

PENSION FUND COMMITTEE



Date: Thursday, 27 July 2017

Democratic and Members' Services

Quentin Baker

LGSS Director: Law and Governance

10:00hr

Shire Hall

Castle Hill

Cambridge

CB3 0AP

Kreis Viersen Room

Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

1. **Apologies for Absence and Declarations of Interest**
2. **Minutes and Action Log of the Pension Fund Committee held 29th June 2017** **5 - 14**
3. **Local Pension Board Annual Report 2016-17** **15 - 36**
4. **Pension Fund Annual Report and Statement of Accounts 2016-17** **37 - 152**
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 Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in public interest for this information to be disclosed information relating to the financial or business affairs or any particular person (including the authority holding that information)
6. **Annual Review of the Fund's Investment Managers**
 - Information relating to the financial or business affairs of any particular person (including the authority holding that

information);

7. Investment Manager Fee review

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

8. Custodian Monitoring Report

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

9. Pensions Administration Cost Review

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

10. Date of next meeting: 10am 19th October 2017

The Pension Fund Committee comprises the following members:

Mr Gareth Deeble Councillor Andrew Fraser Mr Matthew Pink 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

Clerk Telephone: 01223 699178

Clerk Email: dawn.cave@cambridgeshire.gov.uk

The County Council is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens. These arrangements operate in accordance with a protocol agreed by the Chairman of the Council and political Group Leaders which can be accessed via the following link or made available on request: <http://tinyurl.com/ccc-film-record>.

Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution <https://tinyurl.com/CCCprocedure>.

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MINUTES OF THE PENSION COMMITTEE

Date: Thursday 29th June 2017

Time: 10:00-12.10

Place: Kreis Viersen Room, Shire Hall, Cambridge

Committee Members

present: County Councillors Downes, Hay, Hickford (Chairman), Rogers (Vice Chairman) and Shellens; District Councillor A Fraser; M Pink and T Roden

Officers: D Cave, S Heywood, M Oakensen, P Tysoe, J Walton and M Whitby

Apologies: J Walker

6. DECLARATIONS OF INTEREST

Matthew Pink declared a personal interest as both he and his wife were active members of LGPS. Tracy Roden declared a personal interest as an active member of LGPS.

7. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE MEETING HELD ON 23rd MARCH 2017; MINUTES OF THE PENSION FUND COMMITTEE HELD 25TH MAY 2017

The minutes of the Pension Fund Committee meeting held on 23rd March 2017 and 25th May were approved as a correct record and were signed by the Chairman.

Review the Action Log, it was noted that the two outstanding items would both be considered at the July meeting.

8. INTERNAL AUDIT REPORT

Members considered a report on Internal Audit work during 2016-17. Officers advised that the Audit & Risk Manager was unable to attend, so the Head of Pensions presented the report on his behalf.

The Audit report gave substantial assurance for the controls in place within LGSS pensions for the administration of LGPS. Some areas for improvement were noted, notably Reconciliations between the pensions payroll and Altair, where a moderate assurance was given. There had been significant improvements since the completion of the Internal Audit report. With regard to overseas pensioners, a project was underway and Western Union had been contracted to undertake biennial checks to prove the continued existence of overseas pensioners. It was confirmed that the proof of life check would only be done every two years, in line with other Funds. A report back would be provided to the Committee in October.

In response to a Member question, it was clarified that Objective 16 was concerned with ensuring the right amount of money was available to pay scheme members, whilst Objective 20 was about ensuring the money was available when needed i.e. cash management strategy as opposed to cashflow. It was agreed that officers would review the wording of the objectives, to avoid confusion.

Noting the Executive Summary, a Member commented that the objectives should be identified before the risks. Officers advised that this was the Internal Audit report format, and it was a standard approach, although it was agreed that officers would seek clarification. **Action required.**

With regard to the impact on staff of the automated data collection, it was clarified that the data providers were primarily employers, who would provide the information through an electronic portal. This would mean the Pensions team would not have to increase resources whilst at the same time increasing the diversity of employers. It was confirmed that it would not result in redundancy. Data remained the major key risk in pension administration.

There was a lengthy debate around the two members of staff who had left not had their access removed. Officers reassured Members that although the staff had not had their access removed, they were not able to get in to the system, as there were various layers of access. Team managers who control that access had been reminded of the need to inform the systems team promptly of any staff changes. Despite these reassurances, and noting the Substantial Assurance given in the Internal Audit report, Members commented that this type of system failure was unacceptable, and asked officers what they felt could be done in addition, and specifically whether they felt the six monthly checks with managers was adequate. Officers confirmed that both they and Internal Auditors felt six months was sufficient. Members suggested three months would be a more suitable interval, with evidence of positive action on any changes e.g. identifying how many staff had left and confirming their access had been withdrawn. Members supported this proposed course of action as a way forward. **Action required.**

It was resolved unanimously to note the Internal Audit work during 2016-17.

9. GOVERNANCE AND LEGISLATION REPORT

The Committee received a report on governance issues concerning the Local Government Pension Scheme (LGPS) on a national and local basis, and also details of forthcoming training events.

There had been a legal ruling which could impact on how the Fund treats Cohabiting Partners. The LGPS in England and Wales were currently awaiting guidance from the DCLG as to whether past cases where a financially interdependent partner was not paid a cohabiting partner's pension, due to the absence of the nomination form, would need to be revisited and potentially become payable. In the past, a form needed to be completed to confirm that pension rights would be passed on to a cohabiting partner in the event of a death. The legal ruling had stated that the form was redundant, and the award of a Cohabiting Partner's pension should be automatic, providing certain criteria are met. A few scheme members had already raised this issue with the Pensions team. It was unclear how far it would need to be backdated, but officers suspected this would be at least as far back as 2008. The potential financial impact

was also unclear. Officers agreed to provide the Vice-Chairman with information on how scheme members qualify for a dependents' pension.

Members were reminded that the Pensions Regulator requires all Committee members to maintain the necessary skills and knowledge to undertake their role effectively. There was a discussion on how best to schedule training events, and how to make best use of Committee Members' time: it was agreed that one option would be scheduling training sessions after Committee meetings. Members observed that there were many induction events taking place following the elections in May, and that it may be better to schedule Pension training events from October onwards, when the induction events start to taper off. Wyboston was the preferred venue for training events, especially those shared with Northamptonshire. Making greater use of online learning was also suggested.

It was resolved to:

note the content of the report.

10. BUSINESS PLAN UPDATE REPORT

The Committee considered the fourth Pension Fund Business Plan Update for the 2016-17 financial year to Pension Committee.

The reconciliation of the Altair payroll records against Altair administration had commenced and made good progress. The number of pensioners payable on payroll had been compared to the number on administration, and 1,614 potential over- and underpayments had been identified. In the majority of cases, the payroll record was correct and the administration record (identifying how much the pension should be) was incorrect. It was noted that pensioners had been paid on the County Council payroll system up until October 2016, and had been transferred over to Altair at that point. Members discussed the variety of issues which could have led to the differences in the two systems, noting that both sides, and taking all records back to Day One.

The next reconciliation related to the reconciliation of contracting out (GMP) data between HMRC and Altair records: contracting out ceased on 05/04/16. The reconciliation of contracting-out data must be completed by 31/12/18, as this is when HMRC will close to any further queries or amendments to their records on GMP liability. As agreed at Committee in March 2017, Independent Transition Management Limited (ITM) had been contracted to carry out the reconciliation of data: there were 75,564 records, and nearly half had been reconciled, with a target completion date of 30/09/17.

Members noted performance against key performance indicators, and officers outlined the particular challenges meeting some KPIs, including new team members and the recent office move, and how these were being addressed. These factors had had a particular impact on the team that dealt with deaths, divorces and transfers. Members acknowledged the reasons behind some of the poor KPIs, but also commented that there should be no underperformance going forward, now that these issues had been addressed. One Member asked for a meeting specifically about recruitment/resourcing. **Action required: officers to meet with Cllr Shellens.**

There was a discussion on late payment by employers, and in particular one late-paying employer. Officers explained why there should be no further recurrence but that defaults were reported to and monitored by the Pensions Regulator, and the employer had already been charged for the administration of the late payment and for the interest accrued. There would be a further update on this issue at the October meeting.

It was resolved to:

note the Pension Fund Business Plan Update for the 2017-18 financial year.

11. EMPLOYERS ADMISSION AND CESSATIONS REPORT

The Committee received a report on the admission three admission bodies and the cessation of four employers from the Cambridgeshire Pension Fund.

It was resolved unanimously to:

1. Note the admission of the following admission bodies to the Cambridgeshire Pension Fund:
 - Elior UK Ltd
 - Lunchtime UK Ltd (Grove Primary School)
 - The Adolescent and Children's Trust
2. Note the withdrawal from the Cambridgeshire Pension Fund of the following bodies:
 - South Staffordshire and Shropshire Healthcare NHS Foundation Trust
 - Aspens Services Ltd (Huntingdon Primary)
 - Aspens Services Ltd (Mayfield Primary)
 - Avocet Cleaning Services Limited

12. REVIEW OF ADMINISTRATION STRATEGY

The Committee considered a report setting out proposed amendments to the Administration Strategy.

Officers explained that the main change proposed related to cost recovery, and the Strategy included detailed information on the cost recovery process i.e. the schedule of fees that apply, and how costs were recovered. The next step was to consult scheme employers on the proposed changes to the strategy. Any material suggestions from that consultation would come back to the Committee.

In response to a Member question, it was confirmed that the targets within the Strategy were internal and scheme employer targets, rather than statutory targets.

It was resolved unanimously to:

Approve the revised Administration Strategy for consultation with stakeholders.

13. 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 item of business (item 10) on the grounds it contains 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.

14. ILL HEALTH INSURANCE

The Committee considered an update on the ill health insurance product.

It was resolved unanimously to:

1. Note the update on the ill health insurance product provided by Legal & General;
2. Approve an investigation into alternative approaches to covering the ill health strain cost risk using an appropriate third party.

15. PROCUREMENT OF AN ACTUARIAL, BENEFITS AND GOVERNANCE CONSULTANCY SERVICE

The Committee considered the proposed approach for the procurement of Actuarial, Benefits and Governance Consultancy Services.

It was resolved unanimously to agree to the approach for the procurement of Actuarial, Benefits and Governance Consultancy Services as set out in the report.

16. ASSET POOLING UPDATE

The Committee considered a report on progress with the asset pooling project. It was noted that further information on ACCESS at the Investment Away Day (05/07/17).

It was resolved unanimously to note the update on asset pooling.

17. DATE OF NEXT MEETING 10am Thursday 27th July

CAMBRIDGESHIRE PENSION FUND

Pension Fund Committee

Action log from previous meeting

This log captures the actions from the Pension Fund Committee of the 29 June 2017 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 17 July 2017

Outstanding actions from 29 June 2017 meeting of the Pensions Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
8.	Internal Audit Report	Joanne Walton	Noting the Executive Summary, a Member commented that the objectives should be identified before the risks. Officers advised that this was the Internal Audit report format, and it was a standard approach, although it was agreed that officers would seek clarification	Completed – Internal Audit have advised - As a result of a recent independent review of LGSS Audit, the Service has revised its reports format.
8.	Internal Audit Report	Mark Whitby	There was a lengthy debate around the two members of staff who had left not had their access removed. Despite reassurances, and noting the Substantial Assurance given in the Internal Audit report, Members commented that this type of system failure was unacceptable, and asked officers what they felt could be done in addition, and specifically whether they felt the six monthly checks with managers was adequate. Officers confirmed that both they and Internal Auditors felt six months was sufficient. Members suggested three months would be a more suitable interval, with evidence of positive action on any changes e.g. identifying how many staff had left and confirming their access had been withdrawn. Members supported this proposed course of action as a way forward	To provide for October meeting.

8.	Internal Audit Report	Joanne Walton	The Committee would like an update on the progress against actions on the Internal Audit Report.	To provide for October meeting.
10.	Business Plan Update	Mark Whitby	Members noted performance against key performance indicators, and officers outlined the particular challenges meeting some KPIs, including new team members and the recent office move, and how these were being addressed. These factors had had a particular impact on the team that dealt with deaths, divorces and transfers. Members acknowledged the reasons behind some of the poor KPIs, but also commented that there should be no underperformance going forward, now that these issues had been addressed. One Member asked for a meeting specifically about recruitment/resourcing.	Completed – Mark spoke to member after the meeting regarding recruitment/resourcing .
14.	III Health Insurance	Mark Whitby	The Committee agreed to have a further investigation as to the viability of alternative approaches, with officers reporting back to the next meeting	To provide for October meeting.

Outstanding actions from 23 March 2017 meeting of the Pensions Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
110	CIPFA Pensions Administration on Benchmarking Club Report	Mark Whitby	In discussing whether it was worthwhile to continue in the Benchmarking Club, it was suggested that the priority should be accurately monitoring and understanding the Fund's own costs, and this should include a comparison against previous years' costs. It was confirmed that data would only be available historically for about three years. It was agreed that this information would be produced for a future meeting of the Committee. It was further agreed that there needed to be greater consistency going forward, as information had been produced by different officers in previous years resulting in some variability of data. A report would be taken to the July meeting of the Pension Fund Committee.	Completed – to be presented at this meeting.
110	CIPFA Pensions Administration on Benchmarking Club Report	Mark Whitby	In response to a question on the total budget for the Cambridgeshire Pension Funds, officers gave some ballpark figures for the different elements (administration, investment and governance) but agreed to provide detailed figures to Committee Members.	Completed – to be presented at this meeting.

CAMBRIDGESHIRE LOCAL PENSION BOARD ANNUAL REPORT 2016-17

To: **Pension Fund Committee**

Date: **27th July 2017**

From: **Democratic Services Manager**

Purpose: **To consider the draft Annual Report for the
Cambridgeshire Local Pension Board.**

Recommendation: **The Pension Fund Committee is asked to comment on and
note the Cambridgeshire Local Pension Fund Board
Annual Report 2016-17.**

<i>Officer contact:</i>	
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1. BACKGROUND

- 1.1 Each Administering Authority has the prime responsibility for establishing its Local Pension Board and it is therefore appropriate and consistent with good governance for the Local Pension Board to report to the Administering Authority.
- 1.2 The reporting requirements will be for each Administering Authority to determine and could include reporting and communicating with a range of individuals and decision making bodies. This could include communication with internal and external audit as well as reporting to audit committee and full Council if appropriate. The agreed reporting requirements should be reflected in the Local Pension Board's terms of reference.
- 1.3 The Board have agreed, as part of its Standing Orders which are included in the Council's Constitution, that it will publish an annual report of its activities for that year.

2. ANNUAL REPORT

- 2.1 A copy of the draft Local Pension Board Annual Report which provides a summary of the work of the Board is attached at **Appendix A**. This will be considered by the Local Pension Board at their meeting on 21st July 2017. The Committee is asked to consider the Annual Report and raise any comments accordingly.
- 2.2 Once finalised the Annual Report will be presented to full Council in October. The report will also be published on the Council's website and the Pension Fund website.

Source Documents	Location
Local Government Pension Scheme (LGPS) Guidance on the creation and operation of Local Pension Boards in England and Wales	Jo Walton, LGSS Pensions Service Governance and Regulations Manager Tel - 01604 367030 E-mail - jwalton@northamptonshire.gov.uk http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Committee.aspx?committeeID=87

Cambridgeshire Local Pension Board

Annual Report 2016-17

Contents

	Page
Chairman's Foreword	3
Background	4
Role and Remit and Governance Compliance Statement	5
Constitution and Membership	6
Code of Conduct and Conflicts Policy	9
Knowledge and Understanding	10
Reporting Breaches of the Law to the Pensions Regulator Policy	13
Work Programme 2016-17	14
Work Programme 2017-18	17
Key Officers supporting the Local Pension Board	18

Chairman's Foreword

It is my pleasure, as Chairman of the Cambridgeshire Local Pension Board, to introduce the second Cambridgeshire Local Pension Fund Board Annual Report for 2016-17. The Board was established in accordance with the Public Service Pensions Act 2013. Our task is to assist Cambridgeshire County Council by making sure it is administering the LGPS effectively and efficiently and is compliant with the law.

