

## **PENSION FUND COMMITTEE**

**Date: Thursday, 18 October 2018**

**Democratic and Members' Services**

Fiona McMilan

Deputy Monitoring Officer

Shire Hall

Castle Hill

Cambridge

CB3 0AP

**10:00hr**

**Kreis Viersen Room**

**Shire Hall, Castle Hill, Cambridge, CB3 0AP**

### **AGENDA**

**Open to Public and Press**

- 1. Apologies for absence and declarations of interest**  
*Guidance on declaring interests is available at*  
<http://tinyurl.com/ccc-conduct-code>
- 2a. Public Minutes Pension Fund Committee 26th July 2018** **5 - 10**
- 2b. Action Log** **11 - 14**
- 3. Pension Fund Annual Business Plan Update Report 2018-19** **15 - 28**
- 4. Administration Performance Report** **29 - 38**
- 5. Exclusion of Press and Public**

*To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraphs 1 & 3 of Part 1 of Schedule 12A of*

*the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)*

**6. Hymans Robertson Employer Assets Tracker (Heat)**

- Information relating to any individual;
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

**7. Outline of Fund Valuation Process**

- Information relating to any individual;
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

**8. Access Asset Pooling Update**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

**OTHER NON CONFIDENTIAL REPORTS**

<b>9.</b>	<b>Governance and Compliance Report</b>	<b>39 - 48</b>
<b>10.</b>	<b>Review of Reporting Breaches of the law to the Pensions Regulator Policy</b>	<b>49 - 68</b>
<b>11.</b>	<b>Cambridgeshire Pension Fund Data Improvement Policy and Plan</b>	<b>69 - 90</b>
<b>12.</b>	<b>Employer Admissions and Cessation Report</b>	<b>91 - 96</b>
<b>13.</b>	<b>Pension Fund Annual Report and Statement of Accounts cover report</b>	<b>97 - 210</b>
<b>14.</b>	<b>Date of Next Meeting - 6th December 2018</b>	
<b>15.</b>	<b>FURTHER SCHEDULED MEETING</b>	

The Pension Fund Committee comprises the following members:

Mr Matthew Pink Councillor Richard Robertson Councillor David Seaton and Mr John Walker  
Councillor Peter Downes Councillor Anne Hay Councillor Roger Hickford Councillor Terence  
Rogers Councillor Josh Schumann and Councillor Mike Shellens

*For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact*

Clerk Name: Dawn Cave

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## **MINUTES OF THE PENSION FUND COMMITTEE**

Date: Thursday 26<sup>th</sup> July 2018

Time: 10:00-11.50am

Place: Kreis Viersen Room, Shire Hall, Cambridge

### **Committee Members**

present: County Councillors P Downes, A Hay, R Hickford (Vice-Chairman), T Rogers (Chairman), J Schumann and M Shellens; L Brennan and J Walker

Officers: D Cave, S Heywood, P Tysoe, M Whitby

Advisor: J Holden

Apologies: Cllr D Seaton, M Pink

## **78. DECLARATIONS OF INTEREST**

John Walker declared a personal interest (i) as a retired member of the Local Government Pension Scheme (LGPS), (ii) his daughter-in-law was a current member of the LGPS and (ii) his son was a deferred Member of the LGPS.

Liz Brennan declared a personal interest as an active member of the scheme

Councillor P Downes declared an interest as a retired member of the scheme.

## **79. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE MEETING HELD ON 24<sup>th</sup> MAY 2018**

The minutes of the Pension Fund Committee meeting held on 24<sup>th</sup> May 2018 were approved as a correct record and were signed by the Chairman.

The following items were noted under the Action Log:

Item no. 45 – the Multi Academy Trust had paid every month, up to and including July.

Item no. 73 - the review of effectiveness of the Pension Fund Committee survey would be repeated next year.

The further report on overpayments (item 74 of the minutes) would be included in the quarterly report to the Pension Fund Committee.

Item no. 75 – officers confirmed that employer take up of the training sessions could be made available to the Committee.

A Member commented that overpayments seem to be increasing, and suggested that this may primarily be due to next of kin not notifying the Service about the death of pensioners. Measures to address this were discussed.

The Committee noted the Action Log.

## **80. PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS**

The Committee considered the draft Annual Report and Statement of Accounts (SOA) of the Pension Fund for the 2017-18 financial year. The Annual Report set out the activities of the Committee, and the structure and content of the report was set out by CIPFA. The narrative provided information around the performance and administrative side of the Fund. Officers summarised the key highlights of the SOA and Annual Report.

The County Council's External Auditor, BDO, audited the Pension Fund as a separate entity, as well as the County Council. The auditors had completed their audit field work of the Pension Fund Statement of Accounts, but had not yet completed their review work. The accounts had received very positive feedback from the auditors, with no changes required. This was testament to the hard work of the team involved, who had met with key officers of CIPFA who define the Code of Practice on Local Authority Accounting, and who work closely with them to ensure that the SOA was aligned to that Code.

The SOA would be considered by the County Council's Audit & Accounts Committee. The final version of the Annual Report and SOA would be presented to the October Pension Fund Committee meeting, following further work.

Attention was drawn to the summary Pension Fund Account for the year. Contributions had increased slightly, partly reflecting that this was the first year of the new triennial valuations rates. Benefits had also increased – primarily due to inflation and the lump sums payable to retirees – but not by as much as contributions. Nearly £24M had been added to the investment programme, but this reduced to nearly £7M after Fund Manager fees had been taken into consideration. It was projected that this cash rich trend should continue for the next five years.

Members noted that whilst investment income was positive for the year, occasionally the cyclical nature of markets meant that returns were negative. However, the Fund was more than reaching its return expectations on investments. The current value of the Fund was around £3Bn.

Arising from the report:

- with regard to the small amount of tax paid on income, officers advised that the Fund occasionally received foreign income on investments net of withholding tax. This was reclaimable where tax agreements existed, but there were issues with some countries, and in those cases this tax was incurred as an expense to the Fund. Members were reassured that the withheld tax would be challenged with the Custodian. Officers were asked to report back on this to the Committee. **Action required;**

- Members noted that the two page colour summary included as an appendix had been the idea of Councillor Shellens. Members' views were sought on whether this provided an adequate summary. The summary was available on line to scheme members, and would be linked to the newsletter. There was a discussion on how the current financial issues at Northamptonshire County Council (NCC) should be referred to in the summary. It was agreed that reference should be made to NCC, as most scheme members would be aware that the Pension Fund shared many officer resources with NCC, but any statement should reassure them that this would not impact in any way on the Cambridgeshire Pension Fund;
- it was confirmed that there had been no public questions on the accounts since they were made publically available on 1<sup>st</sup> June;
- a Member noted that investment performance for 1, 3, 5 and 10 year periods were all below benchmark. Officers responded that the Cambridgeshire Fund was more highly allocated to equities than peers in the LGPS universe, which was a more volatile strategy;
- a Member asked for more information regarding the Net Operational Expenses table (p19 of the the report). Officers agreed to respond directly. **Action required;**
- Members discussed the vulnerability of funds to Brexit. Both Jo and officers stressed that the Fund was global, with exposure to UK markets limited to around 24%. Jo advised that Mercer had just produced a report on the potential exposure to Brexit, and agreed to circulate it. **Action required.** The implications around fluctuations in the value of Sterling versus other currencies were noted. More generally, the Fund took a long term approach and did not react to short term market events;
- a Member asked if overpayments not recovered were written off. It was confirmed that the differences between the total and overpayments and recovered was those overpayments still being progressed;
- Officers outlined the measures being undertaken with regard to data: a data audit was just being finalised, the results of which would be presented to Members later in the year, along with an improvement plan. An action plan would be presented to the next Pension Fund Committee around certain aspects of data quality. A lot of work had been undertaken around data reconciliations, e.g. the recent reconciliation of pensioners living overseas, but an overarching report was being prepared on data reconciliations. In terms of the risk of security breaches, e.g. access to data, the Pension team's systems were effectively audited as part of the Internal Audit process. Officers agreed to consider how they could give further reassurance to the Committee;
- It was confirmed that if an Academy went into liquidation, the government guarantee should apply, and this had been the case for a number of Academies nationally;
- It was confirmed that the projected savings of £30M annually was across all ACCESS members;
- referring to the section on Internal Disputes Resolution Procedure (IDRP) in the Scheme Administration Report, a Member asked if the 50% success rate was a satisfactory outcome, or whether this was an area that required attention. Officers outlined how IDRP worked in

practice, and agreed to send round a note to the Committee on the four cases that had been lost, and the factors considered when making decisions on IDRP. **Action required.**

The Chairman advised that he had received, as in his capacity as a member of the Audit & Accounts Committee, a copy of the Audit Completion Report for the Pension Fund accounts, a few days previously. He was extremely pleased with the report findings, which had only one adverse comment, which related to a variance that had not been adjusted. He thank officers for their hard work on this, and requested that the Clerk circulate the Audit Completion Report to Committee Members. **Action required.** The Chairman also asked that if any further comments or questions arose when Members considered the Annual Report and Statement of Accounts, that they email those to both officers and the Chairman.

It was resolved unanimously to:

1. approve the Draft Annual Report and note the Statement of Accounts of the Pension Fund for the 2017-18 financial year;
2. approve that the Chairman agree with officers any immaterial amendments to the Annual Report arising from the final External Auditor review comments.

## **81. EXCLUSION OF PRESS AND PUBLIC**

It was resolved:

That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information which is likely to reveal information relating to the financial or business affairs of any particular person) and that it would not be in the public interest for this information to be disclosed.

## **82. ANNUAL REVIEW OF THE FUND'S INVESTMENT MANAGERS**

Jo Holden presented a review of the Fund's Investment Managers for the year 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018.

It was resolved unanimously to note the Annual review of the Fund's Investment managers.

## **83. INVESTMENT MANAGER FEE REVIEW**

Members considered a report reviewing fees paid by the Fund to its Investment Managers. The report set out each investment manager, the size of their mandates, the fees charged (both in percentage and absolute terms) and returns delivered after fees had been deducted. The Committee was reminded that the Investment Sub-Committee considered Investment Manager performance on a quarterly basis.



It was resolved unanimously to note the review of the fees paid by the Fund to its investment managers.

#### **84. CUSTODIAN MONITORING REPORT**

The Committee considered a report on the performance of the Fund's Custodian to 31<sup>st</sup> March 2018.

It was resolved unanimously to note the Annual Review of the investment operations of the Fund.

**Chairman**



## CAMBRIDGESHIRE PENSION FUND

### Pension Fund Committee

Agenda Item: 2b)

#### Action log from previous meeting

This log captures the actions from the Pension Fund Committee of the 26 July 2018 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at 5 October 2018.

#### Outstanding actions from 26 July 2018 meeting of the Pension Fund Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
80.	Pension Fund Annual Report and Statement of Accounts	Paul Tysoe	With regard to the small amount of tax paid on income, officers advised that the Fund occasionally received foreign income on investments net of withholding tax. This was reclaimable where tax agreements existed, but there were issues with some countries, and in those cases this was incurred as an expense to the Fund. Members were reassured that the withheld tax would be challenged with the custodian. Officers were asked to report back on this to the Committee.	<p>Officers made enquiries of the custodian who confirmed that of the £329k shown as tax on income in the statement of accounts, £162k was recoverable. The remaining £167k was unrecoverable due to the payment method used by the income issuer.</p> <p>The recoverable tax of £162k was discussed with the external auditors and it was agreed that the statement of accounts should not be amended for this immaterial amount, and instead an amendment would be made in 2018/19.</p>

80.	Pension Fund Annual Report and Statement of Accounts	Paul Tysoe	A member asked for more information regarding the Net Operational Expenses table (P19 of the report). Officers agreed to respond directly.	Officers have responded to the query directly.
80.	Pension Fund Annual Report and Statement of Accounts	Paul Tysoe	Members discussed the vulnerability of funds to Brexit. Both Jo and Officers stressed that the Fund was global, with exposure to UK markets limited to around 24%. Jo advised that Mercer had just produced a report on the potential exposure to Brexit, and agreed to circulate it.	Mercer has provided their report on the potential exposure to Brexit, along with a more recent Mercer paper on political risk, both of which were circulated in October. Mercers will be providing further information on the risks of Brexit and appropriate mitigations to the Investment Sub Committee in November 2018.

80.	Pension Fund Annual Report and Statement of Accounts	Paul Tysoe	Officers outlined how IDRП worked in practice, and agreed to send round a note to the Committee on the four cases that had been lost, and the factors considered when making decisions on IDRП.	E-mail sent to members confirming factors of the IDRП cases.
80.	Pension Fund Annual Report and Statement of Accounts	Paul Tysoe	The Chairman asked that if any further comments or questions arose when members considered the ARSOA they e-mailed both officers and the Chairman.	Noted.

82.	Annual Review of the Funds Investment Managers	Paul Tysoe	Members noted the 'Manager Summary' section of the report, and that the ISC was well are of issues set out in the report, and taking action where appropriate. A member suggested that it would be useful to see a column in this table comparing the Mercer rating and opinion for the previous year.	Noted.
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**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Fund Committee**

**Date:** 18 October 2018

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Pension Fund Annual Business Plan Update report 2018/19</b>
<b>Purpose of the Report</b>	To present the Pension Fund Business Plan Update for the second meeting of the 2018/19 financial year to the Pension Fund Committee.
<b>Recommendations</b>	1) The Committee are asked to note the Pension Fund Business Plan Update for the first meeting of the 2018/19 financial year.  2) The Committee are asked to approve the delay in the procurement of Legal Services until after January 2019 as set out in 2.2.1.
<b>Enquiries to:</b>	Joanne Walton, Governance and Regulations Manager <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

**1. Background**

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium Term Strategy are provided to the Committee on a regular basis. This update highlights the progress made on the key activities during the second quarter of the 2018/19 Business Plan which was approved by the Pension Fund Committee on 29 March 2018.

**2. Key Pension Fund Activities**

**2.1 Service Delivery**

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
SD1	Review staff retention		✓G		
SD2	Obtain full Customer Service Excellence standard accreditation		✓G		
SD3	Implement additional posts		✓G		

**2.1.1 SD1 – Review staff retention**

**Action** - Keep under review our ability to recruit and retain staff, ensuring any financial or reputational issues with a partner organisation do not impact the governance and administration of the Fund, taking remedial action where necessary.

**Update** – Desktop mapping exercise completed but would not assist retention of staff. Other mitigations explored. Wider LGSS workforce planning now underway.

### 2.1.2 SD2 – Evidence continued customer excellence

**Action** - Achieve interim Customer Service Excellence (CSE) Standard accreditation and develop and implement Action Plan from feedback received. Undertake full CSE assessment and develop further Action Plan.

**Update** – Successful completion of the interim CSE assessment with increased compliance plus areas from 2 to 4. The improved areas were in staff insight and improved customer journeys. The full assessment will be undertaken again in August 2019.

### 2.1.3 SD3 – Implement additional posts to structure

**Action** - Integrate four new posts into the LGSS Pensions structure to support combined LGPS administration to the Cambridgeshire and Northamptonshire Funds.

**Update** – The Senior Accounting Technical and Pensions Officer post have been fully recruited to. The Data Quality Officer post was successfully graded at the intended level and was advertised internally and externally with interviews scheduled for 5 October 2018. The Communications Officer job description and person specification is in the process of being written. A verbal update will be provided at this meeting to advise of the outcome of the Data Quality Officer interviews and the progress made in establishing the Communications Officer post.

## 2.2 Governance and compliance

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
GC1	Legal services procurement		✓G		
GC6	Data improvement plan		✓G		
GC8	Guaranteed Minimum Pension reconciliation / rectification		✓G		
GC9	Pensioner administration v pensioner payroll records rectification		✓G		

### 2.2.1 GC1 – Legal services procurement

**Action** - The Fund needs to procure its own supplier of Legal Services that has a specialism in pensions and investment law. As such the National LGPS Framework for Legal Services will be used to conduct the procurement. This will save time and expense as the necessary OJEU procurement processes have been completed and only the best quality and value for money suppliers are awarded a place on the Framework. It is proposed that the procurement is undertaken jointly with Northamptonshire Pension Fund to benefit from economies of scale as has been achieved with other joint procurements.



**Action** – The existing National LGPS Framework for Legal Services is due to expire in January 2019 and as such it is recommended to the Pension Committee that activity should begin once the framework has been refreshed and becomes available to let from also in January 2019. This will allow for the Fund to take advantage of revised and more beneficial terms and conditions from a refreshed range of potential suppliers.

#### **2.2.2 GC6 - Data improvement plan**

**Action** - It is a requirement of the Pensions Regulator's code of practice on the governance and administration of public service pension schemes to have in place a data improvement plan.

**Update** – The Data Improvement Policy and the Data Improvement Plan have now been drafted and will be presented at this meeting for the Pension Committee's approval.

#### **2.2.3 GC8 - Guaranteed Minimum Pension reconciliation / rectification**

**Action** - Following the introduction the end of contracting-out on 6 April 2016, it was necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by HMRC. HMRC are currently operating, until 31 December 2018, a reconciliation service in order for schemes to query and amend the data held.

**Update** – ITM Limited who were procured to perform the reconciliation have confirmed that all necessary queries have been presented to HMRC for resolution. Any queries that need to be referred back to HMRC for a second review will be done so prior to the 31 December deadline. ITM Limited have confirmed that they fully expect to have complete resolution of the reconciliation stage of this project by 31 December 2018. The associated rectification of records where an incorrect rate of GMP has been in payment will commence with effect from 1 January 2019.

#### **2.2.4 GC9 - Pensioner administration v pensioner payroll records rectification**

**Action** - In October 2016, the Fund migrated its pensioner payroll from the County Council's Oracle payroll solution to Altair payroll and in January 2017 the Altair pensioner administration records were merged with the Altair pensioner payroll records and following an analysis of the two sets of data a number of over and underpayments of pension were identified and require rectification.

**Update** – The resolution of potential underpayments of pension is nearing full completion with the exception of a few cases which are complex to resolve with complete accuracy. Between February and September 2018, 213 underpayments of pension were fully resolved with arrears of pension and interest paid to the member.

At the time of writing this report 11 out of a potential 236 cases have been confirmed as definitive overpayments, the member contacted and the pension reduced to the correct ongoing rate. Following further investigation 66 of the potential overpayments were found were found not to be overpaid. Of the 11 definitive overpayments, 9 were over £100 and recovery is being sought in line with the Fund's Overpayment of Pension Policy.

## 2.3 Communications, Systems and Employer Management

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
CSEM1	Employer covenant monitoring		✓G		
CSEM2	Investigate and prepare for move to electronic communications as standard		✓G		
CSEM3	Promotion of member self service		✓G		
CSEM4	Monitoring/understanding the member experience	✓G			
CSEM5	Review resilience to cyber crime		✓G		
CSEM6	In-house hosting by LGSS IT		✓G		
CSEM7	Development of employer resources		✓G		
CSEM8	Implementation of HEAT	✓G			

### 2.3.1 CSEM1 – Employer covenant monitoring

**Action** - At the 2016 whole Fund valuation, a risk based approach to setting the contribution strategy for employers was introduced. This approach used a high level covenant assessment of employers to group them into various categories to determine the contribution strategy that would apply to them. Employer covenant monitoring has so far been based on information readily available to the Fund, e.g. employer type, guarantor.

This approach now needs to be developed further for riskier employers and incorporate wider external factors into the covenant assessment including an employer's financial position, market position and other related factors. This kind of assessment requires specialised skills and knowledge. The Admission Bodies, Scheme Employers and Bulk Transfers Policy will be reviewed to incorporate covenant assessment.

**Update** - Conference calls have been arranged with both Hymans Robertson and Aon to discuss the employer covenant monitoring services that they provide with a view to implementing a covenant monitoring process as part of the 2019 valuation.

### 2.3.2 CSEM2 - Scope move to electronic communications

**Action** - Since 2015/16 the Fund has been increasing the use of electronic communications with members, such as issuing annual benefit statements to active and deferred members electronically. In addition, the Fund has also begun offering members the option to receive other scheme communications electronically, delivered through member self-service. The next stage is to move to a position of electronic communication by default, unless a member has opted out of electronic communications.

Technical and policy requirements/restrictions need to be investigated to allow decisions to be made as to which electronic communications are possible and/or desired. Following this scoping exercise our Communication Strategy will be reviewed with the view to including electronic communications.

**Update** - Discussion have been held with the Data protection team to discuss what electronic communications are feasible. This has confirmed that LGSS Pensions are able to send all communications electronically, as long as members had been provided with the adequate notifications that electronic communications will be used as standard. This exercise has already been undertaken for all active and deferred members, as part of the process for moving to electronic annual benefit statements.

The preferred method of providing electronic communications would be to issue communications through the members online pension account. This would ensure the communications remain secure and encourage use of the self-service facility. LGSS Pensions are now in the processes of putting technology in place to easily notify members that documents have been added to their pension account, it is planned to use e-mail and/or text messages to provide these notifications. In order to enable this, a facility used by the Cabinet office "Notify" is currently being explored.

### **2.3.3 CSEM3 – Promotion of member self service**

**Action** - Take up of member self-service has remained consistent over the last 3 years at approximately 20% of active and deferred members signing up and using this facility. New initiatives to increase use of member self service will be investigated and applied as appropriate.

**Update** - Member self-service has continued to be promoted (which is now referred to as members "online pension account"), primarily through their employers. To aid this, promotional materials, such as posters, have been sent to scheme employers who have been asked to display these in the workplace or distribute directly to their staff. During August, in the lead up to and during the issuing of annual benefit statements to members, the promotion of the online pension account was increased. All members, for whom an email address is held, were notified via email that their statement were available by registering for and/or logging in to their pension account.

Advertisements have appeared on both Cambridgeshire County Council's and Huntingdon District Council's intranet promoting the online pension account and informing members that their annual benefit statement is now available.

Spikes in new registrations have been identified following campaigns with 1,880 new registrations from May to August and increase from 727 new registrations from January to April across both Cambridgeshire Pension Fund and Northamptonshire Pension Fund.

LGSS Pensions will also be arranging to go to all the major district councils to run Member Self Service demonstrations to the staff to encourage more members to sign up. This would reach a large proportion of our membership base.

The service will also soon be available to existing pensioner members. New pensioners currently have access automatically provided if they had previously signed up as an active or deferred member

### **2.3.4 CSEM4 – Monitoring/understanding the member experience**

**Action** - During the 4<sup>th</sup> quarter of 2017/18, a new member survey was issued to all members following contact with officers to measure the level of satisfaction in their

experience dealing with the Fund. The results of the survey will be collated and analysed and an action plan developed for improving member experience.

**Update** – 74 surveys to members across both funds have been issued from which 40 responses were received, representing a 54% response rate. This is viewed as an excellent response rate as it is general practice to expect a response rate of just 10-15%. Of the responses received, 70% rated their experience as excellent, 5% good, 10% satisfactory, and 15% as poor or very poor.

Of the 40 responses received, 15 of these included further text which gives more information on the member experience and offers more feedback on how services can be improved. Feedback will continue to be monitored and actions will be put in place to ensure that these can be dealt with more efficiently in future.

### **2.3.5 CSEM5 - Review resilience to cyber crime**

**Action** - Cybercrime is becoming an increasing threat to pension funds so it is important to review resilience to such attacks via both internally and externally hosted platforms.

**Update** – The Employer Services Manager has begun preparing a training session for officers to improve awareness of different types of cybercrime and methods used to carry out such crime. This will include a number of simple steps that can be taken as individuals to minimise the risk and impact. This training will also be offered to Committee and Board members.

### **2.3.6 CSEM6 - In-house hosting by LGSS IT**

**Action** - In-house hosting of pensions server from Aquila Heywood to LGSS

**Update** – The project is not currently a business priority of LGSS IT and the administering authority are satisfied with current provision. Current Aquila Heywood platform being upgraded.

### **2.3.7 CSEM7 – Development of employer resources**

**Action** - The Fund will continue to investigate and implement appropriate improvements to the resources available to employers for providing accurate and timely information, including expanding the monthly collection of data via i-Connect.

**Update** - An introductory email has been issued to all of the District and Borough Councils who are not on the I-Connect system. The email has been issued to the Finance officer responsible for submitting data to LGSS Pensions giving an explanation of the benefits of moving across to I-Connect. LGSS Pensions has also offered webinars and training during the implementation phase. Another email will subsequently be sent a month later to any of the employers who have not responded to discuss further and gather feedback.

An introductory email was also sent to a select number of smaller employers offering the option to test a new version of I-Connect for smaller employers and again offering more bespoke training to help with the transition. A test group will be used to help create a training plan to be used when rolling this out to the wider employer base.

### 2.3.8 CSEM8 – Investigation into use of Hymans Robertson Employer Asset Tracker (HEAT)

**Action** - HEAT is a unitised approach to tracking employer assets developed by Hymans Robertson, the Fund's actuary. This approach allows the Fund to track individual employer assets on a monthly basis leading to more accurate and transparent valuations for individual employers.

**Update** – A detailed discussion has been held with Hymans Robertson to discuss the potential implementation of HEAT. Officers believe that this is the correct approach and a proposal has been provided to the Committee via a report at this meeting for discussion and approval.

## 2.4 Operations

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
Ops1	Processing of undecided leavers	✓G			
Ops2	Establish ESCROW account for 'out of scheme' payments	✓A			

### 2.4.1 Ops1 – Processing of undecided leavers

**Action** - The Fund has a number of undecided leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award. An in-depth analysis of the unprocessed or partially processed records and an action plan to be formed to deal with each category is required.

**Update** – Progressing according to separate Action Plan included at Appendix 2

### 2.4.2 Ops2 – Establish ESCROW account for 'out of scheme' payments

**Action** - The Fund requires a non-interest bearing ESCROW account belonging to the administering authority to hold specific pension scheme benefits that if not paid to the appropriate recipients within a specific period of time, then become an unauthorised payment subject to tax charges on both the scheme member or beneficiary and the scheme.

**Update** – Bank accounts and general ledger codes have been set up. Discussions are underway with the Treasury Team to agree the process for making payments to and from the account, and how these will feed through to the general ledger.

## 2.5 Investments, accountancy and cash flow management

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
IA3	Direct Investment	✓G			
IA5	Responsible Investment	✓G			
IA6	Strategic Asset Allocation review	✓G			

### 2.5.1 IA3 – Local Direct investment

**Action** - Appoint a manager to create a bespoke local investment fund for the Cambridgeshire Fund, capable of investing in a range of asset classes and to investment parameters agreed by the Pension Fund Committee. Appoint a consultant under Lot 2 of the investment consultancy National Framework to assist with the development of a procurement specification and to support an OJEU compliant manager procurement process.

**Update** - The ISC will receive presentations regarding establishing Local Economic Development Funds at its 27 September meeting, with the intention to select a preferred provider to further develop the Funds Local economic development initiative.

### 2.5.2 IA4 - Responsible investment

**Action** - Implement full actions arising from Responsible Investment Information Day; to include signing up to UK Stewardship Code, increasing the Fund oversight of ESG integration into investment manager decisions, and monitoring and reporting of investment manager voting.

**Update** - This is programmed in for the latter half of the 2018-19 financial year and remains on track.

### 2.5.3 IA6 – Strategic Asset Allocation review

**Action** - Undertake a full review of the strategic asset allocation of the Fund to ensure the Fund has an appropriate allocation between asset classes in light of its liabilities and funding level. Review to include the different role each asset class plays in the portfolio construction and an investigation into different solutions available for the Fund to invest in.

**Update** - Papers were considered by the Investment Sub Committee at the 28 June 2018 meeting, recommending the continued implementation of the existing strategy to grow alternative investment options funded over time from listed equities. A special ISC meeting was held on the 10 September to consider the Fund current property manager and allocation, in addition a presentation from a highly regarded investment risk management provider was received. The committee have requested a follow up report to the November ISC considering diversification and investment risk management options.

## 3. Relevant Fund objectives

Continually monitor and measure clearly articulated objectives through business planning.
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## 4. Risk Management

- 4.1 The Pension Fund Committee approves the Annual Business Plan and Medium Term Strategy every March for the upcoming year. The plan highlights the key activities of the Fund and the progress of these activities are reported through the Business Plan Update reports provided to the Pension Fund Committee and Local Pension Board at every meeting.

- 4.2 The risks associated with failing to monitor progress against the Business Plan have been captured in the Fund's risk register as detailed below.

<b>Risk register</b>	<b>Risk mitigated</b>	<b>Residual risk</b>
Governance (risk 1)	The scheme would not be administered in line with regulations and policies	Green
Governance (risk 2)	Those charged with the governance of the Fund and scheme are unable to fulfil their responsibilities effectively	Amber

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

## 5. Communication Implications

<b>Direct Communications</b>	The Business Plan Update will be presented to the Pension Committee at its quarterly business meetings.
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## 6. Legal Implications

- 6.1 Not applicable

## 7. Consultation with Key Advisers

- 7.1 Consultation with the Funds advisers was not required for this report.

## 8. Alternative Options Considered

- 8.1 Not applicable

## 9. Background Papers

- 9.1 Annual Business Plan and Medium Term Strategy 2018/19 –  
<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/2962/Committee/412/Default.aspx>

## 10. Appendices

- 10.1 Appendix 1 – Full list of Key Fund Activities for the 2018/19 financial year.
- 10.2 Appendix 2 - Unprocessed Leavers Action Plan

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so,	Not applicable

please outline the timetable here	
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 – sent 28 September 2018
Has this report been cleared by Head of Pensions?	Mark Whitby – 26 September 2018
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 3 October 2018
Has this report been cleared by Legal Services?	Fiona McMillan – 28 September 2018



## Appendix 1 – Full list of Key Fund Activities for the 2018/19 financial year.

### Service Delivery

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
SD1	Increase staff retention		✓				
SD2	Obtain full Customer Service Excellence standard accreditation		✓			✓	
SD3	Implement additional posts	✓					

### Governance and Compliance

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
GC1	Legal services procurement		✓				
GC2	Mortality screening / member tracing services procurement			✓			
GC3	Soft market testing for administration and payroll system procurement						✓
GC4	Review Additional Voluntary Contribution fund range				✓		
GC5	<b>The General Data Protection Regulation compliance</b>	✓					
GC6	Data improvement plan			✓			
GC7	Liability reduction exercises					✓	
GC8	Guaranteed Minimum Pension reconciliation / rectification			✓			
GC9	Pensioner administration v pensioner payroll records rectification		✓			✓	

### Communications, Systems and Employer Management

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
CSEM1	Employer covenant monitoring		✓				
CSEM2	Investigate and prepare for move to electronic communications as standard		✓				
CSEM3	Promotion of member self service		✓				
CSEM4	Monitoring/understanding the member experience	✓					
CSEM5	Review resilience to cyber crime	✓		✓			
CSEM6	In-house hosting by LGSS IT		✓				
CSEM7	Development of employer resources		✓			✓	

CSEM8	Implementation of HEAT	✓				
CSEM9	Implementation of ill health self-insurance/pooling	✓				
CSEM10	Preparation for the 2019 valuation			✓		

## Operations

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
Ops1	Processing of undecided leavers			✓			
Ops2	Establish ESCROW account for 'out of scheme' payments	✓					

## Investments, accountancy and cash flow management

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
IA1	Investment consultancy services re-tender					✓	✓
IA2	Global custody services re-tender					✓	
IA3	Responsible investment			✓			
IA4	Asset pooling				✓		
IA5	Strategic Asset Allocation review			✓			

## Appendix 2 - Unprocessed Leavers Action Plan – Cambridgeshire Pension Fund

### Casework volumes subject to this Plan

Category	Baseline July 2018	August 2018
Refunds	507	381
Deferred Benefit (single)	442	416
Deferred Benefit (multi)	1,492	1,418
Amalgamation	3,382	3,223
	5,823	5,438

Note this plan excludes business as usual casework volumes in progress that can vary significantly seasonally (e.g. end of year, end of school terms) and will usually be in the range 1-3k.

