates need to increase significantly should yields fall.
6. Non-Government bonds are expected to provide a return above government bonds and can provide some interest rate protection relative to the liabilities.
7. Alternative assets are expected to generate returns above liabilities over the long-term, can have an inflation link, as well as providing diversification benefits.
8. Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
9. The Committee favours active management, where there are opportunities for active managers to add value, increasing overall expected return net of fees.
10. Passive strategies provide low cost access to market returns.
11. Responsible Investment including Environmental, Social and Governance are important factors for the sustainability of longer term investment returns.
12. Value for money is defined as recognising net return over absolute cost.

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LGSS

Cambridgeshire
Pension Fund

Selecting a suitable strategy

The Pension Fund Committee is responsible for the Fund's asset allocation which is determined via a triennial strategy review as part of the valuation process, but is kept under regular review; noting that strategic changes are an evolutionary process.

The triennial review looks at both qualitative and quantitative analysis, covering the following, which are expanded upon later in this statement:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit
- An analysis of the magnitude of the various risks facing the Fund is established in order that a priority for mitigation can be determined
- The desire for diversification across asset class, region, sector, and type of security.

The Committee utilises a wide range of professional support such as an investment consultant and the Fund's Actuary. As noted above, the Fund's objective is to pay benefits as they fall due and this requires the buildup of sufficient reserves in advance. The Fund is currently assessed to have a deficit in terms of the reserves needed and so the asset strategy is focused on achieving returns in excess of inflation, without taking undue risk. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund's current investment strategy is set out below reflecting agreed changes made in the 2018/19 financial year with particular emphasis on reducing the allocation to listed equities and increasing the allocation to alternatives. Set out below is the high level strategic asset allocation setting out the acceptable tolerance ranges within asset class.

Asset class	Target allocation %	Tolerances%
Equities	58.0%	+/- 5% (53.0% - 63.0%)
Fixed Income	12.0%	+/- 3% (9.0%-15.0%)
Alternatives	30.0%	+/- 5% (25.0% - 35.0%)
Total target Allocation	100.0%	

The tolerance ranges allow for the long-term natural deviation from the strategic percentage allocation due to differential relative performance of each investment type. Exceeded tolerances will be reported in the quarterly performance report to the Investment Sub Committee.

The expected return of this portfolio is 4.4% per annum.

Risks

This section considers key investment risks and mitigations.

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Risks¶
The Committee assesses risks both qualitatively and quantitatively, with the starting point being the triennial strategy review. Risks are considered, understood and then prioritised accordingly.¶
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Investment Risks

The Committee uses Risk Attribution Analysis to determine the order of magnitude of the main investment risks the Fund is facing. The chart below shows the VaR (Value at Risk, essentially the losses that would occur in a 1-in-20 event) facing the Fund, split into major risk categories.

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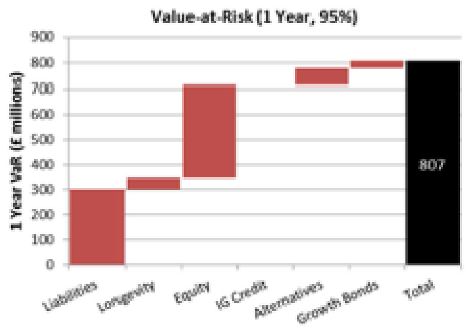

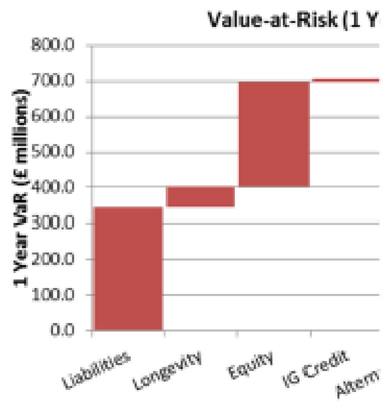

As an additional illustration of risk, the table below shows how a range of events could impact the Fund:

Event	Event movement	Impact on Deficit
Fall in equity markets	20% fall in equities	£405m
Active Manager underperformance	3% underperformance from all active managers	£68m

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As shown in both the Value-at-Risk attribution chart and the table above, the two most significant risks that the Fund is running are equity risk and liability risk (arising from interest rates and inflation). The risks associated with active management underperformance of investment assets, whilst not immaterial, is relatively less.

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Liabilities (interest rate and inflation) **–** The largest risk that the Fund faces is in relation to interest rates and inflation. The investment strategy recognises this and looks to increase the allocation to assets that provide protection against falling rates and rising inflation expectations when affordable to do so, which is considered appropriate in the context of the Fund's position as a long-term investor.

Equities **–** Should equity market conditions deteriorate significantly this will have a negative impact on the funding level. The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensates the level of risk equities bring to the Fund, but does believe in diversification, and looks to mitigate equity risk by investing significantly in bonds and alternatives.

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Appendix B: Pension Fund Committee – Investment Strategy Statement

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Alternatives – The Fund has a significant amount of assets allocated to a range of alternatives, with allocations to property and private equity, amongst others. The risks that these investments bring at an individual level is not insignificant however the Committee believe that over the long term alternatives will provide returns that compensate for the risks being run. Additionally the level of diversification the assets provide helps to reduce the Funds reliance on returns from equities. Illiquid assets such as property and infrastructure also provide regular cash returns in addition to capital appreciation.

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The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund by investing in a range of different investments can minimise the level of risk run to a degree.

Passive Manager Risk – This is the simplest style of investment which places monies purely to track indices with the associated risks of following the full effects of both positive and negative market movements benefiting from the most economical fee rates. This contrasts to active management which is applied to smooth volatility and improve market returns albeit at higher fee rates, the assumption being that the net return after fees is greater than pure passive management.