I attended the Local Pension Board Conference held for Chairs and Vice-Chairs of pension fund boards. It had been timed for the first anniversary of the creation of local pension boards and was designed as an opportunity for the members of local boards to share experiences of the first year and to look ahead to the next year. It was pointed out by a speaker, from the Pensions Regulator, that there was insufficient information available for scheme members to find out about the role of pension fund boards, and that only 53% of funds had procedures in place to report breaches. I am delighted to report that locally, there is a policy on reporting breaches, and that efforts have been made to publicise the role of the Board, via website, payslips and this annual report. We want to hear from scheme members and employers about any issue or issues which may be causing them concern so please feel free to contact any member of the Board.

The Board has not been in existence for long and we have experienced difficulty in retaining and attracting new members. As a result we expressed a wish to be involved in the appointment of Board Members recruited via advert. Board Members have to absorb a lot of guidance from the Pensions Regulator and the Local Government Pension Scheme Advisory Board. They are required to be conversant with pensions' law and with a range of other regulatory material. Together with my Vice-Chairman, Councillor Peter Downes, I was involved in the interview process for the new Employer Representative. I am delighted to welcome Denis Payne who has already contributed positively to our work.

A survey of the effectiveness of the Board was undertaken in October. We have a plan of action to improve in a number of identified areas. I am confident that the dedication and commitment of the current Board members will continue into 2017-18 in order to assist Cambridgeshire County Council in maintaining the high standards of the administration of the Fund.

Barry O'Sullivan
Chairman of Cambridgeshire Local Pension Board

Background

The Public Services Pensions Act 2013 requires all Public Service Pension Schemes to establish a Local Pension Board to assist the Administering Authority (Cambridgeshire County Council) 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 Cambridgeshire Local Pension Board is in addition to the existing Cambridgeshire Pension Fund Committee. It is a non-decision making body and is designed to act as a critical friend to the existing Committee and Investment Sub-Committee.

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 relating to the creation and ongoing operation of the local pension boards were laid before Parliament on 28th January 2015 and came into force on 20th February 2015.

The Cambridgeshire Local Pension Board was established by Cambridgeshire County Council (the administering authority) at its full Council meeting on 24th March 2015. The first meeting of the Board was held on 16th July 2015.

Role and Remit

The role and remit of the Cambridgeshire Local Pension Board is to assist Cambridgeshire County Council (the administering authority) by making sure it is administering the Local Government Pension Scheme effectively and efficiently and, in doing so, is complying with relevant laws and regulations. The Board does this by reviewing the policies and practices that Cambridgeshire County Council has adopted and checking them against the applicable regulations, as well as comparing them to examples of best practice elsewhere.

Governance Compliance Statement

Each Administering Authority must have in place a Governance Compliance Statement that sets out whether it delegates its functions, or part of its functions under the Regulations to a committee, a sub-committee or an officer of the authority. Where the Administering Authority does delegate its functions, the statement must include:

- the terms, structure and operational procedures of the delegation;
- the frequency of any committee or sub-committee meetings;
- whether such a committee or sub-committee includes representatives of scheme employers or members, and if so, whether those representatives have voting rights;
- the extent to which a delegation, or the absences of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- details of the terms, structure and operational procedures relating to the Local Pension Board.

Constitution and Membership

Cambridgeshire County Council approved the terms of reference for the Cambridgeshire Local Pension Board on the basis that the Board is a stand-alone authority. With the assistance of the Local Pension Board, it has also approved standing orders for the Board. A copy of both documents is available at the following link




<https://cmis.cambridgeshire.gov.uk/ccclive/Documents/PublicDocuments.aspx>
(see Part 3B - Responsibility for Functions, Committees of Council, Pension Fund Committee)

A Local Pension Board must include an equal number of employer and member representatives with a minimum requirement of no fewer than four in total. At its meeting on 24th March 2015, Cambridgeshire County Council agreed to establish a Local Pension Board with three employer representatives and three scheme member representatives. The term of appointment for all members is four years or until qualification for membership ceases.




The method of appointment is two employer representatives to be appointed by Cambridgeshire County Council Full Council and all other members to be appointed via an open and transparent selection process. An application pack containing the terms of reference and an outline of the knowledge and understanding and capacity requirements is available and advertised to employers and members within the Fund in a way that is compliant with the requirements set out in the Local Government Pension Scheme (LGPS) – Guidance on the Creation and Operation of Local Pension Boards in England and Wales whenever a new member is recruited. Following receipt of applications from potential representatives, a short listing and interview process involving the Council's Monitoring Officer or his representative determines that the representative has the required attributes to carry out the role effectively.

The membership of the Board is as set out overleaf:

Employer Representatives

		
Councillor Mac McGuire Employer Representative	Councillor Peter Downes Employer Representative	Denis Payne Employer Representative
Cambridgeshire County Council Conservative Group	Cambridgeshire County Council Liberal Democrat Group	Histon and Impington Parish Councillor
Mac.McGuire@cambridgeshire.gov.uk	peter.downes@cambridgeshire.gov.uk	denis@dwpayne.net
Appointed: 12 May 2015	Appointed: 18 October 2016	Appointed: 3 February 2017

Scheme Member Representatives

		
David Brooks Scheme Member Representative	Barry O'Sullivan Scheme Member Representative	John Stokes Scheme Member Representative
Former Vice- Principal – Business of The Thomas Deacon Academy	Cambridgeshire County Council Customer Service Advisor	Former Senior Architectural Technologist
david.jf.brooks@talk21.com	Barry.O'Sullivan@cambridgeshire.gov.uk	johnjstokes@btinternet.com
Appointed:	Appointed: 16 July 2015	Appointed:

21 October 2015		16 July 2015
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The Chairman/woman and Vice-Chairman/woman of the Board is elected by the Board on annual basis.

The current Chairman is Mr Barry O’Sullivan and the Vice-Chairman is Councillor Peter Downes.

The Board has met four times during the period of this Annual Report. The attendance record for members of the Board is detailed below:

Employer Representatives						Scheme Member Representatives		
Date	Cllr Mac McGuire	Cllr Lucy Nethsingha	Cllr Peter Downes	Ian Dewar	Denis Payne	David Brooks	Barry O’Sullivan	John Stokes
22 July 2016	Apologies	Attended	Not a member	Not in attendance	Not a member	Attended	Attended	Attended
26 October 2016	Not in attendance	Not a member	Attended	Not in attendance	Not a member	Attended	Attended	Attended
25 January 2017	Not in attendance	Not a member	Attended	Not a member	Not a member	Apologies	Attended	Attended
12 April 2017	Not in attendance	Not a member	Attended	Not a member	Attended	Attended	Attended	Attended

Code of Conduct and Conflicts Policy

Cambridgeshire County Council (the Administering Authority) is required to prepare and approve a code of conduct for the Board to adopt. The code of conduct should set out the standards of behaviour expected of members, incorporating the 'Seven Principles of Public Life' (known as the Nolan Principles).

The elected and co-opted members of a local authority are governed by their local authority's code of conduct for councillors. This code is required of every local authority by the Localism Act 2011 and sets out the standards of behaviour expected of individuals in their capacity as councillors. In addition, there is a legal obligation for councillors to disclose, in a register maintained by the authority's monitoring officer, certain pecuniary interests, as defined in regulations made under the 2011 Act. Both of these requirements apply to any members of a Local Pension Board who are also councillors of a local authority. They do not apply to members of a Local Pension Board who are not Councillors unless they are specifically adopted in terms of reference or other policy document to apply to the other members of the Board.

The Cambridgeshire Local Pension Board has agreed formally, at its meeting on 21st October 2015, to adopt the Cambridgeshire County Council Code of Conduct for all members of the Board. A link to the completed code of conduct forms for Councillor Board members is available below:

<https://cmis.cambridgeshire.gov.uk/ccclive/Councillors.aspx>

The code of conduct forms for non-Councillor members are retained by the Democratic Services Officer, Dan Snowdon, supporting the Board.

It is not anticipated that significant conflicts of interest will arise in the same way as would be the case if the Board was making decisions on a regular basis (compared, for example, to a Pensions Committee). However, officers will take steps to identify, monitor and manage conflicts effectively.

Knowledge and Understanding

In accordance with Section 248A of the Pensions Act 2004, every individual who is a member of a Local Pension Board must be conversant with:

- the rules of the Local Government Pension Scheme (LGPS)
- any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund.

Each individual must have knowledge and understanding of the law relating to pensions and such other matters as may be prescribed.

Cambridgeshire County Council (the Administering Authority) is required to make appropriate training to Local Pension Board members to assist them in undertaking their role and where possible support all members of the Board in undertaking that training.

The Board approved the Knowledge and Understanding Policy Framework for Cambridgeshire Pension Fund Board Members which is available at the following link (*see item 7*):

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=1069>

The Pensions Regulator has provided an e-learning programme which has been developed to meet the needs of all members of public sector scheme pension boards, whether or not they have access to other learning. A number of members of the Cambridgeshire Local Pension Board have already completed the Pension Regulator's Toolkit, which is a compulsory requirement under the Knowledge Management Policy. Members who have not completed the Toolkit have been contacted with a reminder and provided with a link as follows:

<http://www.thepensionsregulator.gov.uk/public-service-schemes/learn-about-managing-public-service-schemes.aspx>

The Local Pension Board is required to keep appropriate records of the learning activities of individual members and the Local Pension Board as a whole. This will assist members in demonstrating their compliance, if necessary, with the legal requirement and how they have mitigated risks associated with knowledge gaps. It is a statutory requirement to include details of the training undertaken by members of the Pension Fund Board in the Fund's Annual Report. In addition, this information may be required by other agencies such as the Pensions Regulator from time to time.

A schedule detailing the training undertaken by Cambridgeshire Local Pension Board members is detailed below:

Member	Event	Date
Cllr McGuire	LGA Local Pension Board Training	21/05/2015
Cllr Nethsingha	LGSS Joint Local Pension Board Training LGSS Valuation Training	1/09/2015 3/02/2016
Cllr Downes		
Ian Dewar	LGSS Valuation Training	3/02/2016
Denis Payne	Completion of the Pension Regulator's Toolkit LGPS Knowledge Assessment Local Pension Board Two Years on Seminar	28/2/2017 7/3/2017 28/6/2017
Barry O'Sullivan	LGA Local Pension Board Training LGSS Joint Local Pension Board Training UBS First Steps UBS Second Steps LGSS Valuation Training Local Pension Board Seminar Pension Ombudsman Case Study - Training item Completion of the Pension Regulator's Toolkit LGC Investment Seminar Local Pension Board Two years on Seminar	21/05/2015 1/09/2015 3/11/2015 3/11/2015 3/02/2016 29/6/2016 22/7/2016 November 2016 3/2/2017 28/6/2017

John Stokes	LGA Local Pension Board Training	21/05/2015
	LGSS Joint Local Pension Board Training	1/09/2015
	LGSS Pensions Liability Driven Investment & Passive Investment Training Day	27/10/2015
	LGSS Valuation Training	3/2/2016
	Completion of the Pension Regulator's Toolkit	
	Pension Ombudsman Case Study - Training item	22/6/2016
	Schroders Trustee Training	10/6/2016
	LGC Investment Seminar	2/3/2017
	Local Pension Board 2 Years on Seminar	28/6/2017
David Brooks	Completion of the Pension Regulator's Toolkit	17/2/2016
	Pension Ombudsman Case Study - Training item	22/6/2016
	14th Annual Trustee Conference	29/6/2017

A Local Pension Board is also required to prepare and keep updated a list of the core documents recording policy about the administration of the Fund and make sure that the list and documents (as well as the rules of the LGPS) are accessible to its members. The LGSS Pensions Team has prepared such a list for Cambridgeshire Local Pension Board members, which is available at the following link:
<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents>

At its meeting in January 2017, the Board approved the Cambridgeshire Pension Fund Training Strategy 2016. The Strategy is based on a training credits concept reflecting a mix of training from e-learning to training days which recognises people's commitments.

Reporting Breaches of the Law to the Pensions Regulator Policy

In accordance with section 70 of the Pensions Act 2004, certain individuals must report to the Pensions Regulator as soon as reasonably practicable where that individual has reasonable cause to believe that:

- a duty which is relevant to the administration of the LGPS, and is imposed by or by virtue of an enactment or rule of law, 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 its functions.

This obligation directly applies to each individual who is a member of the Local Pension Board. The Local Pension Board must therefore have effective arrangements in place to meet its duty to report breaches of law.

At its meeting on 21st October 2015, the Cambridgeshire Local Pension Board was informed that, 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.

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.

As the Cambridgeshire Local Pension Fund Board does not have decision making powers, the Board is not able to approve this policy. Instead it reviewed the Policy on 21st October 2015 before it was approved by the Pension Committee at its meeting on 22 October 2015.

A copy of the "Reporting Breaches of the Law to the Pensions Regulator Policy" is available at the following link:

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=1070>

Work Programme 2016-17

The Cambridgeshire Local Pension Board has met four times in 2016-17 on 22nd July 2016, 26th October 2016, 25th January 2017 and 12th April 2017.

Board Meeting – 22nd July 2016

At this meeting, the Board considered the Administration Performance Report focussing on the work undertaken in administering the Pension Scheme. It was noted that employers had provided year-end data more quickly in 2016 than 2015, which was to be welcomed. The Board enquired about measures to keep in touch with deferred members. It was pleased to note that the intention was to move to electronic distribution for deferred members; once they had access to member self-service, it should be easier for them to keep their own details up to date.

The Board's advice was sought on risk and ratings assigned to the objectives agreed by the Pension Fund Committee included within the Cambridgeshire Pension Fund – Draft Risk Register. In welcoming the Register, the Board queried whether the impact of the decision to leave the European Union was included, and were informed that it was covered and that any changes in legislation governing pension funds would have to go through statutory processes, so would not be introduced without some warning.

In response to a request from the Board to be kept up to date with progress on the triennial valuation of the Pension Fund, it received a reporting setting out an overview of the timeline of key valuation activities and progress made to date. The Board also received information on a Local Government Pension Scheme Ombudsman case study. This was supplied to enable members to build their skills and knowledge in order to undertake their role effectively.

Board Meeting – 26th October 2016

The Board was informed of an audit of Cambridgeshire County Council undertaken by BDO, which had not been without issues. An update on the triennial valuation of the Pension Fund carried out by Hymans Robertson, the scheme actuary, was presented to the Board. Key assumptions were highlighted such as salary growth and the difference between the Retail Prices Index (RPI) and Consumer Prices Index (CPI). Initial results showed that funding had increased from 72% to 78% between the two most recent valuations.

The Board received the Administration Performance report for consideration and welcomed the fact that there had been not overpayments of pension. Following a presentation at the previous meeting, a report setting out the current position regarding asset pooling was considered. The level of member representation on asset pools was questioned. It was noted that the Local Pension Board would retain its scrutiny function and national guidance was being sought regarding member representation on the pools. It was agreed unanimously to request formally that a member representative be appointed to the Asset Pooling Board.

Board Meeting – 25th January 2017

The Board considered a representation from a scheme member expressing concern over the notice period provided for changes to late retirement factors. The Government had made changes that affected people who were working beyond their retirement age. Disclosure rules dictated that material changes to pensions had to be communicated within three months of the change. Communication had been issued within two months and therefore the statutory timeline had been met. The short notice was therefore the fault of the Government.

In considering items discussed at meetings of the Pension Committee, the Board expressed concern regarding the financial position of many Academy Schools and questioned what the possible risks were to the pension fund if their financial position became untenable. It was noted that the Government was the guarantor of last resort. How academies were treated within the scheme would be reviewed if there was a change to government policy. The Board also considered the Internal Audit Report 2015/16, the Pension Fund Valuation Report, the Chartered Institute of Public Finance and Accountancy (CIPFA) Benchmarking Club Report in respect of the year ending 31 March 2016, and the Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2015/16.

Board Meeting – 12th April 2017

The Board received a revised Cambridgeshire Pension Fund Communication Strategy. It was also involved in pre-scrutinising the Administration Strategy, which included suggesting improvements, before it was presented to the Pension Fund Committee for approval. An update on the progress of the 2016 valuation of the Cambridgeshire Pension Fund raised a number of issues at the Board.

Much of the meeting was taken up by a confidential briefing on developments in the arrangements for Asset Pooling, which provoked considerable discussion. The Board also considered the LGSS Pensions Service Administration Performance Report and noted that it had been necessary to complete a Breach of Law report for one medium-sized employer.