### Proposed actions

Action	Due/Completed
Ring fence and baseline backlog volumes	Completed
Re-engineer refund process so pension record frozen whilst member response awaited	Completed
Freeze all outstanding unclaimed refunds	By end September 2018, subject to Leaving Certificate being on file
Issue entitlement award to all cases where member is a confirmed leaver	Completed
Move cases with nil contributions to “no liability” status (effectively non-starters)	Completed
Inform large employers that we will be placing greater reliance on their submitted data necessitating improved employer-side quality assurance processes	Completed and reminders sent
Introduce reduced validation of employer data for data submitted from October 2018	Completed
Trial bulk processing for single job Deferred Benefit cases	By end October 2018

Request all missing leaving certificates (potentially circa 3,000) from relevant scheme employers and warn about timeliness of information	By end December 2018
Deferred benefit (multi) – Experienced officer to identify required casework and package up work for less experienced officers to process	Trial approach October 2018 Process cases by End June 2019
Introduce new altair pick-up solution to facilitate increased processing	Completed
Amalgamation – Investigate and propose action plan for these cases	Plan by end March 2019 Process from July 2019
Roll out i-Connect to all employers to remove year end processing	By end December 2019

Processing will be undertaken in accordance with previously agreed staff budget including full utilisation of vacancy factor/underspends.

# CAMBRIDGESHIRE PENSION FUND



## Pension Fund Committee

Date: 18 October 2018

Report by: Head of Pensions

<b>Subject:</b>	<b>Administration Performance Report</b>
<b>Purpose of the Report</b>	<a href="#">To present the Administration Performance Report to the Pension Fund Committee</a>
<b>Recommendations</b>	<b>The Pension Fund Committee are asked to note the Administration Performance Report</b>
<b>Enquiries to:</b>	Michelle Oakensen – LGSS Pensions Governance Officer <a href="mailto:moakensen@northamptonshire.gov.uk">moakensen@northamptonshire.gov.uk</a>

## 1. Background

- 1.1 One of the core functions of the Pension Fund Committee is to ensure the effective and efficient governance and administration of the scheme. This report demonstrates a number of key areas of administration performance for consideration by the Pension Fund Committee.

## 2. Administration Reporting

### 2.1 Variances against the forecast of investments and administration expenses

- 2.1.1 The tables in **appendix 1** provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pensions Committee in March 2018.

### 2.2 Key Performance Indicators – LGSS Pensions

- 2.2.1 The Pension Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions.
- 2.2.2 For the period 1 May to 31 August 2018 the Fund has met all targets. The detail surrounding the performance of the service can be found in **appendix 1**.

### 2.3 Receipt of Employee and Employer Contributions

- 2.3.1 Employers in the Fund have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. Providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.

2.3.2 The table in **appendix 1** shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the period 1 August 2017 to 31 July 2018.

2.3.3 Details of late paying employers for March, April, May, June and July can be found in **appendix 2 (private)** of the report.

### 3. Relevant Pension Fund Objective

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. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
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. <i>Objective 3</i>
Continually monitor and measure clearly articulated objectives through business planning <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>

### 4. Finance & Resources Implications

4.1 There are no financial and resource implications associated with this report.

### 5. Risk Management

5.1 The Fund's Administration Strategy sets out the performance standards of both the scheme employer and the administering authority (LGSS Pensions). The Pension Committee and Local Pension Board are expected to monitor performance standards through information contained within the Administration Report which is presented at each meeting.

5.2 The risks associated with either scheme employer or the administering authority failing to meet those performance standards 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 13)	Failure to have formal monitoring of Key Performance Indicators in place leading to officers being unable to produce accurate performance management reports.	Green

Governance (risk 18)	Failure to provide adequate information to the Pension Committee/Pension Board.	Green
Investment and Funding (risk 19)	Contributions to the Fund are not received on the correct date and for the correct amount.	Amber
Administration and Communication (risk 45)	Effective performance management is not in place for the administration of the Fund.	Green

## 6. Communication Implications

<b>Direct Communications</b>	The Fund publishes performance against the key performance indicators in the regular reports to the Pension Committee and Pension Fund Board and in the Fund's Annual Report.
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## 7. Legal Implications

7.1 Not applicable

## 8. Consultation with Key Advisers

8.1 Consultation with the Fund's advisers was not required for this report.

## 9. Alternative Options Considered

9.1 Not applicable

## 10. Background Papers

10.1 Not applicable

## 11. Appendices

11.1 Appendix 1 LGSS Pensions Key Performance Indicators

11.2 Appendix 2 Late payments of employee and employer contributions (private)

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	No
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 Section 151 Officer?	Sarah Heywood – sent 28 September 2018
Has this report been cleared by Head of Pensions?	Mark Whitby – 25 September 2018
Has the Chairman of the Pension Committee been consulted?	Councillor Rogers – 3 October 2018
Has this report been cleared by Legal Services?	Fiona McMillan – 28 September 2018



## Appendix 1 – LGSS Pensions Service Administration Report

### Variances against the forecast of investments and administration expenses

Fund Account	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	-129,000	-129,000	-	
Transfers in from other pension funds:	-4,907	-4,907	-	
<b>Total income</b>	<b>-133,907</b>	<b>-133,907</b>	-	
Benefits payable	101,000	101,000	-	
Payments to and on account of leavers	7,246	7,246	-	
<b>Total Payments</b>	<b>108,246</b>	<b>108,246</b>	-	
Management Expenses	8,494	8,494	-	
<b>Total income less expenditure</b>	<b>-17,167</b>	<b>-17,167</b>	-	
Investment income	-30,000	-30,000	-	
Taxes on income				
(Profit) and losses on disposal of investments and changes in the market value of investments	-77,000	-77,000	-	
<b>Net return on investments</b>	<b>-107,000</b>	<b>-107,000</b>	-	
<b>Net (increase)/decrease in the net assets available for benefits during the year</b>	<b>-124,167</b>	<b>-124,167</b>	-	

Contributions and benefits are based upon underlying trends in membership and contribution rates, pensions in payment and expected increases. Transfers in and out have been based upon the average of individual transfers in and out of the scheme over the period 2015/16 to 2017/18.

<b>Administration Expenses Analysis</b>	<b>2018-19 Estimate</b>	<b>2018-19 Forecast</b>	<b>Variance</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Staff Related	1,436	1,392	(44)	Expected underspend due to vacant posts
Altair System	287	287	-	
GMP/Payroll Reconciliation Project*	60	60	-	
CRM and new website	25	25	-	
Communications	23	23	-	
Other Non-Pay and Income	212	212	-	
County Council Overhead Recovery	615	615	-	
<b>Total Administration Expenses</b>	<b>2,658</b>	<b>2,614</b>	<b>(44)</b>	

\*The GMP and Payroll reconciliation costs are intended to be a one-off expenditure in order to meet the requirements of HMRC as a result of the introduction of the new state pension and cessation of contracting-out in defined benefit schemes. External expertise is required to complete this project in the most effective manner. This project will continue into 2018/19 and the unused budget from 2017/18 has been carried forward to meet this.

<b>Management Expenses</b>	<b>2018-19 Estimate</b>	<b>2018-19 Forecast</b>	<b>Variance</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Total Administration Expenses	2,658	2,614	-	
Total Governance Expenses	449	449	-	
Total Investment Expenses	5,387	5,387	-	
<b>Total Management Expenses</b>	<b>8,494</b>	<b>8,450</b>	<b>(44)</b>	

Investment expenses are mainly driven by fees paid to managers and are based upon the current year uplifted by 3% per annum. Governance and investment expenses are expected to remain at levels similar to the current year, increasing in line with inflation. Within the governance expenses for 2018/19 is £100,000 in respect of ACCESS related costs (2017/18 £100,000).

### Key Performance Indicators – LGSS Pensions Service May, June, July and August 2018

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Payment of retirement benefits from active employment	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	May: 36 June: 34 July: 38 August: 39	35 33 38 37	1 1 0 2	97% 97% 100% 95%	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met
Award dependant benefits – <b>Statutory</b>	Issue award within 5 working days of receiving all necessary information.	95%	May: 26 June: 30 July: 13 August: 26	26 30 13 26 26	0 0 0 0	100% 100% 100% 100%	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met
Provide a maximum of one estimate of benefits to employees per year on request – <b>Statutory</b>	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	May: 93 June: 105 July: 93 August: 94	92 103 92 93	1 2 1 1	99% 98% 99% 99%	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met
Provide transfer-in quote to scheme member – <b>Statutory</b>	Letter issued within 10 working days of receipt of all appropriate information.	95%	May: 9 June: 16 July: 16 August: 35	9 15 16 35	0 1 0 0	100% 94% 100% 100%	Green Amber Green Green	SLA target met * SLA target met SLA target met
Payment of transfer out – <b>Statutory</b>	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	May: 8 June: 4 July: 13 August: 13	8 4 13 13	0 0 0 0	100% 100% 100% 100%	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met

\*Below SLA target, but all within statutory target of 2 months of request. This was as a result of a training issue and low volume.

**Green:** Equal to or above SLA target.

**Amber:** If there is a statutory target - below SLA target, but all within statutory target.

If there is no statutory target - below SLA target, but number completed within target is within 10% of the SLA target.

**Red:** If there is a statutory target - below SLA target and not within statutory target.

If there is no statutory target - below SLA target and number completed within target is not within 10% of the SLA target.

**Receipt of Employee and Employer Contributions**

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
August 2017	97.6	2.4	97.3	2.7
September 2017	98.0	2.0	97.7	2.3
October 2017	97.2	2.8	95.8	4.2
November 2017	98.8	1.2	98.4	1.6
December 2017	99.1	0.9	99.1	0.9
January 2018	98.6	1.4	98.6	1.4
February 2018	99.3	0.7	99.3	0.7
March 2018	99.3	0.7	98.6	1.4
April 2018	97.8	2.2	95.0	5.0
May 2018	96.7	3.3	96.9	3.1
June 2018	99.8	0.2	98.7	1.3
July 2018	99.6	0.4	98.7	1.3
<b>Average for period</b>	<b>98.5</b>	<b>1.5</b>	<b>97.8</b>	<b>2.2</b>





**Pension Fund Committee****Date:** 18 October 2018**Report by:** Head of Pensions

<b>Subject:</b>	<b>Governance and Compliance Report</b>
<b>Purpose of the Report</b>	<p>To provide the Pension Fund Committee with:</p> <ol style="list-style-type: none"> <li>1) Information on potential, new or amending legislation affecting the LGPS;</li> <li>2) Information on other pensions legislation;</li> <li>3) Activities of the LGPS Scheme Advisory Board and the Pensions Regulator;</li> <li>4) Information on issues concerning the governance of the Local Government Pension Scheme (LGPS) on a national and local basis; and</li> <li>5) Skills and knowledge opportunities.</li> </ol>
<b>Recommendations</b>	<b>That the Pension Fund Committee notes the content of the report.</b>
<b>Enquiries to:</b>	<p>Jo Walton – Governance and Regulations Manager, LGSS Pensions  E-mail: <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a></p>

**1. Background**

- 1.1 This is a standing report that identifies issues concerning the governance of the Local Government Pension Scheme (LGPS) and also potential, new, amending and overriding legislation that will have an impact on how the Scheme is managed and on members' benefits.

**2. Contracted-out reconciliation**

- 2.1 The national exercise to reconcile the Fund's member contracted-out liabilities with that compared with Her Majesties Revenue and Customs (HMRC) records must be completed by December 2018 and there will be no facility to raise queries after 31 October 2018. Most importantly, HMRC also confirmed that the October 2018 deadline is for 'follow up/final queries', suggesting that it would not be appropriate to leave the submission of 'first time around' queries until October 2018.
- 2.2 HMRC have raised concerns regarding the progress Local Government Pension Scheme (LGPS) administering authorities are making towards the completion of the reconciliation exercise. HMRC have reported that 24 administering authorities have raised less than 10% of potential queries of which 12 authorities have raised no queries.

- 2.3 ITM Limited, who are raising queries on behalf of the Fund, have confirmed that they are on course to raise all queries with HMRC in advance of the 31 October 2018 deadline.
- 2.4 Further details on the progress made towards completing this reconciliation can be found in the Business Plan Update to be presented at this meeting.
- 3. The Local Government Pension Scheme (Amendment) Regulations 2018 ([SI 2018/493](#))**
- 3.1 These Regulations amend The Local Government Pension Scheme Regulations 2013 and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 came into force on 14 May 2018. The significant changes are as follows.
- 3.1.1 Under CARE regulations a fund employer may substitute a higher level of pensionable pay where the prescribed calculation of assumed pensionable pay produces a lower level of pay than the member would normally have received. Employers should consider whether they wish to do this and, if they do, whether to do so back to 1 April 2014; once decided their discretionary policy should be amended accordingly.
- 3.1.2 Where the liabilities of an employer exiting the fund are fully funded and there is a surplus of assets in the fund, the fund is required to pay an exit credit to the exiting employer rather than retain the surplus as was the case prior to the 14 May 2018 amendment. HMRC later confirmed that there will be no tax charge on payment of the exit credit and that there is no requirement for the scheme administrator of the pension scheme (or sub-scheme administrator of the sub-scheme) to report the payment to HMRC”.
- 3.1.3 Deferred members whose active membership ended before 1 April 2014 have, from 14 April 2018, the opportunity to take early payment of their benefits as early as age 55 without requiring employer consent. Such payment can only be made at age 55 for those that left before 1 April 1998, later leavers can take early payment at any time between age 55 and their normal retirement date.
- 3.2 Scheme members and employers were notified of these changes in line with the requirements of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.
- 4. Written Ministerial Statement**
- 4.1 In a Written Ministerial Statement on the 6 September 2018, the Chief Secretary to the Treasury, Elizabeth Truss, announced details of the quadrennial valuation of the public service pension schemes in England and Wales.
- 4.2 In the case of the funded LGPS, the scheme advisory board operates an additional cost cap process. In accordance with agreed policy, this will be allowed to complete before the HM Treasury cost control mechanism is tested. It is not therefore possible at this stage to give an indication of what the outcome might be.
- 4.3 If the Scheme Advisory Board’s (SAB) cost control process results in a recommendation that changes to the scheme should be made, and the government accepts the Board’s recommendations, the Treasury’s cost cap process will be adjusted to take the new scheme design into account.



- 4.4 The Chief Secretary also announced that the scheme valuation under the Treasury's cost cap process should be moved from the current triennial cycle to quadrennial in line with other public service scheme valuations (although this is not be confused with local fund valuation).
- 4.5 Discussions with MHCLG and actuarial advisers are due to take place to consider the implications of this change for local fund valuations.
- 5. Outcome of Walker v Innospec Limited and others – implications for public service pension schemes**
- 5.1 It has been publicised on the Teachers' Pension Scheme website that following the Government's consideration of the implications for public service pension schemes of the outcome to the Walker (Appellant) v Innospec Limited and others (Respondents) case, regulatory changes will be introduced to provide that:
1. survivors of same-sex marriages and civil partnerships are to be treated in the same way as widows of opposite sex marriages (survivor benefits in relation to service from 1 April 1972 or 6 April 1978 if the marriage was after the last day pensionable service); and
  2. the change applies from the date civil partnerships and same-sex marriages were implemented.
- 5.2 Interestingly, that the same treatment is not being extended to widowers (male survivors of opposite sex marriages).
- 5.3 The Ministry of Housing, Communities and Local Government (MHCLG) have confirmed that they are currently considering their position to determine what recommendation they will make to Ministers on how to proceed with regards to the LGPS.
- 6. Elmes v Essex update**
- 6.1 On 31 July 2018, the Judge presiding over the Elmes v Essex case published his final conclusions on his ruling that the requirement to nominate a person under regulation 24 and 25 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 is incompatible with Article 1 of the first protocol to, and Article 14 of, the European Convention on Human Rights.
- 6.2 The conclusions support the Fund's decision to pay a cohabiting partner's pension where the member left the LGPS between 1 April 2008 and 31 March 2014 (and died before 1 April 2014) without a nomination form, provided the cohabiting partner criteria are met.
- 6.3 The Judge's conclusion can be found at the following link:  
<http://lgpslibrary.org/assets/bulletins/2018/175App3.pdf>
- 7. Cold-calls from fraudsters claiming to be from the Pensions Regulator**

- 7.1 On the 17 July 2018, the Pensions Regulator (TPR) published a press release concerning fraudsters who may be trying to steal the savings of workers by falsely claiming to be calling from TPR.
- 7.2 TPR has received reports of pension holders being cold-called by individuals who have posed as TPR staff offering the workers a 'free pension review'. TPR have confirmed that this is a common warning sign of a scam as TPR never cold-call individuals about their pensions. TPR has reported the cases to the Information Commissioners Office (ICO) for investigation and will also report any future cases.

## **8. The Pensions Ombudsman ruling on anti-fraud duties**

- 8.1 In a recent Pensions Ombudsman (TPO) determination a public authority was found guilty of maladministration when in 2014 a transfer of a member's pension benefits was made and the authority did not carry out adequate checks on the receiving scheme and failed to provide the member with the official TPR literature on pension scams.
- 8.2 The authority was ordered to reinstate the member's benefits and to pay £1,000 damages for distress.
- 8.3 Upon an initial enquiry for a transfer of pension benefits to another scheme, the Fund always encloses the official TPR leaflet on pension scams which can be found at the link below:

<http://www.thepensionsregulator.gov.uk/docs/pension-scams-booklet-members.pdf>

## **9. Consultation on the Gender Recognition Act 2004**

- 9.1 The Government is currently consulting on amending the Gender Recognition Act (GRA) 2004 to make legal gender recognition process less bureaucratic and intrusive. The consultation closes on 19 October 2018.
- 9.2 In the meantime, administering authorities are advised to still request that a member provide a copy of their new birth certificate showing their acquired gender before amending their gender for pension purposes.

## **10. Skills and knowledge opportunities – training events**

- 10.1 Section 248A of The Pensions Act 2004 as incorporated within The Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) requires all members of the Pension Fund Committee to maintain the necessary skills and knowledge to undertake their role effectively.
- 10.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Committee, appendix 1 lists the main events that are deemed useful and appropriate.
- 10.3 Requests to attend events will be facilitated by the Governance Team. It may be necessary to restrict numbers of attendees on some courses through reasons of costs.

## 11. Relevant Pension 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. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
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. <i>Objective 3</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

## 12. Risk Management

- 12.1 The Pension Fund Committee are required to have the appropriate skills and knowledge to effectively carry out their duties. This report ensures that the Pension Fund Committee is up to date with:
- New or amending legislation affecting the LGPS;
  - Relevant activities of the LGPS Scheme Advisory Board and the TPR that concern the governance of the (LGPS) on a national and local basis; and
  - Skills and knowledge opportunities.
- 12.2 The risks associated with Pension Fund Committee not having the required level of knowledge and understanding 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.	Amber
Governance (risk 2)	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	Amber
Governance (risk 4)	Policies and Strategies not being in place and up to date.	Green
Governance (risk 12)	Changes to the LGPS and lack of expertise in the new/revised area	Green
Governance (risk 18)	Failure to provide adequate information to the Pension Fund Committee/Pension Board	Green

- 12.3 The full risk register can be found on the LGSS Pensions website at the following link: <http://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

### **13. Finance & Resources Implications**

13.1 Not applicable

### **14. Communication Implications**

<b>Training</b>	All staff involved in the administration of the LGPS are aware of the new legislation and the impact on the calculation and payment of benefits from the scheme.
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### **15. Legal Implications**

15.1 There are no legal implications connected to the contents of this report.

### **16. Consultation with Key Advisers**

16.1 There has been no requirement to consult with advisers over the content of this report.

### **17. Alternative Options Considered**

17.2 There are no alternative options to be considered.

### **18. Background Papers**

18.1 Not applicable

### **19. Appendices**

19.1 Appendix 1 List of training events/conferences.

<b>Checklist of approvals</b>	
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 Head of Pensions?	Mark Whitby – 25 September 2018
Has this report been cleared by Section 151 Officer?	Sarah Heywood – sent 28 September 2018
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Terry Rogers – 3 October 2018
Has this report been cleared by Legal Services?	Fiona McMillan – 28 September 2018

Appendix 1 - Internal/External training and events 2018-2019				
Date	Event	Training Credits	Target Audience	Website Link
7 February 2018	<b>LGSS Pensions Information Day</b>	2	Officers, Committee/ Board Members	In house ACCESS – appointment of operator
23 February 2018	Schroders Trustee Training (Part 1)	2	Officers, Committee/ Board Members	<a href="https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&amp;eventID=1363&amp;traceRedir=2&amp;eventID=1363">https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&amp;eventID=1363&amp;traceRedir=2&amp;eventID=1363</a> The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them
26 February 2018	Local Pension Board – Spring Seminar	2	Board Members	<a href="https://www.barnett-waddingham.co.uk/events/2018/02/26/lgps-local-pension-board-members-spring-seminar">https://www.barnett-waddingham.co.uk/events/2018/02/26/lgps-local-pension-board-members-spring-seminar</a> The latest updates on governance and the LGPS, including a focus on key emerging issues. It will also provide opportunities for discussion on the issues you face and for networking with Board members from other funds
1–2 March 2018	LGC Investment Seminar	4	Officers, Committee/ Board Members	<a href="https://investmentseminar.lgcplus.com/">https://investmentseminar.lgcplus.com/</a> Keeping the LGPS affordable and accessible through austerity and uncertain times.
16 March 2018	Schroders Trustee Training (Part 2)	2	Officers, Committee/ Board Members	<a href="https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&amp;eventID=1363&amp;traceRedir=2&amp;eventID=1363">https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&amp;eventID=1363&amp;traceRedir=2&amp;eventID=1363</a> The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them
9 May 2018	<b>CIPFA Skills and Knowledge Training</b>	2	Officers, Committee/ Board Members	In house/ AON Hewitt – Pensions Legislation and Governance Context
21-23 May 2018	PLSA Local Authority Conference	4	Officers, Committee/ Board Members	<a href="https://www.plsa.co.uk/Events/Local-Authority-Conference">https://www.plsa.co.uk/Events/Local-Authority-Conference</a>

Date	Event	Training Credits	Target Audience	Website Link
27 June 2018	LGPS Local Pension Boards Three Years on	2	Board Members	<a href="http://www.cipfa.org/training//lgps-local-pension-boards--three-years-on-20180627">http://www.cipfa.org/training//lgps-local-pension-boards--three-years-on-20180627</a>
4 July 2018	<b>CIPFA Skills and Knowledge Training</b>	2	Officers, Committee/ Board Members	In house/Mercer – Investment performance and Risk Management / Financial Markets and Product Knowledge.
11-12 July 2018	Heywood Class Group AGM	4	Officers	<a href="https://www.aquilauk.co.uk/">https://www.aquilauk.co.uk/</a>
12-13 July 2018	LGC Pension Fund Symposium	4	Officers	<a href="https://pensionfund.lgcplus.com/">https://pensionfund.lgcplus.com/</a>
6-7 September 2018	LGC Investment Summit 2018	4	Officers, Committee/ Board Members	<a href="https://investmentsummit.lgcplus.com/">https://investmentsummit.lgcplus.com/</a>
12 September 2018	<b>CIPFA Skills and Knowledge Training</b>		Officers, Committee/ Board Members	In house/Hymans – Actuarial Methods, Standards and Practices
26 September 2018	Introduction to the LGPS	2	Officers, Committee/ Board Members	<a href="http://www.cipfa.org/training/i/introduction-to-the-lgps-20180926">http://www.cipfa.org/training/i/introduction-to-the-lgps-20180926</a> Aimed at new or inexperienced officers and elected members this course, based on the CIPFA knowledge and skills framework.
5 October 2018	Multi Asset Credit	2	Investment Sub Committee Members	Multi Asset Credit training and presentations from MAC Managers
12 October 2018	Schroders Trustee Training (Part 1)	2	Officers, Committee/ Board Members	<a href="https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&amp;eventID=1363&amp;traceRedir=2&amp;eventID=1363">https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&amp;eventID=1363&amp;traceRedir=2&amp;eventID=1363</a> The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them
17-19 October 2018	PLSA Annual Conference	4	Officers, Committee/ Board Members	<a href="https://www.plsa.co.uk/Annual-conference-and-exhibition">https://www.plsa.co.uk/Annual-conference-and-exhibition</a>
2 November 2018	Schroders Trustee Training (Part 1)	2	Officers, Committee/ Board Members	<a href="https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&amp;eventID=1363&amp;traceRedir=2&amp;eventID=1363">https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&amp;eventID=1363&amp;traceRedir=2&amp;eventID=1363</a> The programme is designed to cover a wide range of different asset classes and investment strategies, as well as

				how to manage some of the risks associated with them.
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Date	Event	Training Credits	Target Audience	Website Link
20-21 November 2018	Pension Managers' Conference	4	Officers	
5-7 December 2018	LAPFF Annual Conference	4	Officers, Committee/ Board Members	<a href="http://www.lapffforum.org/events/lapff-conference/">http://www.lapffforum.org/events/lapff-conference/</a>
13 February 2019	<b>LGSS Pension Information Day</b>	2	Officers, Committee/ Board Members	In house
28 February-1 March 2019	<b>LGC Investment Seminar</b>	4	Officers, Committee/ Board Members	
<b>TBC</b>	<b>UBS First/Second Steps Seminar</b>	2	Officers, Committee/ Board Members	

Core training has been highlighted in the plan above. Future dates of the CIPFA modules will be distributed shortly and will also be classed as core training.





**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Fund Committee**

**Date:** 18 October 2018

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Review of the Reporting Breaches of the Law to the Pensions Regulator Policy</b>
<b>Purpose of the Report</b>	To present the review of the Reporting Breaches of the Law to the Pensions Regulator Policy to the Pension Fund Committee.
<b>Recommendations</b>	<b>The Committee are asked to -</b> <ol style="list-style-type: none"> <li>1. Approve the Reporting Breaches of the Law to the Pensions Regulator Policy; and</li> <li>2. Delegate to the Head of Pensions in consultation with the Chairman any immaterial amendments to the policy.</li> </ol>
<b>Enquiries to:</b>	Name – Michelle Oakensen, Governance Officer, LGSS Pensions <a href="mailto:moakensen@northamptonshire.gov.uk">moakensen@northamptonshire.gov.uk</a>

**1. Background**

- 1.1 In line with the Pensions Regulator's Code of Practice number 14 (Governance and administration of public service pension schemes); the Fund has developed a policy that sets out the mechanism for reporting breaches of the law.
- 1.2 The policy ensures that those with a responsibility to report breaches of the law are able to meet their legal obligations, by analysing situations effectively in order to make an informed decision on whether a breach has been made.
- 1.3 The policy was first approved by the Pension Fund Committee in October 2015 and has been reviewed and updated for approval by the Pension Fund Committee at this meeting. The Pension Fund Board have been asked to feed into this process by providing any recommendations to the review where appropriate.
- 1.4 The revised Reporting Breaches of the Law to the Pensions Regulator Policy is attached in Appendix 2.

**2. The Pensions Regulator Code of Practice**

- 2.1 The Code of Practice identifies those individuals responsible for reporting breaches of the law and the associated legal requirements
- 2.2 The policy provides the process to report a breach to the Regulator and details surrounding timescales and urgency of cases.

- 2.3 The policy also identifies the need to record breaches that are not significant to the Regulator in order that processes can be improved to avoid repeated occurrences.
- 2.4 Examples of breaches of significance and non-significance are documented in the appendix of the policy, the purpose is to put into context the policy and when it may need to be enforced. Individuals will need to apply the principles of the policy when acting on reasonable cause to report a breach.

### **3. Changes to the Policy**

- 3.1 The policy has been enhanced providing more clarification over significant material breaches and a decision tree featuring a traffic light system has been incorporated in order to make the assessing of breaches easier.
- 3.2 Additional appendices have also been added which provide additional examples of breaches in order to help establish the significance of a breach and what instances would need reporting.
- 3.3 All changes made to the policy can be found in appendix 1.

### **4. Pension Fund Board Recommendations**

- 4.1 The Reporting Breaches of the Law Policy was taken to the July meeting of the Pension Fund Board to seek recommendations to the Pension Fund Committee before approval by the Pension Fund Committee. The table below shows the changes to the policy as recommended by the Board -

<b>Section of Policy</b>	<b>Change recommended</b>
Throughout report	References to the Chairman should say Chairman/Chairwoman
9.7	Include Vice Chairman/Chairwoman to individuals that should be advised if a significant breach has occurred.
12	Consider no blame culture wording

- 4.2 The recommendations in the table above have been incorporated as requested in section 12 with the exception of adding in reference to a no blame culture. This was explored as a possibility but as Cambridgeshire County Council does not have in place a formal policy or framework relating to a no blame culture and as the Cambridgeshire Pension Fund has delegated authority from the County Council it would be difficult to embed this into the policy at this stage as the Pension Fund and Administering Authority could have conflicting views.
- 4.3 Internal Audit have been made aware of the need to consider this as part of their next review and if adopted, the Reporting Breaches of the Law to the Pensions Regulator Policy will be amended to reflect the changes.

### **5. Relevant Pension 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.

Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers
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.

## 6. Finance & Resources Implications

- 6.1 Resources will need to be prioritised if a breach occurs to ensure compliance with the policy.

## 7. Risk Management

- 7.1 The Pension Committee and Local Pension Board have an obligation to ensure that breaches of the law that are considered to be of a material interest to the Pensions Regulator are reported accordingly.
- 7.2 The risks associated with Pension Committee and Pension Board members not having the required level of knowledge and understanding surrounding reporting breaches of the law to the Pensions Regulator 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.	Amber
Governance (risk 2)	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	Amber
Governance (risk 4)	Policies and Strategies not being in place and up to date.	Green
Governance (risk 12)	Changes to the LGPS and lack of expertise in the new/revised area	Green
Governance (risk 18)	Failure to provide adequate information to the Pension Committee/Pension Board	Green

- 7.3 The full risk register for Cambridgeshire Pension Fund can be found on the LGSS Pensions website at the following link: <http://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

## 8. Communication Implications

<b>Direct Communications</b>	All individuals who are involved in the administration of the Fund will be advised of their obligations to report breaches of the law and the associated procedure as detailed in the policy.
<b>Website</b>	The policy will be published on the LGSS Pensions Service website.

## 9. Legal Implications

- 9.1 Failure to adhere to the policy and to implement effective controls to prevent breaches of the law may result in fines and imprisonment of those charged with responsibility of the Fund.

## **10. Consultation with Key Advisers**

- 10.1 Consultation with the Funds advisers was not required for this report.

## **11. Alternative Options Considered**

- 11.1 Not applicable

## **12. Background Papers**

- 12.1 Reporting Breaches of the Law to the Pensions Regulator Policy 2015 - <http://pensions.northamptonshire.gov.uk/app/uploads/2016/01/Reporting-Breaches-of-the-Law-to-the-Pensions-Regulator-Policy.pdf>

## **13. Appendices**

- 13.1 Appendix 1 – Comparison between the 2015 and 2018 policy.
- 13.2 Appendix 2 – Reporting Breaches of the Law to the Pensions Regulator Policy 2018

<b>Checklist of Key Approvals</b>	
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 Head of Pensions?	Mark Whitby – 18 September 2018
Has this report been cleared by Section 151 Officer?	Sarah Heywood – sent 26 September 2018
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Terry Rogers – 3 October 2018
Has this report been cleared by Legal Services?	Fiona McMillan – 28 September 2018

## Appendix 1 – Changes between the existing and revised Reporting Breaches of the Law Policy

The changes made on review have been made to strengthen the policy and provide more clarification around what constitutes a materially significant breach. More context has also been provided in the appendices to give examples of potential breaches.