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Demographic Risk

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as the pensioner liability increases. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that investments would need to be realised in order to pay benefits. The Fund is not in that situation at present as cash inflows from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

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Appendix B: Pension Fund Committee – Investment Strategy Statement

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Appendix B: Pension Fund Committee – Investment Strategy Statement

Cambridgeshire
Pension Fund

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Factor	Allocation	Inflation linkage	Interest rate sensitivity	Growth	Diversifier from equities	Liquidity	Liability matching
Equities	[illegible]	Indirect link to inflation over the long-term	No	Yes	No	Yes	No
Index Linked Gov't bonds	5	Yes	Yes	No	Yes	Yes	Yes
Non-Gov't Bonds	7	No	Yes	No	Yes	Yes	Yes
Property	10	Indirect link to inflation over the long-term	No	Yes	Yes	No	No
Private Equity	2	Yes	No	Yes	Yes	No	No
Local Investing	5	Yes	No	Yes	Yes	No	No
Infrastructure	4	Yes	No	Yes	Yes	No	Yes
Loans	2	No	Yes	No	Yes	Yes	No
TOTAL	100						

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The graph below illustrates the linkage of the asset allocation to the key investment risk factors shown in the table above. The ongoing monitoring of the Investment Strategy will review the adequacy of the strategy against these factor risks.

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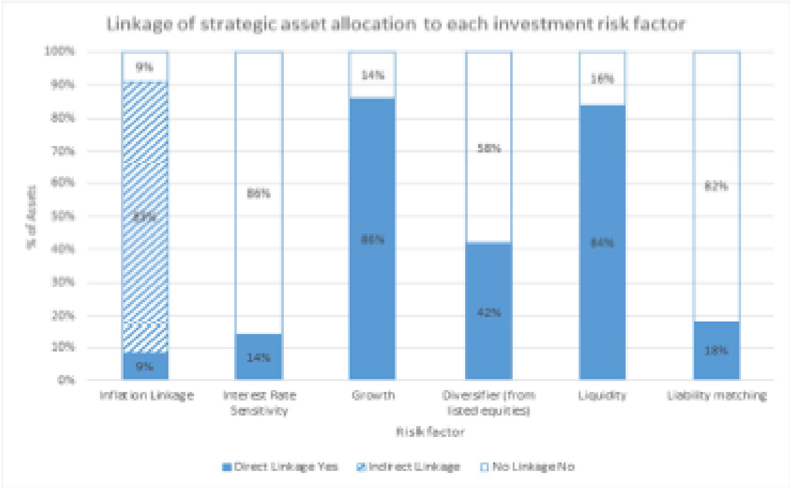

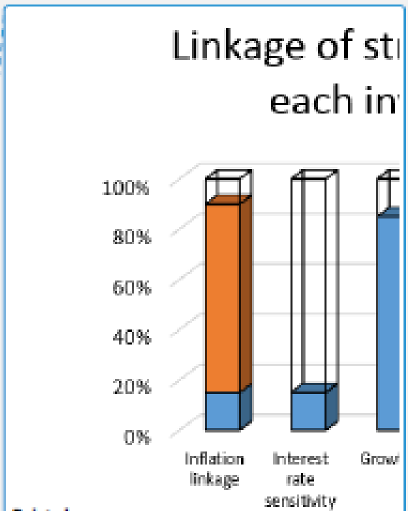

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Isle of Wight
Kent
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Northamptonshire
Suffolk
West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed an Inter-Authority Agreement to underpin their partnership. The ACCESS funds are working in the expectation that, over time, all investments will be pooled apart from where there is a no value for money benefit to pooling a specific investment as identified and agreed by an individual fund.

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The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in July 2016, which is available on ACCESS's website http://www.accesspool.org/ ¶
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In addition Cambridgeshire will not pool cash held for the efficient administration of the scheme, which is needed to manage cash flow to meet statutory liabilities including monthly pension payroll payments.

Sustainable Responsible Investment Policy (Environmental, Social and Governance)

The Committee considers the financial impact arising from Environmental, Social and Governance ("ESG") risks to be a fiduciary responsibility and an integral part of the risk assessment of any investment, captured under the phrase "Sustainable Responsible Investment" ("SRI"). The Committee recognises that effective management of SRI issues can enhance long-term financial performance of investments and seeks to promote this through two key areas:

- **SRI factors** – considering the financial impact of environmental, social and governance (ESG) factors on the long-term prospects of investments, with awareness of the growing concerns around climate change.
- **Stewardship and governance** – Good governance can enhance the long-term performance of companies, and this is encouraged by the Fund through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee has directed investment managers to consider the effects of SRI issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund.

The Fund recognises the benefits of working in collaboration with other investors to achieve its aims. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which is an initiative that enables the Fund to work with other investors to understand the impacts of SRI considerations on financial performance.

The Fund is committed to working with the ACCESS Pool Operator and fellow funds in ACCESS to ensure that the Investment Managers appointed to the pool adopt the Fund's SRI policies.

The Fund does not exclude investments in order to pursue boycotts, divestment or sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Voting rights

The Fund believes that good stewardship can enhance long-term portfolio performance, and is in the best interests of the Fund's beneficiaries and aligned with fiduciary duty. The Fund supports the principles of the UK Stewardship Code (the "Code") and is working with the Fund's advisers with the intention to sign up to the Code.

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The Committee has delegated the exercise of voting rights to investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. For investments held within the ACCESS pool, the Operator has implemented its own voting policy, which has been agreed by all partner Funds and the Operator has included the requirement of all managers to adopt this policy on a comply or explain basis in each sub fund prospectus.

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For and on behalf of Cambridgeshire County Council Pension Fund Committee

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