The Board was invited to evaluate and suggest any improvements to the draft Anti-Fraud and Corruption Policy. It was also asked to consider the Fund's Business Plan, detailing the Fund's objectives and setting out key priorities for the forthcoming year, and in some cases subsequent years. Other topics for consideration included the Cambridgeshire Pension Fund Risk Register and the LGPS Fund's Investment Strategy Statement.

More detail is available in the agendas and minutes of the above Cambridgeshire Local Pension Board meetings which can be accessed via following link:

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Committee.aspx?committeeID=87>

The Cambridgeshire Local Pension Board maintains an action log which is reported at each meeting to ensure that actions agreed at its meetings are followed up.

Work Programme 2017-18

The Cambridgeshire Local Pension Board maintains a work programme (agenda plan) which is considered at every meeting. The Work Programme for 2017-18 is as set out below:

21 July 2017

- Administration Report (every meeting)
- Governance and Legislation Report (every meeting)
- Asset Pooling (every meeting)
- Internal Audit Report
- Anti-Fraud & Corruption Policy

27 October 2017

- Administration Report (every meeting)
- Governance and Legislation Report (every meeting)
- Asset Pooling update (every meeting)
- Draft Data Improvement Plan
- Draft Record Keeping Policy
- Update on Actuarial, Benefits and Consultancy services procurement
- Western Union overseas existence project review

16 February 2018

- Administration Report (every meeting)
- Governance and Legislation Report (every meeting)
- Asset Pooling update (every meeting)
- General Data Protection Regulations update
- TBC

20 April 2018

- Administration Report (every meeting)
- Governance and Legislation Report (every meeting)
- Asset Pooling update (every meeting)
- TBC

Key Officers supporting the Local Pension Board

Head of Pensions	Mark Whitby MWhitby@northamptonshire.gov.uk 07990 556197
Governance & Regulations Manager	Joanne Walton JWalton@northamptonshire.gov.uk 07342 065329
Governance Officer	Michelle Oakensen MOakensen@northamptonshire.gov.uk 07824 866138
Democratic Services Manager	Michelle Rowe michelle.rowe@cambridgeshire.gov.uk 01223 699180
Democratic Services Officer	Daniel Snowdon daniel.snowdon@cambridgeshire.gov.uk 01223 699177

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

27 July 2017

Report by: HEAD OF PENSIONS

Subject:	Pension Fund Annual Report and Statement of Accounts 2016-17
Purpose of the Report	To present the Draft Annual Report and Statement of Accounts of the Pension Fund for the 2016-17 financial year.
Recommendations	<p>That the Committee:</p> <ol style="list-style-type: none"> 1. Approves the Draft Annual Report and note the Statement of Accounts of the Pension Fund for the 2016-17 financial year. 2. Approves that the Chairman agrees with Officers any immaterial amendments to the Annual Report arising from final External Auditor review comments.
Enquiries to:	<p>Paul Tysoe, Investment & Fund Accounting Manager Tel - 01604 368671 Email: ptysoe@northamptonshire.gov.uk</p>

1. Background

- 1.1 The Pension Fund's Statement of Accounts (SOA) form part of the County Council's Statement of Accounts. These are 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 paragraph, 3 below.
- 1.3 The annual accounts are a true and view of the financial activities of the Fund for the financial year 1 April 2016 to 31 March 2017.
- 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 utilising 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 structure and content of the Annual Report is governed by guidance issued by CIPFA in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).
- 1.6 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 2016-17 (the Code), which governs the preparation of the financial statements for Local Government Pension Scheme funds.
- 1.7 For 2016-17 the main changes to the pro forma accounts are:
 - 1.7.1 analysis of investment management expenses has been made in line with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016) and includes transaction costs and investment management fees which were previously deducted from change in market value of investments. See Note 11 to the SOA;
 - 1.7.2 an extension to the fair value disclosures required under section 2.10 of the Code. These additional disclosures can be seen in Note 16 to the SOA;
 - 1.7.3 the classification of investment assets and liabilities into fair value hierarchies (levels 1 to 3) have been adjusted to follow the recommendations contained in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). Also see Note 16 to the SOA.
- 1.8 The above changes have resulted in an amendment to comparative amounts for investment management expenses and change in market value. These amendments do not represent changes in accounting policy but a change to the disclosure of such amounts within the accounts.
- 1.9 The CIPFA template has been used as a framework for the Pension Fund Accounts to ensure that the reporting meets the requirements of the Code and is compliant with International Financial Reporting Standards (IFRS).
- 1.10 The publication of the Accounts is an essential feature of public accountability and stewardship as it provides information on how the Fund has used the members' funds for which it is responsible. The Annual Report together with the Statement of Accounts will be presented to the Pension Fund Committee in October 2017.

2. Summary of Report

- 2.1 This section discusses the movement between March 2016 and March 2017 in the Statement of Accounts, covering both financial and service activity variances. The Fund Account and the Net Asset Statement provide a summary of the financial activity with the notes to the accounts providing more depth and non financial activities. See **appendix 1**.
- 2.2 The financial information of the Pension Fund combine the Fund ("members") and Investment activities. The 2016-17 financial year shows a surplus on member activity of £19.9m, which when combined with returns on Investment activity of £572.5m, offset by Management expenses of £15.1m, results in a "net increase in the net assets available for benefits during the year" of £577.3m.
- 2.3 When comparing the Fund Account for the year to 31 March 2016 to the year to 31 March 2017 there is an improvement of £585m in total, mainly reflecting the change in the outcome of investment activity between the two financial years. The one year investment return as at 31 March 2017 was a positive 24.5% showing a market net return of £542m, whilst the comparative return figure for March 2016 was a negative

1.9% return showing a market reduction of £54m, a combined swing of £596m. This included a reduction in investment income of £4.1m following changes of Fund manager during the financial year. The Fund return of 24.5% in the year outperformed the Fund's benchmark return of 23.7% and the average Local Authority Pension Fund return of 21.4%. Investment performance is discussed further within the Annual Report. (Pages 37-39 in the Annual Report).

- 2.4 On the membership side income has increased by £6.6m to £125.4m, mainly reflecting valuation increases on employer rates. Employees' total contributions of £25.9m are £1.1m lower than in 2015-16 due to a reduction in employees' special contributions of £1.1m. Employees' normal contributions are similar to 2015-16 reflecting a static number of active members, negligible pay increases in the year and the impact of a marginal increase in the uptake of the 50/50 option.
- 2.5 Benefit payments in 2016-17 of £98.4m show an increase of £6.1m over 2015-16, being a combination of increased Pension Payments (£3.9m); increase in Commutation and lump sum retirement benefits (£1.1m) and an increase in death benefits of £1.0m. The increase in Pension Payments reflects the growth in the number of pensioners (1,134).
- 2.6 The number of active employers fell by 9 to 182 at 31 March 2017. The definition of employers has been changed this year to count multiple academy trusts as a single employer to reflect the contractual relationship with Trust. The number of active underlying organisations that the Fund deals with increased by 2 to 245.
- 2.7 Membership activity shows an increase of 41 active members, 1,134 pensioners and 2,364 deferred members.

3. Findings and Feedback from External Audit Fieldwork.

- 3.1 BDO have commenced their audit fieldwork of the Pension Fund Statement of Accounts but have not yet concluded their work.
- 3.2 There are some outstanding items of audit field work to be undertaken and manager and partner reviews.
- 3.3 An update on the progress of the audit will be provided to the Committee at the meeting.
- 3.4 The Final version of the Annual Report and Statement of Accounts will be presented to the October Pension Committee meeting cycle.

4. Recommendations

4.1 That the Pension Committee:

- 1. Approve the Annual Report and note the Statement of Accounts of the Pension Fund for the 2016-17 financial year.
- 2. Approve that the Chairman agrees with Officers any immaterial amendments to the Annual Report arising from final External Auditor review comments.

5. Relevant Pension Fund Objectives

Perspective	Outcome
Funding and Investment	<ul style="list-style-type: none"> Objective 1 - Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. Objective 5 - Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. Objective 10 - Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. Objective 18 - Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy. Objective 19 - Maximise investment returns over the long term within agreed risk tolerances. Objective 20 - Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

6. Finance & Resources Implications

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

7. Risk Implications

- a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks with accepting this proposal to note the Statement of Accounts.		Green

- b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
The Pension Fund Accounts are a statutory requirement requiring due scrutiny by the County Council's external auditor and final sign off by the Section 151 Officer.	Red

8. Communication Implications

- 8.1 The Regulations determine that the accounts and other related documents have to be made available for public inspection. They will be available for public inspection between 1 July and 30 July 2016 inclusive. Officers will be required to deal with enquiries from the public during this period of time.
- 8.2 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.

9. Legal Implications

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

10. Consultation with Key Advisors

- 10.1 The Pension Fund Accounts were produced utilising information and advice provided by Fund Managers, the Fund's Custodian Northern Trust and the Fund's Actuary, Hymans Robertson.

11. Alternative Options Considered

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

12. Background Papers

- 12.1 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.

13. Appendices

- 12.1 Appendix 1 – Annual Report (draft) and Statement of Accounts 2016-17.

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 the Head of Pensions?	Mark Whitby. 13 July 2017.
Has this report been cleared by the Section 151 Officer / Director of Finance?	Sent to Sarah Heywood 13 July 2017.
Has the Chairman of the Pension Fund Board been consulted?	Sent to Cllr Hickford 13 July 2017.
Has this report been cleared by Legal Services?	Sent to Quentin Baker 13 July 2017.

***Annual Report and
Statement of Accounts
2016-17***

Contents

Page numbers to be updated later

	Page
Introduction	3
Statement of responsibilities	4
Chairman's foreword	5
Scheme framework	7
Scheme management and advisers	11
Risk management	15
Financial performance	19
Administrative management performance	22
Investment policy and performance report	31
Scheme administration report	44
Actuarial report on funds	47
Governance policy and compliance statement	52
Pensions administration strategy	54
Funding strategy statement	55
Investment strategy statement	56
Communication strategy statement	57
Any other appropriate material	58
Auditor's report	59
Fund account, net assets statement and notes	61
Glossary of terms	103
	Appendices
Governance policy & compliance statement	A
Funding strategy statement	B
Investment strategy statement	C
Joint administration strategy & joint communication strategy	D

INTRODUCTION

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

The Statement of Accounts has been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2016-17.

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://cambridgeshire.gov.uk>.

Mr C Malyon

Chief Finance Officer
(Section 151 Officer)

Dated 2017

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Certificate of Accounts

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Pension Fund at 31 March 2017 and of its income and expenditure for the year 2016-17, and authorise the accounts for issue.

Mr C Malyon

Chief Finance Officer
(Section 151 Officer)

Dated 2017

CHAIRMAN'S FOREWORD

It is my pleasure, as Chairman of the Pension Fund Committee to introduce the Cambridgeshire County Council Pension Fund Annual Report and Statement of Accounts for 2016-17.

2016-17 was another year of significant change and challenge for the Fund with the completion of the 2016 triennial valuation and continued development of asset pooling in particular.

During 2016-17 there has been a steady growth of members in the Fund to 77,323, whilst the number of employers at 31 March 2017 of 182 has remained broadly stable.

At 31 March 2017 the Fund was valued at £2.854bn, a significant increase from the £2.276bn of 31 March 2016, reflecting the Funds asset return of 24.5% for the year, which outperformed both the Fund's benchmark return (23.7%) and the average Local Authority Pension Fund (21.4%). (*Source PIRC Ltd Local Authority Universe*). Additionally the Cambridgeshire Fund was ranked 3rd percentile in the Local Authority Universe for investment performance over the last 12 months.

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

Over the year, the funding level for the Fund has increased from 78% to 81%. This is principally due to the 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 is 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.

Since 2010, Cambridgeshire County Council and Northamptonshire County Council have operated under a joint partnership, LGSS, to provide 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 its criteria for Local Government Pension Scheme (LGPS) investment pooling, focusing on 4 criteria: scale, strong governance, reduced costs and improved capacity to invest in infrastructure.

To deliver this agenda the Fund joined up with 10 other pension funds to form the ACCESS Asset Pool, with a Shadow Joint Governance Committee (SJGC) steering the development of the pool from April 2016.

The initial work of the SJGC was to establish how ACCESS would meet the 4 pooling criteria. A detailed proposal was submitted to Government on the 15th July 2016.

Work then focussed on determining the most appropriate structure for the ACCESS pool, principally whether to own or rent the operator. The renting solution was agreed unanimously at the SJGC meeting of the 2nd September 2016 and subsequently ratified by all the constituent Councils by November 2016

The Administering Authorities of the ACCESS pool have agreed to enter into an Inter Authority Agreement (IAA) in order to establish and delegate responsibilities to a formal Joint Governance Committee (JGC). The IAA's and subsequent constitutional changes for each local authority have since been agreed by the respective Full Councils, during February and March 2017.

The first formal ACCESS investment initiative is a passive procurement arrangement expected to be available to the constituent funds by August 2017. This is a significant procurement valued at £11bn, with expectations to deliver in excess of £4m fee savings to the ACCESS funds.

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.

I am confident that LGSS Pension Services will continue to provide high standards of service delivery and meet new and existing challenges into 2017-18 and beyond.

Councillor Roger Hickford
Chairman of Cambridgeshire County Council Pension Fund

SCHEME FRAMEWORK

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

Employers’ contribution rates are set by the Fund’s Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the Fund. The last valuation took place as at 31 March 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 contribution rates that are directly comparable to the rates given above are not 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.

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

Active Employers (182)

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

Scheduled Bodies (59)

Abbey College Academy
 Active Learning Trust*
Active Learning Trust HQ
Burrowmoor Primary Academy
Chesterton Academy
Highfield Academy
Isle of Ely Academy
Kingsfield Primary School Academy
Neale Wade Academy
 Alderman Jacobs Academy
 All Saints Inter Church Academy
 Anglian Learning Trust*
Bassingbourn Village College Academy
Bottisham Village College Academy
Netherhall School Academy
Sawston Village College Academy
 Arthur Mellows Voluntary Controlled Academy
 Aspire Learning Trust*
New Road Primary School
Park Lane Primary & Nursery School
Sir Harry Smith Community College
 Bourn Church of England Primary School Academy
 Buckden Church of England Primary Academy
 CAM Academy Trust*
Cambourne Village College
Comberton Academy Trust
Comberton Village College
Gamlingay First School Academy
Melbourn Village College Academy
St Peter's School HD Academy
The Voyager Academy
 Cambridge City Council
 Cambridge Meridian Academies Trust*
Cambridge Meridian Academy Trust
Ely College
Nene Park Academy
North Cambridge Academy
Sawtry Junior Academy
Sawtree Community College Academy

Swavesey Village College Academy
West Town Primary Academy
 Cambridge Primary Education Trust*
Hatton Park School
Histon and Impington Infants School
Histon and Impington Junior Academy
 Cambridge Regional College
 Cambridgeshire & Peterborough Fire Authority
 Cambridgeshire Constabulary
 Cambridgeshire County Council
 Cambridgeshire Police and Crime Commissioner
 Chilford Hundred Education Trust*
Linton Village College Academy
Meadow Primary School
 City College Peterborough
 Cromwell Academy
 Cromwell Community College
 Crosshall Infants Academy
 Crosshall Juniors Academy
 East Cambridgeshire District Council
 Elliot Foundation Trust*
Elm Road Primary Sch. Academy
Eyrescroft Primary School Academy
Highlees Primary Academy
Millfield Primary School Academy
Nene Infants Academy
Ramnoth Primary Academy
Ramsey Junior
Ramsey Spinning Infants
 Fenland District Council
 Fulbridge Academy
 Godmanchester Community Education Trust*
Godmanchester Community Primary Academy
 Greater Peterborough UTC
 Greenwood Academies Trust*
Bishop Creighton Academy
City of Peterborough Academy Special School (MAT)
City of Peterborough Academy Special School
Dogsthorpe Academy
Newark Hill Primary Academy
Stanground Academy