Number	Section of policy	Change
9.1	Material Significance	Section expanded to give more detail on cause, effect, reaction and wider implications
9.4 & 9.5	Material Significance	Removed
9.6	Material Significance	Now 9.8
9.4, 9.5, 9.6 & 9.7	Material Significance	Decision tree added which includes a traffic light system to help access what a material breach is. Diagram and detail added. Replaces previous sections.
9.9	Material Significance	Removed
10.1	Guidance on reporting a breaches to the Pensions Regulator	Removed
10.1.10	Guidance on reporting a breaches to the Pensions Regulator	Removed (incorporated under new 9.4)
11.1	Process for reporting and recording material and non-material breaches within Cambridgeshire Pension Fund	Wording amended in table for the urgent and material internal control.
13	Training	Section added
14	Contact details	Previously section 13
15	Further guidance	Section added
Appendix 1	Examples of breaches	Example 2 removed
Appendix 2	Examples of Scheme Disclosures	Added
Appendix 3	Other matters that are likely to be of material significance to the Pensions Regulator	Added



## Appendix 2

# Reporting Breaches of the Law to the Pensions Regulator Policy 2018

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## **1. Introduction**

- 1.1 This is the Reporting Breaches of the Law to the Pension Regulator Policy of Cambridgeshire Pension Fund managed by Cambridgeshire County Council (the Administering Authority).
- 1.2 In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) Governance and administration of public service pension schemes. The code refers both to statutory duty as well as advisory and practitioners have a duty to follow the code in reporting breaches of the law.
- 1.3 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. To assist, the Code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations. This document is that procedure, which relates to all of the Fund's areas of operation.

## **2. Policy Objectives**

- 2.1 The Funds' objectives related to this policy are as follows:
  - To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies; and
  - Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

## **3. Purpose of the policy**

- 3.1 The purpose of the policy is to –
  - Ensure individuals have the correct understanding and necessary skills to be able to identify and report breaches as they arise;
  - Ensure that stakeholders of the Funds' are given appropriate information in order to understand the consequences of a breach; and
  - Ensure adequate procedures are in place to fully comply with the Code of Practice.

## **4. Effective date**

- 4.1 This policy was first approved by the Pension Fund Committee on 22 October 2015 and the policy was reviewed and revised with effect from xx.

## **5. Review**

- 5.1 This policy on Reporting Breaches of the Law to the Pensions Regulator is expected to be appropriate for the long-term but it will be reviewed every 2 years to ensure it remains accurate and relevant.

## 6. Scope

6.1 The policy applies to:

- officers of the Funds;
- members of the Pension Committees;
- members of the Pension Boards;
- employers of the Funds;
- relevant stakeholders; and
- professional advisors.

## 7. Legal Requirements

7.1 Individuals (as identified in paragraph 6) are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with; and
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

## 8. Reasonable Cause

8.1 Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

8.2 Checks need to be made in order to ensure a breach has occurred and that the report is not made on suspicion alone. If an individual does not feel they can be 100% certain of a breach it would be prudent to discuss the case with a senior colleague or advisor to the Fund, however if the suspicion is around theft, fraud or other serious offences where discussions may alert the those implicated or impede the actions of the police or a regulatory authority, the reporter should go to the Regulator directly and at the earliest opportunity.

8.3 In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the Regulator may require before taking legal action particularly if it is a significantly material breach. A delay in reporting may exacerbate or increase the risk of the breach.

8.4 If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

## 9. Material Significance

9.1 In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:

- **cause of the breach** - e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;

- **effect of the breach** - does the nature of the breach lead to an increased likelihood of further material breaches. Is it likely to cause, for example; ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;
- **reaction to the breach** - e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- **the wider implications of the breach** - e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

9.2 When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator.

9.3 When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

9.4 The decision tree provides a “traffic light” system of categorising an identified breach:

**Green** – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator, but should be recorded in the LGSS Pensions breaches log;

**Amber** – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The administering authority will need to decide whether to informally alert the Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red;

**Red** - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The administering authority must report all such breaches to the Regulator in all cases;

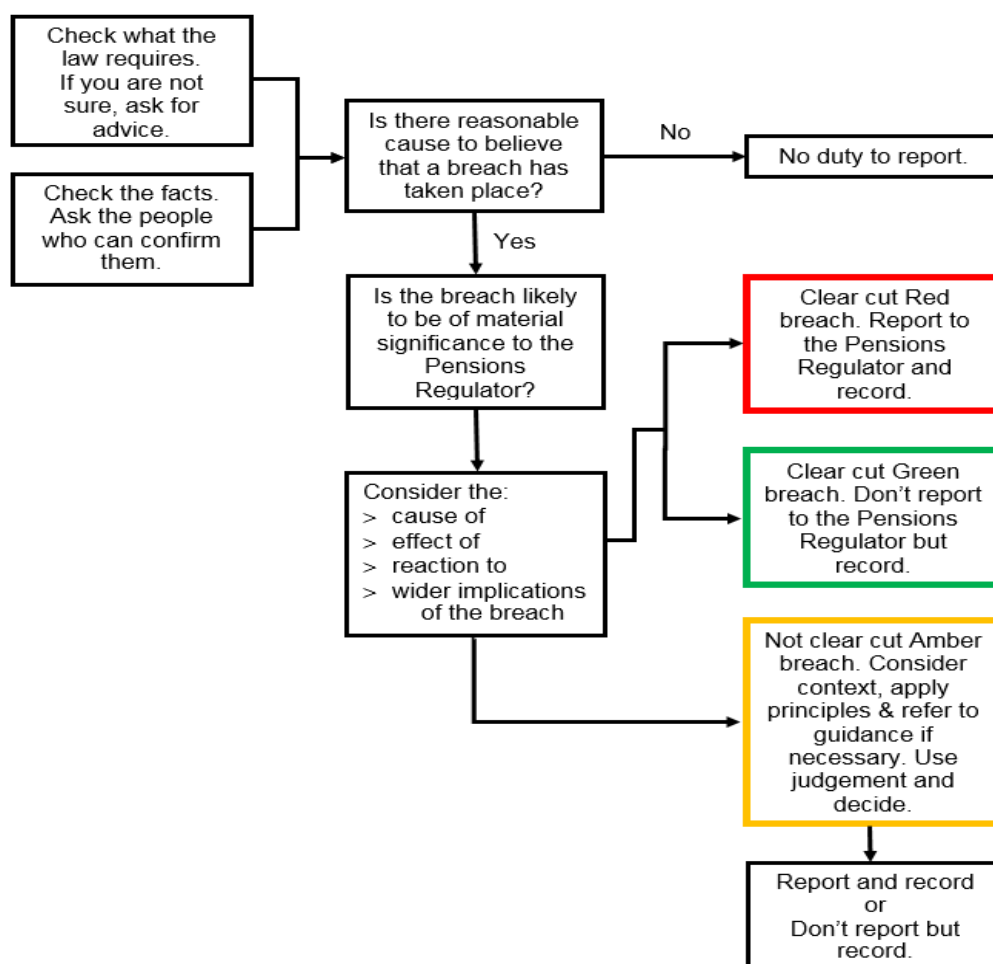
It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

9.5 Cambridgeshire Pension Fund will use the Pension Regulator’s decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to the Pensions Regulator.

9.6 Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the Governance and Regulations Manager, in consultation with the Head of Pensions must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree

the corrective measures required to prevent re-occurrence, including an action plan where necessary.

- 9.7 Significant breaches must also be reported to the Section 151 officer, Chairman/Chairwoman of the Pension Committee and Local Pension Board or in the absence the Vice Chairman/Chairwoman and a full report to be submitted at the next available meeting for members.



- 9.8 Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.
- 9.9 Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Pensions Regulator will not normally consider this to be materially significant.
- 9.10 A breach is likely to be of concern and material significance to the Pensions Regulator where a breach has been identified and those involved:
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
  - are not pursuing corrective action to a proper conclusion; and
  - fail to notify affected scheme members where it would have been appropriate to do so.

## **10. Guidance on reporting a breach to the Pensions Regulator**

- 10.1 Before submitting a report responsible officers should obtain clarification of the law around the suspected breach via an appropriate method. A judgement needs to be made on whether the Regulator would regard the breach as being material.
- 10.2 Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded.
- 10.3 Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to be definitive about what constitutes a breach that must always be reported, as a rule of thumb if a breach may lead to criminal prosecution or a serious loss in public confidence it is deemed that this type of breach that must always be reported.
- 10.4 Any report that is made (which must be in writing and made as soon as reasonably practicable) should be dated and include as a minimum:
- full name of the Fund;
  - description of the breach or breaches;
  - any relevant dates;
  - name of the employer or scheme manager (where known);
  - name, position and contact details of the reporter; and
  - role of the reporter in relation to the Fund.

Additional information that would assist the Pensions Regulator would include, the reason the breach is thought to be of material significance to the Regulator; the address of the Fund; the pension scheme's registry number; and whether the concern has been reported before.

- 10.5 Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.
- 10.6 Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.
- 10.7 The Regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose. The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.

- 10.8 Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.
- 10.9 In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.
- 11. Process for reporting and recording material and non-material breaches within Cambridgeshire Pension Fund.**
- 11.1 The following table details the process for reporting material and non-material breaches –

Type of Breach	Timescale for reporting	Internal actions	Further actions
<b>Urgent and Material</b>	Responsible officer informs head of pensions and governance team, the breach is reported immediately to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence. The Governance team will also liaise with the Pension Regulator where applicable to come to a satisfactory resolution.	These breaches must also be reported to the Section 151 Officer, Chairman/Chairwoman of both the Pension Fund Committee and Local Pension Board, with a full report to be submitted at the next available meeting for members.
<b>Non urgent and material</b>	Responsible officer informs head of pensions and governance team, the breach is reported within 30 days to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report non urgent and material breach at next Pension Committee/Pension Board meeting.
<b>Immaterial</b>	Responsible officer informs head of pensions and governance team within 30 days.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report immaterial breach at next Pension Committee/Pension Board meeting.

## **12. Whistle blowing protection and confidentiality**

- 12.1 The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.
- 12.2 The statutory duty to report does not, however, override legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.
- 12.3 The Regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.
- 12.4 The Employment Rights Act 1996 (ERA) provides protection for employees making a whistle blowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

## **13. Training**

- 13.1 The Head of Pensions will ensure that all relevant Officers, Pension Fund Committee members and Local Pension Board members receive relevant signposting to this policy and provide appropriate training as required.

## **14. Contact details**

- 14.1 The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW  
Tel – 0845 600 0707  
E-mail – [customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)
- 14.2 Mark Whitby  
Head of Pensions  
One Angel Square  
Angel Street  
NN1 1ED  
E-mail – [mwhitby@northamptonshire.gov.uk](mailto:mwhitby@northamptonshire.gov.uk)

## 15. Further guidance

Section 70(1) and 70(2) of the Pensions Act 2004:

[www.legislation.gov.uk/ukpga/2004/35/contents](http://www.legislation.gov.uk/ukpga/2004/35/contents)

Employment Rights Act 1996:

[www.legislation.gov.uk/ukpga/1996/18/contents](http://www.legislation.gov.uk/ukpga/1996/18/contents)

Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):

[www.legislation.gov.uk/uksi/2013/2734/contents/made](http://www.legislation.gov.uk/uksi/2013/2734/contents/made)

Public Service Pension Schemes Act 2013:

[www.legislation.gov.uk/ukpga/2013/25/contents](http://www.legislation.gov.uk/ukpga/2013/25/contents)

Local Government Pension Scheme Regulations (various):

<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)

<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)

The Pensions Regulator's Code of Practice:

<http://www.thepensionsregulator.gov.uk/doc-library/codes.aspx>



## **Appendix 1 - Examples of breaches, but not limited to -**

### **Example 1**

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

### **Example 2**

A large employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

### **Example 3**

A member of the Pension Committee owns a property; a report is made about a possible investment by the Fund, in the same area in which the member's property is situated. The member supports the investment but does not declare an interest and is later found to have materially benefitted when the Fund's investment proceeds. In this case a material breach has arisen, not because of the conflict of interest, but rather because the conflict was not reported.

### **Example 4**

A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach has therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that (s) he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

### **Example 5**

Several overpayments are discovered and thus the administering authority has failed to pay the right amounts to the individuals concerned due to a process failure. The administering authority has failed to put a process in place to avoid reoccurrence and the combined amount is significant. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the authority's failure to implement a new/improved process and in part because of the enforced breach by the administering authority.

## Appendix 2 – Examples of Scheme Disclosures

Any deadline not achieved under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 is classed as a breach of the law, it is the responsibility of Cambridgeshire Pension Fund to assess whether these are likely to be of material significance to the Pensions Regulator.

The table below sets out some of the key disclosure requirements that schemes must satisfy so that they do not breach the disclosure regulations –

Information	Requirement
Provision of basic scheme information to a prospective member	Within one month of the scheme receiving their job holder information. If no such information has been received, within two months of them joining the scheme.
Provision of scheme's annual report	Within two months of the request being received.
Benefit statements for benefits other than Defined Contribution	Within two months of the request being received.
Provision of summary funding statements	Within a reasonable period (normally three months) after the last date on which the scheme is legally required to obtain an actuarial valuation.
Provision of information on death of a member	Within two months of the scheme being notified of the death.
Rights and options to be provided to early leavers	Within 2 months after being notified by the member or their employer that active membership has ceased.

### **Appendix 3 – Other matters that are likely to be of material significance to the Pensions Regulator**

The below table demonstrates matters that the Pension Regulator is likely to deem of material significance in regards to Cambridgeshire Pension Fund meeting its statutory objectives –

Pension Fund Committee and Pension Board members not having the appropriate degree of knowledge and understanding, which may result in the Committee/Board not fulfilling its role, the Fund not being properly governed and administered.
Pension Fund Committee and Pension Board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role.
Adequate internal controls not being established and operated, which may lead to the Fund not being run in accordance with the Scheme's Regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the Fund at the right time.
Accurate information about benefits and Scheme administration not being provided to Scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement.
Appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
Anyone involved with the administration or management of the Fund misappropriating any of its assets, or being likely to do so, which may result in assets not being safeguarded.
Any other breach which may result in the Fund being poorly governed, managed or administered.



**Pension Fund Committee**

**Date:** 18 October 2018

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Cambridgeshire Pension Fund Data Improvement Policy and Plan</b>
<b>Purpose of the Report</b>	To present to the Pension Committee:  1) The Data Improvement Policy; and 2) The Data Improvement Plan
<b>Recommendations</b>	<b>That the Pension Committee approves the Data Improvement Policy and Data Improvement Plan</b>
<b>Enquiries to:</b>	Jo Walton – Governance and Regulations Manager, LGSS Pensions E-mail: <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

**1. Background**

- 1.1 The Cambridgeshire Pension Fund collects and processes large amounts digital and paper based personal data and is heavily reliant on the timely receipt of accurate data from scheme employers in order to administer the Local Government Pension Scheme (LGPS).
- 1.2 The primary purpose of the Cambridgeshire Pension Fund is to pay the correct pension benefits to its members when they become due. It is therefore essential that the Fund achieves and maintains the highest possible data quality standards.
- 1.3 The Public Service Pension Act 2013 came into effect on 1 April 2014 and increased the powers of the Pensions Regulator to ensure that public service pension schemes had appropriate measures in place to ensure high standards of governance and administration.
- 1.4 The Pensions Regulator articulated these standards through the code of practice 14 – governance and administration of public service pension schemes. The code addresses the need for high standards of accurate data and states that schemes must regularly review the data held and put in place a Data Improvement Plan to address any issues.
- 1.5 To demonstrate to the Pensions Regulator that the Fund has reviewed the quality of its data and has an ongoing approach to ensuring the Fund has appropriate processes in place to consistently hold accurate data, a Data Improvement Policy and a Data Improvement Plan have been drafted for the Pension Fund Committee's approval.
- 1.6 The Data Improvement Policy and the Data Improvement Plan can be found in appendix 1 and 2 respectively.

## **2. Data Improvement Policy**

- 2.1 The Data Improvement Policy sets out the Fund's approach to ensuring that the data held on scheme members is as accurate and as up to date as possible to ensure effective and efficient processing of an individual's pension benefit entitlement.
- 2.2 Failure to process and make payments at the correct amount and at the right time can ultimately lead to additional administrative costs and potentially incorrectly stated liabilities at both employer and fund level.
- 2.3 Failing to hold accurate data can also be seen as a breach of several other sets of legislation including, but not limited to, the Local Government Pension Scheme Regulations 2013 and the Pensions Acts of 1995, 2004 and 2008.
- 2.4 Scheme employers also have a legal requirement to provide accurate data to the Fund. These expectations are set out in the Fund's Administration Strategy. The Strategy also details the financial penalties of the scheme employer failing to provide accurate information at the right time.
- 2.5 The Data Improvement Policy demonstrates to the Pensions Regulator that mechanisms and controls are in place to ensure that the Fund is aware of its responsibilities and managing the accuracy of the data held on a continual and improving basis. The Pensions Regulator will regularly enquire as to the quality of the data held via the statutory annual return issued each autumn which requires, amongst other information, a presence and accuracy score of the common data (data used to identify the member) and scheme-specific data (data used to calculate entitlement) held.
- 2.6 The Data Improvement Policy includes a section on the General Data Protection Regulations (GDPR) relating to the requirement to hold accurate data and also a scheme member, their representative or a potential beneficiary's right to rectification if they identify that inaccurate data is being held in respect of them.

## **3. Data Improvement Plan**

- 3.1 The Pensions Regulator's code of practice sets out the requirement for public service pension schemes to continually review data held and carry out a review exercise at least once a year. Where a review identifies missing or poor quality data an improvement plan must be put in place to address these issues.
- 3.2 A review of the data held by the Fund has taken place via the Data Audit conducted by ITM Limited and a number of data cleansing and improvement activities have been identified and detailed on the Data Improvement Plan found in appendix 2 of this report.
- 3.3 Some of these activities such as the contracted out-reconciliation and the pensioner payroll vs pensions administration system were identified prior to the review and have been included within the plan for completeness.

- 3.4 The Pensions Regulator issues an annual public service governance and administration survey to assess how schemes are meeting the requirements within the code of practice and the standards to which the schemes are being run. In the past the survey has asked schemes if they are compliant with the data quality requirements set out in 3.1.
- 3.5 The results of these surveys have highlighted that record keeping and data quality as one of the highest risk areas when compared with other requirements within the code of practice.
- 3.6 By having in place a Data Improvement Plan, the Fund can demonstrate to the Pensions Regulator that it is achieving compliance with the code of practice in this area and taking its data quality and record keeping responsibilities seriously.
- 3.7 The Data Improvement Plan will be continually updated when new data cleansing or improvement activities arise. Cyclical data cleansing activities will also be added to the Data Improvement Plan.
- 3.8 The Pension Fund Committee will receive a report at every meeting detailing new activities and progress made against the existing activities identified on the Data Improvement Plan.

#### 4. Relevant Pension 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. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Maintain accurate records and ensure data is protected and used for authorised purposes only. <i>Objective 11</i>

#### 5. Risk Implications

- 5.1 Cambridgeshire Pension Fund is required under various sets of legislation and the Pensions Regulator code of practice to ensure that data held on scheme members and their potential beneficiaries is up to date and accurate. As such the Fund should have in place an approach to managing the quality of its data and a plan for addressing any omissions or inaccuracies. This report presents to the Pension Fund Committee a Data Improvement Policy and Data Improvement Plan, for their approval, to demonstrate compliance and commitment in this area.
- 5.2 The risks associated with the Fund not having in place a Data Improvement Policy and Data Improvement Plan have been captured in the Fund's risk register as detailed below.

<b>Risk register</b>	<b>Risk mitigated</b>	<b>Residual risk</b>
Governance (risk 1)	Failure to administer the scheme in line with regulations and policies.	Amber
Governance (risk 2)	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	Amber



<b>Risk register</b>	<b>Risk mitigated</b>	<b>Residual risk</b>
Governance (risk 4)	Policies and Strategies not being in place and up to date.	Green
Administration and Communication (risk 18)	Records are not accurate and do not reflect changes in circumstances.	Green
Administration and Communication (risk 19)	Pension Fund systems may not be secure and appropriately maintained.	Green

## **6. Finance & Resources Implications**

- 6.1 The costs incurred in conducting data quality reviews and the associated rectification work will be met by the administration budget. Rectification work will be carried out by officers of the Fund where possible and efficient to do so.

## **7. Communication Implications**

<b>Website</b>	The Data Improvement Policy and Data Improvement Plan will be published on the Fund's website.
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## **8. Legal Implications**

- 8.1 There are no legal implications connected to the contents of this report as by putting in place a Data Improvement Policy and Data Improvement Plan, compliance with the Pensions Regulator's code of practice is being achieved.

## **9. Consultation with Key Advisers**

- 9.1 There has been no requirement to consult with advisers over the content of this report.

## **10. Alternative Options Considered**

- 10.1 There are no alternative options to be considered.

## **11. Background Papers**

- 11.1 Administration Strategy - <http://pensions.northamptonshire.gov.uk/app/uploads/2017/09/AdministrationStrategy2017Final.pdf>
- 11.2 The Pensions Regulator's code of practice on the governance and administration of public services pension schemes  
<http://www.thepensionsregulator.gov.uk/public-service-schemes/code-of-practice.aspx>

## **12. Appendices**

- 12.1 Appendix 1 Draft Data Improvement Policy
- 12.2 Appendix 2 Draft Data Improvement Plan

<b>Checklist of approvals</b>	
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 Head of Pensions?	Mark Whitby – 26 September 2018
Has this report been cleared by Section 151 Officer?	Sarah Heywood – sent 28 September 2018
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Terry Rogers – 3 October 2018
Has this report been cleared by Legal Services?	Fiona McMillan – 28 September 2018





## **Appendix 1**

### **Cambridgeshire Pension Fund**

#### **Data Improvement Policy**

**October 2018**

## Contents

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## **1. Introduction**

- 1.1 This document is the Data Improvement Policy for Cambridgeshire Pension Fund, which is managed by Cambridgeshire County Council (the Administering Authority).
- 1.2 The Cambridgeshire Pension Fund collects and processes large amounts digital and paper based personal data and is heavily reliant on the timely receipt of accurate data from scheme employers in order to administer the Local Government Pension Scheme (LGPS).
- 1.3 The primary purpose of the Cambridgeshire Pension Fund is to pay the correct pension benefits to its members when they become due. It is therefore essential that the Fund achieves and maintains the highest possible data quality standards.
- 1.4 The Public Service Pension Act 2013 came into effect on 1 April 2014 following the Independent Public Services Pensions Commission review conducted by Lord Hutton. The Act gave increased powers to the Pensions Regulator to ensure that public service pension schemes had appropriate measures in place to ensure high standards of governance and administration. The Pensions Regulator articulated these standards through the code of practice 14 – governance and administration of public service pension schemes. The code of practice addresses the need for high standards of accurate data and states that schemes must regularly review the data held and put in place a data improvement plan to address any issues.

## **2. Key policy objectives**

- 2.1 The key objectives of this policy are to ensure that:
  - The Fund ensures compliance with the guidance of the Pensions Regulator and establishes a robust, reviewable, measurable and transparent framework necessary for the processing of accurate, complete and up-to-date records.
  - Accurate records are maintained for the purpose of calculating pension entitlements and employer liabilities; ensuring all information and data is communicated securely and accurately within prescribed timeframes.
  - Secure communication processes are in place to enable both the Fund and employers to proactively and responsively engage with each other in respect of record keeping and data quality standards.
  - The continued development of appropriate technology to improve data quality standards and the streamlining of operational processing in respect of both employers and the Fund.
  - The Fund and employers have a clear understanding of their respective roles and responsibilities, ensuring all parties are committed to the continuing engagement to improve data quality and promote accurate record keeping.
  - All data collection processes are clearly documented and are regularly reviewed to ensure the validity of data and to ensure they are aligned to updated legislative requirements.
  - There is commitment to monitor the delivery of specified activities in accordance with the relevant regulations and the Pensions Regulator's Code of Practice.
  - An audit programme (referred to as the Data Audit) is in place to assess compliance with this policy, to test internal controls associated with data collection processes and to ensure training requirements are identified and actioned.

- The Fund will engage with scheme employers to facilitate a drive towards electronic submission of member data and documentation using Employer Self Service, i-Connect and the LGSS Pensions website.

### **3. Purpose of the policy**

- 3.1 This policy applies to all records held by the Cambridgeshire Pension Fund, its system suppliers, professional service providers and consultants acting on behalf of the Fund during the course of carrying out the administration function.
- 3.2 Records are defined as all those documents which facilitate the activities carried out by the Fund and those retained for set periods to provide evidence of its transactions or activities. These records may be created or received and then stored, in paper copy or digital form (document, spreadsheet, database entries etc).

### **4. Effective date and reviews**

- 4.1 This policy was approved by the Pension Committee on XX and was effective from XX.
- 4.2 This policy will be reviewed annually, and if necessary, more frequently to ensure it remains accurate and relevant.

### **5. Scope**

- 5.1 The policy applies to:
- All scheme members including potential beneficiaries of members for whom the Fund holds personal data.;
  - Administrators of the scheme; and
  - The Pension Committee and Local Pension Board.

### **6. Legislative framework**

- 6.1 Cambridgeshire Pension Fund and its employers have a legal and statutory obligation to comply with a number of regulations, standards and formal guidance relating to data quality. These include but are not limited to:
- Local Government Pension Scheme Regulations 2013
  - Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014
  - The Pensions Act 1995, 2004 and 2008
  - The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013
  - The General Data Protection Regulations
  - The Pensions Regulator's Code of Practice (number 14): governance and administration of public service pension schemes



## 7. The Pensions Regulator

### 7.1 Code of practice

7.1.1 The Pensions Regulator's code of practice (number 14): governance and administration of public service pension schemes, provides practical guidance on scheme record keeping. Codes of practice are not statements of law and there is no penalty for failing to comply with them, nor is there a requirement for all the provisions of the code of practice to be followed in every circumstance. Any alternative approach to that appearing in the code of practice will nevertheless need to meet the underlying legal requirements. The legal requirements relating to scheme record keeping are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.

7.1.2 The code of practice states that schemes should:

- Continually review their data and carry out a data review exercise at least annually
- Where a review of the scheme's data identifies poor or missing data a data improvement plan should be put in place to address these issues

### 7.2 Public service governance and administration survey

7.2.1 Each year since 2015 the Pensions Regulator has conducted an annual survey of public service pension schemes to assess how schemes are meeting the requirements within the code of practice and the standards to which the schemes are being run. The survey results have provided the Pensions Regulator understanding on the barriers to data improvement and highlighted record keeping and data quality as high risk areas when compared with the other requirements within the code of practice.

7.2.2 The Fund participates in the survey every year and reports to the Pension Committee and Local Pension Board a comparison of the Fund's position in relation to the findings.

### 7.3 Mandatory annual return

7.3.1 On an annual basis the Pensions Regulator will issue an annual return which if not completed and returned is regarded as a breach of the law under the Pensions Act 2004.

7.3.2 From 2018 onwards the annual return will require a score as to the quality of the scheme's data. The Pensions Regulator has identified 2 categories of data that all pension schemes must provide a score for. These categories are common data and scheme-specific data broadly defined as follows:

**Common data** – used to identify scheme members and includes name, address, national insurance number and date of birth.

**Scheme-specific data** – essential to calculate benefit entitlement such as pensionable pay and service history.

7.3.3 The Pensions Regulator has issued a quick guide on measuring scheme data which states that one piece of missing data, such as a current address on a deferred member's record should be reported to them as a failed record.

## **8. Other data**

- 8.1 The Cambridgeshire Pension Fund will also ensure that data not considered to be common or scheme specific, but has a processing need such as data required for the payment of pensions (e.g. tax codes, bank details) and data belonging to potential beneficiaries is also maintained to high standards of quality, accuracy and security.

## **9. Data Protection**

- 9.1 The Fund needs to collect and process different types of information about individuals in the scheme and their potential beneficiaries in order to operate. The General Data Protection Regulations (GDPR) details the requirements, safeguards and member's rights which must be applied to personal data to ensure the rights and freedoms of living individuals are not compromised.
- 9.2 Cambridgeshire County Council (the administering authority) is the data controller as defined by the GDPR and must observe the principles relating to the processing of personal data. Registration at the Information Commissioner's Office (ICO) can be found under registration number Z4849790.
- 9.3 Article 5 of the GDPR sets out the principles relating to the processing of personal data and states that personal data shall be accurate and where necessary, kept up to date. Every reasonable step must be taken to ensure that personal data that are inaccurate, having regard to the purposes for which they are processed are erased or rectified without delay.
- 9.4 Where a scheme member, their representative or a potential beneficiary has identified an inaccuracy or omission in their data that is held by the Fund, they have a right to rectification. As such a request for rectification can be made either verbally or in writing to the Data Protection Officer who has one month to respond.
- 9.5 Where personal data is shared with a third party in relation to the necessary functions to administer the scheme, due diligence will have taken place to ensure that the data will be processed in accordance with the GDPR and will be recorded in the Fund's privacy notice.
- 9.6 The Fund's privacy notice can be found on the LGSS Pensions website:  
<http://pensions.cambridgeshire.gov.uk/>

## **10. Responsibilities of key parties**

- 10.1 A detailed overview of Fund and employer responsibilities, performance standards and escalation policy with regards to the provision of membership data can be found within the Pensions Administration Strategy.
- 10.2 There are additional general responsibilities relating to the Data Improvement Policy as follows:

### **10.2.1 Fund officers**

- Individual teams are responsible to continually review and ensure that data collection is fit-for-purpose and processes are in place to monitor accuracy and timeliness. All processes will have documentation in place to facilitate staff training, understanding and compliance at both a Fund and employer level.
- All staff must undertake e-learning modules on protecting personal data and information governance.
- Team managers are responsible for ensuring that staff have the appropriate level of system access to fulfil their duties and that access is withdrawn upon the member of staff leaving the team. This minimises the risk of accidental loss, errors and unauthorised activity.

### **10.2.2 Scheme employers**

- The Fund is reliant upon the accuracy, completeness and timeliness of data submitted by its scheme employers and any third party agencies that may utilise e.g. outsourced payroll providers.
- To maintain complete and accurate records a continual dialogue with scheme employers is required. Fund officers will work with scheme employers throughout the year to support the provision of data to the required standard.
- The scheme employer is required to provide information when requested both on an ad hoc basis and in connection with structured cyclical activities such as year-end returns and pension savings statements.
- The Fund's Administration Strategy details the financial penalties that can be levied against scheme employers who provide inaccurate or untimely information.

### **10.2.3 Administering Authority**

- Cambridgeshire County Council as the administering authority provide the IT infrastructure for the Fund and supporting procedures and guidance for staff on information governance issues including data protection.
- The Governance and Regulations Manager and the Employer Services and Systems Manager provide the link between the Fund and the administering authority for information governance, cyber security and data protection.

## **11. Third party data services**

- 11.1 The Fund will make use of third party data services to improve data quality and to support the administrative functions. Such services are provided by external organisations as either collaborative ventures, with no or minimal cost or a procured commercially, normally on a joint procurement basis with Northamptonshire Pension Fund using an established procurement framework.

### **11.2 Data Audit**

- 11.2.1 The Fund has entered into a strategic partnership with ITM Limited to produce a suite of data validation tests that will identify errors, omissions and inconsistencies in the data held to be detailed in an annual Data Audit report. The Data Audit report will also examine the processes used when receiving data from scheme employers and how it is transferred on to members' records to identify issues with internal controls and associated risks. The Data

Audit will be conducted annually and the results will be included within the Data Improvement Plan.

- 11.2.2 The Data Audit report will also provide an independent assessment of the common and scheme-specific data scores that are to be included in the statutory Pensions Regulator's annual return.

### **11.3 LGPS National Insurance Database**

- 11.3.1 Administered by South Yorkshire Pension Fund Authority (SYPA) on behalf of the Local Government Association (LGA), the secure National Insurance Database was developed for LGPS administering authorities to share data to prevent duplicate payment of death grants. This follows changes to Scheme Regulations in 2014 where payment of a death grant in respect of a member with entitlement across multiple membership categories is restricted to an aggregate payment value in relation to any active or pensioner/deferred membership. When processing the death of a scheme member, officers will procedurally check the LGPS National Insurance Database for the existence of membership at other LGPS Funds.