Welland Primary School
 Hampton Academies Trust*
Hampton College Academy
 Hills Road Sixth Form College
 Hinchbrook School
 Huntingdon District Council
 Huntingdonshire Regional College
 Long Road Sixth Form College
 Magna Learning Trust*
Leverington Primary Academy
Murrow Primary School
 Morris Education Trust*
Impington Village College Academy
Witchford Village College
 Ormiston Bushfield Academy Trust*
Ormiston Meadows Academy
 Parkside Federation Academies*
Parkside Federation Academies
 Peterborough City Council
 Peterborough Regional College
 South Cambridgeshire District Council
 Spring Common Academy
 St Bedes Inter Church School
 St Ivo School Academy
 St John's Academy
 St Neots Learning Trust*
Ernulf Academy
Longsands Academy
 Staploe Education Trust*
Kennett Community School
Shade Primary School
Soham Village College Academy
 TDA Education Trust*
Thomas Deacon Academy
 The Brooke Weston Trust*
Peckover Primary Academy
Thomas Clarkson Community College Academy
 The Diamond Learning Partnership Trust*
Glebelands Primary
Great Staughton Academy
Kimbolton Primary Academy
Middlefield Community Primary Academy
Round House Community Primary Academy
Thomas Eaton
Winhills Primary School

The Diocese of Ely Multi-Academy Trust*
Bury Church of England Primary School
Ermine Street Church Academy
Guilden Morden CoFE Primary Academy
Mepal & Wicham CoFE Primary Academy
St Andrew's CoFE Academy
St Mary's CoFE Junior Academy
St Marys St Neots Academy
St Peters CoFE Academy
Stanground St John's Academy
William De Yaxley CoFE Academy
Wisbech St Mary CoFE Primary
 The Kings School Academy
 University of Cambridge Primary School
 United Learning Trust
 UTC Cambridge
 William Law CoFE Primary Academy

Designated Bodies (44)

Bar Hill Parish Council
 Bretton Parish Council
 Burnt Fen Internal Drainage Board
 Burwell 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 and District Internal Drainage Board
 Huntingdon Town Council
 LGSS Law Ltd
 Linton Parish Council
 Little Downham Parish Council
 Little Paxton Parish Council
 Littleport and Downham Internal Drainage Board
 Middle Fen and Mere Internal Drainage Board
 Middle Level Commissioners
 Newborough Parish Council
 Orton Warerville Parish Council
 Sawston Parish Council

Sawtry Parish Council
 Soham Town Council
 Sommersham Parish Council
 St Ives Town Council
 St Neots Town Council
 Sutton Parish Council
 Swaffham Internal Drainage Board
 Swavesey Parish Council
 Thorney Parish Council
 Tydd St Giles Parish Council
 Waterbeach Level Internal Drainage Board
 Waterbeach Parish Council
 Whittlesey Internal Drainage Board
 Whittlesey Town Council
 Wimblington Parish Council
 Wisbech Town Council
 Witcham Parish Council
Yaxley Parish Council

Admitted Bodies (79)

ABM Catering Ltd (Morley Memorial)
 Action for Children
 Action for Children (London Road)
 ADeC
 Advanced Cleaning Services
 Advanced Cleaning Services(Burwell & Netherhall)
 Alliance in Partnership
 Aspens Services Ltd
 Aspens Services Ltd (Fen Drayton)
 Aspens Services Ltd (Hemingford Grey)
 Aspens Services Ltd (Huntingdon Primary)
 Aspens Services Ltd (Staploe Ed Trust)
 Aspens Services Ltd (Staploe MAT)
 Aspens Services Ltd (Swavesey)
 Avocet Cleaning Services
 Balfour Beatty
 Cambridge LIVE
 Cambridgeshire & Peterborough CCG
 Care Quality Commission
 Carers Trust
 Cater Link Ltd
 Cater Link Ltd (Diamond Learning Partnership Trust)
 Chartwells Catering (Netherhall)
 Churchill Contract Services
 Circle Anglia Ltd
 Collections Trust
 Compass Contract Services

Compass Contract Services
 Chartwells
 Coram Cambridgeshire Adoption Limited
 CPFT
 CRCC - Cambridge Rape Crisis Centre
 Cross Keys Homes Ltd
 Cucina Ltd
 Drinksense (prev C.A.A.S)
 East of England Local Government Association (EEDA/EERA)
 Easy Clean Ltd (Eastfield Infants)
 Easy Clean Ltd (Godmanchester)
 Easy Clean Ltd (Kings Hedges)
 Ecovert FM Ltd
 Edmund Trust
 Elior UK
 Enterprise Managed Services
 Etheldred House
 Excelcare (now Aliwal Healthcare Ltd)
 Friends Therapeutic Community
 Greenwich Leisure Ltd
 Home Close Ltd
 Homerton College
 Inclusion
 Innovate Services Ltd
 Kealey HR Ltd
 Kelsey Kerridge Sports Hall
 Luminus Group Limited
 Lunchtime UK Ltd
 Lunchtime UK Ltd (Waterbeach)
 Mears Ltd
 Mears Ltd (SCDC)
 Mitie PFI Limited
 Mountain Healthcare Ltd
 NPS Property Consultants Ltd
 Oxford Archaeology
 Pabulum Catering (Sawtry College)
 Pabulum Catering Ltd
 Pabulum Catering Ltd (Cottenham)
 Peterborough Womens Aid
 Radis Community Care
 Roddons Housing Association
 Sanctuary Group
 Serco Limited
 Serco Limited (PCC)
 Skanska
 Sport and Leisure Management
 St Columba Centre (Group Therapy)
 Stephen Perse Foundation
 TSG Building Services Ltd
 VISIT Cambridge and Beyond
 Vivacity
 Wisbech and Fenland Museum
 Wisbech Grammar School

SCHEME MANAGEMENT AND ADVISERS

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 Roger Hickford - Chairman
Cllr Terry Rogers – Vice Chairman (from May 2017)
Cllr Maurice Leeke – Vice Chairman (until May 2017)
Cllr Peter Ashcroft (until May 2017)
Cllr Peter Downes (from May 2017)
Cllr Anne Hay (from May 2017)
Cllr Noel Kavanagh (until May 2017)
Cllr Gail Kenney (until May 2017)
Cllr Joshua Schumann
Cllr Mike Shellens (from 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

Tracy Roden (from 5 June 2017)
Gareth Deeble (until 31 March 2017)

Member Representatives

John Walker
Matthew Pink

Local Pension Board Members

Employer representatives

Cllr Simon King (appointed May 2017)
Cllr Ian Manning (appointed May 2017)
Cllr Mac McGuire (until May 2017)
Cllr Peter Downes (appointed October 2016 until May 2017)
Cllr Lucy Nethsingha (resigned October 2016)
Denis Payne (appointed February 2017)
Ian Dewar (resigned November 2016)

Scheme member representatives

Barry O'Sullivan (Chairman)
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	Richard Perry (Investment) Tracy Pegram (Investment) Ben Barlow (Fund)
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 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

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

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

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

Skagen Funds
High Holborn House
52-54 High Holborn
London WC1V 6RL

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 Provider

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
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Tel: 01604 368671

Enquiries relating to benefits and administration should be directed to:

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

RISK MANAGEMENT

Cambridgeshire County Council, the Administering Authority to the Cambridgeshire Pension Fund, has a process in place to identify, evaluate, mitigate and monitor risks associated with the activities that the Fund carries out. The arrangements in place which provide for the management of risk are described below.

A Risk Strategy was formally agreed in 2015-16 and subsequently the risk register was formally agreed in October 2016.

The risk strategy can be found at - <http://pensions.northamptonshire.gov.uk/wp-content/uploads/2016/04/Risk-Strategy.pdf>

The risk register can be found at - <http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>

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 will act as representatives of the Fund on the AJGC, supported by Fund officers working in the ACCESS Officers Working Group (AOWG).

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 risks

The Cambridgeshire Pension Fund has over £2.8 billion of assets under management as well as even larger long-term liabilities. 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 eleven fund managers. The Fund is also joint owner of Cambridge and Counties Bank.

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 2017 there were 310 scheme employers in the Cambridgeshire Pension Fund, of which 182 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 exiting the Fund, including those that prematurely 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

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

Three year forecast of income and expenditure

	2016-17 Estimated Outturn £000	2016-17 Final Outturn £000	2017-18 Estimate £000	2018-19 Estimate £000	2019-20 Estimate £000
Contributions ¹	111,082	125,448	123,500	135,000	137,000
Transfers in from other pension funds	5,370	3,292	5,400	5,400	5,400
Total Income	116,452	128,740	128,900	140,400	142,400
Benefits payable	(92,784)	(98,387)	(98,300)	(100,000)	(101,700)
Payments to and on account of leavers.	(5,370)	(10,421)	(5,400)	(5,400)	(5,400)
Total Benefits	(98,154)	(108,808)	(103,700)	(105,400)	(107,100)
Surplus of contributions over benefits	18,298	19,932	25,200	35,000	35,300
Management Expenses ²	(7,855)	(15,163)	(15,640)	(15,653)	(15,818)
Total Income less Expenses	10,443	4,769	9,560	19,347	19,482
Investment Income	28,000	30,147	29,000	30,000	31,000
Taxes on income	-	-	-	-	-
Profit and losses on disposal of investments and changes in the market value of investments ^{2,3}	73,000	542,371	82,484	84,561	86,634
Net return on investments	101,000	572,518	111,484	114,561	117,634
Net increase/(decrease) in the net assets available for benefits during the year	111,443	577,287	121,044	133,908	137,116

¹ The estimated contributions for 2018-19 increase, reflecting the assumption that changes arising from the 2016 triennial valuation would take effect from 1 April 2018 for stabilised employers.

² Note: In 2016-17 there has been a change in presentation of investment manager expenses to include (i) manager fees deducted from pooled funds, and (ii) transaction costs on segregated funds, both of which were previously reported as a reduction in the profit and losses on disposal of investments. These have contributed to the variance to estimate on Management Expenses of £6,902,000 and £508,000, respectively with an off-setting adjustment to profit and losses on disposal of investments. Future year's estimates have been amended for consistency. In addition, the level of investment manager fees were higher than expected as they were based upon higher than expected asset valuations arising from the strong performance of investments over the period.

³ Returns on investments during the year were significantly higher than estimated, as both risk and defensive asset classes posted strongly positive returns, adding 24.5 %, exceeding the benchmark return by 0.8%.

Performance against budget – net operational expenses

The following table shows the Fund's forecast for total management expenses for 2016-17 compared with the outturn.

	2016-17 Forecast	2016-17 Outturn	Variance
	£'000	£'000	£'000
Administrative costs	2,249	2,218	(31)
Investment management expenses	5,178	12,526	7,348
Oversight and Governance costs	428	419	(9)
Total Management Expenses²	7,855	15,163	7,308

² See Note above on page 19.

Timeliness of contributions

The following table shows the amount of regular employee and employer contributions paid during 2016-17 and the value and percentage of which were paid both on time and after the deadline of the 19th day of the month following deduction.

	Total Paid in 2016-17 £	Total Paid On Time £	% Paid On Time	Total Paid Late £	% Paid Late
Employer Contributions	91,141,982	88,818,793	97%	2,323,189	3%
Employee Contributions	24,624,394	23,953,466	97%	670,928	3%
Total	115,766,376	112,772,259	97%	2,994,117	3%

Late payments are reported quarterly to the PFC and where necessary to the Pensions Regulator.

Movement in assets & liabilities

The table below shows the forecast against the outturn on the Fund's cash flows and asset values in respect of 2016-17.

	2016-17 Estimated Outturn	2016-17 Final Outturn
	£'000	£'000
Cash flows		
Fund surplus / (deficit) cash from dealings with members	18,298	19,932
Management expenses (see ² on page 19)	(7,855)	(15,163)
Returns on investments (see ^{2,3} on page 19)	101,000	572,518
Net increase /(decrease) in the net assets available for benefits during the year	111,443	577,287
Assets held		
Index-linked securities	64,137	74,590
Equities – directly held	279,265	357,733
Pooled investments	1,555,548	1,898,748
Pooled property investments	195,686	192,549
Private equity/infrastructure	216,891	246,179
Cash deposits	33,398	41,910
Other	1,892	1,577
Net investment assets	2,346,817	2,813,286

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

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)	£70,176,884
Total write off amount	£14,541.97
Write offs as a % of payroll	0.02%
Number of cases written off	171
Number of cases in the process of recovery	35
Number of cases recovered	27

The average write off amount per individual is £85.04 (2015-16: £49.56).

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.northamptonshire.gov.uk/wp-content/uploads/2015/11/Overpayments-of-Pension-Policy.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	148	128	90%	86%
Provide employer with requested estimate of benefits	10	741	668	90%	90%
Provide a maximum of one estimate to employees per request per year	10	1,209	954	90%	79%
Provide a maximum of one cash equivalent transfer to employees per year on request	10	696	592	90%	85%
Notify employees retiring from active membership of benefit award	5	1,000	987	95%	99%
Acknowledge death of active/deferred/pensioner member	5	770	768	100%	99%
Change of address	2	3,512	3,321	100%	95%
Expression of Wish form received	2	2,086	2,078	100%	99%
Opt out form received	2	810	806	100%	99%
Personal change update	2	445	442	100%	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	Benchmark
Unit costs per member excluding investment management expenses	£ 20.31 (2015-16)*	£18.55 CIPFA Benchmarking average 2015-16 *
Unit costs per member including investment manager expenses	£14,756,000/73.802 members = £199.94 (2015-16)*	N/A
*Results from the 2016-17 CIPFA Benchmarking exercise will be published on the LGSS Pensions website once released by CIPFA.		

Key staffing indicators

In 2016-17, the average staff to member ratio was one full-time member of staff to 2,382 members (2015-16: 1:2,693) and the number of cases per full time member of staff was 907 (2015-16: 896).

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

	2013	2014	2015	2016	2017
Active Members	22,844	24,854	25,345	26,744	26,785
Deferred Beneficiaries	22,910	25,793	28,255	30,889	33,235
Pensions in Payment	14,288	15,091	15,658	16,169	17,303
Total	60,042	65,738	69,258	73,802	77,323

Age Profile of Fund membership at 31 March 2017

Age Band Years	Member Type			
	Actives	Deferred	Pensioners*	Total
<20	248	50	83	381
20 - 24	1,172	634	25	1,831
25 - 29	1,766	2,157	3	3,926
30 - 34	2,251	2,930	6	5,187
35 - 39	3,056	3,697	16	6,769
40 - 44	3,676	4,412	19	8,107
45 - 49	4,583	5,819	56	10,458
50 - 54	4,504	6,101	139	10,744
55 - 59	3,356	4,980	539	8,875
60 - 64	1,751	2,130	3,078	6,959
65 - 69	343	245	4,832	5,420
70 - 74	73	70	3,678	3,821
75 - 79	6	10	2,137	2,153
80 - 84			1,394	1,394
85 - 89			840	840
90 - 94			372	372
95 - 99			80	80
100 - 104			5	5
105 - 109			1	1
Total	26,785	33,235	17,303	77,323

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

Employee and employer contributions 2016-17

The following table shows the contributions paid by the active employers in the Fund during 2016-17.

	Employee (£000)	Employer (£000)	Total (£000)
Abbey College Academy	70	280	350
Abbey Meadows Academy	11	43	54
Abbey Meadows Primary School	26	98	124
ABM Catering Ltd (Morley Memorial)	1	6	7
Accent Catering Service Ltd	1	6	7
Action for Children	5	-	5
Action for Children (London Road)	16	38	54
Active Learning Trust HQ	27	74	101
ADEC	3	15	18
Advance Cleaning Services	1	2	3
Alderman Jacobs School Academy	27	110	137
All Saints Inter Church VA Primary School (Academy)	13	53	66
Alliance in Partnership Ltd	1	3	4
Arthur Mellows Village College Academy	81	306	387
Aspens (Hemingford Grey)	1	2	3
Aspens (Huntingdon Primary)	-	2	2
Aspens Services Ltd (CPF)	-	2	2
Aspens Services Ltd (Fen Drayton)	1	3	4
Aspens Services Ltd (Swavesey)	1	3	4
Avocet Cleaning Services Ltd	-	1	1
Balfour Beatty	3	18	21
Bar Hill Parish Council	3	11	14
Bassingbourn Village College Academy	27	327	354
Bishop Creighton Academy	12	52	64
Bottisham Village Academy	54	186	240
Bourn Primary School Academy	12	43	55
Bretton Parish Council	2	10	12
Buckden CE School Academy	16	64	80
Burnt Fen IDB	2	7	9
Burrowmoor Primary Academy	34	139	173
Burwell Parish Council	1	7	8
Bury CE School	7	27	34
Caldecot Parish Council	-	2	2
Cambourne Parish Council	20	64	84
Cambourne Village College Academy	27	70	97
Cambridge & Peterborough NHS Foundation Trust	20	89	109
Cambridge AP Academy	14	125	139
Cambridge Live	51	130	181
Cambridge Meridian Academy	59	185	244
Cambridge Regional College	403	1,792	2,195

	Employee (£000)	Employer (£000)	Total (£000)
Cambridgeshire County Council	8,524	31,070	39,594
Cambs & Ptboro Clinical Commissioning Group	9	36	45
Cambs Careers Guidance Ltd	22	-	22
Cambs Chief Constable	1,621	6,295	7,916
Cambs Coun On Alcohol	3	15	18
Cambs Fire Authority	307	1,384	1,691
Cambs Police Authority	16	-	16
Cambs Soc M H Children	1	55	56
Carers Trust	6	20	26
Cater Link Ltd	6	25	31
Chatteris Town Council	3	13	16
Chesterton Community College Academy	63	224	287
Chesterton Primary Academy	7	18	25
Churchill Contract Services	22	87	109
Circle Anglia Limited	4	14	18
City Of Cambridge	1,596	6,716	8,312
City Of Ely Council	13	67	80
City of Peterborough Academy	13	54	67
City of Peterborough Special School (Academy)	28	113	141
Colville Primary	20	78	98
Comberton Academy Trust HQ	23	68	91
Comberton Village College Academy	189	720	909
Compass Contract Services	4	15	19
Conservators R Cam	10	54	64
Coram Cambridge Adoption Ltd	20	68	88
Cottenham Village College Academy	59	228	287
Cromwell Community College (Academy)	57	217	274
Cromwell Primary Academy	10	41	51
Cross Keys Housing Association	18	271	289
Crosshall Infant School Academy Trust	33	129	162
Crosshall Junior School Academy Trust	25	101	126
Cucina Ltd	1	2	3
Dell (Cromwell)	1	3	4
Dell (Sir Harry Smith)	1	4	5
Dogsthorpe Academy	34	131	165
E&Ess&Herts Prov CIs	59	166	225
East Cambs District	238	924	1,162
Eastern Arts Assoc	13	-	13
Easy Clean (Godmanchester Primary)	-	2	2
EasyClean (Kings Hedges)	1	2	3
ECOVERT	6	25	31
Elior UK	1	2	3
Elm Road Primary School (Academy)	12	50	62
Ely College	66	266	332

	Employee (£000)	Employer (£000)	Total (£000)
Enterprise Management Services Limited	213	972	1,185
Ermine Street Church Academy	3	11	14
Ernulf Academy	43	178	221
Etheldred House	1	14	15
Everone Active	2	6	8
Eye Parish Council	1	3	4
Eyrescroft Primary School (Academy)	33	119	152
Farcet Parish Council	1	3	4
Fenland District	495	2,040	2,535
Friends Therapeutic Community	74	327	401
Fulbridge Academy	78	300	378
Gamlingay First School Academy	11	47	58
Gamlingay Parish Council	4	22	26
Gamlingay School	(2)	(9)	(11)
Glebelands Primary Academy	4	14	18
Godmanchester Primary School (Academy)	21	86	107
Greater Peterborough UTC	3	9	12
Greenwich Leisure	11	97	108
Gt Staughton Academy	3	11	14
Guilden Morden C of E Primary Academy	2	6	8
Haddenham IDB	2	8	10
Haddenham Parish Council	2	8	10
Hampton College Academy	70	258	328
Hatton Park (MAT)	9	37	46
Hemingford Grey Primary	11	42	53
Highfield School	65	257	322
Highlees Primary Academy	24	97	121
Hills Road 6th Form College	37	402	439
Hinchingbrooke School Academy	97	360	457
Histon & Impington Infant School (MAT)	13	54	67
Histon & Impington Junior School (MAT)	13	55	68
Histon & Impington PC	6	32	38
Holmewood IDB	-	1	1
Home Close	2	76	78
Homerton College Cambridge	134	371	505
Huntingdon & Godmanchester	26	127	153
Huntingdon District	1,101	4,411	5,512
Huntingdon Primary (CCC)	25	97	122
Huntingdonshire College	147	581	728
Impington Village College	94	329	423
Innovate Services Ltd	-	1	1
Isle of Ely Academy	6	12	18
Kealey HR Ltd	1	4	5
Kelsey Kerridge	16	83	99

	Employee (£000)	Employer (£000)	Total (£000)
Ken Stimpson (PCC)	44	175	219
Kennett Primary School (Academy)	4	15	19
Kimbolton Primary Academy	4	15	19
Kimbolton School	53	251	304
Kings Hedges Pension	45	167	212
Kings School Academy	74	290	364
Kingsfield Primary Academy	30	114	144
Leverington Primary Academy	20	80	100
LGSS Law Ltd (CCC)	120	443	563
Linton Heights Junior Academy	3	11	14
Linton Parish Council	1	21	22
Linton Village College Academy	55	194	249
Little Downham Parish Council	2	10	12
Little Paxton Parish Council	2	11	13
Littleport & Downham IDB	7	32	39
Long Road 6th Form College	123	500	623
Longsands College Academy	74	287	361
Luminus Group	123	852	975
Lunchtime (Abbey Meadow)	-	2	2
Lunchtime UK (Thorndown)	-	1	1
Lunchtime UK (Waterbeach)	1	4	5
Lunchtime UK Ltd	5	18	23
Matley Primary Academy	26	101	127
Mears Group	50	12	62
Mears Ltd (SCDC)	15	51	66
Melbourn Village College Academy	29	113	142
Mepal & Witcham C of E Primary Academy	4	16	20
Middle Fen & Mere IDB	13	54	67
Middle Level Commissioners	69	335	404
Middlefield Primary School (Academy)	13	53	66
Millfield Primary School Academy	15	57	72
MITIE Facilities Management	2	8	10
Mountain Healthcare Ltd	3	7	10
Museum Doc Assn	3	17	20
NCSC	7	42	49
Neale Wade Community College	86	318	404
Nene Infants Academy	26	104	130
Nene Park Academy	50	191	241
New Road Primary Academy	7	27	34
Newark Hill Primary Academy	24	98	122
Newborough Parish Council	1	4	5
North Cambridge Academy	26	90	116
North Level Commissioners	35	158	193
NPS Property Consultants Ltd	12	44	56

	Employee (£000)	Employer (£000)	Total (£000)
Ormiston Bushfield Academy	68	260	328
Orton Waterville Parish Council	1	5	6
Oxford Archaeology(East)	61	128	189
Pabulum Catering Ltd (Cottenham)	1	3	4
Pabulum Limited	4	13	17
Park Lane Primary Academy & Nursery	22	90	112
Parkside Federation Academy	81	292	373
Peckover Primary School (Academy)	21	89	110
Pensions Fund General	-	1	1
Perse Schl For Girls	26	101	127
Peterborough College of Adult Education (PCAE)	140	539	679
Peterborough Cultural and Leisure Trust	77	228	305
Peterborough District	3,915	14,207	18,122
Peterborough Regional College	352	1,105	1,457
Peterborough Womens Aid	2	7	9
Police & Crime Commissioners	67	208	275
Radis Community Care	20	86	106
Ramnoth Junior Academy	16	64	80
Roddons Housing Association	41	249	290
Round House Primary School	16	59	75
Sanctuary Housing	81	444	525
Sawston Parish Council	5	14	19
Sawston Village College Academy	73	274	347
Sawtry Community College Academy	47	189	236
Sawtry Junior Academy	3	14	17
Sawtry Parish Council	5	23	28
Serco	215	503	718
Serco Limited	44	27	71
Shade Primary School	9	30	39
Sir Harry Smith Community College (Academy)	58	233	291
Skanska PCC (Highways)	17	59	76
Soham Parish Council	2	15	17
Soham Village College Academy	55	220	275
Somersham Parish Council	3	14	17
South Cambs District	702	3,151	3,853
Spring Common Primary School Academy	74	292	366
Spurgeons	3	-	3
St Andrews C of E Primary Academy	26	101	127
St Bedes School (Academy)	34	406	440
St Columba Centre	3	13	16
St Ives Town Council	22	79	101
St Ivo School Academy	80	298	378
St John Fisher School	47	176	223
St John's Academy (Stanground)	16	64	80

	Employee (£000)	Employer (£000)	Total (£000)
St Marys C of E Junior (Ely)	21	86	107
St Marys Primary Academy(St Neots)	11	44	55
St Neots Museum Ltd	-	45	45
St Neots Town Council	27	140	167
St Peters C of E Junior Academy	17	71	88
St Peters School Academy	53	197	250
Stanground Academy	50	214	264
Staploe Education Trust HQ	11	44	55
Sutton Parish Council	3	13	16
Swaffham IDB	2	9	11
Swavesey Parish Council	1	6	7
Swavesey Village College Academy	53	208	261
The Centre School Academy	1	4	5
The Netherhall School	33	129	162
The Spinney Primary School (CCC)	10	40	50
The Voyager Academy	156	487	643
Thomas Clarkson Community College Academy	60	228	288
Thomas Deacon Academy	127	479	606
Thomas Eaton Community Primary Academy	1	3	4
Thorney Parish Council	2	9	11
TSG Building Services	12	113	125
University of Cambridge Primary Academy	5	20	25
University Technical College Academy	17	53	70
VISIT Cambridge and Beyond	20	56	76
Waterbeach Level IDB	2	9	11
Waterbeach Parish Council	3	13	16
Welland Primary Academy	22	80	102
West Town Primary Academy	16	64	80
Whittlesey I D B	2	6	8
Whittlesey Town Council	2	7	9
William de Yaxley C of E Junior Academy	12	49	61
William Law Primary Academy	43	173	216
Wimblington P C	-	2	2
Winhills Primary School (Academy)	27	108	135
Wisbech & Fenlnd Museum	3	15	18
Wisbech Grammar	-	5	5
Wisbech St Mary's C of E Primary Academy	4	15	19
Wisbech Town Council	4	20	24
Witcham Parish Council	-	1	1
Witchford Village College Academy	54	178	232
Yaxley Parish Council	6	238	244
Fund Account Contributions	25,874	99,574	125,448

INVESTMENT POLICY AND PERFORMANCE REPORT

The investment management of the Fund is governed by the provisions of the Local Government Pension Scheme – (Management and Investment of Funds) Regulations 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 upon recommendation from the Investment Sub-Committee, 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

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

As a result the strategy for global equities was re-focussed on high conviction mandates with a preference for global rather than regional mandates, with the consequence that during the 2014-15 financial year the Fund performed a selection process to appoint managers to deliver this strategy. Transition to the new managers was completed early in 2015-16 and the final asset strategy confirmed as 64.5% equities, 21% alternatives and 14.5% bonds.

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 Pension Fund Committee in March 2017 and published on the Fund’s website before the statutory deadline of 1 April 2017. As part of this review the asset allocation percentages were simplified as follows: equities 65%, alternatives 23% and bonds 12%.

As the performance and therefore relative value of each investment asset class will vary over time, the Pension Fund Committee 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.

During the 2016-17 financial year the Fund received training on investing in Alternative Asset classes and agreed to commit to a further investment within its Real Estate allocation to the UK Residential Private Rental Sector and to continue its rolling programme of investments in Private Equity by agreeing to commit additional funds to its existing Private Equity managers.

The overall asset allocation strategy will be reviewed in mid-2017 when reviewing the outcome of the March 2016 actuarial valuation.

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 will include:

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

During the year the Multi Asset mandate with Schroders was formally dismantled into separate mandates for UK Equity and Bonds and fee arrangements revised to remove the performance-related element.

In February 2017, the committed to a new investment with M & G Real Estate in their UK Residential Property Fund. No cash has been called by 31 March 2017.

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

Pooling of investments

Investment pooling is intended to provide the scale that will enable LGPS funds to access lower investment manager fees and to deliver cost savings. In the pooled investment structure individual funds will remain responsible for their own investment strategy and asset allocation decisions. The pool will be responsible for selecting suitable of investment managers in order to meet the requirements of all of the funds' investment strategies, although the ISC will retain some responsibilities as the asset pool evolves.

Cambridgeshire is a member of the ACCESS pool along with the following ten other pension funds: East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex.

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed an Inter Authority Agreement to underpin their partnership. ACCESS is working to a project plan in order to create the appropriate means to pool investments. The first investments to be pooled in 2017-18 will be passively managed investments.

The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in July 2016, which is available on ACCESS's website <http://www.accesspool.org/>

All eleven ACCESS funds are working in the expectation that, over time, all investments will be pooled apart from a minority of investments where there is a no value for money benefit to pooling a specific investment as identified and agreed by an individual fund.

Cambridgeshire will not be pooling an allocation to local alternatives currently consisting of the Cambridge & Counties Bank.

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

The Fund recognises that the more liquid, publically-traded asset classes, primarily equities, will be the first to be managed by the asset pool in 2017-18 and 2018-19. Manager appointments for these assets will become the responsibility of the ACCESS pool.

Investment Manager Profiles and performance targets for 2016-17

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

2016-17	Weighting (%)	Market Benchmark Adopted	Target above benchmark (%)
UK Equity	21.0		
Schroders	10.0	Composite benchmark	1
State Street	11.0	FTSE All-Share index	n/a
Global Equity	44.0		
Dodge & Cox	12.5	MSCI World	3
JO Hambro	12.5	MSCI AC WI NR Index	3
Skagen	7.0	MSCI Emerging Markets	2
State Street	12.0	FTSE All World	n/a
TOTAL EQUITIES	65.0		
Bonds	12.0		
Schroders	12.0	Composite benchmark	1
TOTAL BONDS	12.0		
Private Equity	5.0		
Adams Street	2.0	MSCI World	n/a
HarbourVest	2.0	MSCI World	n/a
Cambridge and Counties Bank	1.0	MSCI World	n/a
Infrastructure	5.0		
Equitix	Blended	MSCI World	n/a
Partners Group		MSCI World	n/a
UBS		MSCI World	n/a
Secured loans	3.0		
M&G	3.0	3m Libor +4%	n/a
Property	10.0		
Schroders	10.0	IPD UK All Balanced Property Fund Index	0.75
TOTAL ALTERNATIVES	23.0		
Total	100.0		+1.1*

* 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 2016 is shown below.

2015-16	Weighting (%)	Market Benchmark Adopted	Target above benchmark (%)
UK Equity	21.0		
Schroders – Multi Asset	10.0	Composite benchmark	1
State Street	11.0	FTSE All-Share index	n/a
Global Equity	43.5		
Dodge & Cox	12.5	MSCI World	3
JO Hambro	12.5	MSCI AC WI NR Index	3
Skagen	7.0	MSCI Emerging Markets	2
State Street	11.5	FTSE All World	n/a
Bonds	14.5		
Schroders	12.0	Composite benchmark	1
M&G	2.5	3m Libor +4%	n/a
Private Equity	5.0		
Adams Street	2.0	MSCI World	n/a
HarbourVest	2.0	MSCI World	n/a
Cambridge and Counties Bank	1.0	MSCI World	n/a
Infrastructure	5.0		
Equitix	Blended	MSCI World	n/a
Partners Group		MSCI World	n/a
UBS		MSCI World	n/a
Property	11.0		
Schroders	11.0	IPD UK All Balanced Property Fund Index	0.75
Total	100.0		+1.1*

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

The only change in target allocation between 2015-16 and 2016-17 is a rounding of the weighting by asset class as agreed by the Pension Fund Committee on 23 March 2017.