### **11.4 'Tell Us Once' Service**

- 11.4.1 The secure LGPS National Insurance Database also facilitates the integration of the Fund's membership profile into the Department of Work and Pensions (DWP) 'Tell Us Once' service (TUO). The service allows a person registering a death to request that the DWP pass on the deceased's information to other government services and council services. If the deceased is a member of the Fund, as determined by the LGPS National Insurance Database, an email notification is received informing the designated officers that a copy of the death certificate is accessible on the secure government gateway.

### **11.5 Member Address Tracing and Mortality Screening**

- 11.5.1 The Fund is in the process of procuring a provider of member tracing and mortality screening services on a joint basis with Northamptonshire Pension Fund from the National LGPS Frameworks. These services will involve periodic checks on membership data against central registers to ensure the most up to date address is held for scheme members and to notify of any scheme members that may have died but which have not been notified to the Fund either by the scheme member's representatives or via TUO.

### **11.6 Overseas continued existence checks**

- 11.6.1 Every two years the Fund uses the Western Union Global Existence Transaction Service as a method to establish the continued existence of scheme members residing overseas who are in receipt of a pension. The process involves scheme members being asked to present themselves to their nearest designated Western Union agent to collect an equivalent of £10 in local currency. The member must present both a unique Western Union collection code (supplied by the Fund) and government issued photographic identification to verify their identity. This process demonstrates to the Fund that the scheme member is still alive and entitled to the pension that is being paid to them. This process also identifies scheme members that have changed address and not notified the Fund.

11.6.2 The Western Union Global Existence Transaction Service cannot be operated in all countries. Where members live in such countries the Fund will send a proof of continued existence form to be witnessed by a suitably qualified professional upon production of government issued identification.

11.6.3 Where scheme members fail to participate in the existence processes and following several attempts to remind them to do so their pension will be suspended until such times as contact is established with the member and proof of continuing existence is verified.

## **11.7 National Fraud Initiative (NFI)**

11.7.1 Administered by the Cabinet Office, the NFI is a biennial exercise that matches electronic data within and between public service bodies to prevent and detect fraud. As a participant, the Fund receives a report of cases to investigate, to take remedial action and update records accordingly.

## **12. Data Improvement Plan**

12.1 To achieve compliance with the LGPS regulations, the Pensions Regulator's code of practice and to effectively administer the scheme, the Fund has put in place a Data Improvement Plan that identifies large scale data quality activities to be undertaken in the short term.

12.2 The Fund's Governance and Regulations Manager, supported by the Data Improvement Officer and the team of Pensions Officers are responsible for updating and ensuring the completion of the activities identified on the Data Improvement Plan.

12.3 The Data Improvement Plan will be kept under constant review with new activities added as they arise.

12.4 Progress against the Data Improvement Plan will be reported to the Pension Committee and Local Pension Board at each meeting.



## Appendix 2

### Cambridgeshire Pension Fund - Data Improvement Plan – large scale rectification projects

No.	Area of Improvement	Action	Risk	Effect on TPR data scoring	Number of affected records	Method of resolution	Resolution timescale	Resource required
1	<b>Status 8s (awaiting entry)</b>	Ensure all status 8 members are genuinely awaiting entry.	Members on an incorrect status have the potential to be missed for appropriate processing and reporting.	All members not showing the correct membership status are a common data fail.	761	Records must be converted to the appropriate membership status by processing the correct benefit calculation. Every record will need looking at very closely using information contained within the member's documents to create the record.	January 2019 – March 2020.	Pensions Officers within the Governance and Regulation Team.
2	<b>Status 2s (undecided leavers)</b>	Process non BAU status 2 records.	Status 2 should only be used as a temporary status and benefits should be processed as either a refund, frozen refund, deferred or aggregated. Members on this status have the potential to be missed for appropriate processing and reporting.	All members not showing the correct membership status are a common data fail.	5,438	Refer to action plan.	Refer to action plan.	Refer to action plan.
3	<b>Contracted-out liabilities</b>	Conduct the contracted-out reconciliation comparing liabilities held on scheme records compared with that held by HMRC as HMRC will not make any amendments to liability ownership after 31/12/2018.	This is an exercise instigated by HMRC as a result of the introduction of the flat rate state pension on 06/04/2016. All UK pension schemes must undertake the reconciliation stage of this exercise by 31/12/2018. After this date, HMRC will not respond to queries or amend their records. Failure to hold the correct contracted-out liability for individual scheme members could result incorrect benefit payments paid from the Fund.	Any records with missing or incorrect contracted-out liabilities will be a scheme-specific data fail.	Exact numbers of records with incorrect liability will be known at the end of the reconciliation stage (31/12/2018).	Reconciliation has been outsourced to ITM Limited and due to complete on 31/12/2018. Rectification will be conducted by LGSS Pensions wef 01/01/2019.	Rectification stage to commence 01/01/2019 but end date unknown until the quantity of affected members is known (31/12/2018).	Pensions Officers within the Governance and Regulation Team.

No.	Area of Improvement	Action	Risk	Effect on TPR data scoring	Number of affected records	Method of resolution	Resolution timescale	Resource required
4	<b>Pensions Increase errors</b>	Resolve the inaccurate application of Pensions Increase errors resulting from inaccurate migration of pensioner payroll data, and specifically the duplication of particular payroll elements and pension types.	Failure to fully address pensions increase errors can, in the medium to long term create large over or underpayments of a member's pension. It should be noted that the financial impact on scheme members will be very small.	An incorrect value of the cumulative increases to a member's pension is a scheme-specific data fail.	609 records affecting 352 individual members.	Both pensions administration and pensions payroll records need to be amended to ensure cumulative increases are correctly displayed and the appropriate pension types are used to ensure future correct application of pensions increase. Over and underpayments of pensions will need thoroughly addressing in line with established procedures.	1 December 2018 – 28 February 2019.	Pensions Officers within the Governance and Regulation Team.
5	<b>Altair Payroll vs Altair Administration variances (pre-payroll migration)</b>	Resolve variances in the amount of pension in payment on the payroll and that held on the administration record.	Failure to address variances can in the medium to long term, create large over or underpayments of a member's pension.	An incorrect value of a current rate of pension on the administration system is a scheme-specific data fail.	From the pre-pensioner payroll migration data cut of 2016/17 the following remain outstanding (as at 24/09/2018): Underpayments = 35 Overpayments = 146	Establish the correct rate of pension that should be in payment and amend the administration and payroll records accordingly. Any under or overpayments should be thoroughly addressed in line with established procedures.	January 2018 – March 2019.	Pensions Officers within the Governance and Regulation Team.
6	<b>Member addresses</b>	Ensure all membership records for all membership statuses where a liability is held by the Fund has a current home address or is marked as gone away where attempts to trace the member have been unsuccessful.	Using a previous or incorrect address to communicate with a member can potentially result in a breach of personal data. Members may also not receive important communications prompting them to take action with regards to their present or future entitlement which may have an adverse financial impact.	Not holding a current home address for a scheme member will be a common data fail.	6,431	Procure a member tracing service to reference scheme membership against central registers to obtain current home addresses.	Procurement process to begin as soon as the National LGPS Framework for member tracing services becomes live. Anticipated September 2018. Time frame for completion of exercise to be confirmed once procurement process has been completed but this will be a priority project. Some pre-exercise data cleansing may be required.	Pensions Officers within the Governance and Regulation Team with support from the Systems Team if required.



No.	Area of Improvement	Action	Risk	Effect on TPR data scoring	Number of affected records	Method of resolution	Resolution timescale	Resource required
7	<b>Common data fails identified in the 2018 Data Audit (not covered in 1-6 above)</b>	Resolve all common data fails.	Inaccurate common data can potentially result in a breach of personal data. Members may also not receive important communications prompting them to take action with regards to their present or future entitlement which may have an adverse financial impact. Inaccurate common data can also lead to a miscalculation of individual pension liabilities which could put the scheme employer and the Fund in an adverse position.	Unresolved data fails will reappear in next year's Data Audit and will be requoted in the following year's data score submitted to the Pensions Regulator via the statutory annual return. Failure to rectify data fails will not demonstrate to the Pensions Regulator that the Fund has an effective Data Improvement Plan in place that is being adhered too in line with the Code of Practice.	Missing/temporary of invalid national insurance number – 644. Missing or inconsistent forenames and initials – 19. Missing or inconsistent sex – 74. Missing or inconsistent date of birth – 1. Missing or inconsistent pensionable service start date – 773 (of which 618 are awaiting entry).	Correct data held by reviewing member's documents and/or contacting member for confirmation.	January 2019 – March 2019.	Pensions Officers within the Governance and Regulation Team.
8	<b>Scheme specific data fails identified in the 2018 Data Audit (not covered in 1-6 above)</b>	Resolve all scheme specific data fails.	Inaccurate scheme-specific data can potentially result in a breach of personal data. Members may also not receive important communications prompting them to take action with regards to their present or future entitlement which may have an adverse financial impact. Inaccurate common data can also lead to a miscalculation of individual pension liabilities which could put the scheme employer and the Fund in an adverse position.	Unresolved data fails will reappear in next year's Data Audit and will be requoted in the following year's data score submitted to the Pensions Regulator via the statutory annual return. Failure to rectify data fails will not demonstrate to the Pensions Regulator that the Fund has an effective Data Improvement Plan in place that is being adhered too in line with the Code of Practice.	TBC	Resolution will be dependent upon the type of error and how it occurred.	January 2019 – March 2019.	Pensions Officers within the Governance and Regulation Team.



# CAMBRIDGESHIRE PENSION FUND



## Pension Fund Committee

Date: 18 October 2018

Report by: Head of Pensions

<b>Subject:</b>	<b>Employer Admissions and Cessations Report</b>
<b>Purpose of the Report</b>	<ol style="list-style-type: none"> <li>1. To report the admission of seven admission bodies to the Cambridgeshire Pension fund.</li> <li>2. To report the termination of one scheduled body from the Cambridgeshire Pension fund.</li> </ol>
<b>Recommendations</b>	<p><b>That the Pension Fund Committee:</b></p> <ol style="list-style-type: none"> <li>1. <b>Notes the admission of the following admission bodies to the Cambridgeshire Pension Fund:</b> <ul style="list-style-type: none"> <li>• Everyone Health Limited</li> <li>• Edwards and Blake</li> <li>• Lunchtime UK Limited for the following contracts: <ul style="list-style-type: none"> <li>▪ <i>Houghton Primary School</i></li> <li>▪ <i>Friday Bridge Primary</i></li> <li>▪ <i>The Ashbeach Primary School</i></li> <li>▪ <i>St Laurence Catholic Primary School</i></li> <li>▪ Clean Slate (Histon Early Years Centre)</li> </ul> </li> </ul> </li> <li>2. <b>Notes the termination of the following scheduled body from the Cambridgeshire Pension Fund:</b> <ul style="list-style-type: none"> <li>• St Neot's Learning Partnership Trust</li> </ul> </li> </ol>
<b>Enquiries to:</b>	<p>Name – Mark Whitby, Head of LGSS Pensions  Tel – 01604 368502  E-mail – <a href="mailto:mwhitby@northamptonshire.gov.uk">mwhitby@northamptonshire.gov.uk</a></p>

## 1. Background

- 1.1. The Local Government Pension Scheme Regulations 2013 (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.
- 1.2 This report provides an update on admissions to the Cambridgeshire Pension Fund since the last meeting of the Pension Fund Committee.

## 2 New Admission Bodies

- 2.1 Paragraph 1 of Part 3 of Schedule 2 to the Regulations provides for an Administering Authority making an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.

- 2.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service, in connection with the function of a scheme employer, as the result of a transfer of service or assets by means of a contract or other arrangement. Though the Regulations effectively provide discretion on the administering authority as to which bodies become paragraph 1(d)(i) Admission Bodies, guidance by the Department of Communities and Local Government in December 2009 states

*“The administering authority cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the LGPS regulations.”*

- 2.3 The Pension Fund Committee is asked to note the admission of the following bodies into the Cambridgeshire Pension Fund.

Date	New Admission Body	Background information
01/07/2017	Everyone Health Limited	Cambridgeshire County Council has entered into a contract with Everyone Health Limited to provide its Public Health services. As a result of the contract, a group of staff were transferred to the new admission body under TUPE regulations and a full admission agreement has been put in place. Cambridgeshire County Council has agreed to act as guarantor for this employer.
30/10/2017	Edwards & Blake	Cottenham Primary School, a Cambridgeshire LEA maintained school, has contracted Edwards & Blake to provide its catering services. As a result, a group of staff were transferred to the new admission body under TUPE regulations. Cambridgeshire County Council has agreed to retain the pension risk for this employer, and all liabilities and assets will be returned to the local authority on the contracts termination, under a Pass Through agreement.
01/06/2018	Clean Slate	Histon Early Years Centre, an early years education centre maintained by the Cambridgeshire LEA, has contracted Clean Slate to provide its cleaning services. As a result, a group of staff were transferred to the new admission body under TUPE regulations. Cambridgeshire County Council has agreed to retain the pension risk and all liabilities and assets will be returned to the local authority on the contracts termination under a Pass Through agreement.
01/04/2018	Lunchtime UK Ltd (Houghton Primary School)	Houghton Primary School, a Cambridgeshire LEA maintained school has contracted Lunchtime UK Ltd to provide its catering services. As a result, a group of staff were transferred to the new admission body under TUPE regulations. Cambridgeshire County Council has agreed to retain the pension risk and all liabilities and

		assets will be returned to the local authority on the contracts termination under a Pass Through agreement.
01/07/2018	Lunchtime Company (Friday Bridge Primary)	Friday Bridge Primary, a Cambridgeshire LEA maintained school has contracted Lunchtime UK Ltd to provide its catering services. As a result, a group of staff were transferred to the new admission body under TUPE regulations. Cambridgeshire County Council has agreed to retain the pension risk and all liabilities and assets will be returned to the local authority on the contracts termination under a Pass Through agreement.
01/09/2018	Lunchtime Company (The Ashbeach Primary School)	The Ashbeach Primary School, a Cambridgeshire LEA maintained school has contracted Lunchtime UK Ltd to provide its catering services. As a result, a group of staff were transferred to the new admission body under TUPE regulations. Cambridgeshire County Council has agreed to retain the pension risk and all liabilities and assets will be returned to the local authority on the contracts termination under a Pass Through agreement.
01/10/2018	Lunchtime Company (St Laurence Catholic School)	St Laurence Catholic School, a Cambridgeshire LEA maintained school has contracted Lunchtime UK Ltd to provide its catering services. As a result, a group of staff were transferred to the new admission body under TUPE regulations. Cambridgeshire County Council has agreed to retain the pension risk and all liabilities and assets will be returned to the local authority on the contracts termination under a Pass Through agreement.

### 3. Cessations

#### 3.1 St Neot's Learning Partnership Trust

3.1.1 St Neot's Learning Partnership Trust was the academy trust and recognised employer for Ernulf and Longsands Academies. The trust ceased as an active employer on 1 September 2018 after transferring sponsorship of the academies to Astrea Multi Academy Trust, an existing multi academy trust within the Cambridgeshire Pension Fund.

3.2 All assets and liabilities have been accepted by Astrea Multi Academy Trust and will be transferred accordingly, under the conditions of the transfer agreement. Therefore no exit payment will be required from St Neot's Learning Partnership Trust.

#### 4. Relevant Pension 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. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
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. <i>Objective 3</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund. <i>Objective 6</i>
Ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer. <i>Objective 7</i>

#### 5. Finance & Resources Implications

- 5.1 Actuarial costs incurred by obtaining a calculation of employer contribution rates, bond levels and funding positions at commencement are recharged directly to the relevant employer.
- 5.2 The employer contribution rates contain an allowance for administration charges, meaning the new admissions should be cost neutral.
- 5.3 Employers who are unable to pay monies due during the course of active membership may result in unpaid liabilities being borne by other employers in the Fund. Measures to mitigate such an eventuality are readily available for admission bodies and set out in section 6 below.

#### 6. Risk Management

- 6.1 The Pension Fund Committee are responsible for approving some admission bodies into the Fund as well as monitoring all admissions and cessations.
- 6.2 The risks associated with failing to monitor admissions and cessations have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Administration and Communication (risk 38)	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee. Without the required cover the Fund will pick up the shortfall leading to increased contribution rates for other employers.	Green
Administration and Communication (risk 39)	Lack of understanding of employer responsibilities which could result in a statutory deadline being missed.	Green

Administration and Communication (risk 40)	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant.	Green
Administration and Communication (risk 41)	Failure to manage the resources associated with increasing volumes of employing bodies entering the Fund, leading to unachievable targets.	Amber

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

## 7. Communication Implications

<b>Direct Communications</b>	Direct communications will be required to facilitate employer start up in the LGPS.
<b>Newsletter</b>	Regular pension bulletins are issued to the scheme employers on topical matters.
<b>Induction</b>	New employers require an introduction to their employer responsibilities under the LGPS.
<b>Seminar</b>	Employers will be entitled to attend an annual Employer Forum.
<b>Training</b>	Generic and bespoke training courses will be made available.
<b>Website</b>	New employers are given access to the employer's guidance available on the pension's website.

## 8. Legal Implications

8.1 Admitted bodies enter into an admission agreement with the administering authority in order to become an employer within the Cambridgeshire Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.

## 9. Consultation with Key Advisers

9.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.

9.2 A precedent admission agreement has been drafted by Eversheds, specialist pension legal advisers in consultation with LGSS Law.

## 10. Alternative Options Considered

10.1 None available.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
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 Section 151	Sarah Heywood – sent 28 September

Officer?	2018
Has this report been cleared by Head of Pensions?	Mark Whitby – 24 September 2018
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 3 October 2018
Has this report been cleared by Legal Services?	Fiona McMillan – 26 September 2018



# CAMBRIDGESHIRE PENSION FUND

## Pension Fund Committee

Date: 18 October 2018

Report by: Head of Pensions

<b>Subject:</b>	<b>Pension Fund Annual Report and Statement of Accounts 2017-18.</b>
<b>Purpose of the Report</b>	To present the Final Audited Annual Report and Statement of Accounts of the Pension Fund for the 2017-18 financial year.
<b>Recommendations</b>	That the Pension Committee: 1. Notes the report
<b>Enquiries to:</b>	Tracy Pegram, Pension Services Financial Manager Tel – 07917 197467 Email: <a href="mailto:TPegram@northamptonshire.gov.uk">TPegram@northamptonshire.gov.uk</a>

## 1 Background

- 1.1 The Pension Fund's Statement of Accounts (SOA) form part of the County Council's Statement of Accounts and is audited by the County Council's external auditor BDO. The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the fund within it) and that the SOA is free from material misstatement.
- 1.2 The Fund's Annual Report and SOA have been subject to audit fieldwork by the County Council's external auditor. Whilst BDO perform a full audit of the SOA, their work on the Annual Report is limited to a review to ensure compliance with guidance and consistency with the SOA. BDO's initial findings are noted in Section 3 below.
- 1.3 The annual accounts are a true and fair view of the financial activities of the Fund for the financial year 1<sup>st</sup> April 2017 to 31 March 2018.
- 1.4 They are based on transactions accounted for within the Fund's financial ledger, information received from Fund Managers and the Fund's Custodian, and assumptions and estimations based upon the professional judgement of officers and Fund professional advisers in order to give a true and fair statement of the Fund's financial position.
- 1.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a set of pro forma accounts to illustrate the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (the Code) which governs the preparation of the financial statements for Local Government Pension Scheme funds.
- 1.6 The draft Annual Report and Statement of Accounts were presented at the 26th July Pensions committee where:-

1.6.1 It was resolved unanimously to:

1. approve the Draft Annual Report and note the Statement of Accounts of the Pension Fund for the 2017-18 financial year;
2. approve that the Chairman agree with officers any immaterial amendments to the Annual Report arising from the final External Auditor review comments.

1.7 This report attaches the final version of the Annual Report and Statement of Accounts incorporating minor changes, arising from external audit feedback and internal checking.

## **2 Summary of Report**

- 2.1 A number of actions raised during the July Pensions committee, classed as not material to the Annual Report and Statement of Accounts, have been dealt with through the action log process.
- 2.2 Other changes reflected minor grammatical amendments, arising from external audit feedback and internal checking.

## **3 Key Findings and Feedback from the 2017-18 External Audit Fieldwork.**

- 3.1 The Pension Fund Statement of Accounts has already been subject to external audit fieldwork and BDO have offered a separate audit opinion on the Pension Fund's Annual Report and Statement of Accounts within the ISA260 document, this is set out below:

<b>Audit Opinion</b>	
<i>Financial statements</i>	<i>Subject to the successful resolution of outstanding matters set out on page 5, we anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2018.</i>
<i>Pension fund annual report</i>	<i>Our review of the separate pension fund annual report is similarly complete, and we anticipate issuing an unmodified consistency opinion on the financial statements for the year ended 31 March 2018</i>

- 3.2 ISA260 documents no major issues, as shown on the overview on page 3 as set out below:

*This summary provides an overview of the audit matters that we believe are important to the audit Audit and Accounts Committee in reviewing the results of the audit of the financial statements and use resources of the Council for the year ended 31 March 2018.*

*It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance*

<b>Audit Scope and Objectives</b>	
<i>Audit Status</i>	<i>We have substantially completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to resolution of matters set out in the outstanding matters section.</i>
<i>Audit risks update</i>	<i>No additional significant audit risks were identified during the course of our audit procedures subsequent to our Audit Planning Report to you dated 27 March 2018.</i>
<i>Materiality</i>	<i>Our final materiality is £30 million for the net asset statement, £9.5 million for the fund account and £6.5 million for contributions. We have increased our materiality from £28.5 million to £30 million for the net asset statement as a result of the increase in valuation of investment asset as at year end. We also increased our specific contributions materiality from £6.2 million to £6.5 million as a result of the increased level of contributions at the year end; the original materiality calculations were performed on the prior year signed financial statements.</i>
<i>Changes to audit approach</i>	<i>These were no significant changes to our planned audit approach nor were any restrictions placed on our audit</i>

<b>Key Audit and Accounting Matters</b>	
<i>Material Misstatements</i>	<i>Our audit identified no material misstatements</i>
<i>Unadjusted audit differences</i>	<p><i>We are required to bring to your attention audit differences that we have identified, but you are not proposing to adjust. These include:</i></p> <ul style="list-style-type: none"> <li><i>• Brought forward uncorrected misstatement from the prior year of £640k in respect of omission of accrued contributions due to late Pen18s</i></li> <li><i>• Current year misstatement of £777k in respect of variances arising from investment reports used during the preparation of financial statements not being coterminous with yearend and therefore estimates were made</i></li> </ul> <p><i>If corrected, this would decrease the net</i></p>

	<i>assets of the scheme by £1,417k.</i>
<i>Control environment</i>	<i>Our audit identified no significant deficiencies in internal controls</i>

## 4 Recommendations

### 4.1 That the Pension Committee:

1. Notes the report

## 5 Finance & Resources Implications

- 5.1.1 There are no additional finance implications as a result of the recommendations set out in this paper.

## 6 Risk Management

- 6.1 The Pension Fund Committee have a responsibility to monitor activity of the Annual Report and Statement of Accounts and approve the final version as an accurate document for publication at the end of each financial year.
- 6.2 The risks associated with failing to effectively monitor and highlight relevant concerns have been captured in the Fund's risk register as detailed below.

<b>Risk register</b>	<b>Risk mitigated</b>	<b>Residual risk</b>
Governance (risk 3)	The production of incorrect accounts, notices and publications.	Green
Governance (risk 18)	Failure to provide adequate information to the Committee and Board	Green
Investment and Funding (risk 26)	Pension Fund accounts not accurately managed	Green

- 6.3 The full version of the Fund risk register can be found – <http://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

## 7. Communication Implications

- 7.1 The statutory date for publication of the final set of Accounts is the end of September, and in accordance with recognised practice, the Council considers its Statement of Accounts to be published from the date that a final certified copy is made available via the Council's website. It is possible that this date may be missed due to delays with the Local Authority final audit.

## 8. Legal Implications

- 8.1 There are no legal implications as a result of the recommendations set out in this paper.

## 9. Consultation with Key Advisors

- 9.1 The Pension Fund Accounts were produced using information and advice provided by Fund Managers, the Fund's Custodian Northern Trust, Fund Advisers Mercers and Mark Stevens, and the Fund's Actuary, Hymans Robertson.

## **7 Alternative Options Considered**

- 7.1 The Pension Fund Accounts are a statutory requirement with a prescribed structure, which has been complied with.

## **8 Background Papers**

- 8.1 The Pension Fund Accounts are supported by a detailed set of working papers that are subject to examination as part of the External Audit review.

## **9 Appendices**

- 9.1 Appendix 1 – Annual Report (draft) and Statement of Accounts 2017-18.

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 – 28 September 2018
Has this report been cleared by Head of Pensions?	Mark Whitby – 26 September 2018
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 3 October 2018
Has this report been cleared by Legal Services?	Fiona McMillan – 28 September 2018



***Annual Report and  
Statement of Accounts  
2017-18***

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## INTRODUCTION

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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 *CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom 2017-18*.

The accounts summarise the transactions of the Fund 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://pensions.cambridgeshire.gov.uk/app/uploads/2012/10/CPF-2016-Actuary-Valuation-Report.pdf>

Mr C Malyon

Chief Finance Officer  
(Section 151 Officer)

Dated 2018

# STATEMENT OF RESPONSIBILITIES

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## 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 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 2018 and of its income and expenditure for the year 2017-18, and authorise the accounts for issue.

Mr C Malyon

Chief Finance Officer  
(Section 151 Officer)

Dated 2018

## CHAIRMAN'S FOREWORD

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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 2017-18. I was appointed Chairman of the Pension Fund Committee in October 2017 and would like to thank my predecessor, Councillor Roger Hickford, for his hard work and dedication in his time as Chairman.

During 2017-18 there has been a steady growth of members in the Fund from 77,323 to 80,816, whilst the number of employers has increased from 182 to 206 at 31 March 2018. At 31 March 2018 the Fund was valued at £2.969bn, an increase of £116m from the previous year. The Fund's investment asset return of 2.5% for the year underperformed the Fund's benchmark return of 3.0% and the average Local Authority Pension Fund (4.5%) (Source PIRC Ltd Local Authority Universe). The return reflects weaker markets compared to last year when the fund return was 24.5% which beat the benchmark by 0.8%.

The Fund's investment strategy is under review but currently 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 slightly from 81.0% to 80.7%. This is principally due to the previous strong returns on investments. The results of the 2016 triennial valuation published in April 2017 showed a funding level of 78% compared to 72% at the 2013 valuation. The improvement in funding position between 2013 and 2016 was mainly due to strong investment performance over the inter-valuation period, coupled with the positive impact of pay and benefit growth being lower than expected.

Cambridgeshire County Council and Northamptonshire County Council operate under a joint partnership, namely LGSS, which provides back office shared services including pension's administration. This arrangement provides efficient converged processes, sharing of resources and economies of scale to both funds.

Following the Autumn Statement on 25 November 2015, the Department for Communities and Local Government (DCLG) published criteria for Local Government Pension Scheme (LGPS) investment pooling. This focussed on 4 criteria: scale, strong governance, reduced costs and improved capacity to invest in infrastructure.

In response to this, eleven like-minded LGPS Funds (including Cambridgeshire) are working together to pool their investments under the name of ACCESS (A Collaboration of Central, Eastern and Southern Shires). Collectively the ACCESS Pool has significant scale with assets of £43bn, managed on behalf of c3,000 employers and c900,000 members. Significant progress has been made to establish the asset pool under the governance of the ACCESS Joint Committee (AJC) comprising the Chairman of the eleven LGPS Funds.

ACCESS has appointed Link Fund Solutions (Link) as the pool's Financial Conduct Authority (FCA) authorised Operator. The appointment means a significant shift in governance arrangements, with the Operator responsible for selecting and contracting with managers on behalf of the authorities participating in the pool.

With the procurement phase completed, the implementation phase of the project is progressing well. Link is preparing documentation for the FCA authorisation of an umbrella Authorised Contractual Scheme (ACS) and first sub-fund for submission in summer 2018.

ACCESS has appointed UBS to manage its passive mandates (approx. £11bn). The indicative saving of £5.2m per annum exceeds the estimated saving projection of £4m per annum stated in the July 2016 submission of the pool's plans to HM Government. The Fund has benefitted from these savings since February 2018.

I consider that it has been a successful year for the Fund as a result of the hard work invested by the members of the Pension Fund Committee and Investment Sub Committee, members of the Local Pension Board, the Chief Finance Officer, the Head of Pensions and all staff involved in the administration and investment management of the Fund. Furthermore, am confident that LGSS Pension Services will continue to provide high standards of service delivery and meet new and existing challenges into 2018-19 and beyond.

Councillor Terry Rogers  
Chairman of Cambridgeshire County Council Pension Fund

## SCHEME FRAMEWORK

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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 2016. The results of the valuation were a funding level of 78% and an average primary employer contribution rate of 18.1%. The primary rate includes an allowance of 0.6% of the pensionable pay for the Fund’s expenses. The average employee contribution rate is 6.3% of pensionable pay. At the previous formal valuation at 31 March 2013 a different regulatory regime was in force and therefore no meaningful comparative rate is available.

On 1 April 2014, the new Local Government Pension Scheme 2014 came into effect, allowing more flexibility around paying into the scheme and drawing benefits. 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 accessed before that date benefits will usually be reduced and if accessed after normal retirement age benefits may 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 below table compares the 2008 and 2014 Schemes.