The values of actual manager allocations, the percentage of the Fund and variance from the target asset allocation at 31 March 2016 and 31 March 2017 are shown below:

31 March 2016					31 March 2017		
Market Value (£m)	Holding (%)	Above/ (below) target (%)	Asset Class	Manager	Market Value (£m)	Holding (%)	Above/ (below) target (%)
303.8	13.6	3.6	UK Equity	Schroders – Multi Asset	377.7	13.5	3.5
207.1	9.2	(1.8)		State Street	253.3	9.0	(2.0)
330.0	14.7	2.2	Global Equity	Dodge & Cox	482.1	17.1	4.6
253.0	11.3	(1.2)		JO Hambro	324.3	11.6	(0.9)
82.6	3.7	(3.3)		Skagen	115.9	4.1	(2.9)
318.7	14.2	2.7		State Street	423.8	15.1	3.6
0.1	0.0	0.0		Schroders – Multi Asset	0.1	0.0	
1,495.3	66.7	2.2	Total Equities		1977.2	70.4	5.2
122.4	5.5	0.5	Government Bonds	Schroders – Bonds & Index-linked	166.2	5.9	(1.1)
157.4	7.0	0.0	Non-Government Bonds	Schroders – Multi Asset	142.0	5.0	0.0
279.8	12.5	0.5	Total Bonds		308.2	10.9	(1.1)
191.6	8.5	(2.5)	Property	Schroders – Property	197.6	7.0	(4.0)
64.8	2.9	0.9	Private equity	Adams Street Partners	79.3	2.8	0.8
50.9	2.3	0.3		HarbourVest	59.1	2.1	0.1
43.0	1.9	0.9		Cambridge and Counties Bank (direct holding)	54.7	1.9	0.9
19.1	0.8	*	Infra-structure	UBS Infrastructure	22.2	0.8	*
25.4	1.1	*		Equitix	27.8	1.0	*
17.7	0.8	*		Partners Group	27.1	1.0	*
53.5	2.4	(0.1)	Secured loans	M&G	57.2	2.0	(0.5)
466.0	20.7	(1.8)	Total Alternatives		525.0	18.8	(4.2)
2.5	0.1	0.1	Cash		2.9	0.1	0.1
2,243.6	100.0		Total		2813.3	100.0	

* No target allocated by individual manager.

Performance monitoring

Investment manager performance is reviewed quarterly by the Investment Sub-Committee. The Committee review a comprehensive quarterly performance report that includes the performance of each manager measured against benchmark and target and the actual asset allocation compared to the Fund's target allocation. From 1 April 2016, performance reporting has been

provided by Mercer following the withdrawal of this service by The WM Company at the end of 2015-16.

At 31 March 2017, total value of equities slightly exceeded the agreed tolerance of 5% from the target allocation. This has been noted at the Investment Sub Committee and no remedial action is required as the variance has arisen due to the volatility of equity values, resulting in the strong return on equities relative to other asset classes during the year. However, this asset allocation is being continually monitored and action will be taken if the ISC determines.

Investment Manager Performance for periods ending 2016-17

	1 Year (%)			3 Years (% pa)			10 Years (% pa)		
Asset Class /Manager	Return	Bench-mark	Var-iance	Return	Bench-mark	Var-iance	Return	Bench-mark	Var-iance
UK Equity									
Schroders	24.0	21.9	2.1	7.8	7.7	0.1	7.6	5.4	2.2
State Street	22.1	22.0	0.1	7.8	7.7	0.1	n/a	n/a	n/a
Global Equity									
Dodge & Cox	46.1	31.9	14.2	n/a	n/a	n/a	n/a	n/a	n/a
JO Hambro	27.6	32.2	(4.6)	n/a	n/a	n/a	n/a	n/a	n/a
Skagen	39.2	34.7	4.5	8.7	11.4	(2.7)	n/a	n/a	n/a
State Street	32.8	33.1	(0.3)	16.2	16.4	(0.2)	n/a	n/a	n/a
Bonds									
Schroders – Bonds & Index-linked	15.8	22.0	(6.2)	n/a	n/a	n/a	n/a	n/a	n/a
Schroders – Non-Govt bonds	5.1	0.5	4.6	0.9	0.5	0.9	n/a	n/a	n/a
Alternatives									
Schroders – property	2.7	3.7	(1.0)	9.0	10.2	(1.2)	1.1	2.1	(1.0)
M&G - secured loans	6.8	4.5	2.3	4.9	4.5	0.4	n/a	n/a	n/a

Performance is reported net of investment manager fees.

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 60 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. Prior to 2016-17 the Local Authority Universe was maintained by The WM Company Ltd.

In 2016-17 the Fund's performance was ranked 3rd out of the 60 Fund participating in the Local Authority Universe, returning 24.5%. The stand out performing managers in equities were Dodge & Cox Global Value and Skagen Emerging Markets Value, and in Bonds, Schroders non-Government bonds.

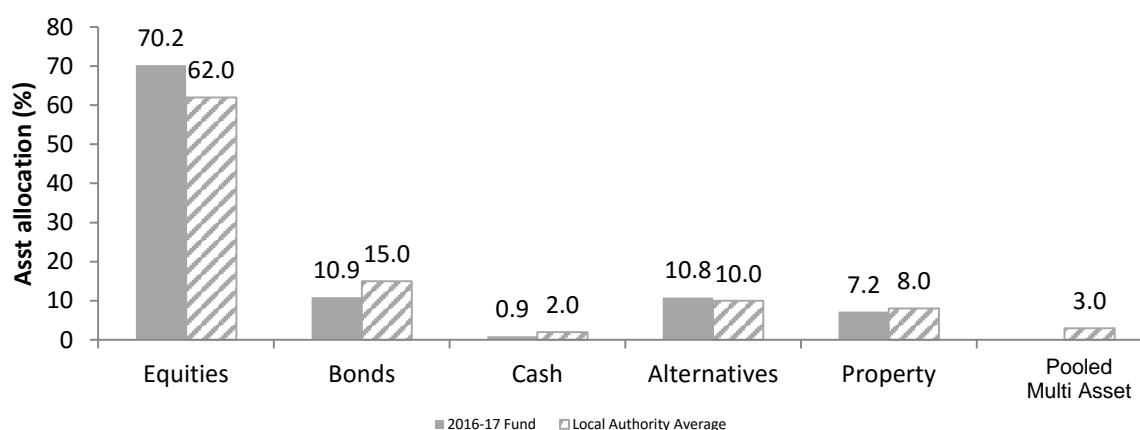
Investment Performance 2016-2017

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 2017							
		The Fund	The Benchmark	Consumer Price Index	UK Average Weekly Earnings Index	Local Authority Average	Ranking in LA Universe Percentile
2016-2017	1 year	24.5	23.7	2.3	2.4	21.4	3 rd
2014-2017	3 years	10.9	12.0	0.9	2.9	11.2	53 rd
2012-2017	5 years	11.0	11.4	1.4	1.9	10.7	29 th
2007-2017	10 years	6.5	7.3	2.3	2.0	7.0	70 th

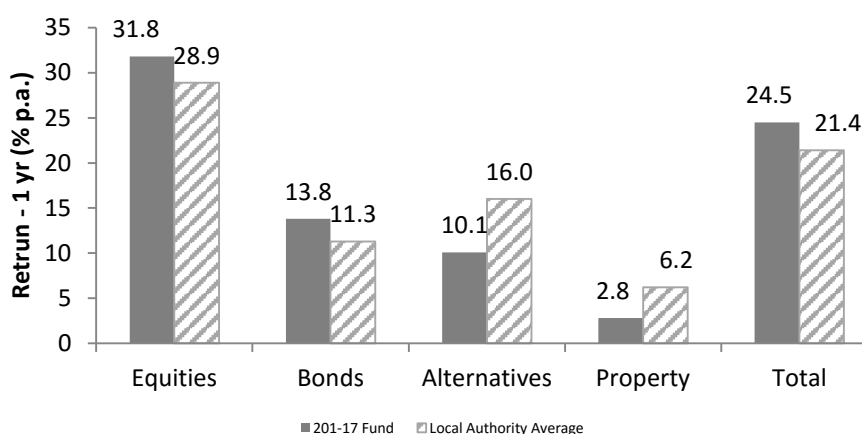
(Sources: Mercers, PIRC Ltd, Thomson Reuters Datastream).

Asset Mix Compared to the Local Authority Universe



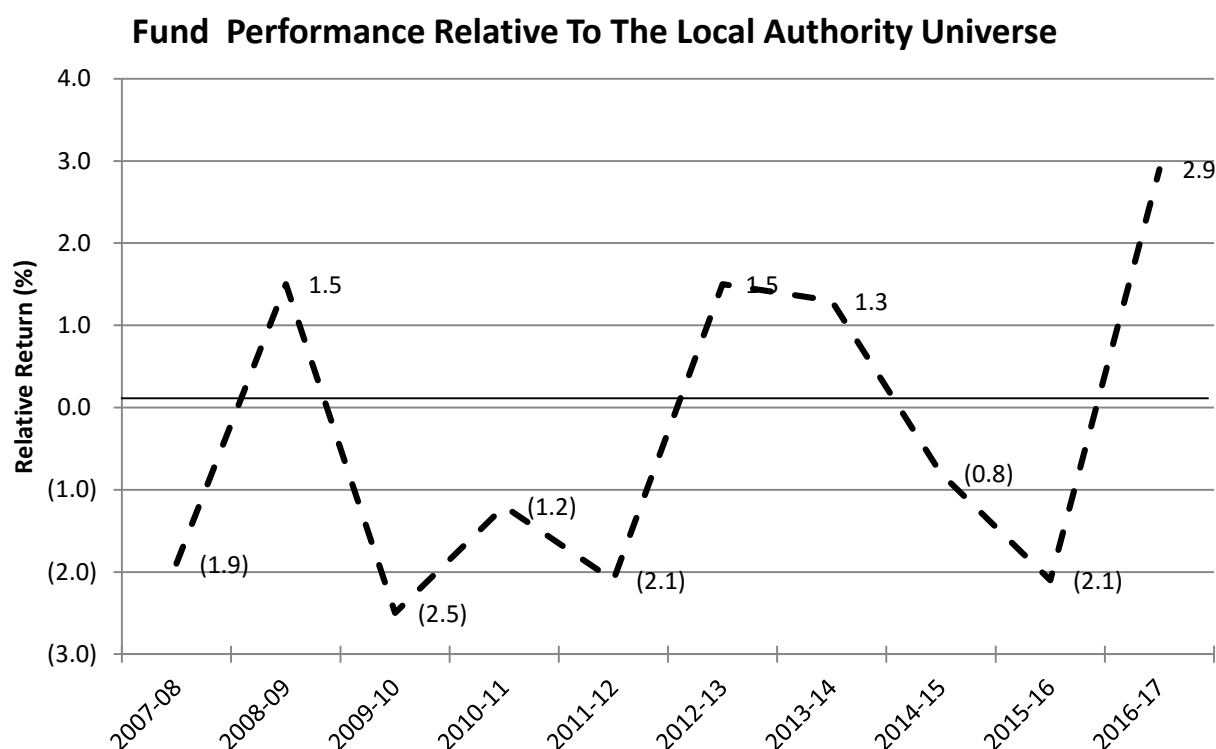
The graph shows that the Fund's asset mix is broadly comparable with the local authority Average, the main variances indicating the Fund's preference for equities compared to bonds.

Investment Return Compared to Local Authority Universe 1 year return annualised



Year	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Annual Return (%)										
Total Fund	(4.7)	(18.8)	31.9	6.9	0.5	15.4	7.8	12.2	(1.9)	24.5
LA Universe	(2.8)	(19.9)	35.2	8.2	2.6	13.8	6.4	13.2	0.2	21.4

The table above compares the Fund's performance with the PIRC Ltd Local Authority Average for the ten years since 2007. 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 2016-17

Economic and Market Background

Over the 12 month period to 31 March 2017, both risk and defensive asset classes generally posted strongly positive returns as the ultra-accommodative monetary policy measures adopted by the world's major central banks continued to support financial markets. The strong returns posted by most asset classes came despite bouts of volatility following the surprise result of the UK's referendum in June 2016, where the electorate voted to leave the European Union and the unexpected victory for Donald Trump in the US Presidential Election in November 2016. The latter event in particular served to support equities in developed markets, as investors perceived Trump's fiscal policies as being supportive for corporate earnings.

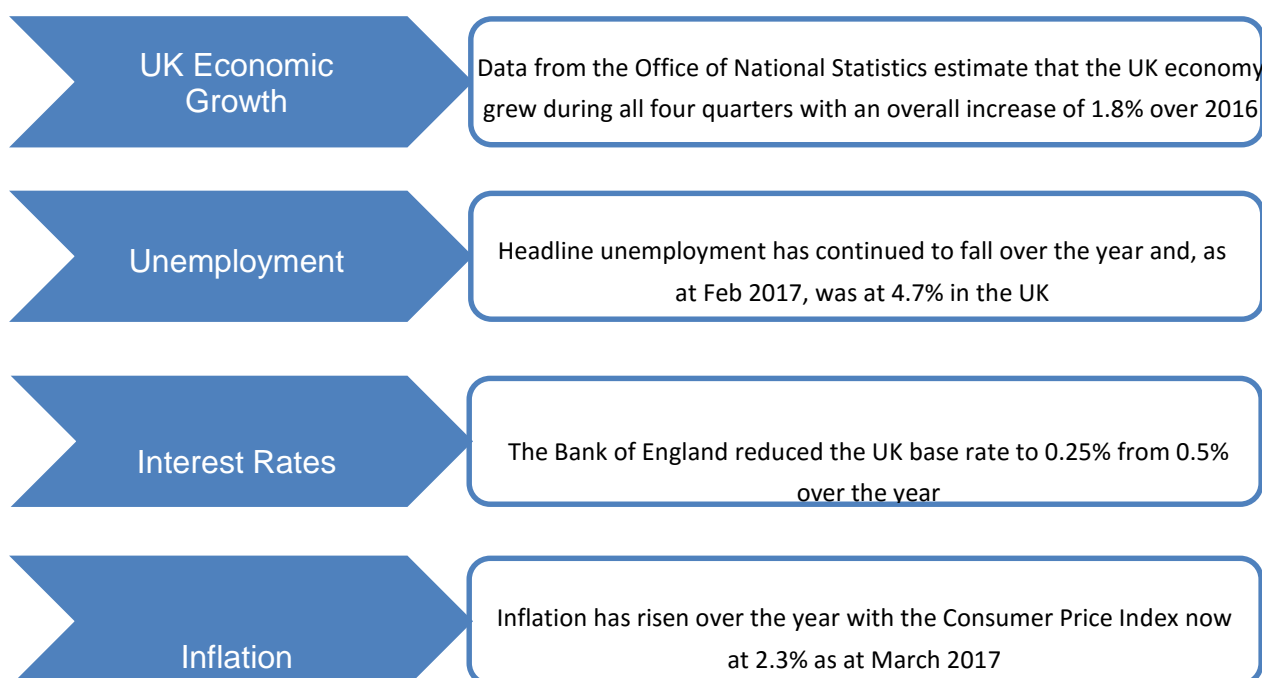
Sterling depreciated sharply against its major counterparts following the 'Brexit' vote and ended the year 13% weaker against the dollar compared to the prior year. This led to material gains for unhedged sterling investors in foreign assets. Meanwhile, subdued growth expectations in the UK culminated in further loosening of monetary policy by the Bank of England in August 2016, and led to a downward shift in government bond yields. This augmented strong returns for defensive assets, notably index-linked bonds, where returns were further amplified by increased inflation expectations in the UK in light of the depreciation of sterling.

Financial markets continue to be sensitive to the actions of the world's major central banks. In the US, the Federal Reserve Bank (the "Fed") matched investors' expectations by increasing its

target rate by 0.25% at its December 2016 meeting and then a further 0.25% at its March 2017 meeting. Elsewhere the European Central Bank (“ECB”) announced in December 2016 that its extended Quantitative Easing programme would continue until December 2017 at the earliest, albeit at a slightly reduced pace of asset purchases. The ECB subsequently confirmed in the first quarter of 2017 that further stimulus to this is unlikely to be needed in the near term. The Bank of Japan announced an explicit shift to yield curve targeting in September 2016.

While significant political and economic uncertainty remains following the referendum vote, economists now forecast UK Real GDP growth for 2017 to be 1.7% (a reduction from 2.1% from a forecast before the vote but an increase from 0.7% from the forecast just after) whereas inflation, as measured by the change in the Consumer Price Index, is expected to increase to 2.6% (from 1.6% before the vote) reflecting the depreciation of sterling.

Key Events during the Year



Growth Assets

In the UK, equities as measured by the FTSE All Share index returned 22.0%, with the bulk of the gains coming after the referendum in June and the subsequent fall in sterling.

At a global level, developed markets as measured by the FTSE World index, returned 32.9%. Meanwhile, a return of 35.6% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 27.9% as indicated by the FTSE World Europe ex UK index. The FTSE USA index returned 35.2% while the FTSE Japan index returned 32.8%.

All overseas equity market returns, as measured in sterling terms above, benefitted from the steep fall in sterling.

UK property investors continued to benefit from the improving property market. Over the 12 month period to 31 March 2017, the IPD UK All Property Index returned 3.8% in sterling terms.

Bond Markets

Returns on UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned 6.6%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of 12.3% over the year. The yield for the FTSE Gilts All Stocks index fell over the year from 1.9% p.a. to 1.4%p.a.

The FTSE All Stocks Index Linked Gilts index returned 19.9% with the corresponding over 15 year index exhibiting a return of 26.1%.

Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index returned 9.3%.

Currencies

Over the 12 month period to 31 March 2017, sterling fell by 13.0% against the dollar from \$1.437 to \$1.250. Sterling depreciated against the Euro by 7.3% from €1.26 to €1.17. Sterling depreciated 13.75% against the yen from ¥161.55 to ¥139.34 over the same period.

Fund Performance

Over the twelve month period, the Fund achieved a return of 24.5% (net of fees) versus a benchmark return of 23.7%. Most active managers outperformed their respective benchmarks over the period with the exception of the global equity manager, JO Hambro, and the bond and property mandates managed by Schroders.

In absolute terms, the global equity mandate with Dodge & Cox contributed the most towards the Fund's performance returning 46.1% over the last 12 months.

Outlook

We maintain a broadly neutral stance between growth and defensive assets from a tactical asset allocation perspective. Across growth assets, we continue to prefer equity to credit risk. Stronger global growth since mid-2016 has brought relief from a long period of downward pressure on inflation and corporate profit margins, and earnings surprises in developed markets have turned positive for the first time since 2011. The turnaround in corporate profit growth is providing support for equity valuations, as is the current environment of low but gradually rising inflation. Despite the risk of economic data disappointments in the short-term (as business sentiment and economic surprise indexes appear to have run well ahead of improving fundamentals), our base case is that the outlook for moderate global growth remains intact.

However, we also see material risks on both sides of our base case, which along with full valuations and pockets of investor exuberance leave us with a neutral overall allocation to equities. With the US now at full employment, and prospects of significant income tax cuts in 2018, there is a growing risk the US Federal Reserve may eventually be forced into a faster pace of policy tightening. Conversely, spreading geo-political tensions, along with the uncertain impact of policy tightening on China's credit-fuelled GDP growth, represent material downside risks.

Among the major equity sectors, we retain a preference for emerging markets ("EM"). After recent strong performance, valuations are now less attractive. Nevertheless, we see a further strengthening in earnings momentum, as export growth accelerates and as policy and financial settings move more pro-cyclical. Structural reforms in much of the EM over the past three years should also provide a cushion against the potential for rising US interest rates, and US protectionist rhetoric could well soften further.

Within fixed interest markets, we retain unattractive ratings on investment grade credit and high yield, noting historically low yields and the deteriorating quality of the major indices (through lengthening duration in the case of investment grade credit and as a result of extended balance sheet leverage in the high yield universe). In our economic base case, we envisage further (moderate) rises in global sovereign bond yields over the medium-term, but with running yield continuing to offset much of the expected capital losses. As such, we remain broadly neutral between global sovereigns and cash, expecting both to deliver moderate negative real returns over our 1-3 year horizon.

Emerging markets remain our preferred fixed income sector. With an index yield of 6.5%p.a., diminishing potential for further strong appreciation of the dollar, and improving structural and cyclical dynamics in much of the emerging world (including falling inflation), we expect local currency debt to deliver close to our longer-term return assumptions.

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 over the long term. The Fund holds a large equity portfolio 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 Fund's investment strategy is largely focused on equity markets with the view that equities will outperform over the long term and that this outperformance will improve the funding level over time.

During the year, the Committee continued to monitor its investment strategy relative to the funding level. Now that the 2016 actuarial valuation has been signed off, the Committee will shortly begin work on completing a full investment strategy review.

Joanne Holden
Mercer Limited
May 2017

SCHEME ADMINISTRATION REPORT

Cambridgeshire County Council is responsible for administering the Cambridgeshire Pension Fund. LGSS, which is a partnership between Cambridgeshire County Council and Northamptonshire County Council, provides shared services to the two Councils including pensions administration for each Council's respective Pension Fund. The primary objective of LGSS Pensions is to provide an efficient and effective pensions administration service to the stakeholders of both Funds utilising converged processes, shared resources and benefitting from economies of scale. LGSS delivers pensions services to 47,209 active members, 60,552 deferred members and 32,752 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/index.php/contact-us/>.

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 2016-17:

- Two Stage 1 IDRP applications relating to administering authority decisions remained outstanding at the end of 2015-16 and were dealt with in 2016-17. The complaints in both cases were not upheld and they related to:
 - i) AVC fund being less than anticipated due to date of processing benefit.
 - ii) Award at retirement being less than estimate.
- Three Stage 1 IDRP applications relating to administering authority decisions arose and were dealt with in 2016-17. The subjects of the complaints and whether they were upheld are detailed below :
 - i) Deferred benefit award calculations. Complaint partially upheld as, whilst the award was correct based on information provided by the former employer, that information was incorrect.
 - ii) Decision over early payment of deferred benefit on ill health grounds. Complaint upheld; case to be referred to a further approved Independent Registered Medical Practitioner.
 - iii) Dispute over the receipt of a refund in 1974. Complaint not upheld.
- Three Stage 1 IDRP applications relating to an administering authority decision arose in 2016-17, but remained outstanding at 31 March 2017.
- One Stage 2 IDRP application relating to an employer decision remained outstanding at the end of 2015-16 and was dealt with in 2016-17. The complaint concerned refusal to grant payment of deferred benefits on ill health grounds and the appeal was not upheld.
- Three Stage 2 IDRP applications relating to administering authority decisions arose and were dealt with in 2016-17. The complaints in all cases were not upheld and they related to:
 - i) AVC fund being less than anticipated due to date of processing benefit.

- ii) The application of late retirement uplift to benefits.
 - iii) Dispute over the receipt of a refund in 1974.
- One Stage 2 IDR application relating to an administering authority decision arose in 2016-17, but remained outstanding at 31 March 2017.
 - One complaint relating to an employer decision not to grant early payment of deferred benefits that was referred to the Pensions Ombudsman in 2014-15 was finally decided in 2016-17. The complaint was not upheld.

ACTUARIAL REPORT ON FUNDS

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	4.00%
Salary increase assumption	2.40%
Benefit increase assumption (CPI)	2.10%

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 April 2016

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

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

A handwritten signature in black ink, appearing to read 'Douglas Green', with a stylized flourish at the end.

Douglas Green FFA

For and on behalf of Hymans Robertson LLP
28 April 2017
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 June 2015 and has been published on the Funds website <http://pensions.cambridgeshire.gov.uk> and is in Appendix A of this report. The statement will be updated during 2017-18 to reflect changes in the Council's Constitution as a result of national asset pooling.

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
Total	11

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

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

All members have equal voting rights.

The Pension Fund Committee meets 4 times a year and holds an Annual 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 2016-17.

		Attendance at Pension Fund Committee Meetings	Attendance at Investment Sub-Committee Meetings
County Council Members	Cllr R Hickford	5/5	4/4
	Cllr M Leeke	5/5	3/4
	Cllr P Ashcroft	5/5	4/4
	Cllr Schumann	2/5	1/4
	Cllr Kenney	2/5	
	Cllr Kavanagh	5/5	
District/Borough/ Police and Fire Representatives	Cllr A Fraser	1/5	
	Cllr D Seaton	1/5	1/4
All Other Employers' Representatives	Gareth Deeble	5/5	
Member Representatives	Matthew Pink	4/5	
	John Walker	2/5	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 2016-17.

		Attendance at Local Pension Board Meetings
Scheme Employers	Cllr M McGuire	1/4
	Cllr L Nethsingha until October 2016	2/2
	Cllr P Downes from October 2016	2/2
	Ian Dewar	0/4
Scheme Representatives	Barry O'Sullivan	4/4
	John Stokes	4/4
	David Brooks	4/4

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. During 2016-17 the scheme did not exercise its powers to recover additional costs from scheme employers.

The current Pensions Administration Strategy was approved by the Pension Fund Committee in October 2014, followed by a 30 day consultation period with the scheme's employers. The Strategy has been reviewed and presented to the Local Pension Board for comment in March 2017. The Strategy is expected to be approved by the Pension Fund Committee in June 2017. The current strategy is published on the LGSS Pensions website and can be found in Appendix B of this report, this will be replaced by the approved Administration Strategy at the appropriate time during 2017/18.

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

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

FUNDING STRATEGY STATEMENT

The Fund is required to ensure that sufficient funds are available not only to meet its current liabilities, but also to make advance provision of accruing future liabilities.

Decisions taken regarding the approach to funding will therefore determine the rate 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 2016-17, contribution increases were implemented in accordance with the Statement to the Rates and Adjustments Certificate attached to the 2013 valuation of the Fund. Changes in contribution rates as a result of the 2016 valuation will take effect from 1 April 2017.

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/wp-content/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> and in Appendix B of this report.

INVESTMENT STRATEGY STATEMENT

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. The administering authority must have formulated and published its first Investment Strategy Statement (“ISS”) no later than 1 April 2017.

The Fund’s investment strategy was reviewed and the ISS approved by the Pension Fund Committee in March 2017 and published on the Fund’s website at:

<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/> . A copy is attached in Appendix C to this report.

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.

The purpose of this document is to satisfy the requirements of the 2016 Regulations. In addition, Local Government Pension Scheme (England and Wales) (Amendment) Regulations 2004 came into effect 1 April 2004, requiring administering authorities to publish a Funding Strategy Statement (FSS). The FSS must have regard to the Investment Strategy Statement. This document contains reference to the FSS for information.

Prior to the approval of the ISS, the Fund’s written statement of principles governing its decisions about the investment of pension scheme monies was documented in the Statement of Investment Principles (“SIP”) as required by the now superseded legislation The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The SIP that was in force in 2016-17 was reviewed and approved by the Pension Fund Committee in July 2015 and can be found on the Cambridgeshire Pension Fund website, <http://pensions.cambridgeshire.gov.uk>.

COMMUNICATION STRATEGY STATEMENT

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

These Regulations require administering authorities to:

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

The current Communications Strategy was approved by the Pension Fund Committee in March 2017. This is due to be reviewed again during the 2017-18 financial year.

The policy is published on the LGSS Pensions website 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. For example, employer forums were conducted in November 2016 to inform employers of the impact of the 2016 triennial valuation on their organisation. 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).

	Active	Ceased	Total
Scheduled body	59	29	88
Admitted body	79	77	156
Designated body	44	22	66
Total	182	128	310

The following table shows an analysis of the Fund's assets at 31 March 2017 by asset class, based upon manager mandates.

	UK	Non UK	Global	Total
	£000	£000	£000	£000
Equities	631,023	115,893	1,231,787	1,978,703
Bonds	141,971	57,230	166,176	365,377
Property - direct holdings	-	-	-	-
Alternatives	82,506	49,219	336,036	467,761
Cash and cash equivalents	1,445	-	-	1,445
Other	-	-	-	-
Total	856,945	222,342	1,733,999	2,813,286

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

	UK	Non UK	Global	Total
	£000	£000	£000	£000
Equities	12,130	-	3,745	15,875
Bonds	2,631	2,159	0	4,790
Property - direct holdings	-	-	-	-
Alternatives	392	1,331	6,895	8,618
Cash and cash equivalents	864	-	-	864
Other	-	-	-	-
Total	16,017	3,490	10,640	30,147

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

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

INTRODUCTION

- 1.1 The following comprises the Statement of Accounts for the Cambridgeshire County Council Pension Fund. The accounts cover the financial year from 1 April 2016 to 31 March 2017.
- 1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. 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 2017

31-Mar-16 £000 (Restated)		Notes	31-Mar-17 £000
	Dealings with members, employers and others directly involved in the fund:		
118,843	Contributions	7	125,448
8,735	Transfers in from other pension funds	8	3,292
127,578			128,740
(92,374)	Benefits	9	(98,387)
(5,315)	Payments to and on account of leavers	10	(10,421)
(97,689)			(108,808)
29,889	Net additions/(withdrawals) from dealing with members		19,932
(14,756)	Management Expenses	11	(15,163)
15,133	Net additions/(withdrawals) including fund management expenses		4,769
	Returns on investments:		
31,599	Investment income	12	30,147
(31)	Taxes on income	13	-
(54,128)	Profit and losses on disposal of investments and changes in the market value of investments	14a	542,371
(22,560)	Net return on investments		572,518
(7,427)	Net increase/(decrease) in the net assets available for benefits during the year		577,287
2,283,718	Opening net assets of the scheme		2,276,291
2,276,291	Closing net assets of the scheme		2,853,578

Comparative figures for 2015-16 have been restated to show a revised classification of investment manager fees. See page 69.

Notes on pages 64 to 102 form part of the financial statements.

PENSION FUND NET ASSET STATEMENT

31-Mar-16 £000		Notes	31-Mar-17 £000
2,244,617	Investment assets		2,814,423
(1,006)	Investment liabilities		(1,137)
2,243,611	Total net investments	14	2,813,286
43,765	Current assets	21	46,173
(13,613)	Current liabilities	23	(7,777)
30,152	Net Current Assets		38,396
2,528	Non-current assets	22	1,896
2,276,291	Net assets of the Fund available to fund benefits at the end of the reporting period		2,853,578

Notes on pages 64 to 102 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

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 2016-17 on Pages 3 to 58 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.

It is a contributory defined benefit pension scheme administered by Cambridgeshire County Council to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire, 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 2017 there are 182 (2016: 191) active employer 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 2017 was 245 (2016: 243), an increase of 2. The Fund has over 77,000 individual members, as detailed below:

Cambridgeshire Fund	31-Mar-17	31-Mar-16
Number of employers with active members	182	191
Number of employees in scheme:		
County council	10,907	11,166
Other employers	15,878	15,578
Total	26,785	26,744
Number of Pensioners:		
County council	8,165	7,676
Other employers	9,138	8,493
Total	17,303	16,169
Deferred pensioners:		
County council	16,484	15,456
Other employers	16,751	15,433
Total	33,235	30,889
Total members	77,323	73,802

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 2017. 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
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x 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 1/49th or 1/98th 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 or online at pensions.cambridgeshire.gov.uk.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2016-17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 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

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

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.

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

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 there has been 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 are now reported as investment management expenses and the return on investments is 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 are now reported within investment expenses and the cost of investment purchases or proceeds of sales are adjusted accordingly.

Prior year comparative figures have been restated on a consistent basis. The impact in 2016-17 has been to increase Manager fees by £6.9m (2015-16: £5.0m) and transaction costs by £0.5m (2015-16: £1.0m) offset by an increase in the profit and losses on disposal of investments and changes in the market value of investments of £7.4m (2015-16: £6.0m).

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

The Fund also had a performance fee related agreement with Schroders Investment Management Limited in respect of the Multi Asset mandate which was replaced on 1 July 2016 with separate mandates for UK Equities and Strategic Bonds for which there is no performance related fee. No performance fee was payable for the period ended 30 June 2016.

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 2016-17, £1.3m of fees are based upon such estimates (2015-16: £ 0.7m). In addition, manager fees deducted from pooled funds of £6.9m (2015-16: £5.0m) 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

NOTES TO THE PENSION FUND ACCOUNTS

management, accommodation and other overheads are apportioned to this activity and charged to the Fund.

Net Assets Statement

Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised 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 recognises financial liabilities at fair value as at the reporting date, except for loans and receivables. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

NOTES TO THE PENSION FUND ACCOUNTS

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.

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

This estimate 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.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance 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 2017 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
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £428m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £81m, and a one-year increase in assumed life expectancy would approximately increase the liability by between £125m and £201m.
Cambridge and Counties Bank	Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. For prudence, the Pension Fund's investment is valued 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 £55m. There is a risk that this investment may be under, or overstated in the accounts.
Other private equity and infrastructure	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.	Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £191m. There is a risk that this investment may be under or overstated in the accounts.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2017, and up to the date when these accounts were authorised that require any adjustments to these accounts.

NOTES TO THE PENSION FUND ACCOUNTS

7. CONTRIBUTIONS RECEIVABLE

By category

2015-16 £000		2016-17 £000
26,996	Employees' contributions	25,874
76,782	Employers' contributions:	84,909
15,065	Normal contributions	14,665
-	Deficit recovery contributions	-
-	Augmentation contributions	-
91,847	Total employers' contributions	99,574
118,843		125,448

Employees' contributions in 2016-17 are lower than in 2015-16 due to a reduction in employee special contributions of £1.1m. Normal employees' contributions are similar to 2015-16, reflecting a static number of active members, negligible pay increases in the year and the impact of a marginal increase in the uptake of the 50/50 option.