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

## Active Employers (206)

**Note: Academy Trusts (marked in bold) are classified as one employer, with members of each trust listed in italics.**

**Scheduled Bodies: Total (counting a trust and its members as one) 62, total of all individual bodies 183.**

<p>Abbey College Academy</p> <p><b>Aces Academies Trust</b></p> <p><i>Hitchingbrooke School</i></p> <p><b>Active Learning Trust</b></p> <p><i>Active Learning Trust</i></p> <p><i>Burrowmoor Primary Academy.</i></p> <p><i>Chesterton Primary Academy</i></p> <p><i>Cromwell Community College</i></p> <p><i>Earith Primary Academy</i></p> <p><i>Highfield Ely Academy</i></p> <p><i>Highfield Littleport Academy</i></p> <p><i>Isle of Ely Academy</i></p> <p><i>Kingsfield Primary School Academy</i></p> <p><i>Littleport &amp; East Cambridgeshire Academy</i></p> <p><i>Neale Wade Academy</i></p> <p><b>Affinity Multi Academy Trust</b></p> <p><i>Meadowgate Academy</i></p> <p><i>Alderman Jacobs Academy</i></p> <p><i>All Saints Inter Church Academy</i></p> <p><b>Anglian Learning Trust</b></p> <p><i>Bassingbourn Village College Academy</i></p> <p><i>Bottisham Village College Academy</i></p> <p><i>Netherhall School Academy</i></p> <p><i>Sawston Village College Academy</i></p> <p><b>Aspire Learning Trust (Whittlesey)</b></p> <p><i>New Road Primary School</i></p> <p><i>Park Lane Primary &amp; Nursery School</i></p> <p><i>Sir Harry Smith Community College</i></p> <p><b>Astrea Multi Academy Trust</b></p> <p><i>Cottenham Village College Academy</i></p> <p><i>The Centre School Academy</i></p> <p><i>Bourne C of E Primary Academy</i></p> <p><b>Brooke Weston Multi Academy Trust</b></p> <p><i>Peckover Primary Academy</i></p> <p><i>Thomas Clarkson Community Academy</i></p> <p><i>Buckden C of E Primary Academy</i></p> <p><i>Cambridge City Council</i></p> <p><b>Cambridge Meridian Academy Trust</b></p> <p><i>Cambridge Meridian Academy Trust</i></p> <p><i>Downham Feoffees Primary Academy</i></p>	<p><b>Cambridge Meridian Academy Trust (cont...)</b></p> <p><i>Ely (City of) College Academy</i></p> <p><i>Nene Park Academy</i></p> <p><i>North Cambridge Academy</i></p> <p><i>Sawtry Village Academy</i></p> <p><i>Sawtry Junior Academy</i></p> <p><i>Swavesey Village College Academy</i></p> <p><i>West Town Primary</i></p> <p><b>Cambridge Primary Education Trust</b></p> <p><i>Hatton Park School</i></p> <p><i>Histon and Impington Infants School</i></p> <p><i>Histon and Impington Junior School</i></p> <p><i>Trumpington Park Primary Academy</i></p> <p><i>Cambridge Regional College</i></p> <p><i>Cambridgeshire County Council</i></p> <p><i>Cambridgeshire &amp; Peterborough Fire Authority</i></p> <p><i>Cambridgeshire Chief Constable</i></p> <p><i>Cambridgeshire Police &amp; Crime Commissioner</i></p> <p><i>Chesterton Academy</i></p> <p><b>Chilford Hundred Education Trust</b></p> <p><i>Linton Village College Academy</i></p> <p><i>Meadow Primary School</i></p> <p><i>Linton Heights Junior Academy</i></p> <p><i>City College Peterborough</i></p> <p><i>Crosshall Infants Academy Trust</i></p> <p><i>Crosshall Juniors School Limited</i></p> <p><b>Diocese of Ely Multi-Academy Trust</b></p> <p><i>Babraham Church of England Primary Academy</i></p> <p><i>Bury Church of England Primary School</i></p> <p><i>Elm C of E Primary Academy</i></p> <p><i>Ermine Street Church Academy</i></p> <p><i>Guilden Morden Academy</i></p> <p><i>Mepal &amp; Wicham Cof E Primary Academy</i></p> <p><i>Milton Primary Academy</i></p> <p><i>Orchards C of E Primary Academy</i></p> <p><i>St Andrew's C of E Academy</i></p> <p><i>St John's Academy</i></p>	<p><b>The Diocese of Ely Multi-Academy Trust (cont...)</b></p> <p><i>St John's C of E Primary Academy</i></p> <p><i>St Mary's C of E Junior School</i></p> <p><i>St Marys St Neots Academy</i></p> <p><i>St Peters C of E Academy</i></p> <p><i>Thriplow C of E Primary Academy</i></p> <p><i>William De Yaxley C of E Academy</i></p> <p><i>Wisbech St Marys C of E Primary Academy</i></p> <p><i>East Cambridgeshire District Council</i></p> <p><b>Elliot Foundation Academies Trust</b></p> <p><i>Cavalry Primary Academy</i></p> <p><i>Elm Road Primary School Academy</i></p> <p><i>Eyrescroft Primary School Academy</i></p> <p><i>Highlees Primary Academy</i></p> <p><i>Millfield Primary School Academy</i></p> <p><i>Nene Infants Academy</i></p> <p><i>Ramnoth Primary Academy</i></p> <p><i>Ramsey Community Junior Academy</i></p> <p><i>Ramsey Spinning Infant Academy</i></p> <p><i>Fenland District Council</i></p> <p><b>Four C's Multi Academy Trust</b></p> <p><i>Arthur Mellows Village College Academy</i></p> <p><i>Fulbride Academy</i></p> <p><b>Godmanchester Community Educational Trust</b></p> <p><i>Godmanchester Bridge Academy (combined with Trust)</i></p> <p><i>Greater Peterborough UTC</i></p> <p><b>Greenwood Academies Trust</b></p> <p><i>Bishop Creighton Academy</i></p> <p><i>City of Peterborough Academy</i></p> <p><i>City of Peterborough Academy Special School</i></p> <p><i>Dogsthorpe Academy</i></p> <p><i>Newark Hill Primary Academy</i></p> <p><i>Stanground Academy</i></p> <p><i>Welland Primary School</i></p> <p><b>Hampton Academies Trust</b></p> <p><i>Hampton College Academy</i></p> <p><i>Hampton Gardens Academy</i></p> <p><i>Hills Road Sixth Form College</i></p> <p><i>Huntingdonshire College</i></p>
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## Scheduled Bodies (cont...)

Huntingdonshire District Council  
 Long Road Sixth Form College  
**Ormiston Academies Trust**  
*Ormiston Bushfield Academy*  
*Ormiston Meadows Academy*  
 Peterborough City Council  
 Peterborough Regional College  
**Samuel Ward Academy Trust**  
*Detton Lodge Primary School*  
**Soke Education Trust**  
*Werrington Primary School*  
*Wittering Primary School*  
*John Clare Primary School*  
*Gunthorpe Primary School*  
 South Cambridgeshire District Council  
 Spring Common Academy  
     St Bedes Inter Church School  
 St Ivo School Academy  
**St. Neots Learning Partnership**  
*Emulf Academy*  
*Longsands Academy*  
**Staploe Education Trust**  
*Kennett Community School*  
*Shade Primary School*  
*Soham Village College Academy*  
*Weatheralls Academy*

**TBAP Multi Academy Trust**  
*Cambridge AP Academy*  
*Octavia AP Academy*  
*Unity School (St Neots)*  
**The Cam Academy Trust**  
*Hartford Infant School*  
*Hartford Junior School*  
*Jeavons Wood Primary Academy*  
*St Peter's School HD Academy*  
*Cambourne Village College*  
     Academy  
*Comberton Village College*  
     Academy  
*Gamlingay First School Academy*  
*Melbourn Village College Academy*  
**The Diamond Learning Trust**  
*Cromwell Academy*  
*Glebelands Primary Academy*  
*Great Staughton Academy*  
*Kimbolton Primary Academy*  
*Leverington Primary Academy*  
*Middlefield Community Primary*  
     School  
*Murrow Primary School Academy*  
*The Round House Academy*  
*Thomas Eaton Primary Academy*  
*Winhills Primary School*

The Kings School Academy  
**The Lime Academy Trust**  
*The Lime Academy Abbotsmede*  
*The Lime Academy Parnwell*  
*The Lime Academy Watergall*  
**The Morris Education Trust**  
*Impington Village College Academy*  
*Witchford Village College Academy*  
 The Pathfinder C of E Primary School  
**Thomas Deacon Education Trust**  
*Gladstone Primary Academy*  
*Queen Katherine Academy (prev. known as The Voyager Academy)*  
*Thomas Deacon Academy*  
**United Learning (Combined)**  
*United Learning Head Quarters*  
**UPC**  
*University of Cambridge Primary School*  
 UTC Cambridge  
 William Law C of E Primary Academy

## Designated Bodies (47):

Balsham Parish Council  
 Bar Hill Parish Council  
 Bretton Parish Council  
 Burnt Fen Internal Drainage Board  
 Burwell Parish Council  
 Caldecote Parish Council  
 Cambourne Parish Council  
 Chatteris Town 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  
 LGSS Law Ltd  
 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 Internal Drainage Board  
 Orton Waterville Parish Council  
 Sawston Parish Council  
 Sawtry Parish Council  
 Soham Town Council

Somersham Parish Council  
 St Ives Town Council  
 St Neots Town Council  
 Sutton Parish Council  
 Swaffham Internal Drainage Board  
 Swavesey Parish Council  
 Thoney Parish Council  
 Tydd St Giles Parish Council  
 Waterbeach Level Internal Drainage Board  
 Waterbeach Parish Council  
 Whittlesey Internal Drainage Board  
 Whittlesey Town Council  
 Wimblington Parish Council  
 Wisbech Town Council  
 Witcham Parish Council  
 Yaxley Parish Council



## Admitted Bodies (97):

ABM Catering (Morley Memorial)	CPFT	Lunchtime Company Ltd (Gorefield & Kinderley)
ABM Catering (Orchard Park)	CRCC - Cambridge Rape Crisis Centre	Lunchtime Company Ltd (Grove Primary)
Action for Children	Cross Keys Homes Ltd	Lunchtime Company Ltd (Over)
Action for Children (London Road)	Cucina Ltd	Lunchtime Company Ltd (St Matthews)
ADeC	Cucina Ltd (Arthur Mellows)	Lunchtime Company Ltd (Waterbeach)
Advanced Cleaning Services (Burwell & Netherhall)	Drinksence (prev. C.A.A.S)	Mears Ltd
Advanced Cleaning Services (Ridgeway)	East of England Local Government Association (EEDA/EERA)	Mears Ltd (SCDC)
Advanced Cleaning Services (Weatheralls)	Easy Clean (Eastfield Infants)	Mitie PFI Limited
Alliance in Partnership	Easy Clean (Godmanchester)	Mountain Healthcare Ltd
Aspens Services Ltd (Fen Drayton)	Easy Clean (Hemingford Grey)	NPS Property Consultants Ltd
Aspens Services Ltd (Hemingford Grey)	Easy Clean (Kings Hedges)	Oxford Archaeology
Aspens Services Ltd (Staploe Education Trust)	Ecovert FM Ltd	Pabulum Catering Ltd
Aspens Services Ltd (Swavesey)	Edmund Trust	Pabulum Catering Ltd (Cottenham)
Balfour Beatty	Edwards & Blake (Godmanchester)	Pabulum Catering Ltd (Ely College)
Cambridge LIVE	Edwards & Blake (Little Paxton Primary)	Pabulum Catering Ltd (Sawtry Junior Academy)
Cambridgeshire & Peterborough CCG	Edwards & Blake -Stukley Meadows	Pabulum Catering Ltd (Sawtry Village Academy)
Care Quality Commission	Elior UK	Radis Community Care
Carers Trust	Enterprise Managed Services	Sanctuary Group
Cater Link Ltd	Etheldred House (Excelcare)	Serco Limited (ITNET/CCC)
Cater Link Ltd (Diamond Learning Partnership Trust)	Everyone Health	Serco Limited (PCC)
Cater Link (Ernulf Academy)	Friends Therapeutic Community	Skanska
Chartwells Catering (Bottisham Village College)	GLL – Greenwich Leisure Ltd	Solutions 4 Heath
Chartwells Catering (Netherhall)	Home Close Ltd	Sport and Leisure Management (Everyone Active)
Churchill Contract Services	Homerton College	St Columa Centre (Group Therapy)
Churchill Contract Services (Thorndown)	Improve IT Ltd	Stephen Perse Foundation
Collections Trust	Kealey HR Ltd	Tactcare
Compass Contract Services	Kelkey Kerridge Sports Hall	Total Fun Limited
Compass Contract Services Chartwells	LCC Support Services	TSG Building Services Ltd
Conservators of the River Cam	Luminus Group Limited	VHS Cleaning Services Ltd
Coram Cambridgeshire Adpotion Limited	Lunchtime Company Ltd	Visit Cambridge and Beyond
	Lunchtime Company Ltd (Abbey Meadows)	Vivacity
	Lunchtime Company Ltd (Bury Primary)	Wisbech and Fenland Museum
	Lunchtime Company Ltd (Ditton Lodge Primary)	Wisbech Grammar School
	Lunchtime Company Ltd (Fulbourn Primary)	

## **SCHEME MANAGEMENT AND ADVISERS**

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**Registered Pension Scheme Number: 10038487**

### **Administering Authority**

Cambridgeshire County Council  
Shire Hall  
Castle Hill  
Cambridgeshire  
CB3 0AP

### **Administrator**

Mr C Malyon  
Chief Finance Officer  
S151 Officer Cambridgeshire County Council

### **Pension Fund Committee and Investment Sub-Committee**

#### **County Council Members**

Cllr Peter Ashcroft (retired May 2017)  
Cllr Peter Downes (appointed May 2017)  
Cllr Anne Hay (appointed May 2017)  
Cllr Roger Hickford  
Cllr Noel Kavanagh (retired May 2017)  
Cllr Gail Kenney (retired May 2017)  
Cllr Maurice Leeke (retired May 2017)  
Cllr Terry Rogers (appointed May 2017)  
Cllr Joshua Schumann  
Cllr Michael Shellens (appointed May 2017)

#### **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 Andrew Fraser (South Cambridgeshire District Council)

#### **Other Employers' Representatives**

Gareth Deeble (retired March 2017)  
Tracy Roden (appointed June 2017)

#### **Member Representatives**

Matthew Pink  
John Walker

### **Local Pension Board Members**

#### **Employer representatives**

Cllr Mac McGuire (retired May 2017)  
Cllr Peter Downes (retired May 2017)  
Cllr Simon King (appointed May 2017)  
Cllr Ian Manning (appointed May 2017)  
Cllr Denis Payne

## **Scheme member representatives**

Barry O'Sullivan  
John Stokes  
David Brooks

## **Key Officers supporting the Fund**

**Head of Pensions** Mark Whitby

**Investment & Fund Accounting Manager** Paul Tysoe

**Operations Manager** Akhtar Pepper

**Employer and Systems Team Manager** Cory Blose

**Governance & Regulations Manager** Joanne Walton

**Fund Financial Managers** Ben Barlow  
Tracy Pegram  
Richard Perry

**Investment Advisers** Mercer Investment Consulting  
Belvedere  
12 Booth Street  
Manchester M2 4AW

**Investment Managers** Adams Street Partners  
4th Floor  
75 Davies Street  
London W1K 5JN

Allianz Global Investors  
199 Bishopgate  
London EC2M 3TY

AMP Capital Investors Ltd  
Berkeley Square House  
Berkeley Square  
London W1J 6BX

Dodge & Cox Worldwide Investments Ltd  
6 Duke Street  
St. James's  
London SW1Y 6BN

Equitix Limited  
Welken House,  
10-11 Charterhouse Square  
London EC1M 6EH

HarbourVest Partners (UK) Ltd  
3<sup>rd</sup> Floor  
33 Jermyn Street  
London SW1Y 6DN

J O Hambro Capital Management Limited  
Ground Floor  
Ryder Court  
14 Ryder Street  
London SW1Y 6QB

M & G Group  
Governor's House  
Laurence Pountney Hill  
London EC4R 0HH

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

Schroders Investment Management Ltd  
31 Gresham Street  
London EC2V 7QA

State Street Global Advisors Ltd  
20 Churchill Place  
Canary Wharf  
London E14 5HJ

UBS Global Asset Management (UK) Ltd  
5 Broadgate,  
London EC2M 2QS

**Custodian**

Northern Trust  
50 Bank Street  
Canary Wharf  
London E14 5NT

**AVC Providers**

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

Prudential Assurance Co Ltd  
Laurence Pountney Hill  
London EC4R 0HH

**Fund Actuary**

Hymans Robertson LLP  
20 Waterloo Street  
Glasgow G2 6DB

**Auditor**

BDO LLP  
16 The Havens  
Ransomes Europark  
Ipswich,  
Suffolk IP3 9SJ

**Legal Advisor**

LGSS Law Limited  
Shire Hall  
Castle Hill  
Cambridge CB3 0AP

**Performance reporting**

Mercer Investment Consulting  
Belvedere  
12 Booth Street  
Manchester M2 4AW

**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](mailto:phtysoe@northamptonshire.gov.uk)  
Tel: 07867 902436

**Enquiries relating to benefits and administration should be directed to:**

Mark Whitby,  
Head of Pensions, LGSS  
[MWhitby@northamptonshire.gov.uk](mailto:MWhitby@northamptonshire.gov.uk)  
Tel: 07990 556197

## RISK MANAGEMENT

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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 Risk Strategy was formally produced in 2015-16 and subsequently the risk register was formally agreed in October 2016, both of which will be reviewed in the 2018/19 financial year.

The risk strategy can be found at -

<http://pensions.cambridgeshire.gov.uk/app/uploads/2016/04/Risk-Strategy.pdf>

The risk register can be found at -

<http://pensions.cambridgeshire.gov.uk/app/uploads/2012/11/Risk-Register---Governance.pdf>

### Managing decision making

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

Membership of both bodies consist of elected members, and non-elected employer and scheme member representatives. All members of the ISC sit on the PFC.

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

PFC members and ISC members are required to attain a desired level of skills 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 Committee members must at all times be conscious of their accountability to stakeholders. The PFC 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.

In April 2017, the Cambridgeshire Full Council acknowledged the establishment of the ACCESS Joint Governance Committee (AJGC) delegating powers to this body in response to the Government's pooling agenda. The Chairman and Vice Chairman of the PFC represent the Fund on the AJGC, supported by Fund officers working in the ACCESS Officers Working Group (OWG).

The Local Pension Board (LPB) was established on 1 April 2015, providing an additional layer of governance for the Fund. The LPB is non-decision making but has 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 LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- ensure the effective and efficient governance and administration of the LGPS.

The LPB has provided a separate annual report of its activities to Council for this financial year.

### **Managing investment and funding risks**

The Cambridgeshire Pension Fund has over £2.9 billion of assets under management. It is essential 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 fifteen investment mandates with twelve fund managers. The Fund is also joint owner of Cambridge and Counties Bank and has an investment in the Cambridge Building Society.

An Investment Management Agreement or Subscription 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.

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 provides diversification of manager risk and investment style.

Fund managers will bias their portfolios towards stocks which are expected to out-perform in rising or falling markets and are required to operate in such a way that the possibility of underperformance against the target is kept within acceptable risk tolerances.

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 and the Custodian.

The Fund's investment performance is reviewed by the Investment Sub-Committee and should remedial action be required the Sub-Committee will determine and undertake appropriate implementation.

Annually the PFC reviews the work of the ISC in July in addition to receiving the Fund's Annual Report and Statement of Accounts. The focus of this review meeting is the annual and longer term view of the Fund's investment strategy from the Fund's Investment Consultant in addition to reports on the Local Authority Universe, and the performance of the Fund's third party providers.

## **Managing funding risks**

The fundamental objective of the Fund is to ensure that all future liabilities can be met from the Fund's assets. Asset Liability Studies are undertaken to help the Pension Fund Committee and Investment Sub-Committee determine appropriate asset allocation ranges. The aim of these is to ensure that the Fund's assets are prudently spread across a range of asset types and markets. As the Fund's liabilities are based in sterling, the majority of the Fund's assets are likely to be sterling denominated. The asset allocation is formally reviewed following publication of each triennial valuation, and at other times as required.

To minimise risk a broadly based portfolio of stocks is held, spread across different countries and different industrial sectors.

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

## **Managing scheme employer related risks**

At 31 March 2018 there were 344 scheme employers in the Cambridgeshire Pension Fund, of which 206 were active, 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 "phasing" of contribution increases over a number of valuation periods. Whichever option is considered, it is essential 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 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 by submitting poor quality data. Inaccurate data can lead to the miscalculation of pension benefits which can lead to the misstatement of the benefits to which a member is entitled. Any inaccuracy of data 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 scheme employers to provide training, tools and support to so



improve the accuracy of data. The Fund also monitors employer performance in the form of key performance indicators which are regularly fed back to 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. Employer contribution rates have been increased at each triennial valuation to ensure that the funding position does not continue to deteriorate. The Fund also uses analysis of changing life expectancy trends which is fed into the Fund's valuation process to ensure that employer contribution rates are calculated based on the most accurate data available.

## FINANCIAL PERFORMANCE

### Timeliness of contributions

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

### Three year forecast of income and expenditure

	2017-18 Estimated Outturn	2017-18 Final Outturn	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
	£000	£000	£000	£000	£000
Contributions <sup>1</sup>	128,000	128,410	129,000	132,000	135,000
Transfers in from other pension funds	5,400	4,932	4,907	4,907	4,907
<b>Total Income</b>	<b>133,400</b>	<b>133,342</b>	<b>133,907</b>	<b>136,907</b>	<b>139,907</b>
Benefits payable	(100,000)	(99,345)	(101,000)	(103,000)	(105,000)
Payments to and on account of leavers.	(5,400)	(10,126)	(7,246)	(7,246)	(7,246)
<b>Total Benefits</b>	<b>(105,400)</b>	<b>(109,471)</b>	<b>(108,246)</b>	<b>(110,246)</b>	<b>(112,246)</b>
<b>Surplus of contributions over benefits</b>	<b>28,000</b>	<b>23,871</b>	<b>25,661</b>	<b>26,661</b>	<b>27,661</b>
Management Expenses	(15,405)	(16,954)	(17,493)	(17,486)	(17,950)
<b>Total Income less Expenses</b>	<b>12,595</b>	<b>6,917</b>	<b>8,168</b>	<b>9,175</b>	<b>9,711</b>
Investment Income	29,000	38,142	30,000	31,000	32,000
Taxes on income	-	(329)	-	-	-
Profit and (losses) on disposal of investments and changes in the market value of investments	75,000	70,998	77,000	79,000	81,000
<b>Net return on investments</b>	<b>104,000</b>	<b>108,811</b>	<b>107,000</b>	<b>110,000</b>	<b>113,000</b>
<b>Net increase/(decrease) in the net assets available for benefits during the year</b>	<b>116,595</b>	<b>115,728</b>	<b>115,168</b>	<b>119,175</b>	<b>122,711</b>

## Performance against budget – net operational expenses

The following table shows the Fund's forecast for total management expenses for 2017-18 compared with the outturn.

	2017-18 Forecast	2017-18 Outturn	Variance
	£'000	£'000	£'000
Administrative costs	2,274	2,277	3
Investment management expenses	12,839	14,502	1,663
Oversight and Governance costs	292	175	(117)
<b>Total Management Expenses</b>	<b>15,405</b>	<b>16,954</b>	<b>1,549</b>

Oversight and Governance costs were lower than expected due to a planned reconciliation project being partially completed during 2017-18. The remaining expenditure is due to be incurred in 2018-19.

## Timeliness of contributions

The following table shows the amount of regular employee and employer contributions paid during 2017-18 and the value and percentage of which were paid both on time and after the deadline of the 19<sup>th</sup> day of the month following deduction.

	Total Paid in 2017-18 £	Total Paid On Time £	% Paid On Time	Total Paid Late £	% Paid Late
Employer Contributions	103,041,529	100,286,705	97.3%	2,754,824	2.7%
Employee Contributions	25,368,147	24,522,956	96.7%	845,191	3.3%
<b>Total</b>	<b>128,409,676</b>	<b>124,809,661</b>	<b>97.2%</b>	<b>3,600,015</b>	<b>2.8%</b>

Late payments are reported quarterly to the Pension Fund Committee and where necessary to the Pensions Regulator.

## Movement in assets and liabilities

The table below shows the forecast against the outturn on the Fund's cash flows and asset values in respect of 2017-18.

	2017-18 Estimated Outturn	2017-18 Final Outturn
	£'000	£'000
<b>Cash flows</b>		
Fund surplus / (deficit) cash from dealings with members	28,000	23,871
Management expenses	(8,156)	(16,954)
Returns on investments	104,000	108,811
<b>Net increase /(decrease) in the net assets available for benefits during the year</b>	<b>123,844</b>	<b>115,728</b>

	2017-18 Estimated Outturn	2017-18 Final Outturn
	£'000	£'000
<b>Assets held</b>		
Index-linked securities	77,574	74,578
Equities – directly held	372,042	371,765
Pooled investments	1,974,698	1,953,899
Pooled property investments	200,251	206,671
Private equity/infrastructure	256,026	274,393
Cash deposits	43,586	31,191
Other	1,640	3,535
<b>Net investment assets</b>	<b>2,925,817</b>	<b>2,916,032</b>

### Recovery of overpayments of pension

The following tables show the analysis of pension overpayments that occurred during the last three years. A full 5 year record is not available but data will become so over time.

Financial Year	Overpayment	Recovered	Written Off
2014-15	£56,474	£15,133	£15,597
2015-16	£28,593	£8,782	£12,539
2016-17	£55,519	£21,033	£14,542
2017-18	£74,764	£55,518	£17,518

The Fund participates in the National Fraud Initiative which is a biennial process undertaken in conjunction with the Audit Commission. The necessary recoveries arising from identified overpayments are being pursued.

Annual Pensioner Payroll (excluding additional pension awarded by the employer)	£82,837,712
Total write off amount	£17,518.36
Write offs as a % of payroll	0.02%
Number of cases written off	211
Number of cases in the process of recovery	37
Number of cases recovered	44

The average write off amount per individual is £83.03 (2016-17: £85.04).

Cambridgeshire Pension Fund has an Overpayment of Pension Policy which details how overpayments should be managed once identified.

The Policy can be found at -

<http://pensions.cambridgeshire.gov.uk/app/uploads/2018/06/CPFOverpaymentofPensionPolicy2018.pdf>

## 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	177	163	90%	92%
Provide employer with requested estimate of benefits	10	286	258	90%	90%
Provide a maximum of one estimate to employees per request per year	10	842	706	90%	84%
Provide a maximum of one cash equivalent transfer to employees per year on request	10	604	519	90%	86%
Notify employees retiring from active membership of benefit award	5	484	469	95%	97%
Acknowledge death of active/deferred/pensioner member	5	513	513	100%	100%
Change of address	5	1,638	1,636	95%	99%
Expression of Wish form received	5	1,147	1,140	95%	99%
Opt out form received	5	420	420	95%	100%
Personal change update	5	275	274	95%	99%

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 a 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 as well as addressing any internal inefficiencies in business processes.

## Financial indicators of administrative efficiency

The table below shows the unit costs per member of administering the Fund.

	Cambridgeshire Pension Fund	CIPFA Benchmarking Average
Unit costs per member excluding investment management expenses	£ 19.25 (2016-17)*	£20.14 (2016-17) *
Unit costs per member including investment manager expenses	(£15,163,000/77,323 members) £196.10	N/A
	<i>*Results from the 2017-18 CIPFA Benchmarking exercise will be published on the LGSS Pensions website once released by CIPFA.</i>	

## Key staffing indicators

In 2017-18, the average staff to member ratio was one full-time member of staff to 2,621 members (2016-17: 1:2,382) and the number of cases per full time member of staff was 666 (2016-17: 907).

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

	2014	2015	2016	2017	2018
Active Members	24,854	25,345	26,744	26,785	27,497
Deferred Beneficiaries	25,793	28,255	30,889	33,235	35,265
Pensions in Payment	15,091	15,658	16,169	17,303	18,054
<b>Total</b>	<b>65,738</b>	<b>69,258</b>	<b>73,802</b>	<b>77,323</b>	<b>80,816</b>

**Age Profile of Fund membership at 31 March 2018**

<b>Age Band Years</b>	<b>Member Type</b>			
	<b>Actives</b>	<b>Deferred</b>	<b>Pensioners*</b>	<b>Total</b>
<20	230	62	93	385
20 - 24	1,242	619	30	1,891
25 - 29	1,799	2,061	2	3,862
30 - 34	2,267	3,117	10	5,394
35 - 39	3,173	4,027	14	7,214
40 - 44	3,587	4,427	21	8,035
45 - 49	4,617	6,143	54	10,814
50 - 54	4,611	6,590	129	11,330
55 - 59	3,471	5,369	525	9,365
60 - 64	2,000	2,465	3,106	7,571
65 - 69	399	286	4,845	5,530
70 - 74	95	84	4,108	4,287
75 - 79	6	12	2,311	2,329
80 - 84		2	1,450	1,452
85 - 89		1	884	885
90 - 94			365	365
95 - 99			99	99
100 - 104			7	7
105 - 109			1	1
<b>Total</b>	<b>27,497</b>	<b>35,265</b>	<b>18,054</b>	<b>80,816</b>

\*Note: Pensioners aged 54 and below reflect benefits payable on early and ill health retirements and to dependants.

## Employee and employer contributions 2017-18

The following table shows the contributions paid by the active employers in the Fund during 2017-18.

	Employee (£000)	Employer (£000)	Total (£000)
Abbey College Academy	74	283	357
Abbey Meadows Academy	13	46	59
Abbey Meadows Primary School	26	98	124
Abbotsmeade Primary Academy	17	70	87
ABM Catering Ltd (Morley Memorial)	1	5	6
Action for Children	2	-	2
Action for Children (London Road)	2	5	7
Active Learning Trust HQ	45	117	162
ADEC	3	17	20
Advance Cleaning Services	1	4	5
Alderman Jacobs School Academy	27	106	345
All Saints Inter Church VA Primary School (Academy)	13	53	66
Alliance in Partnership Ltd	1	3	4
Arthur Mellows Village College Academy	75	270	345
Aspens (Fen Drayton)	1	2	3
Aspens (Hemingford Grey)	1	3	4
Aspens Services Ltd (Staploe Contract)	3	13	16
Aspens Services Ltd (Swavesey)	1	3	4
Avocet Cleaning Services Ltd	-	-	-
Balfour Beatty	2	16	18
Balsham Parish Council	1	3	4
Bar Hill Parish Council	1	5	6
Bassingbourn Village College Academy	26	97	123
Bishop Creighton Academy	15	57	72
Bottisham Village Academy	74	233	307
Bourn Primary School Academy	14	44	58
Bretton Parish Council	2	12	14
Buckden CE School Academy	19	72	91
Burnt Fen IDB	4	20	24
Burrowmoor Primary Academy	33	123	156
Burwell Parish Council	1	5	6
Bury CE School	7	29	36
Caldecot Parish Council	-	2	2
Cambourne Parish Council	15	79	94
Cambourne Village College Academy	40	112	152
Cambridge & Peterborough NHS Foundation Trust	19	87	106
Cambridge AP Academy	36	18	144
Cambridge Live	43	126	169
Cambridge Meridian Academy	59	191	250
Cambridge Rape Crisis Centre	6	21	27



	Employee (£000)	Employer (£000)	Total (£000)
Cambridge Regional College	451	1,610	2,061
Cambridgeshire County Council	8,265	30,333	38,598
Cambs & Peterborough Clinical Commissioning Group	10	71	81
Cambs Chief Constable	1,472	5,659	7,131
Cambs Coun On Alcohol	3	14	17
Cambs Fire Authority	323	1,251	1,574
Cambs Society M H Children	1	6	7
Carers Trust	5	17	22
Cater Link Ltd	6	24	30
Cater Link Ltd (Diamond Learning Partnership)	1	41	51
Cavalry Primary Academy	34	152	186
Chatteris Town Council	3	12	15
Chesterton Community College Academy	76	219	295
Chesterton Primary Academy	8	23	31
Churchill Contract Services	21	41	62
Circle Anglia Limited	1	2	3
City Of Cambridge	1,531	12,358	13,889
City Of Ely Council	15	87	102
City of Peterborough Academy	26	95	121
City of Peterborough Special School (Academy)	33	94	127
Colville Primary	15	58	73
Comberton Academy Trust HQ	30	63	93
Comberton Village College Academy	102	381	483
Compass Contract Services	4	14	18
Conservators of the River Cam	6	32	38
Coram Cambridge Adoption Ltd	18	60	78
Cottenham Village College Academy	60	228	288
Cromwell Community College (Academy)	64	245	309
Cromwell Primary Academy	9	43	52
Cross Keys Housing Association	7	213	220
Crosshall Infant School Academy Trust	34	132	166
Crosshall Junior School Academy Trust	31	121	152
Cucina Ltd	1	-	1
Ditton Lodge Academy	8	32	40
Dogsthorpe Academy	30	119	149
Downham Feoffes Academy	5	23	28
E&Ess&Herts Prov CIs	54	192	246
East Cambs District	292	973	1,265
EasyClean (Kings Hedges)	1	2	3
Easy Clean (Eastfields Infant LEA)	-	-	-
EasyClean (Godmanchester Primary)	1	3	4
ECOVERT	3	13	16
Elior UK	1	-	1
Elm Road Primary School (Academy)	15	61	76

	Employee (£000)	Employer (£000)	Total (£000)
Ely College	71	263	334
Enterprise Management Services Limited	137	407	544
Ermine Street Church Academy	5	20	25
Ernulf Academy	52	204	256
Etheldred House	-	4	4
Everyone Active	5	15	20
Eye Parish Council	-	3	3
Eyrescroft Primary School (Academy)	30	135	165
Family Psychology Mutual	3	14	17
Farcet Parish Council	1	4	5
Feldale IDB	-	1	1
Fenland District	479	2,337	2,816
Friends Therapeutic Community	83	376	459
Fulbridge Academy	80	306	386
Gamlingay First School Academy	9	36	45
Gamlingay Parish Council	4	22	26
Gamlingay School	-	12	12
Gladstone Primary Academy	28	117	145
Glebelands Primary Academy	11	43	54
Godmanchester Primary School (Academy)	23	90	113
Greater Peterborough UTC	13	51	64
Greenwich Leisure	9	36	45
Gt Staughton Academy	2	10	12
Guilden Morden C of E Primary Academy	4	17	21
Guyhirn C of E Primary Academy	6	26	32
Haddenham IDB	2	9	11
Haddenham Parish Council	1	5	6
Hampton College Academy	76	279	355
Hampton Gardens Academy	5	15	20
Hartford Infants Academy	11	44	55
Hartford Junior Academy	17	68	85
Hatton Park (MAT)	12	50	62
Hemingford Grey Primary	9	34	43
Highfield Littleport	8	34	42
Highfield School	65	259	324
Highlees Primary Academy	31	124	155
Hills Road 6th Form College	103	374	477
Hinchingbrooke School Academy	99	340	439
Histon & Impington Infant School (MAT)	16	66	82
Histon & Impington Junior School (MAT)	13	52	65
Histon & Impington PC	6	34	40
Holmewood IDB	-	1	1
Home Close	2	57	59
Homerton College Cambridge	180	515	695

	Employee (£000)	Employer (£000)	Total (£000)
Huntingdon & Godmanchester	30	155	185
Huntingdon District	884	4,398	5,282
Huntingdon Primary (CCC)	33	126	159
Huntingdonshire College	39	225	264
Impington Village College	100	332	432
Improve It Ltd	1	5	6
Innovate Services Ltd	-	-	-
Isle of Ely Academy	10	23	33
Jeavon's Wood Primary Academy	19	63	82
Kealey HR Ltd	1	6	7
Kelsey Kerridge	17	97	114
Ken Stimpson (PCC)	43	168	211
Kennett Primary School (Academy)	4	17	21
Kimbolton Primary Academy	3	14	17
Kimbolton School	53	284	337
Kings Hedges Pension	47	176	223
Kings School Academy	63	233	296
Kingsfield Primary Academy	34	118	152
Leverington Primary Academy	19	75	94
LGSS Law Ltd (CCC)	154	477	631
Linton Heights Junior Academy	11	38	49
Linton Parish Council	-	3	3
Linton Village College Academy	56	189	245
Little Downham Parish Council	2	10	12
Little Paxton Parish Council	2	11	13
Littleport & Downham IDB	8	42	50
Littleport & East Cambridge Academy	4	16	20
Long Road 6th Form College	76	292	368
Longsands College Academy	94	35	399
Luminus Group	235	826	1,061
Lunchtime (Abbey Meadow)	1	3	4
Lunchtime (Gorefield & Kinderley)	1	5	6
Lunchtime (St Matthews)	-	2	2
Lunchtime (Swaffham Prior)	-	-	-
Lunchtime UK (Ditton Lodge)	-	1	1
Lunchtime UK (Fulbourn Primary)	1	6	7
Lunchtime UK (Grove Primary)	-	-	-
Lunchtime UK (Waterbeach)	1	3	4
Lunchtime UK Ltd	3	14	17
Matley Primary Academy	25	96	121
Meadowgate School	66	254	320
Mears Group	55	-	55
Mears Ltd (SCDC)	12	-	12
Melbourn Village College Academy	25	93	118

	Employee (£000)	Employer (£000)	Total (£000)
Mepal & Witcham C of E Primary Academy	4	14	18
Middle Fen & Mere IDB	17	79	96
Middle Level Commissioners	70	300	370
Middlefield Primary School (Academy)	13	54	67
Millfield Primary School Academy	20	78	98
MITIE Facilities Management	2	3	5
Mountain Healthcare Ltd	2	5	7
Museum Doc Assn	3	18	21
NCSC	9	35	44
Neale Wade Community College	87	334	421
Nene Infants Academy	37	150	187
Nene Park Academy	58	214	272
Netherall School Academy	46	181	227
New Road Primary Academy	8	30	38
Newark Hill Primary Academy	11	78	89
Newborough Parish Council	1	4	5
North Cambridge Academy	3	99	129
North Level Commissioners	36	170	206
North Peterborough PCT	-	-	-
NPS Property Consultants Ltd	8	33	41
Orchards C of E Primary	6	23	29
Ormiston Bushfield Academy	47	224	271
Orton Waterville Parish Council	1	5	6
Oxford Archaeology(East)	58	139	197
Pabulum (Ely)	7	38	45
Pabulum (Sawtry)	11	59	70
Pabulum Catering Ltd (Cottenham)	1	3	4
Pabulum Catering Ltd (Sawtry Junior School)	2	7	9
Pabulum Limited	2	3	5
Park Lane Primary Academy & Nursery	25	100	125
Parkside Federation Academy	90	309	399
Parnwell Primary Academy	14	58	72
Peckover Primary School (Academy)	25	101	126
Perse School For Girls	29	113	142
Peterborough College of Adult Education ( PCAE)	148	541	689
Peterborough Cultural and Leisure Trust	58	162	220
Peterborough District	3,296	12,883	16,179
Peterborough Regional College	364	1,326	1,690
Peterborough Womens Aid	-	1	1
Police & Crime Commissioners	52	142	194
Radis Community Care	30	41	71
Ramnoth Junior Academy	19	77	96
Ramsey Community Junior Academy	9	39	48
Ramsey Spinning Infants Academy	12	48	60

	Employee (£000)	Employer (£000)	Total (£000)
Ravensthorpe Primary School	9	34	43
Roddons Housing Association	39	131	170
Round House Primary School	16	60	76
Sanctuary Housing	42	506	548
Sawston Parish Council	1	13	14
Sawston Village College Academy	74	310	384
Sawtry Community College Academy	45	191	236
Sawtry Junior Academy	11	44	55
Sawtry Parish Council	4	19	23
Serco	207	300	507
Serco Limited	36	15	51
Shade Primary School	10	33	43
Sir Harry Smith Community College (Academy)	60	243	303
Skanska PCC (Highways)	16	50	66
Soham Parish Council	5	27	32
Soham Village College Academy	117	228	345
Somersham Parish Council	2	11	13
South Cambs District	862	3,810	4,672
Spring Common Primary School Academy	75	300	375
Spurgeons	3	-	3
St Andrews C of E Primary Academy	24	98	122
St Bedes School (Academy)	39	157	196
St Columba Centre	9	7	16
St Ives Town Council	13	71	84
St Ivo School Academy	78	286	364
St John Fisher School	48	190	238
St John's Academy (Stanground)	21	79	100
St Marys C of E Junior (Ely)	24	99	123
St Marys Primary Academy(St Neots)	12	49	61
St Neots Town Council	36	197	233
St Peters C of E Junior Academy	18	70	88
St Peters School Academy	52	185	237
Stanground Academy	57	222	279
Sutton Parish Council	2	11	13
Swaffham IDB	2	9	11
Swavesey Parish Council	1	7	8
Swavesey Village College Academy	61	228	289
The Adolescent and Childrens Trust	51	128	179
The Centre School Academy	2	5	7
The Farmland Museum	-	56	56
The Pathfinder Academy	2	8	10
The Spinney Primary School (CCC)	11	45	56
The Voyager Academy	84	323	407
Thomas Clarkson Community College Academy	5	216	272

	Employee (£000)	Employer (£000)	Total (£000)
Thomas Deacon Academy	157	572	729
Thomas Eaton Community Primary Academy	7	29	36
Thorney Parish Council	1	5	6
Trumpington Park Academy	2	8	10
TSG Building Services	11	36	47
University of Cambridge Primary Academy	11	40	51
University Technical College Academy	12	36	48
VISIT Cambridge and Beyond	19	64	83
Waterbeach Level IDB	2	9	11
Waterbeach Parish Council	3	14	17
Watergall Primary Academy	14	58	72
Weatheralls Primary	29	118	147
Welland Primary Academy	23	82	105
West Town Primary Academy	17	68	85
Whittlesey I D B	1	6	7
Whittlesey Town Council	1	7	8
William de Yaxley C of E Junior Academy	12	47	59
William Law Primary Academy	46	184	230
Wimblington P C	-	3	3
Winhills Primary School (Academy)	45	120	165
Wisbech & Fenland Museum	2	11	13
Wisbech Grammar	1	9	10
Wisbech St Mary's C of E Primary Academy	16	65	81
Wisbech Town Council	5	28	33
Witcham Parish Council	-	1	1
Witchford Village College Academy	57	178	235
Wittering Primary	11	47	58
Yaxley Parish Council	7	38	45
<b>Fund Account Contributions</b>	<b>25,322</b>	<b>103,088</b>	<b>128,410</b>

## INVESTMENT POLICY AND PERFORMANCE REPORT

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The investment management of the Fund is governed by the provisions of the Local Government Pension Scheme – (Management and Investment of Funds) Regulations 2016 (“the 2016 Regulations”) which came into force on 1 November 2016. These seek to ensure that the Fund:

- has formulated an appropriate Investment Strategy;
- in formulating its Investment Strategy has considered and documented its approach to:
  - risk assessment and risk management,
  - pooling investments,
  - how environmental, social and governance issues are taken into account in investment selection,
  - having suitably diversified investments;
- has taken appropriate advice;
- has an appropriate number of investment managers who invest fund monies on its behalf;
- has relevant investment limits which are not exceeded;
- regularly monitors and reviews investments and investment arrangements;
- understands the restrictions on its powers to borrow; and
- operates a separate bank account.

The 2016 Regulations also set out the circumstances under which the Secretary of State would issue a direction to intervene in the management of the Fund’s investments.

### Investment Asset Allocation

Asset allocation is determined by the Pension Fund Committee (PFC) upon recommendation from the Investment Sub-Committee (ISC), who are supported by officers and professional investment advisers on the categories of investment in which the Fund could invest.

The Fund monitors its asset allocation on an annual basis and conducts a comprehensive review following each triennial valuation.

A full review conducted in 2013-14 following the 2013 triennial valuation recommended no immediate change to the asset allocation. The triennial valuation indicated that the Fund expects to remain cash flow positive for many years to come.

The next full review of investment strategy commenced in late 2017-18 and is expected to be completed by December 2018.

Following the issue of the 2016 Regulations the investment strategy was reviewed and documented in the Investment Strategy Statement (“ISS”) which was approved by the PFC in March 2017. This confirmed the high level strategic allocation of 65% Equities, 12% Fixed income and 23% Alternatives.

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

The Fund has held a series of Investment Information Days (IIDs) in 2017-18, incorporating stakeholders of both the Cambridgeshire and Northamptonshire Funds, including Local Pension Board members, to discuss all aspects of the ISS, supported by presentations from the Fund’s Investment Consultants, Actuary and third party Investment Managers. Topics included

investment styles, Responsible Investing, and key investment risks and other factors to be considered in the forthcoming review of investment strategy.

In accordance with plans to meet the Government's agenda for pooling LGPS funds' assets, in September 2017 the Investment Sub Committee approved the adoption of UBS as the new passive investment provider to the Fund, following completion of a mini competition by the ACCESS funds under the LGPS National Framework for passive investment management. Following a review of the range of funds offered by UBS the Fund agreed to reallocate its UK index and All World index passive funds to a range of regional market capitalisation and smart beta funds. This resulted in a change in geographic mix of the Fund's Equity strategic allocation from 21% UK and 44% Global to 12% UK and 53% Global. This change has been reflected in the amended ISS approved by the Pension Fund Committee in March 2018.

### **Role of Investment Managers**

The Investment Sub-Committee manages the appointment, retention and replacement of external investment fund managers. Managers are responsible for all "day to day" investment decisions, providing them with the flexibility to manage the Fund in such a way as to enhance returns and achieve the performance objectives for the funds. The Fund monitors manager performance and ensures manager compliance with the constraints of their Investment Management Agreement (IMA).

The IMA for each investment manager includes:

- 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 or other constraints.

With the exception of one passive UK Equity and one passive Global Equity mandate and a buy and hold strategy for index-linked bonds, all investment managers have been given "active" briefs to outperform agreed specific benchmarks.

Transition of the Fund's passive assets of around £0.7bn from the previous provider, State Street, to UBS was completed in February 2018 following the joint procurement with fellow ACCESS fund for a passive provider. In November 2017 the ISC agreed a reallocation of the passive mandate amongst the funds offered by UBS. The implementation of the reallocation of the Funds passive mandate will be implemented in 2018/19, as follows: one third Smart Beta – equally split between fundamental indexation, quality and minimum volatility; two thirds market capitalisation –equally split between North America, Europe and Asia.

In November 2017 the ISC agreed to terminate the Emerging Markets equity mandate with Skagen Funds and transfer the proceeds of £121m to JO Hambro Capital Management as an additional investment in the existing Global equity mandate.

During the year the Fund committed to new investments in infrastructure with Partners Group and in infrastructure debt funds with AMP Capital Ltd and Allianz Global Investors.

There were no other new manager appointments or terminations effective during the year.



In addition to investments managed by third party managers, the Fund holds a direct investment in Cambridge and Counties Bank and during the year committed to a new investment in Core Capital Deferred Shares (CCDS) of Cambridge Building Society (the Society).

CCDS is an innovative new share class and this is the first time a regional building society has raised external capital in this form. The Fund's £15m investment in CCDS's, to be paid in three tranches of £5m, will increase the Society's regulatory capital by around 25%. This will allow the Society to supply new mortgages to around 1,000 families in the Cambridge and surrounding region over the next two years and will provide a stable and attractive investment return for the Fund.

## **MiFID II**

The implementation of MiFID II (Markets in Financial Instruments Directive) on 3rd January 2018 reclassifies local and public authorities by default as retail investors. Such a reclassification would severely limit both the financial instruments and providers available to LGPS Funds which could be both costly and reduce the potential for returns.

To address this issue the Fund successfully applied to all applicable investment managers and advisers to be categorised as a Professional Client under the MiFID II regulations.

## **Pooling of investments**

### **Spring Progress Update – Investment Reform**

The Government is encouraging LGPS Funds to work together to put forward plans to “pool investments to significantly reduce costs, while maintaining investment performance.” In response to this, eleven like-minded LGPS Funds (including Cambridgeshire) are working together under the name of ACCESS (A Collaboration of Central, Eastern and Southern Shires). Individually, the participating funds have a strong performance history and potential for substantial benefits for a group of successful, like-minded authorities collaborating and sharing their collective expertise. Collectively the ACCESS Pool has significant scale with assets of £43bn, managed on behalf of c3,000 employers and c900,000 members. It is the Government's expectation that the asset pools are formed in order for assets to begin being transferred from individual LGPS Funds from 1 April 2018.

The ACCESS Pool submitted their Spring Progress report to the Ministry of Housing, Communities and Local Government (MHCLG) on 4 May 2018, which sets out the progress made by the ACCESS authorities to meet the Government's investment reform agenda.

The report highlighted the following:

- The July 2016 submission to MHCLG indicated that ACCESS authorities could benefit from eventual projected savings of £30m annually (excluding any assumptions on asset growth). These estimates of savings remain consistent with current evidence.
- ACCESS authorities have appointed UBS to manage its passive mandates (approx. £11b). The indicative saving of £5.2m per annum exceeds the estimated saving projection of £4m per annum stated in the July 2016 submission.
- The ACCESS authorities have appointed Link Fund Solutions (Link) as the pool's Financial Conduct Authority (FCA) authorised Operator. The appointment means a significant shift in governance arrangements, with the Operator responsible for selecting and contracting with managers on behalf of the authorities participating in the pool.
- With the procurement phase completed, the implementation phase of the project is progressing well. Link is preparing documentation for the FCA authorisation of an

umbrella Authorised Contractual Scheme (ACS) and first sub-fund for submission in May 2018.

- A key element of governance arrangements focuses on the robust management of the Operator contract and the Operator to ensure it is held to account by the administering authorities participating in ACCESS via the Joint Committee. ACCESS is also setting up the ACCESS Support Unit (ASU) which will manage the Operator contract against specified KPIs and provide technical and secretariat support services to the Joint Committee (JC) and Officer Working Group (OWG). Interim arrangements are already in place.
- The Pooling arrangements have been set up to ensure each administering local authority may exercise proper democratic accountability and continue to meet fiduciary responsibilities.
- The potential for greater savings in the longer term remains, as the ACCESS pool applies its leverage as one of the largest asset pools in the UK and collaborates with other pools to achieve further benefits of scale in investment management including new ways of investing in illiquid assets, in particular infrastructure.

In addition to the savings in investment management fees due to the reduction in manager numbers and an increase in mandate size, there are other tangible benefits from pooling including a governance dividend (potential for reduced risk due to manager diversification achieved at pool level) and tax savings for funds moving from pooled funds to segregated mandates in the pool's tax transparent ACS. For some asset classes such as global equities tax savings alone are material relative to additional costs of implementing pooling.

More information about the ACCESS asset pool can be found on their website: [www.accesspool.org](http://www.accesspool.org).

### **Local investment**

The Cambridgeshire County Council Pension Fund will not be pooling an allocation to local alternatives currently consisting of the Cambridge & Counties Bank and Cambridgeshire Building Society.

In addition the Fund 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.

## Investment Manager Profiles and performance targets for 2017-18

The target asset and manager allocation, associated benchmarks and performance targets at 31 March 2018 is shown below.

At 31 March 2018	Weighting (%)	Market Benchmark Adopted	Target above bench-mark (%)
<b>UK Equity</b>	<b>12.0</b>		
Schroders	10.0	FTSE All-Share index	2
UBS	2.0*	FTSE All-Share index	n/a
<b>Global Equity</b>	<b>53.0</b>		
Dodge & Cox	12.5	MSCI World NDR Index	3
JO Hambro	19.5	MSCI AC World NDR Index	3
UBS	5.1*	FTSE North America	n/a
UBS	3.1*	FTSE Developed Europe ex UK	n/a
UBS	3.0*	FTSE Developed Asia Pacific ex Japan	n/a
UBS	2.0*	FTSE Japan	n/a
UBS	2.6*	FTSE RAFI Developed 1000	n/a
UBS	2.6*	MSCi World Quality	n/a
UBS	2.6*	MSCi World Minimum Volatility	n/a
<b>TOTAL EQUITIES</b>	<b>65.0</b>		
<b>Bonds</b>	<b>12.0</b>		
Schroders	12.0	7-day LIBOR	4
<b>TOTAL BONDS</b>	<b>12.0</b>		
<b>Private Equity</b>	<b>5.0</b>		
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
<b>Infrastructure</b>	<b>5.0</b>		
Alliance Global debt	Blended		n/a
AMP debt			n/a
Equitix		MSCI World	n/a
M & G Private Rental Sector			
Partners Group		MSCI World	n/a
UBS		MSCI World	n/a
<b>Secured loans</b>	<b>3.0</b>		
M&G	3.0	3m Libor +4%	n/a
<b>Property</b>	<b>10.0</b>		
Schroders	10.0	IPD UK All Balanced Property Fund Index	0.75
<b>TOTAL ALTERNATIVES</b>	<b>23.0</b>		
<b>Total</b>	<b>100.0</b>		<b>+1.1**</b>

\* The Pension Fund Committee approved the revised strategic allocation of passive funds in March 2018. The changes will be implemented during Q1 2018-19.

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

The target asset and manager allocation, associated benchmarks and performance targets at 31 March 2017 is shown below.

At 31 March 2017	Weighting (%)	Market Benchmark Adopted	Target above benchmark (%)
<b>UK Equity</b>	<b>21.0</b>		
Schroders	10.0	Composite benchmark	1
State Street	11.0	FTSE All-Share index	n/a
<b>Global Equity</b>	<b>44.0</b>		
Dodge & Cox	12.5	MSCI World NDR Index	3
JO Hambro	12.5	MSCI AC World NDR Index	3
Skagen	7.0	MSCI Emerging Markets	2
State Street	12.0	FTSE All World	n/a
<b>TOTAL EQUITIES</b>	<b>65.0</b>		
<b>Bonds</b>	<b>12.0</b>		
Schroders	12.0	Composite benchmark	1
<b>TOTAL BONDS</b>	<b>12.0</b>		
<b>Private Equity</b>	<b>5.0</b>		
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
<b>Infrastructure</b>	<b>5.0</b>		
Equitix	Blended	MSCI World	n/a
Partners Group		MSCI World	n/a
UBS		MSCI World	n/a
<b>Secured loans</b>	<b>3.0</b>		
<b>M&amp;G</b>	3.0	3m Libor +4%	n/a
<b>Property</b>	<b>10.0</b>		
Schroders	10.0	IPD UK All Balanced Property Fund Index	0.75
<b>TOTAL ALTERNATIVES</b>	<b>23.0</b>		
<b>Total</b>	<b>100.0</b>		<b>+1.1*</b>

\* 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 2017 and 31 March 2018 are shown below:

31 March 2017					31 March 2018		
Market Value (£m)	Holding (%)	Above/ (below) target (%)	Asset Class	Manager	Market Value (£m)	Holding (%)	Above/ (below) target (%)
377.7	13.5	3.5	UK Equity	Schroders	387.6	13.3	3.3
253.3	9.0	(2.0)		State Street	-	-	-
-	-	-		UBS	257.9	8.8	6.8
482.1	17.1	4.6	Global Equity	Dodge & Cox	472.1	16.2	3.7
324.3	11.6	(0.9)		JO Hambro	472.5	16.2	(3.3)
115.9	4.1	(2.9)		Skagen	-	-	-
423.8	15.1	3.6		State Street	-	-	-
0.1	0.0	-		Schroders	-	-	-
-	-	-		UBS	435.7	15.0	(6.0)
1977.2	70.4	5.9	<b>Total Equities</b>		2,025.8	69.5	1.5
166.2	5.9	(1.1)	Government Bonds	Schroders – Bonds & Index-linked	169.8	5.8	(1.3)
142.0	5.0	-	Non-Government Bonds	Schroders	143.6	4.9	-
308.2	10.9	(1.1)	<b>Total Bonds</b>		313.4	10.7	(1.3)
197.6	7.0	(4.0)	Property	Schroders – Property	217.0	7.5	(2.5)
79.3	2.8	0.8	Private equity	Adams Street Partners	67.2	2.3	0.3
59.1	2.1	0.1		HarbourVest	46.6	1.6	(0.4)
54.7	1.9	0.9		Cambridge and Counties Bank (direct holding)	65.9	2.3	1.3
-	-	-		Cambridgeshire Building Society (direct holding)	10.0	0.3	0.3
22.2	0.8	*	Infra-structure	UBS Infrastructure	16.3	0.6	*
27.8	1.0	*		Equitix	32.7	1.1	*
27.1	1.0	*		Partners Group	26.5	0.9	*
-	-	-		AMP debt	9.6	0.3	*
-	-	-		Allianz debt	-	-	*
57.2	2.0	(0.5)	Secured loans	M&G	59.1	2.0	(1.0)
525.0	18.8	** (4.2)	<b>Total Alternatives</b>		550.9	18.9	** (4.1)
2.9	0.1	0.1	Cash		25.9	0.9	
2813.3	100.0		<b>Total</b>		2,916.0	100.0	

\* No target allocated by individual manager.

\*\*Total holding compared to total target holding.

## 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.

### Investment Manager Performance for periods ending 2017-18

Asset Class /Manager	1 Year (%)			3 Years (% pa)			10 Years (% pa)		
	Return	Bench-mark	Var-iance	Return	Bench-mark	Var-iance	Return	Bench-mark	Var-iance
<b>UK Equity</b>									
Schroders	2.2	1.2	1.0	6.3	5.9	0.4	10	6.7	3.3
State Street <sup>1</sup>	3.2	3.1	0.1	7.0	6.9	0.1	n/a	n/a	n/a
UBS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Global Equity</b>									
Dodge & Cox	(2.1)	1.3	(3.4)	n/a	n/a	n/a	n/a	n/a	n/a
JO Hambro	7.1	2.4	4.7	n/a	n/a	n/a	n/a	n/a	n/a
Skagen <sup>2</sup>	4.2	9.9	(5.7)	12.5	13.5	(1.0)	n/a	n/a	n/a
State Street <sup>1</sup>	4.8	6.0	(1.2)	12.0	12.2	(0.2)	n/a	n/a	n/a
UBS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Bonds</b>									
Schroders – Bonds & Index-linked	1.3	0.7	0.6	n/a	n/a	n/a	n/a	n/a	n/a
Schroders – Non-Gov't bonds	1.7	0.3	1.4	2.0	0.4	1.6	n/a	n/a	n/a
<b>Alternatives</b>									
Schroders – property	9.7	10.0	(0.3)	7.3	8.1	(0.8)	2.6	4.4	(1.8)
M&G - secured loans	3.0	4.3	(1.3)	4.4	4.5	(0.1)	n/a	n/a	n/a

Performance is reported net of investment manager fees.

<sup>1</sup> = performance to date of termination, 7 February 2018.

<sup>2</sup> = performance to date of termination, 5 December 2017.

n/a = Not invested for the full period therefore no meaningful performance measure is available.

### Performance in comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of 61 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 PIRC Ltd's benchmarking of local authority investment performance, which provides useful information on how well the Fund has performed in comparison with other local authorities.

In 2017-18 the Fund's performance was ranked 83<sup>rd</sup> percentile out of the 61 Funds participating in the Local Authority Universe, returning 2.5%. The stand out performing manager in equities was JO Hambro and in Bonds, Schroders non-Government bonds.

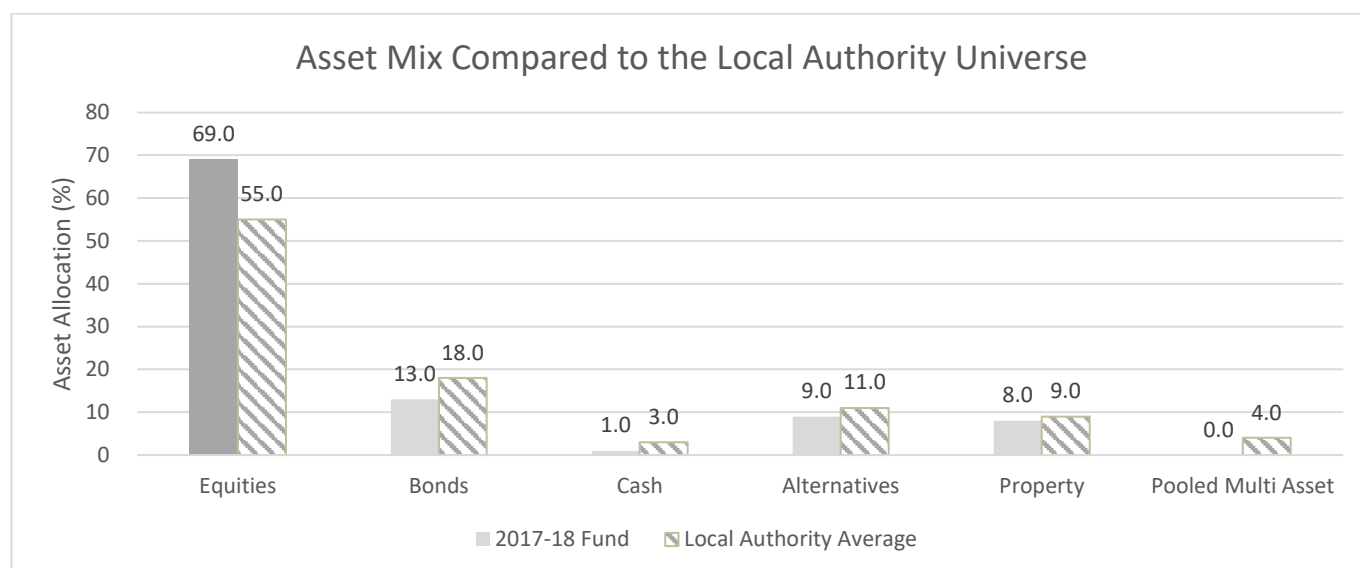
## Investment Performance 2017-2018

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

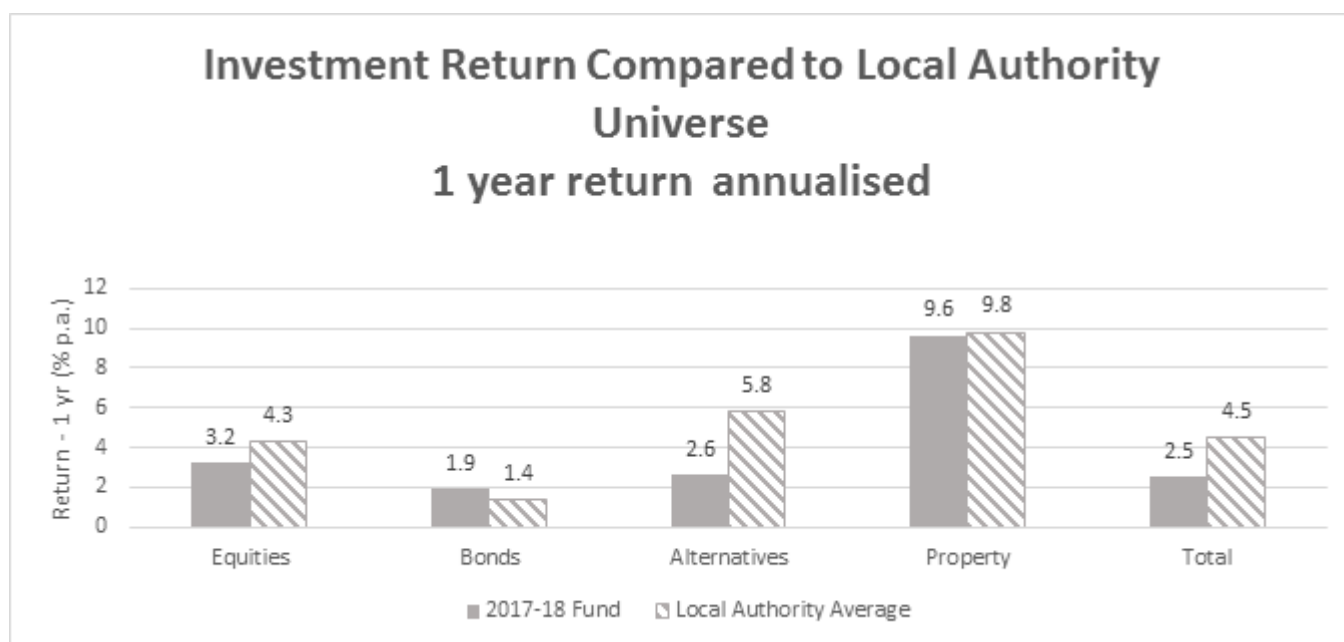
% Returns per annum for the financial year ended 31 March 2018							
		The Fund	The Benchmark	Consumer Price Index	UK Average Weekly Earnings Index	Local Authority Average	Ranking in LA Universe Percentile
<b>2017-2018</b>	<b>1 year</b>	2.5	3.0	2.5	2.8	4.5	83rd
<b>2015-2018</b>	<b>3 years</b>	7.8	8.5	1.7	2.3	8.3	46th
<b>2013-2018</b>	<b>5 years</b>	8.5	9.2	1.4	2.1	8.8	49th
<b>2008-2018</b>	<b>10 years</b>	7.0	8.1	2.3	1.9	7.7	73rd

(Sources: Mercers, PIRC Ltd, Thomson Reuters Datastream).

Performance figures are net of fees.

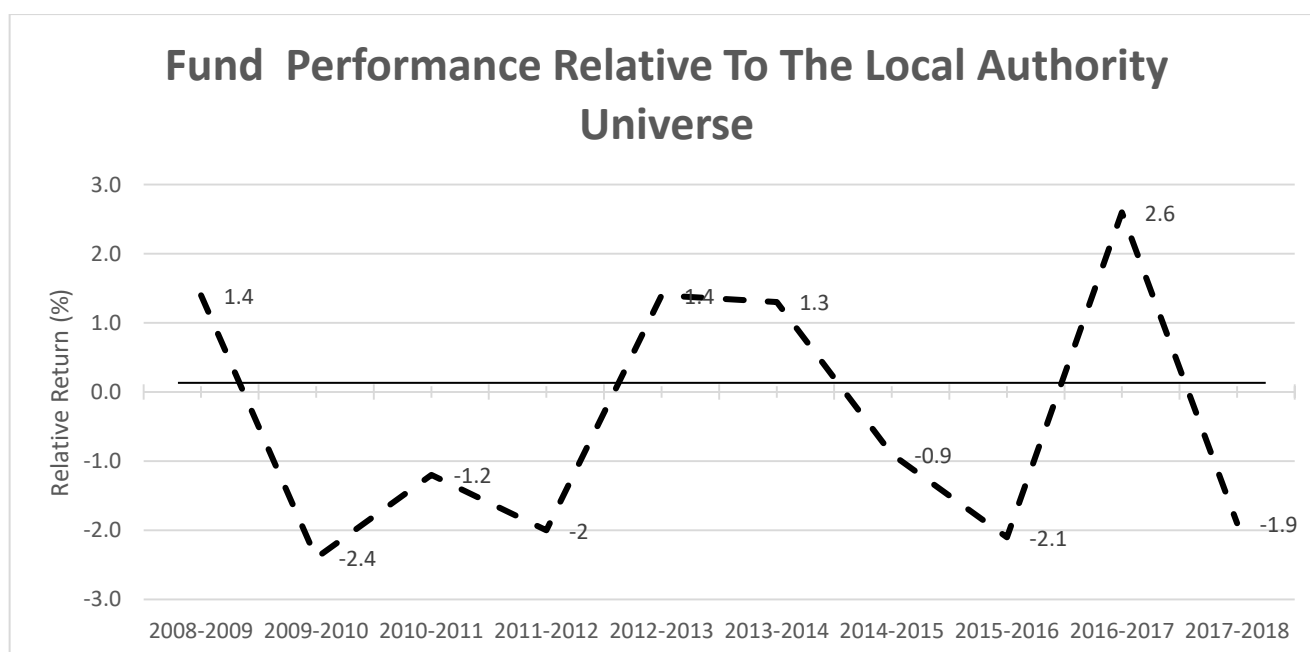


The graph shows that the Fund has higher than average equity exposure, and this overweight increased over the year as other funds reduced their exposure to this area.



Year	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Annual Return (%)										
<b>Total Fund</b>	(18.8)	31.9	6.9	0.5	15.4	7.8	12.2	(1.9)	24.5	2.5
<b>LA Universe</b>	(19.9)	35.2	8.2	2.6	13.8	6.4	13.2	0.2	21.4	4.5

The table above compares the Fund's performance with the PIRC Ltd Local Authority Average for the ten years since 2008-09. 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 four occasions, underperformed on six 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 it. The Fund has produced a Statement of Commitment to the UK Stewardship Code highlighting how the Fund is discharging its stewardship responsibilities.

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 policies in place and procedures in place to evidence compliance.

## **Custodian Services**

Northern Trust have been the Global Custodian since 1 October 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;
- managing 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; and
- providing the administering authority with monthly valuations of the scheme’s assets and details of all transactions during the quarter.

## **Investment Consultants' Annual Investment Review 2017-18**

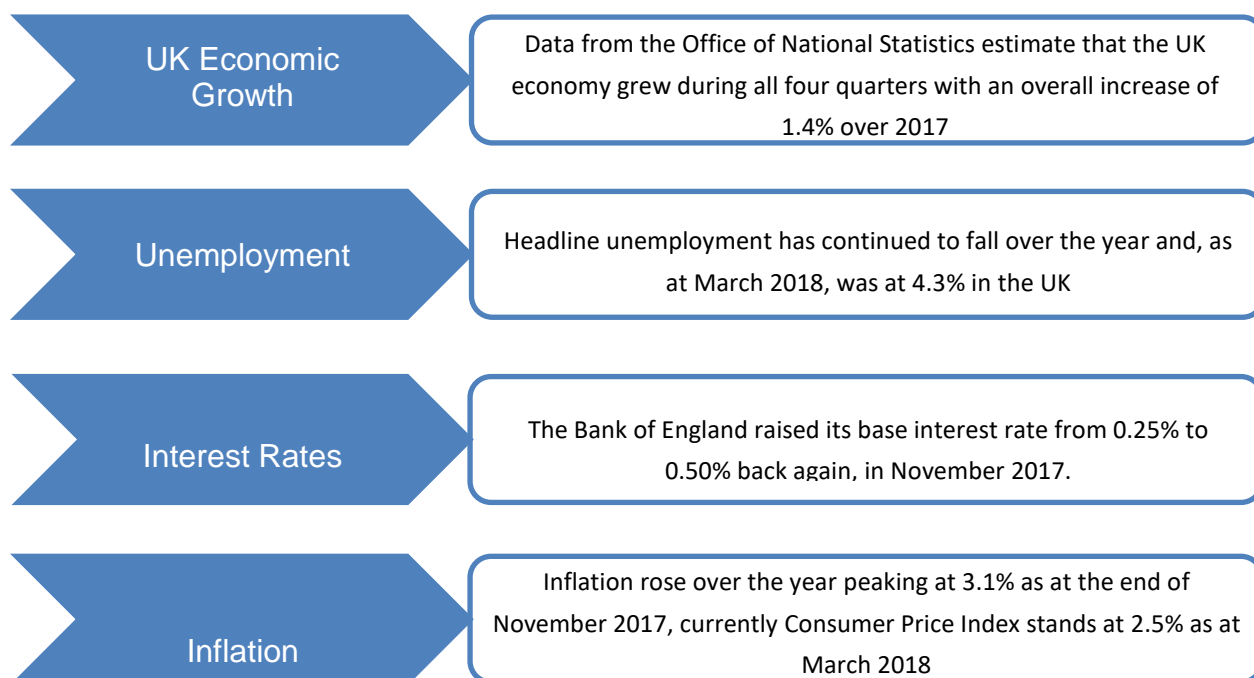
### **Economic and Market Background**

Over the 12 month period to 31 March 2018, growth assets generally performed well against a backdrop of broad economic expansion, while defensive assets saw lower returns. Over the first quarter of 2018, however, equity markets experienced a correction. This shift in market sentiment was largely a reaction to a combination of escalating trade and geo-political tensions along with expectations of monetary tightening, especially in the US.

Even though economic activity and business, as well as consumer, confidence improved significantly over the year, concerns have started to surface that some economies, most notably the US, might be starting to overheat which would accelerate the tightening cycle by central banks. Persistent geopolitical tensions over the year, both on the Korean peninsula and in the Middle East, as well as rising trade tensions between the US and China in the first quarter of 2018 also weighed on financial markets and fuelled a resurgence in volatility, which had been abnormally low in the prior year.

In the UK, Brexit continues to remain at the forefront of investors' minds. Since the triggering of Article 50 in March 2017 by Prime Minister Theresa May, some progress has been made but, complex negotiations with regards to a future trade deal and the Irish border lie ahead. The UK economy held up reasonably well over 2017 with real GDP growth of 1.4% while the consensus forecast for 2018 is for 1.6% growth. An increase in inflation over the year prompted the Bank of England to increase the base rate in November 2017 for the first time in 10 years; annual inflation under the Consumer Price Index measure reached 3.0% at the end of the year and has since fallen back to 2.5% in March 2018. Currency volatility was a feature of the 12 month period, with sterling rallying against the yen and dollar, but falling against the euro.

## Key Events during the Year



## Growth Assets

In the UK, equities as measured by the FTSE All Share index returned 1.2% over the year to 31 March 2018.

At a global level, developed markets as measured by the FTSE World index, returned 2.6%. Meanwhile, a return of 8.8% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 4.3% as indicated by the FTSE World Europe ex UK index. The FTSE USA index returned 1.8% while the FTSE Japan index returned 7.5%.

UK property investors continued to experience strong returns. Over the 12 month period to 31 March 2018, the IPD UK All Property Index returned 11.3%.

## Bond Markets

Returns on UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned 0.5%, while long dated issues as measured by the corresponding Over 15 Year Index returned 2.2% over the year.

The yield for the FTSE Gilts All Stocks index rose marginally over the year from 1.4%p.a. to 1.5%p.a. The FTSE All Stocks Index Linked Gilts index returned 0.5% with the corresponding over 15 year returning 1.2%.

Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index returned 1.3%.

## Currencies

Over the 12 month period to 31 March 2018, sterling rose 12.2% against the dollar from \$1.25 to \$1.40 and also appreciated 7.1% against the yen from ¥139.34 to ¥149.19. Whilst against the euro sterling depreciated by 2.4% from €1.17 to €1.14 over the same period.

## Fund Performance

Over the twelve month period, the Fund achieved a return of 2.5% (net of fees) versus a benchmark return of 3.0%. Dodge & Cox, Schrodgers property and the secured loans mandate with M&G all underperformed their benchmarks over the year. JO Hambro and Schroder UK Equity both outperformed over the year but this was not enough to offset the underperformance from other managers.

## Outlook

Developed market (DM) credit and equity returns faltered in the first quarter of 2018, amid the combination of escalating trade and geo-political tensions, a rising oil price, data disappointments in a range of economies, concern around the short- and medium-term impacts of US budget policy, and growing doubts about technology sector earnings and valuations. Against a broader backdrop in which global inflation appears to be edging higher, and the slowly turning tide of central bank liquidity, it is little surprise volatility finally has returned to financial markets.

There are signs the synchronised global upturn may be close to a peak, with the potential for more divergent growth across regions, nevertheless we believe the global economic outlook remains supportive of solid corporate earnings growth. The direct effect on growth of recent US and Chinese tariff increases should be small, and only a broader application of protectionist measures may have any material impact (and which in our view remains a low probability event).

Even the US, where the output gap appears to have closed and which arguably is the major economy closest to 'late cycle', wage and inflationary pressures are intensifying only slowly, and Fed policy is still slightly accommodative. History shows the early phases of 'late cycle' are still relatively benign periods for risk assets, and we believe (despite significant US fiscal stimulus) the current cycle is unlikely to be all that much different from previous episodes.

However, notwithstanding the declines in Q1, in our view developed equity and credit market valuations are still not so attractive as to justify an 'overweight' position. To the contrary, relative to the Goldilocks economic environment of 2017, the slightly more challenging outlook arguably warrants some derating of risk assets. Moreover, while absolute valuations may have cheapened a little in Q1, valuations relative to government bonds have continued to deteriorate. Correspondingly, we maintain our broadly neutral stance between growth and defensive assets.

Given the steady normalisation of US monetary policy and the accompanying rises in US yields over the past quarter, in our view defensive asset classes are beginning to offer slightly better value. Nevertheless, we continue to recommend investors maintain moderately underweight duration positions. US yields provide little protection against upside US inflation surprise, while government bond yields outside the US remain close to historical lows. We would prefer to see further rises in the US Fed funds rate before moving to a more neutral stance.

In contrast to the developed economies, emerging equity and debt markets continued to deliver generally solid returns in Q1. Correspondingly, emerging market valuations are no longer especially compelling (either in absolute terms or relative to DM), and in the case of debt real

yields are also close to historical lows. However, following the economic adjustments of the past few years, emerging markets appear to have more cyclical upside than the major developed economies. Along with the potential for further structural exchange rate appreciation (from cyclically low levels), emerging markets remains our preferred sector in both equities and fixed interest.

### **Investment Strategy**

The Fund's strategic benchmark is allocated across a diverse range of asset classes expected in aggregate to generate a return above the growth in the Fund's liabilities, and improve the funding level, over the long term. The Fund holds a large equity portfolio allocation which is held with the expectation of generating 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 Committee continued to monitor its investment strategy relative to the funding level during the year. The Committee have begun work on completing a full investment strategy review, and progress to meet the Government's pooling initiative has been made with the Fund's passive equities transitioning to UBS in February 2018.

**Joanne Holden**  
**Mercer Limited**  
**May 2018**

## SCHEME ADMINISTRATION REPORT

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Cambridgeshire County Council is responsible for administering the Cambridgeshire Pension Fund. LGSS, which is a partnership between Cambridgeshire County Council, Northamptonshire County Council and Milton Keynes Council, provides pension administration services to the Cambridgeshire Pension Fund. The primary objective of LGSS Pensions is to provide an efficient and effective pension administration service to stakeholders utilising converged processes, shared resources and benefitting from economies of scale. LGSS delivers pensions services to 48,631 active members, 63,685 deferred members and 33,754 pensioner members.

### **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. See <http://pensions.cambridgeshire.gov.uk/meet-the-team/>

### **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.

ESS continues to be promoted to employers to generate further efficiencies and has been embedded in to all training presentations, detailing the benefits associated with the system. ESS has been offered to all employers across the Cambridgeshire Pension Fund since January 2015.

ESS has also been promoted as the primary method for employers to obtain benefit estimates for their members. This provides efficiencies for both LGSS Pensions and our employers by reducing the number of enquiries received by LGSS Pensions by enabling employers to run their own estimates and obtain results immediately, when they need them.

We have delivered a number of training sessions to employers, showing them the benefits of ESS and how to use the systems. This has also included large payroll providers who are amongst our biggest data providers.

### **Member Self Service**

Member Self Service (MSS), allows members to securely access their own records held on the pensions database to view and/or amend their personal information and perform benefit projections. It is also used to provide active and deferred members with their annual benefits statement.

We have promoted the use of MSS to our active members through individual letters, member newsletters, posters and promotion on our website. We have also encouraged employers to promote MSS to their members.

### **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. This will achieve significant efficiencies for both the Fund and scheme employers.

From 1st April, one of the largest payroll providers for schools and academies in Cambridgeshire and Peterborough, will use i-connect. This will significantly improve efficiency in the Local Authority maintained schools sector in regards to their pensions administration. It is planned to implement i-connect with our other large education sector data provider in 2018.

### **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 2017/2018:

- Three Stage 1 IDRP applications relating to administering authority decisions remained outstanding at the end of 2016/2017 and were dealt with in 2017/2018. The subjects of the complaints and whether they were upheld are detailed below :
  - Late payment of death grant. Complaint upheld.
  - Delays in payment of member and survivor's benefit. Complaint upheld.
  - Refusal to allow member to transfer out benefits to a different scheme. Complaint not upheld.
- Two Stage 1 IDRP applications relating to administering authority decisions arose and were dealt with in 2017/2018. The complaints in both cases were not upheld and they related to:
  - The refusal to award a survivor's pension as no valid nomination had been made.
  - A delay in payment of a transfer value from one of the Pension Fund's Additional Voluntary Contributions providers.
- One Stage 1 IDRP applications relating to an administering authority decision arose in 2017/2018 but, as no decision had been made within the timescale required by the LGPS Regulations, was escalated to Stage 2 of the procedure.
- One Stage 2 IDRP application relating to an employer decision arose and was dealt with in 2017/2018. The complaint concerned the tier of ill health pension awarded and the complaint was upheld.
- One Stage 2 IDRP application relating to an administering authority decision remained outstanding at the end of 2016/2017 and was dealt with in 2017/18. The complaint concerned refusal to grant payment of deferred benefits on ill health grounds and the appeal was not upheld.

- One Stage 2 IDRP application relating to an administering authority arose and was dealt with in 2017/2018. The complaint concerned refusal to award a survivor's pension as no valid nomination had been made and the appeal was not upheld.
- One Stage 2 IDRP application relating to an employer decision arose in 2017/2018, but remained outstanding at 31 March 2018.
- One Stage 2 IDRP application relating to an administering authority decision arose in 2017/2018, but remained outstanding at 31 March 2018.
- One complaint relating to an administering authority decision referred to the Pensions Ombudsman was decided in 2017/2018. The complaint concerned a member's AVC fund being less than anticipated due to the date of processing the benefit. The complaint was not upheld.



## ACTUARIAL REPORT ON FUNDS

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This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### **Description of Funding Policy**

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a 66% chance that the Fund will return to full funding over 20 years.

### **Funding Position as at the last formal funding valuation**

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £2,277 million, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £625 million.

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

### **Principal Actuarial Assumptions and Method used to value the liabilities**

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

## Method

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

## Assumptions

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

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

Financial assumptions	31 March 2016 % p.a. Nominal
Discount rate	4.0%
Salary increase assumption	2.4%
Benefit increase assumption (CPI)	2.1%

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

	Males	Females
Current Pensioners	22.4 years	24.4 years
Future Pensioners*	24.0 years	26.3 years

Aged 45 at the 2016 valuation.

Copies of the 2016 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 March 2016**

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

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



**Geoff Nathan FFA**

For and on behalf of Hymans Robertson LLP

20 April 2018  
Hymans Robertson LLP  
20 Waterloo Street  
Glasgow  
G2 6DB

**Extract from the actuarial valuation report on the 2016 valuation dated 31 March 2017****Executive Summary**

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

**Funding position**

The table below summarises the financial position of the Fund at 31 March 2013 and 31 March 2016 in respect of benefits earned by members up to this date.

	31 March 2013	31 March 2016
Past Service Position	£m	£m
Past Service Liabilities	2,633	2,902
Market Value of Assets	1,905	2,277
Surplus/(Deficit)	(728)	(625)
Funding Level	72.4%	78.4%

The improvement in funding position between 2013 and 2016 is mainly due to strong investment performance over the inter-valuation period, coupled with the positive impact on the liabilities of actual pay and benefit growth being lower than expected.

**Contribution rates**

The table below summarises the whole fund Primary and Secondary Contribution rates at this triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate %		
1 April 2017 to 31 March 2020	2017/2018	2018/2019	2019/2020
18.1%	£26,039,000	£17,959,000	£18,355,000

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay.

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

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 2017 to 31 March 2020 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 Investment Sub 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. 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 the Department of Communities and Local Government in 2008. The compliance statement is intended to ensure transparency, accountability and stakeholder involvement.

The current Governance Policy and Compliance Statement was last reviewed in October 2017 and has been published on the Funds website

<http://pensions.cambridgeshire.gov.uk/app/uploads/2018/01/Governance-Policy-and-Compliance-Statement.pdf> and is in Appendix A of this report.

The activities of the Fund are controlled by the County Council's Pension Fund Committee. The Local Pension Board has the responsibility ensure the effective and efficient governance and administration of the LGPS.

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
<b>Total</b>	<b>11</b>

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
<b>Total</b>	<b>7</b>

All members have equal voting rights.

The Pension Fund Committee meets 4 times a year and holds an Annual Meeting each July. The Investment Sub-Committee meets 4 times a year.

The following table shows the attendance of committee members at both the Pension Fund Committee and Investment Sub-Committee meetings during 2017-18.

		Attendance at Pension Fund Committee Meetings	Attendance at Investment Sub-Committee Meetings
County Council Members	Cllr R Hickford	5/5	4/4
	Cllr A Hay (from May 17)	5/5	-
	Cllr M Shellens (from May 17)	5/5	4/4
	Cllr Schumann	3/5	-
	Cllr P Downes (from May 17)	5/5	2/4
	Cllr T Rogers (From May 17)	5/5	3/4
District/Borough/ Police and Fire Representatives	Cllr A Fraser	3/5	-
	Cllr D Seaton	1/5	2/4
All Other Employers' Representatives	Gareth Deeble	4/5	1/3
Member Representatives	Matthew Pink	2/5	-
	John Walker	3/5	4/4

The Local Pension Board consists of the following representatives:

Representing	No.
Scheme Employers	3
Scheme Members	3
Total	6

The Local Pension Board meets at least twice per year and reports its activities at the end of each financial year to full Council. It has no decision making ability and there are no substitute members.

The following table shows the attendance of Local Pension Board members during 2017-18.

		Attendance at Local Pension Board Meetings
Scheme Employers	Cllr M McGuire (until May 17)	0/1
	Cllr S King (from May 17)	2/2
	Cllr P Downes (until May 17)	1/1
	Cllr I Manning (from May 17)	0/2
	Cllr Denis Payne	3/3
Scheme Representatives	Barry O'Sullivan	3/3
	John Stokes	2/3
	David Brooks	3/3

- The meeting of the 21 July 2017 was cancelled as it was not quorate, therefore the maximum number of meetings that could be attended in the period is three.

## 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 June 2017, followed by a 30 day consultation period with the scheme's employers. The current strategy is published on the LGSS Pensions website and can be found in Appendix D 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:

Function/Task	Indicator	Target
Provide new employees with scheme information.	Within the automatic enrolment joining window.	100%
Provide LGSS Pensions with accurate year end information in prescribed format.	Information to be provided for all members by 30 April following contribution year end.	100%
Discretions must be reviewed and amended as necessary.	Any amendments to discretion must be confirmed in writing within 30 days from change.	100%

## FUNDING STRATEGY STATEMENT

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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 or pace at which this advance provision is made, in addition to ensuring 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 as possible employer contribution rates; 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 has been reviewed as part of the 2016 valuation exercise to ensure that the strategy is appropriate and relevant.

In 2017-18, contribution increases were implemented in accordance with the Statement to the Rates and Adjustments Certificate attached to the 2016 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 which was reviewed and updated in October 2015 -

<http://pensions.northamptonshire.gov.uk/app/uploads/2012/10/Cambridgeshire-Admitted-body-Scheme-employer-and-bulk-TV-policy-Final-20152.pdf>

The Funding Strategy Statement was updated in March 2017 and can be found on the Cambridgeshire Pension Fund website,

<http://pensions.cambridgeshire.gov.uk/app/uploads/2012/10/Cambridgeshire-Funding-Strategy-Statement-2016.pdf> and in Appendix B of this report.



## INVESTMENT STRATEGY STATEMENT

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The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the 2016 Regulations"), which came into force on 1 November 2016, require an administering authority, after taking proper advice and consulting with such persons as it considers appropriate, to formulate and publish its investment strategy in the Investment Strategy Statement (ISS).

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 Investment Strategy Statement. The ISS contains reference to the FSS for information.

The investment strategy must be reviewed and if necessary revised by the administering authority from time to time, and at least every three years, and publish a statement of any revisions.

During 2017-18 the Fund held a series of Investment Information Days (IIDs) for the Pension Fund Committee and members of the Local Pension Board, to discuss all aspects of the Fund's policies detailed in the ISS assisted by presentations from the Fund's Investment Consultants (Mercer), the Fund's Actuary (Hymans) and external fund managers. This resulted in minor amendments to the ISS which were approved by the Pension Fund Committee on 29 March 2018 and published on the Fund's web pages.

The current ISS can be found at:

[http://pensions.cambridgeshire.gov.uk/app/uploads/2018/04/CPF\\_Investment\\_Strategy\\_Statement\\_FINAL\\_Approved\\_29\\_March\\_2018-1.pdf](http://pensions.cambridgeshire.gov.uk/app/uploads/2018/04/CPF_Investment_Strategy_Statement_FINAL_Approved_29_March_2018-1.pdf) and in Appendix C of this report.

## COMMUNICATION STRATEGY STATEMENT

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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 Strategy was approved by the Pension Fund Committee in March 2017.

The policy is published on the LGSS Pensions website,  
<http://pensions.cambridgeshire.gov.uk/app/uploads/2017/04/2017-Communications-Strategy.pdf>  
and can be found in Appendix D of this report.

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

Communications with the Scheme's employers take place on a regular basis through the use of newsletters and bulletins which cover subjects including changes to reporting procedures, changes to scheme rules and other pension matters relevant to employers and/or their members.

The Fund delivers training, webinars and workshops for scheme employers on topics such as employers' responsibilities in the Fund, calculating pensionable pay, dealing with ill health retirements, pension considerations when outsourcing and other pension matters. The Fund also provides bespoke and targeted training to help improve employer performance.

Member presentations are also delivered 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).

	<b>Active</b>	<b>Ceased</b>	<b>Total</b>
Scheduled body	62	24	86
Admitted body	97	89	186
Designated body	47	23	70
<b>Total</b>	<b>206</b>	<b>136</b>	<b>342</b>

The following table shows an analysis of the Fund's assets at 31 March 2018 by asset class, based upon manager mandates.

	<b>UK</b>	<b>Non UK</b>	<b>Global</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Equities	645,584	-	1,380,326	<b>2,025,910</b>
Bonds	143,612	59,054	169,848	<b>372,514</b>
Property - direct holdings	-	-	216,962	<b>216,962</b>
Alternatives	108,519	52,441	113,799	<b>274,759</b>
Cash and cash equivalents	25,887	-	-	<b>25,887</b>
Other	-	-	-	-
<b>Total</b>	<b>923,602</b>	<b>111,495</b>	<b>1,880,935</b>	<b>2,916,032</b>

The following table shows an analysis of investment income accrued as at 31 March 2018 by asset class.

	<b>UK</b>	<b>Non UK</b>	<b>Global</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Equities	15,671	-	5,233	<b>20,904</b>
Bonds	2,560	1,905	-	<b>4,465</b>
Property - direct holdings	-	-	-	-
Alternatives	651	4,323	6,812	<b>11,786</b>
Cash and cash equivalents	987	-	-	<b>987</b>
Other	-	-	-	-
<b>Total</b>	<b>19,869</b>	<b>6,228</b>	<b>12,045</b>	<b>38,142</b>

# **INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS**

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TO BE PROVIDED BY AUDITORS

AUDIT REPORT PAGE 2

# FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

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## 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 2017 to 31 March 2018.
- 1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 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.

# PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2018

31-Mar-17 £000		Notes	31-Mar-18 £000
	<b>Dealings with members, employers and others directly involved in the fund:</b>		
125,448	Contributions	7	128,410
3,292	Transfers in from other pension funds	8	4,932
128,740			133,342
(98,387)	Benefits	9	(99,345)
(10,421)	Payments to and on account of leavers	10	(10,126)
(108,808)			(109,471)
19,932	<b>Net additions/(withdrawals) from dealing with members</b>		23,871
(15,163)	<b>Management Expenses</b>	11	(16,954)
4,769	<b>Net additions/(withdrawals) including fund management expenses</b>		6,917
	<b>Returns on investments:</b>		
30,147	Investment income	12	38,142
-	Taxes on income	13	(329)
542,371	Profit and losses on disposal of investments and changes in the market value of investments	14a, 17b	70,998
572,518	<b>Net return on investments</b>		108,811
577,287	<b>Net increase/(decrease) in the net assets available for benefits during the year</b>		115,728
2,276,291	<b>Opening net assets of the scheme</b>		2,853,578
2,853,578	<b>Closing net assets of the scheme</b>		2,969,306

Notes on pages 62 to 105 form part of the financial statements.

## PENSION FUND NET ASSET STATEMENT

31-Mar-17 £000		Notes	31-Mar-18 £000
2,814,423	Investment assets		2,916,032
(1,137)	Investment liabilities		-
2,813,286	<b>Total net investments</b>	14	2,916,032
46,173	Current assets	21	57,564
(7,777)	Current liabilities	23	(5,554)
38,396	<b>Net Current Assets</b>		52,010
1,896	Non-current assets	22	1,264
2,853,578	<b>Net assets of the Fund available to fund benefits at the end of the reporting period</b>	16a, 17a	2,969,306

Notes on pages 62 to 105 form part of the financial statements.

Note: The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.



# NOTES TO THE PENSION FUND ACCOUNTS

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## 1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council 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 2017-18 on pages 3 to 61 and the underlying statutory powers underpinning the scheme.

### 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 2016.

The Fund 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, 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.

### 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 Pension Fund include:

- Scheduled bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;
- Admitted bodies - 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.

## NOTES TO THE PENSION FUND ACCOUNTS

As at 31 March 2018 there are 206 (2017: 182) active employers within the Cambridgeshire Pension Fund, including the County Council itself. Active employers include multiple academy trusts counted as a single employer. Looking through these multiple arrangements the total number of underlying organisations as at 31 March 2018 was 327 (2017: 245), an increase/decrease of 82. The Fund has over 80,000 individual members, as detailed below:

<b>Cambridgeshire Fund</b>	<b>31-Mar-18</b>	<b>31-Mar-17</b>
<b>Number of employers with active members</b>	206	182
<b>Number of employees in scheme:</b>		
County council	9,726	10,907
Other employers	17,771	15,878
<b>Total</b>	<b>27,497</b>	<b>26,785</b>
<b>Number of Pensioners:</b>		
County council	8,352	8,165
Other employers	9,702	9,138
<b>Total</b>	<b>18,054</b>	<b>17,303</b>
<b>Deferred pensioners:</b>		
County council	16,962	16,484
Other employers	18,303	16,751
<b>Total</b>	<b>35,265</b>	<b>33,235</b>
<b>Total members</b>	<b>80,816</b>	<b>77,323</b>

### 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 2018. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2016. Employers' contributions comprise a percentage rate on active payroll between 11% and 25.1% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

## NOTES TO THE PENSION FUND ACCOUNTS

### Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 31 April 2008 to 31 March 2014
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
<b>Lump Sum</b>	Automatic lump sum of 3 x pension. 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.

### Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49<sup>th</sup> or 1/98<sup>th</sup> for those members who have taken up the 50/50 option and pay proportionately lower contributions. Accrued pension is updated annually in line with the Consumer Price Index.

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 One Angel Square, Angel Street, Northampton NN1 1ED.

## 2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2017-18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 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.

## NOTES TO THE PENSION FUND ACCOUNTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Fund Account – revenue recognition

##### Contribution income

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

Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

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.

##### 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.

##### 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 (where material) 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.

## NOTES TO THE PENSION FUND ACCOUNTS

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- 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 are recognised as income or expense 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. Securities on loan remain assets of the Fund and are recorded in the net assets statement at fair value.

### Fund Account – expense items

#### 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.

#### 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 (see Note 13).

#### Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

#### Administrative expenses

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

## NOTES TO THE PENSION FUND ACCOUNTS

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### Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

### Investment management expenses

All investment management expenses are accounted for on an accruals basis.

In 2016-17 as a result of the Fund adopting the guidance in CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016), there was a change in presentation of investment manager expenses as follows:-

- (i) Management fees charged as a deduction from the net asset value of pooled funds were now reported as investment management expenses and the return on investments grossed up accordingly;
- (ii) Transaction costs including brokerage fees and UK stamp duty incurred by segregated managers that had previously been reported within the cost of purchases or deducted from proceeds of sale of an investment were now reported within investment expenses and the cost of investment purchases or proceeds of sales are adjusted accordingly.

This treatment has been applied consistently for 2017-18.

Fees of the external Investment Managers and the 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:

- JO Hambro Capital Management – Global Equities
- 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. In 2017-18, £1.5m of fees are based upon such estimates (2016-17: £ 1.3m). In addition, manager fees deducted from pooled funds of £7.9m (2016-17: £6.9m) are estimated based upon information received from fund managers.

The cost of obtaining investment advice from external consultants is charged direct to the Fund. All staff costs associated with investment activity are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged to the Fund.

## NOTES TO THE PENSION FUND ACCOUNTS

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### Net Assets Statement

#### Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis, except for loans and receivables.

Loans and receivables are assets for which the amounts receivable are fixed and determinable and where the Fund has not designated the asset at fair value through profit and loss. This includes contributions owing from employers and cash deposits. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset.

Investment assets, other than cash held by investment managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses recognised in the Fund Account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

#### 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.

#### 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 (see Note 15).

#### Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

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.

#### Financial liabilities

The Fund initially recognises financial liabilities at fair value and subsequently measure them at amortised cost. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

#### 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.



## NOTES TO THE PENSION FUND ACCOUNTS

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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 (see Note 20).

### **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 deducted from the individual member's pay and 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(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see Note 24).

### **Contingent assets and liabilities**

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of a narrative in the notes.

## **4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES**

### **Pension fund liability**

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimated liability is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term investment yield/return.



## NOTES TO THE PENSION FUND ACCOUNTS

### 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement as 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits</b>	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 £445m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £60m, and a one-year increase in assumed life expectancy would approximately increase the liabilities by between 3-5%.
<b>Cambridge and Counties Bank</b>	Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. The Pension Fund has appointed an independent, professional valuer to advise a suitable valuation. The Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.	The investment in the financial statements is £65.8m. There is a risk that this investment may be under, or overstated in the accounts.
<b>Other private equity and infrastructure</b>	All other 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. See Note 16a.	Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £209m. There is a risk that this investment may be under or overstated in the accounts.

## NOTES TO THE PENSION FUND ACCOUNTS

### 6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2018, and up to the date when these accounts were authorised that require any adjustments to these accounts.

As part of a Government initiative to pool Local Government Pension Scheme assets, the Fund has joined the ACCESS asset pool and is working towards the pooling of Investments. More information can be found on page 35 of the Fund's Annual Report.

### 7. CONTRIBUTIONS RECEIVABLE

#### By category

2016-17 £000		2017-18 £000
25,874	Employees' contributions	25,322
84,909	Employers' contributions:	82,290
14,665	Normal contributions	20,798
99,574	Deficit recovery contributions	103,088
	Total employers' contributions	
125,448		128,410

#### By authority

2016-17 £000		2017-18 £000
39,594	Administering Authority	38,591
77,666	Scheduled Bodies	82,374
2,991	Admitted Bodies	3,678
2,280	Community Admission Bodies	2,056
2,917	Transferee Admission Bodies	1,711
125,448		128,410

### 8. TRANSFERS IN FROM OTHER PENSION FUNDS

2016-17 £000		2017-18 £000
3,292	Individual transfers	4,932
3,292		4,932

## NOTES TO THE PENSION FUND ACCOUNTS

### 9. BENEFITS PAYABLE

#### By category

2016-17 £000		2017-18 £000
76,011	Pensions	78,846
20,003	Commutation and lump sum retirement benefits	18,573
2,373	Lump sum death benefits	1,926
<b>98,387</b>		<b>99,345</b>

#### By authority

2016-17 £000		2017-18 £000
38,673	Administering Authority	39,324
50,578	Scheduled Bodies	51,707
2,979	Admitted Bodies	2,865
3,884	Community Admission Bodies	3,370
1,121	Transferee Admission Bodies	948
1,152	Resolution Bodies	1,131
<b>98,387</b>		<b>99,345</b>

### 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2016-17 £000		2017-18 £000
306	Refunds to members leaving service	358
670	Group transfers	-
9,445	Individual transfers	9,768
<b>10,421</b>		<b>10,126</b>

### 11. MANAGEMENT EXPENSES

2016-17 £000		2017-18 £000
2,218	Administrative costs	2,277
12,526	Investment management expenses (see note 11A)	14,502
419	Oversight and governance costs	175
<b>15,163</b>		<b>16,954</b>

## NOTES TO THE PENSION FUND ACCOUNTS

Fees payable to External Auditors, included within Oversight and governance costs, were £22,410 during the year (2016-17 £22,410).

Oversight and governance costs include actuarial fees which were higher in 2016-17 due to the fees incurred in respect of the triennial funding valuation. Details of the Fund's unit cost per member of administering the Fund and comparison to the CIPFA benchmark can be found on page 24 of the Fund's Annual Report.

### 11A. INVESTMENT MANAGEMENT EXPENSES

2016-17 £000		2017-18 £000
10,634	Management fees	12,233
508	Performance related fees	524
1,099	Transaction costs	1,212
285	Other costs	533
<b>12,526</b>		<b>14,502</b>

The increase in management fees in 2017-18 reflects the increase in the value of assets under management in the year.

### 12. INVESTMENT INCOME

2016-17 £000		2017-18 £000
405	Income from bonds	421
11,967	Income from equities	15,633
8,260	Pooled investments – unit trusts and other managed funds	9,952
6,788	Pooled Property Investments	6,747
1,661	Private equity/infrastructure income	4,733
902	Interest on cash deposits	441
164	Other – securities lending income	215
<b>30,147</b>		<b>38,142</b>

### 13. TAXES ON INCOME

2016-17 £000		2017-18 £000
-	Withholding tax – pooled	162
-	Withholding tax – equities	167
<b>-</b>		<b>329</b>

## NOTES TO THE PENSION FUND ACCOUNTS

Some foreign income is paid to the Fund net of withholding tax. The Fund was able to reclaim all withholding tax in 2016-17, however this year a small amount of tax is not reclaimable by the Fund and is therefore recognised as an expense.

### 14. INVESTMENTS

31-Mar-17 £000		31-Mar-18 £000
	<b>Investment assets</b>	
74,590	Bonds	74,578
357,733	Equities	371,765
1,898,748	Pooled investments	1,953,899
192,549	Pooled property investments	206,671
246,179	Private equity/infrastructure	274,393
41,910	Cash deposits	31,191
2,714	Investment income due	3,535
-	Amounts receivable for sales	-
<b>2,814,423</b>	<b>Total investment assets</b>	<b>2,916,032</b>
	<b>Investment liabilities</b>	
(1,137)	Amounts payable for purchases	-
<b>(1,137)</b>	<b>Total investment liabilities</b>	<b>-</b>
<b>2,813,286</b>	<b>Net investment assets</b>	<b>2,916,032</b>

## NOTES TO THE PENSION FUND ACCOUNTS

### 14(a) Reconciliation of movements in investments and derivatives

	Market value 1-Apr-17	Purchases during the year and derivative payments*	Sales during the year and derivative receipts*	Change in market value during the year	Market value 31-Mar-18
	£000	£000	£000	£000	£000
<b>Bonds</b>	<b>74,590</b>	-	-	(12)	<b>74,578</b>
<b>Equities</b>	<b>357,733</b>	45,642	(26,329)	(5,281)	<b>371,765</b>
<b>Pooled investments</b>	<b>1,898,748</b>	216,414	(196,223)	34,960	<b>1,953,899</b>
<b>Pooled property investments</b>	<b>192,549</b>	15,113	(19,066)	18,075	<b>206,671</b>
<b>Private equity/infrastructure</b>	<b>246,179</b>	57,023	(53,442)	24,633	<b>274,393</b>
	<b>2,769,799</b>	334,192	(295,060)	72,375	<b>2,881,306</b>
<b>Derivative contracts:</b>					
• Forward Currency Contracts	-	18	-	(18)	-
	<b>2,769,799</b>	334,210	(295,060)	72,357	<b>2,881,306</b>
<b>Other investment balances:</b>					
• Cash deposits	41,910			(1,310)	31,191
• Investment income due	2,714			-	3,535
• Spot FX contracts				(49)	-
• Amounts payable for purchases of investments	(1,137)			-	-
<b>Net investment assets*</b>	<b>2,813,286</b>			<b>70,998</b>	<b>2,916,032</b>
				Note 17a	

\* Net investment assets do not add across as purchases, sales and other movements on Other investment balances are not disclosed here, in accordance with CIPFA guidance.

## NOTES TO THE PENSION FUND ACCOUNTS

	Market value 1-Apr-16	Purchases during the year and derivative payments*	Sales during the year and derivative receipts*	Change in market value during the year	Market value 31-Mar-17
	£000	£000	£000	£000	£000
<b>Bonds</b>	<b>61,316</b>	378	-	12,896	<b>74,590</b>
<b>Equities</b>	<b>266,984</b>	90,034	(57,572)	58,287	<b>357,733</b>
<b>Pooled investments</b>	<b>1,487,140</b>	13,207	(28,951)	427,352	<b>1,898,748</b>
<b>Pooled property investments</b>	<b>187,080</b>	22,335	(16,391)	(475)	<b>192,549</b>
<b>Private equity/infrastructure</b>	<b>207,353</b>	23,130	(27,250)	42,946	<b>246,179</b>
	<b>2,209,873</b>	149,084	(130,164)	541,006	<b>2,769,799</b>
<b>Derivative contracts:</b>					
• <b>Forward Currency Contracts</b>	-	-	(5)	5	-
	<b>2,209,873</b>	149,084	(130,169)	541,011	<b>2,769,799</b>
<b>Other investment balances:</b>					
• <b>Cash deposits</b>	<b>31,929</b>			1,360	<b>41,910</b>
• <b>Amount receivable for sales</b>	<b>235</b>				-
• <b>Investment income due</b>	<b>2,580</b>				<b>2,714</b>
• <b>Amounts payable for purchases of investments</b>	<b>(1,006)</b>				<b>(1,137)</b>
<b>Net investment assets*</b>	<b>2,243,611</b>			<b>542,371</b>	<b>2,813,286</b>

\* Net investment assets do not add across as purchases, sales and other movements on Other investment balances are not disclosed here, in accordance with CIPFA guidance.

## NOTES TO THE PENSION FUND ACCOUNTS

### 14(b). Analysis of Investments

31-Mar-17 £000		31-Mar-18 £000
	<b>Bonds</b>	
	<b>UK</b>	
74,590	Public sector quoted	74,578
<b>74,590</b>		<b>74,578</b>
	<b>Equities</b>	
	<b>UK</b>	
344,537	Quoted	357,135
	<b>Overseas</b>	
13,196	Quoted	14,630
<b>357,733</b>		<b>371,765</b>
	<b>Pooled funds – additional analysis</b>	
	<b>UK</b>	
67,173	Fixed income	68,404
677,130	Equity	257,953
	<b>Overseas</b>	
223,406	Fixed income	228,902
922,286	Equity	1,380,326
8,753	Cash Fund	18,314
<b>1,898,748</b>		<b>1,953,899</b>
192,549	Pooled property investments	206,671
246,179	Private equity/ infrastructure	274,393
<b>438,728</b>		<b>481,064</b>
41,910	Cash deposits	31,191
2,714	Investment income due	3,535
<b>44,624</b>		<b>34,726</b>
<b>2,814,423</b>	<b>Total investment assets</b>	<b>2,916,032</b>
	<b>Investment liabilities</b>	
(1,137)	Amounts payable for purchases	-
<b>(1,137)</b>	<b>Total investment liabilities</b>	<b>-</b>
<b>2,813,286</b>	<b>Net investment assets</b>	<b>2,916,032</b>



## NOTES TO THE PENSION FUND ACCOUNTS

### 14(c). Investments analysed by fund manager

Market value 31-Mar-17 £000 (See Note below)	% of net investment assets		Market value 31-Mar-18 £000	% of net investment assets
883,627	31.4	Schroders Investment Management	918,053	31.5
677,130	24.1	State Street Global Asset Management	-	-
-	-	UBS Global Asset Management	693,644	23.8
482,112	17.1	Dodge & Cox Worldwide Investments	472,147	16.2
324,281	11.6	JO Hambro Capital Management	472,488	16.2
115,893	4.1	Skagen Funds	-	-
70,826	2.5	Adams Street Partners	67,151	2.3
57,230	2.0	M&G Investments	59,054	2.0
47,896	1.7	HarbourVest Partners (UK)	46,647	1.6
54,700	1.9	Cambridge and Counties Bank	65,850	2.3
26,922	1.0	Equitix Investment Management	32,669	1.1
19,595	0.7	UBS Infrastructure	16,339	0.6
26,251	0.9	Partners Group (UK)	26,527	0.9
-	-	AMP Capital	9,575	0.3
-	-	Cambridge Building Society	10,000	0.3
26,823	1.0	Cash with custodian	25,888	0.9
<b>2,813,286</b>	<b>100.0</b>		<b>2,916,032</b>	<b>100.0</b>

All the above companies are registered in the United Kingdom.

Note: 2017 values have been reclassified to report cash balances as Cash at Custodian that were previously reported within manager balances.

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

Security	Market value 31-Mar-17 £000	% of total fund %	Market value 31-Mar-18 £000	% of total fund %
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	482,112	16.9	472,147	15.9
UBS Asset Management Life World Equity Tracker	-	-	390,152	13.1
JO Hambro Capital Management Global Select Fund Sterling Z shares	324,281	11.4	472,488	15.9
UBS Asset Management Life UK Equity Tracker	-	-	257,953	8.7
Schroders International Selection Fund – Strategic Bond	166,176	5.8	169,848	5.7

## NOTES TO THE PENSION FUND ACCOUNTS

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### 14(d). Stock Lending

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2018, the value of quoted equities on loan was £92.7m (31 March 2017: £67.5m). These equities continue to be recognised in the Fund's financial statements. Counterparty risk is managed through holding collateral at the Fund's custodian. At the year end the custodian held collateral at fair value of £99.3m (31 March 2017: £72.9m) representing 107% of stock lent. Collateral consists of acceptable securities and government debt.

### 15. 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

There were no outstanding exchange traded future contracts at 31 March 2018 or 31 March 2017.

#### Open forward currency contracts

There were no open forward currency contracts at 31 March 2018 or 31 March 2017.

### 16. FAIR VALUE

#### 16a. Fair value hierarchy

##### Valuation Of Financial Instruments Carried At Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

#### Level 1

Assets and liabilities 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.

## NOTES TO THE PENSION FUND ACCOUNTS

### Level 2

Assets and liabilities 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. The price used is based upon inputs from observable market data.

### Level 3

Assets and liabilities 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.

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 2015, 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 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	468,191	2,002,760	413,890	2,884,841
<b>Total financial assets</b>	<b>468,191</b>	<b>2,002,760</b>	<b>413,890</b>	<b>2,884,841</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	435,038	1,966,718	370,757	2,772,513
<b>Total financial assets</b>	<b>435,038</b>	<b>1,966,718</b>	<b>370,757</b>	<b>2,772,513</b>

There has been no change in the valuation techniques used for individual investments during the year.

## NOTES TO THE PENSION FUND ACCOUNTS

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. The fair valuation of each class of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
<b>Quoted bonds</b>	Level 1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
<b>Exchange traded pooled investments</b>	Level 1	Closing bid value on published exchanges	Not required	Not required
<b>Pooled investments – not exchange traded open ended funds</b>	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
<b>Pooled investments – not exchange traded closed ended funds</b>	Level 3	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and lack of liquidity.
<b>Private equity and infrastructure-equity</b>	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
<b>Private equity and infrastructure - other</b>	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.

## NOTES TO THE PENSION FUND ACCOUNTS

### Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

Asset Type	Value as at 31-Mar-18 £000	Assessed valuation range (+/-) (% rounded)	Value on Increase £000	Value on Decrease £000
Property	139,497	14.3	159,445	119,549
Private Equity	189,578	28.3	243,229	135,927
Infrastructure	75,385	20.1	90,537	60,233
Infrastructure Debt	9,430	11.5	10,514	8,346
<b>Total Assets</b>	<b>413,890</b>		<b>503,725</b>	<b>324,055</b>

### 16(b) Reconciliation of fair value measurements within Level 3

Period 2017-18	Market value 1-Apr- 2017 (see Note) £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/ (losses) £000	Realised gains/ (losses) £000	Market value 31-Mar- 2018 £000
Pooled property investments	124,578	19,903	(13,780)	5,355	3,441	139,497
Private equity and infrastructure - equity	54,700	-	-	-	11,150	65,850
Private equity and infrastructure - other	191,479	57,023	(42,292)	(12,629)	14,962	208,543
<b>Total</b>	<b>370,757</b>	<b>76,926</b>	<b>(56,072)</b>	<b>(7,274)</b>	<b>29,553</b>	<b>413,890</b>

# NOTES TO THE PENSION FUND ACCOUNTS

## FINANCIAL INSTRUMENTS

### 17a. Classification of financial instruments

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.

Designated as fair value through profit and loss £000	31-Mar-17 Loans and receivables £000	Financial liabilities at amortised cost £000		Designated as fair value through profit and loss £000	31-Mar-18 Loans and receivables £000	Financial liabilities at amortised cost £000
<b>Financial assets</b>						
74,590	-	-	Bonds	74,578	-	-
357,733	-	-	Equities	371,765	-	-
1,898,748	-	-	Pooled investments	1,953,899	-	-
192,549	-	-	Pooled property investments	206,671	-	-
246,179	-	-	Private equity/ infrastructure	274,393	-	-
-	-	-	Derivative contracts	-	-	-
-	73,775	-	Cash	-	73,422	-
2,714	-	-	Other investment balances	3,535	-	-
-	16,204	-	Debtors	-	16,597	-
<b>2,772,513</b>	<b>89,979</b>	<b>-</b>		<b>2,884,841</b>	<b>90,019</b>	<b>-</b>
<b>Financial liabilities</b>						
-	-	-	Derivative contracts	-	-	-
-	-	(1,137)	Other investment balances	-	-	-
-	-	(7,777)	Creditors	-	-	(5,554)
-	-	<b>(8,914)</b>		-	-	<b>(5,554)</b>
<b>2,772,513</b>	<b>89,979</b>	<b>(8,914)</b>	<b>Total</b>	<b>2,884,841</b>	<b>90,019</b>	<b>(5,554)</b>
<b>2,853,578</b>				<b>2,969,306</b>		

## NOTES TO THE PENSION FUND ACCOUNTS

### 17b. Net Gains and Losses on Financial Instruments

2016-17 £000		2017-18 £000
	<b>Financial assets:</b>	
541,006	Fair value through profit and loss	72,375
1,373	Loans and receivables	-
	<b>Financial liabilities:</b>	
5	Fair Value through profit and loss	(18)
(13)	Loans and Receivables	(1,359)
-	Financial liabilities measured at amortised cost	-
<b>542,371</b>	<b>Total gains / (losses)</b>	<b>70,998</b>

### 18. 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 advisers undertake appropriate monitoring of market conditions and benchmark analysis.

## NOTES TO THE PENSION FUND ACCOUNTS

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
- 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.

### 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.

### Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2017-18 reporting period. The Fund has used an adviser in a joint arrangement with a number of its ACCESS pool colleagues. The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	16.8%
Overseas equities	17.9%
Global pooled equities	17.9%
Index-linked bonds	9.2%
Pooled fixed interest bonds	10.2%
Property	14.3%
Alternatives	25.5%
Cash and Other investment balances	0.5%



## NOTES TO THE PENSION FUND ACCOUNTS

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at 31-Mar-18 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
UK equities	615,088	16.80	718,423	511,753
Overseas equities	14,630	17.90	17,249	12,011
Global pooled equities	1,385,253	17.90	1,633,213	1,137,293
Index-linked bonds	74,578	9.20	81,439	67,717
Pooled fixed interest bonds	297,306	10.20	327,631	266,981
Property	201,744	14.30	230,593	172,895
Alternatives	274,393	25.50	344,363	204,423
Cash and Other investment balances	53,040	0.50	53,305	52,775
<b>Total Assets</b>	<b>2,916,032</b>		<b>3,406,216</b>	<b>2,425,848</b>

Note that due to the diversification of investments across asset classes the volatility of the total fund may be lower than the total shown above for the aggregation of the individual asset classes.

Asset Type	Value as at 31-Mar-17 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
UK equities	1,021,567	15.80	1,182,975	860,159
Overseas equities	13,296	18.40	15,742	10,850
Global pooled equities	922,286	18.90	1,096,598	747,974
Index-linked bonds	74,590	9.00	81,303	67,877
Pooled fixed interest bonds	290,579	10.10	319,927	261,231
Property	192,549	14.20	219,891	165,207
Alternatives	246,179	26.10	310,432	181,926
Cash and Other investment balances	52,240	0.00	52,240	52,240
<b>Total Assets</b>	<b>2,813,286</b>		<b>3,279,108</b>	<b>2,347,464</b>

### 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 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

## NOTES TO THE PENSION FUND ACCOUNTS

### 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:

31-Mar-17 £000	Asset Type	31-Mar-18 £000
41,910	Cash and cash equivalents	31,191
31,865	Cash balances	42,231
74,590	Index-linked securities	74,578
290,579	Fixed interest securities	297,306
<b>438,944</b>	<b>Total</b>	<b>445,306</b>

Assets exposed to interest rate risk	Value at 31-Mar-18 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	31,191	-	31,191	31,191
Cash balances	42,231	-	42,231	42,231
Index-linked securities	74,578	746	73,832	75,324
Fixed interest securities	297,306	2,973	294,333	300,279
<b>Total change in assets available</b>	<b>445,306</b>	<b>3,719</b>	<b>441,587</b>	<b>449,025</b>

Assets exposed to interest rate risk	Value at 31-Mar-17 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	41,910	-	41,910	41,910
Cash balances	31,865	-	31,865	31,865
Index-linked securities	74,590	746	73,844	75,336
Fixed interest securities	290,579	2,906	287,673	293,485
<b>Total change in assets available</b>	<b>438,944</b>	<b>3,652</b>	<b>435,292</b>	<b>442,596</b>

## NOTES TO THE PENSION FUND ACCOUNTS

Income exposed to interest rate risk	Amount receivable in 2017-18 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits, cash and cash equivalents	441	4	445	437
Index-linked securities	421	4	425	417
Fixed interest securities	4,044	-	4,044	4,044
<b>Total</b>	<b>4,906</b>	<b>8</b>	<b>4,914</b>	<b>4,898</b>

Income exposed to interest rate risk	Amount receivable in 2016-17 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits, cash and cash equivalents	902	9	911	893
Index-linked securities	405	4	409	401
Fixed interest securities	4,385	-	4,385	4,385
<b>Total</b>	<b>5,692</b>	<b>13</b>	<b>5,679</b>	<b>5,705</b>

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the assets and the income received from investments impact on the net assets available to pay benefits.

### 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 advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

### Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 10.0% (the 1 year expected standard deviation).

A 10.0% (31 March 2017: 10.0%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period.

## NOTES TO THE PENSION FUND ACCOUNTS

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10.0% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at 31-Mar-18 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	1,394,955	139,496	1,534,451	1,255,460
Overseas Fixed Income	228,902	22,890	251,792	206,012
Overseas Cash Fund	18,314	1,831	20,145	16,483
<b>Total</b>	<b>1,642,171</b>	<b>164,217</b>	<b>1,806,388</b>	<b>1,477,955</b>

Assets exposed to currency risk	Value at 31-Mar-17 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	935,582	93,558	1,029,140	842,024
Overseas Fixed Income	223,406	22,341	245,747	201,065
Overseas Cash Fund	8,753	875	9,628	7,878
<b>Total</b>	<b>1,167,741</b>	<b>116,774</b>	<b>1,284,515</b>	<b>1,050,967</b>

### 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.

## NOTES TO THE PENSION FUND ACCOUNTS

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 2018 was £73.4m (31 March 2017: £73.8m). This was held with the following institutions:-

	Rating	31-Mar-18 £000	31-Mar-17 £000
<b>Money market funds</b>			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	31,034	41,125
UK Treasury Bills			-
<b>Bank deposit account</b>			
Barclays Bank	A	42,232	31,865
<b>Bank current accounts</b>			
Northern Trust custody accounts	P-1	157	785
<b>Total</b>		<b>73,423</b>	<b>73,775</b>

### 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 Fund therefore takes steps to ensure that it 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 Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed.

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 2018 the value of illiquid assets was £476.1m, which represented 16.0% of the total Fund assets (31 March 2017: £438.7m, which represented 15.4% 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 2018 are due within one year.

### d) Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

## NOTES TO THE PENSION FUND ACCOUNTS

### 19. 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 2016. The next valuation will take place as at 31 March 2019.

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 maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. 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 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2016 actuarial valuation, the Fund was assessed as 78.4% funded (72.4% at the March 2013 valuation). This corresponded to a deficit of £625m (2013 valuation: £728m) at that time.

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

For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2016 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate %		
1 April 2017 to 31 March 2020 18.1%	2017/2018 £26,039,000	2018/2019 £17,959,000	2019/2020 £18,355,000

## NOTES TO THE PENSION FUND ACCOUNTS

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay.

Full details of the contribution rates payable can be found in the 2016 actuarial valuation report and the funding strategy statement on the Fund's website.

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

### Basis of valuation

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.

Assumption	Description	31-Mar-16		31-Mar-13	
		Nominal	Real	Nominal	Real
Price inflation (RPI)		3.3%	-	3.3%	-
Price Inflation (CPI)/ Pension increases		2.1%	-	2.5%	-
Pay increases - 2016	RPI minus 0.7% p.a.*	2.4%	(0.7)%	n/a	n/a
Pay increases - 2013	RPI plus 1% p.a.*	n/a	n/a	4.3%	1.0%
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.8% p.a. (2013: 1.6% p.a).	4.0%	n/a	4.6%	n/a

\*Plus an allowance for promotional pay increases.

### Mortality assumptions

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

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	Female	Male	Female
2013 valuation	24.4	26.9	22.5	24.5
2016 valuation	24.0	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.



## NOTES TO THE PENSION FUND ACCOUNTS

### 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.

#### e) 50:50 option

5.0% of members (uniformly distributed across the age, service and salary range) are assumed to choose the 50:50 option under which they pay 50% lower contributions and receive proportionately lower retirement benefits.

### 20. 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 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31-Mar-17 £m		31-Mar-18 £m
(4,175)	Present value of promised retirement benefits	(4,267)
2,854	Fair value of scheme assets (bid value)	2,958
(1,321)	<b>Net liability</b>	<b>(1,309)</b>

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

The Actuary estimated the Fair value of the scheme assets (bid value) to be £2,892m at the time of producing IAS reports for the Fund's Employers. An estimate was required as actual



## NOTES TO THE PENSION FUND ACCOUNTS

investment values were not available in time to prepare reports in line with Employer's tighter reporting deadlines.

### Assumptions used

	31-Mar-18 % p.a.	31-Mar-17 % p.a.
Inflation/pension increase rate assumption	2.4	2.4
Salary increase rate	2.7	2.7
Discount rate	2.7	2.6

### 21. CURRENT ASSETS

31-Mar-17 £000		31-Mar-18 £000
	<b>Debtors:</b>	
861	Contributions due – members	1,544
3,077	Contributions due – employers	3,671
223	Transfer values receivable (joiners)	-
10,147	Sundry receivables	10,117
14,308		15,332
31,865	<b>Cash balances</b>	42,232
46,173		57,564

### Analysis of debtors

31-Mar-17 £000		31-Mar-18 £000
3,715	Central government bodies	5,222
6,825	Other local authorities	5,261
24	NHS bodies	62
3,333	Public corporations and trading funds	466
411	Other entities and individuals	4,321
14,308		15,332

### 22. 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

## NOTES TO THE PENSION FUND ACCOUNTS

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 2018, a total of £1,896,000 was still due from the Ministry of Justice, with £632,000 being shown in Current Assets and £1,264,000 being due after 31 March 2019 shown in Non Current Assets.

### 23. CURRENT LIABILITIES

31-Mar-17 £000		31-Mar-18 £000
4,126	Sundry payables	5,113
2,962	Transfer values payable (leavers)	-
689	Benefits payable	441
<b>7,777</b>		<b>5,554</b>

#### Analysis of creditors

31-Mar-17 £000		31-Mar-18 £000
-	Central government bodies	1,076
7,002	Other local authorities	2,776
-	NHS bodies	-
180	Public corporations and trading funds	5
595	Other entities and individuals	1,697
<b>7,777</b>		<b>5,554</b>

### 24. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31-Mar-17 £000		Market value 31-Mar-18 £000
418	Equitable Life	403
7,986	Prudential	7,741
<b>8,404</b>		<b>8,144</b>

No contributions (2016-17: no contributions) were paid to Equitable Life during the year and total contributions of £799k were paid directly to Prudential during the year (2016-17: £1,026k).

## NOTES TO THE PENSION FUND ACCOUNTS

### 25. AGENCY SERVICES

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies. A review of Agency Services has resulted in an increase in Agency payments recognised in 2017-18.

2016-17 £000		2017-18 £000
2,360	Unfunded pensions	3,605
2,360		3,605

### 26. 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 (2016-17: £2.4m) 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 £30.3m to the Fund in 2017-18 (2016-17: £31.1m). At 31 March 2018 there was £2.0m (31 March 2017: £1.3m) due to the Fund by 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 Anne Hay
- Councillor Michael Shellens
- Liz Brennan
- Matthew Pink
- Tracy Roden

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

#### 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 £40,000 p.a. to the Council.

## NOTES TO THE PENSION FUND ACCOUNTS

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### 26(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by LGSS which is a shared service arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Head of Pensions in the shared service unit reports directly to the LGSS Director of Finance whose costs are reported in the Northamptonshire County Council statement of accounts. The Director of Finance is remunerated for his services to the organisation as a whole and it is not possible to identify within the overhead charge from LGSS the proportion of his costs relating to services to the Fund.

### 27. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2018 totalled £210.7m (31 March 2017: £162.5m).

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.

### 28. CONTINGENT ASSETS

Twelve admitted body employers in the Cambridgeshire 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, and usually only in the event of premature cessation.

# NOTES TO THE PENSION FUND ACCOUNTS

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## GLOSSARY OF TERMS

### **ACCRUAL**

An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

### **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.

### **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.

### **CASH EQUIVALENTS**

Assets which are readily convertible into cash.

### **COMMUNITY ADMISSION BODIES**

Employers who may be admitted to the scheme if they meet the requirements of Regulation 5 and regulation 7 of the LGPS (Administration) Regulations 2008 (as amended). Typically these are bodies that provide a public service, e.g. charitable bodies, otherwise than for the purpose of gain and which have sufficient links to a local authority or other scheme employer to be regarded as having a community of interest.

### **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.

### **CONTINGENT ASSETS AND LIABILITIES**

Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

### **CONTRACT NOTE**

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

## NOTES TO THE PENSION FUND ACCOUNTS

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### 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.

### CURRENT ASSETS

Short-term assets such as inventories, receivables and bank balances.

### CURRENT LIABILITIES

Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

### CUSTODIAN

An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

### DEBENTURE

Fixed loan stock (bond) secured against the company's property, plant and equipment. First in the event of the company going into liquidation.

### DEFERRED PENSION BENEFIT

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

### DEFICIT

An outcome as a result of taking away all expenses from income.

### DERIVATIVE

A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

### DIVIDEND

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

### 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.

## NOTES TO THE PENSION FUND ACCOUNTS

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### FINANCIAL INSTRUMENTS

Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

### FINANCIAL CONDUCT AUTHORITY (FCA)

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.

### FTSE-100 INDEX

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

### FTSE All Share Index

summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

### FUTURES

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

### GILT

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

### 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.

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

### INFRASTRUCTURE ASSETS

Assets such as roads and bridges.

### INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

## NOTES TO THE PENSION FUND ACCOUNTS

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### **LGSS**

A partnership between Cambridgeshire and Northamptonshire County Councils to create a wholly owned public sector organisation to deliver professional and transactional support services.

### **LOAN STOCK**

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

### **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.

### **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.

### **PENSIONS STRAIN**

Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

### **PORTFOLIO**

A collection of investments. This can refer to the investments managed by a particular investment manager, or to describe the whole Fund's investments.

### **RELATED PARTY**

A person or an organisation which has influence over another person or organisation.

### **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.

### **STOCK**

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

### **SURPLUS**

An outcome as a result of taking away all expenses from income.

### **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.



## NOTES TO THE PENSION FUND ACCOUNTS

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### TRANSFeree ADMISSION BODIES

Employers who may be admitted to the scheme if they meet the requirements of Regulation 6 and Regulation 7 of the LGPS (Administration) Regulations 2008 (as amended). Typically these are bodies that are formed when a service or function offered by a local authority or other scheduled body is contracted out to the private sector.

### TREASURY MANAGEMENT

A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

### 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.

### 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.

## NOTES TO THE PENSION FUND ACCOUNTS

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Appendix A – Governance Policy & Governance Compliance Statement -  
<http://pensions.cambridgeshire.gov.uk/app/uploads/2018/01/Governance-Policy-and-Compliance-Statement.pdf>

Appendix B – Funding Strategy Statement -  
<http://pensions.cambridgeshire.gov.uk/app/uploads/2012/10/Cambridgeshire-Funding-Strategy-Statement-2016.pdf>

Appendix C – Investment Strategy Statement -  
[http://pensions.cambridgeshire.gov.uk/app/uploads/2018/04/CPF\\_Investment\\_Strategy\\_Statement\\_FINAL\\_Approved\\_29\\_March\\_2018-1.pdf](http://pensions.cambridgeshire.gov.uk/app/uploads/2018/04/CPF_Investment_Strategy_Statement_FINAL_Approved_29_March_2018-1.pdf)

Appendix D – Joint Administration Strategy & Joint Communication Strategy  
[http://pensions.cambridgeshire.gov.uk/app/uploads/2017/09/Administration\\_Strategy2017Final.pdf](http://pensions.cambridgeshire.gov.uk/app/uploads/2017/09/Administration_Strategy2017Final.pdf)  
<http://pensions.cambridgeshire.gov.uk/app/uploads/2017/04/2017-Communications-Strategy.pdf>