By authority

2015-16 £000		2016-17 £000
38,265	Administering Authority	39,594
67,966	Scheduled Bodies	77,666
2,709	Admitted Bodies	2,991
6,927	Community Admission Bodies	2,280
2,976	Transferee Admission Bodies	2,917
118,843		125,448

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2015-16 £000		2016-17 £000
5,773	Group transfers	-
2,962	Individual transfers	3,292
8,735		3,292

Group transfers relate to one-off events arising from the transfer of all or part of a business function from another local authority. The volume and value of individual transfers is dependent upon individual members' circumstances and will vary from year to year.

NOTES TO THE PENSION FUND ACCOUNTS

9. BENEFITS PAYABLE

By category

2015-16 £000		2016-17 £000
72,094	Pensions	76,011
18,856	Commutation and lump sum retirement benefits	20,003
1,424	Lump sum death benefits	2,373
92,374		98,387

By authority

2015-16 £000		2016-17 £000
37,268	Administering Authority	38,673
47,348	Scheduled Bodies	50,578
2,470	Admitted Bodies	2,979
3,211	Community Admission Bodies	3,884
1,207	Transferee Admission Bodies	1,121
870	Resolution Bodies	1,152
92,374		98,387

The increase in pensions payable during 2016-17 reflects the growth in the number of pensioners during the year.

The value of commutation and lump sum retirement benefits is dependent on volumes of retirements and the specific commutation decisions of retirees. Future trends will be dependent on employee decisions which will be influenced by commutation factors and the taxation environment.

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2015-16 £000		2016-17 £000
221	Refunds to members leaving service	306
-	Payments for members joining state scheme	-
-	Group transfers	670
5,094	Individual transfers	9,445
5,315		10,421

Individual transfers are dependent on individuals having an approved pension arrangement to transfer their LGPS benefits to after leaving the Cambridgeshire Fund and also the relative merits of that destination arrangement in comparison with the LGPS.

NOTES TO THE PENSION FUND ACCOUNTS

Refunds to members leaving service are extremely sensitive to fluctuations as a result of the small relative value.

11. MANAGEMENT EXPENSES

2015-16 £000 (re-presented)		2016-17 £000
2,091	Administrative costs	2,218
12,446	Investment management expenses (see note 11A)	12,526
219	Oversight and governance costs	419
14,756		15,163

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.

11A. INVESTMENT MANAGEMENT EXPENSES

2015-16 £000 (re-presented)		2016-17 £000
8,190	Management fees	10,634
2,795	Performance related fees	508
-	Custody fees	-
1,224	Transaction costs	1,099
237	Other costs	285
12,446		12,526

In 2016-17 there has been a change in presentation of investment manager expenses as noted on page 69. The prior year comparatives have been restated for consistency.

The increase in management fees in 2016-17 reflects the increase in the value of assets under management due to the exceptionally strong fund return of 24.5% in the year.

Performance related fees in 2015-16 include £2.6m of fees paid to managers on performance related agreements that have been terminated or transferred to market value based fee arrangements.

Directly incurred transaction costs are incurred on the purchase and sale of investments by segregated managers. In 2016-17 directly incurred transaction costs have reduced due to the transition to pooled funds during 2015-16.

NOTES TO THE PENSION FUND ACCOUNTS

12. INVESTMENT INCOME

2015-16 £000		2016-17 £000
35	Income from bonds	405
15,681	Income from equities	11,967
9,500	Pooled investments – unit trusts and other managed funds	8,260
3,656	Pooled Property Investments	6,788
2,270	Private equity/infrastructure income	1,661
149	Interest on cash deposits	902
308	Other	164
31,599		30,147

13. TAXES ON INCOME

2015-16 £000		2016-17 £000
31	Withholding tax - equities	-
31		-

In 2015-16 taxes arose on a segregated global equities mandate since terminated. In 2016-17 any taxes arising on overseas investments held in pooled funds are deducted from the valuation of the pooled fund.

NOTES TO THE PENSION FUND ACCOUNTS

14. INVESTMENTS

31-Mar-16 £000		31-Mar-17 £000
	Investment assets	
61,316	Bonds	74,590
266,984	Equities	357,733
1,487,140	Pooled investments	1,898,748
187,080	Pooled property investments	192,549
207,353	Private equity/infrastructure	246,179
	Derivatives	
-	• Futures	-
31,929	Cash deposits	41,910
2,580	Investment income due	2,714
235	Amounts receivable for sales	-
2,244,617	Total investment assets	2,814,423
	Investment liabilities	
	Derivative contracts:	
-	• Futures	-
-	• Forward currency contracts	-
(1,006)	Amounts payable for purchases	(1,137)
(1,006)	Total investment liabilities	(1,137)
2,243,611	Net investment assets	2,813,286

NOTES TO THE PENSION FUND ACCOUNTS

14(a) Reconciliation of movements in investments and derivatives

	Market value 31-Mar-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
Bonds	61,316	378	-	12,896	74,590
Equities	266,984	90,034	(57,572)	58,287	357,733
Pooled investments	1,487,140	13,207	(28,951)	427,352	1,898,748
Pooled property investments	187,080	22,335	(16,391)	(475)	192,549
Private equity/infrastructure	207,353	23,130	(27,250)	42,946	246,179
	2,209,873	149,084	(130,164)	541,006	2,769,799
Derivative contracts:					
• Futures		-	-	-	-
• Forward Currency Contracts		-	(5)	5	-
	2,209,873	149,084	(130,169)	541,011	2,769,799
Other investment balances:	33,738			1,360	43,487
• Cash deposits	31,929				41,910
• Amount receivable for sales	235				-
• Investment income due	2,580				2,714
• Amounts payable for purchases of investments	(1,006)			-	(1,137)
Net investment assets	2,243,611			542,371	2,813,286

*In 2016-17 the cost incurred in the purchase and sale of investments are reported as transaction costs (Note 11A) which is a change in presentation compared to prior years. Comparative figures in the table below have been restated for consistency. See page 69.

NOTES TO THE PENSION FUND ACCOUNTS

	Market value 1-Apr-15 £000	Purchases during the year and derivative payments (restated*) £000	Sales during the year and derivative receipts (restated*) £000	Change in market value during the year (restated*) £000	Market value 31-Mar-16 £000
Index-linked securities	-	59,954	-	1,362	61,316
Equities	843,577	574,277	(1,125,875)	(24,995)	266,984
Pooled investments	1,044,265	615,001	(89,368)	(82,758)	1,487,140
Pooled property investments	162,593	19,910	(4,054)	8,631	187,080
Private equity/infrastructure	165,436	28,120	(28,951)	42,748	207,353
	2,215,871	1,297,262	(1,248,248)	(55,012)	2,209,873
• Derivative contracts:					
Futures	(7)	2	(88)	93	-
• Forward Currency Contracts	(157)	2,592	(2,291)	(144)	-
	2,215,707	1,299,856	(1,250,627)	(55,063)	2,209,873
Other investment balances:	52,051			935	33,738
• Cash deposits	48,731				31,929
• Amount receivable for sales	88				235
• Investment income due	3,276				2,580
• Amounts payable for purchases of investments	(44)				(1,006)
Net investment assets	2,267,758			(54,128)	2,243,611

*Restated for revised presentation of transaction costs and pooled manager fees. See page 69.

Purchases and sales of derivatives are recognised in Note 14(a) above as follows:

- Futures – on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses and recognised as cash receipts or payments, depending on whether there is a gain or loss.
- Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

NOTES TO THE PENSION FUND ACCOUNTS

14(b). Analysis of Investments

31-Mar-16 £000		31-Mar-17 £000
	Bonds	
	UK	
61,316	Public sector quoted	74,590
61,316		74,590
	Equities	
	UK	
259,287	Quoted	344,537
	Overseas	
7,697	Quoted	13,296
266,984		357,733
	Pooled funds – additional analysis	
	UK	
60,920	Fixed income	67,173
544,320	Equity	677,130
	Overseas	
210,891	Fixed income	223,406
665,635	Equity	922,286
5,374	Cash Fund	8,753
1,487,140		1,898,748
187,080	Pooled property investments	192,549
207,353	Private equity/ infrastructure	246,179
-	Derivatives	-
394,433		438,728
31,929	Cash deposits	41,910
2,580	Investment income due	2,714
235	Amounts receivable for sales	-
34,744		44,624
2,244,617	Total investment assets	2,814,423
	Investment liabilities	
-	Derivatives	
(1,006)	Amounts payable for purchases	(1,137)
(1,006)	Total investment liabilities	(1,137)
2,243,611	Net investment assets	2,813,286

NOTES TO THE PENSION FUND ACCOUNTS

14(c). Investments analysed by fund manager

Market value 31-Mar-16			Market value 31-Mar-17		
£000	%		£000	%	
775,346	34.6	Schroders Investment Management	883,627	31.4	
525,754	23.4	State Street Global Asset Management	677,130	24.1	
329,995	14.7	Dodge & Cox Worldwide Investments	482,112	17.1	
253,038	11.3	JO Hambro Capital Management	324,281	11.6	
82,602	3.7	Skagen Funds	115,893	4.1	
64,751	2.9	Adams Street Partners	79,359	2.8	
53,501	2.4	M&G Investments	57,230	2.0	
50,919	2.3	HarbourVest Partners (UK)	59,077	2.1	
43,000	1.9	Cambridge and Counties Bank (direct holding)	54,700	1.9	
25,378	1.1	Equitix	27,806	1.0	
19,055	0.8	UBS Infrastructure	22,167	0.8	
17,749	0.8	Partners Group (UK)	27,052	1.0	
2,523	0.1	Cash with custodian	2,852	0.1	
2,243,611	100.0		2,813,286	100.0	

All the above companies are registered in the United Kingdom.

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

Security	Market value 31-Mar-16 £000	% of total fund %	Market value 31-Mar-17 £000	% of total fund %
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	329,995	14.5	482,112	16.9
State Street Managed Pension Fund All World Equity Index Sub-Fund	318,655	14.0	423,850	14.9
JO Hambro Capital Management Global Select Fund Sterling Z shares	253,038	11.1	324,281	11.4
State Street Managed Pension Fund UK Equity Index Sub-Fund	207,099	9.1	253,280	8.9
Schroders International Selection Fund – Strategic Bond	157,389	6.9	166,176	5.8

NOTES TO THE PENSION FUND ACCOUNTS

The table below lists individual investments that represent more than 5% of any class or type of investment shown in the reconciliation of movements in investment and derivatives reported in Note 14(a).

Security	Market value 31-Mar-16 £000	% of asset class %	Market value 31-Mar-17 £000	% of asset class %
Index-linked securities	61,316	100.00	74,590	100.00
1.25% Index-linked Treasury Gilt 2055	3,823	6.23	4,878	6.54
0.375% Index-linked Treasury Gilt 2062	3,370	5.50	4,539	6.09
0.125% Index-linked Treasury Gilt 2068	3,128	5.10	4,427	5.93
0.5% Index-linked Treasury Gilt 2050	3,135	5.11	3,989	5.35
1.125% Index-linked Treasury Gilt 2037	3,356	5.47	3,960	5.31
0.75% Index-linked Treasury Gilt 2047	3,125	5.10	3,950	5.30
0.625% Index-linked Treasury Gilt 2040	3,114	5.08	3,766	5.05
0.125% Index-linked Treasury Gilt 2040			3,733	5.00
1.25% Index-linked Treasury Gilt 2027	3,241	5.29	3,605	4.83
1.875% Index-linked Treasury Gilt 2022	3,244	5.29	3,483	4.67
2.5% Index-linked Treasury Stock 2024	3,139	5.12	3,380	4.53
Equities	266,984	100.00	357,733	100.00
HSBC Holdings PLC	n/a	n/a	21,827	6.10
Royal Bank of Scotland Group plc	14,903	5.58	20,994	5.87
BP plc	15,111	5.66	20,833	5.82
GlaxoSmithKline plc	17,700	6.63	19,337	5.41
Barclays PLC	n/a	n/a	19,283	5.39
Aviva plc	13,940	5.22	19,152	5.35
Pearson plc	n/a	n/a	18,208	5.09
Pooled investments	1,487,140	100.00	1,898,748	100.00
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	329,995	22.19	482,112	25.39
State Street Managed Pension Fund All World Equity Index Sub-Fund	318,655	21.43	423,849	22.32
JO Hambros Capital Management Global Select Fund Sterling Z shares	253,038	17.02	324,281	17.08
State Street Managed Pension Fund UK Equity Index Sub-Fund	207,099	13.93	253,280	13.34
Schroders International Selection Fund – Strategic Bond	157,390	10.58	166,177	8.75
Skagen Funds Skagen Kon-Tiki Fund	82,602	5.55	115,894	6.10
Pooled property investments	187,080	100.00	192,549	100.00
Blackrock UK Fund	23,218	12.41	23,228	12.06
Schroder Unit Trust UK Real Estate	20,670	11.05	21,226	11.02
Legal & General Property Fund Units	19,197	10.26	19,875	10.32
Mayfair Capital Property Units	17,977	9.61	19,010	9.87
Hermes Property Unit Trust	18,261	9.76	18,697	9.71
Standard Life Pooled Pension Property Fund	19,950	10.66	15,919	8.27
Schroder Real Estate Real Income Fund	13,974	7.47	15,404	8.00
Industrial Property Investment Fund	10,074	5.38	10,763	5.59
AVIVA Investors Pensions Ltd Property A	10,065	5.38	10,153	5.27
Private equity/infrastructure	207,353	100.00	246,179	100.00
Cambridge & Counties Bank	43,000	20.74	54,700	22.22
Equitix Fund II, LP	24,789	11.95	26,922	10.94
Partners Group Global Infrastructure 2012 LP	17,749	8.56	26,251	10.66
UBS International Infrastructure Fund	17,765	8.57	19,586	7.96

NOTES TO THE PENSION FUND ACCOUNTS

14(d). Stock Lending

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2017, the value of quoted equities on loan was £67.5m (31 March 2016: £36.3m). 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 £72.9m (31 March 2016: £38.9m) representing 108% 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 2017 or 31 March 2016.

Open forward currency contracts

There were no open forward currency contracts at 31 March 2017 or 31 March 2016.

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).

NOTES TO THE PENSION FUND ACCOUNTS

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.

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.

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 2012, 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 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	447,967	1,966,718	370,757	2,785,442
Loans and receivables	77,050	-	-	77,050
Total financial assets	525,017	1,966,718	370,757	2,862,492
Financial liabilities				
Financial liabilities at amortised cost	(8,914)	-	-	(8,914)
Total financial liabilities	(8,914)	-	-	(8,914)
Net financial assets	516,103	1,966,718	370,757	2,853,578

NOTES TO THE PENSION FUND ACCOUNTS

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2016 (re-presented – see below)	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	349,681	1,534,119	328,888	2,212,688
Loans and receivables	78,222	-	-	78,222
Total financial assets	427,903	1,534,119	328,888	2,290,910
Financial liabilities				
Financial liabilities at amortised cost	(14,619)	-	-	(14,619)
Total financial liabilities	(14,619)	-	-	(14,619)
Net financial assets	413,284	1,534,119	328,888	2,276,291

In 2016-17 the Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016). This revised interpretation has resulted in a change of classification the Fund's investments within the fair value hierarchy compared to 2015-16. The 2015-16 comparative disclosures have been re-presented for consistency. There has been no change in the valuation techniques used during the year.

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.

NOTES TO THE PENSION FUND ACCOUNTS

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – not exchange traded open ended funds	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
Pooled investments – not exchange traded closed ended funds	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.
Private equity and infrastructure	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Price/Earnings or EBITDA multiple Revenue Multiple Discount for lack of marketability	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cash flows, 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 2017.

Asset Type	Value as at 31-Mar-17 £000	Assessed valuation range (+/-) (% rounded)	Value on Increase £000	Value on Decrease £000
Property	124,578	14.2	142,268	106,888
Unquoted equity	246,179	20.1	295,661	196,697
Total Assets	370,757		437,929	303,585

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

Period 2016-17	Market value 1-Apr- 2016 (see Note) £000	Transfers into level 3 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/ (losses) £000	Realise d gains/ (losses) £000	Market value 31-Mar- 2017 £000
Pooled property investments	121,535	-	20,153	(16,366)	(2,097)	1,353	124,578
Private equity and infrastructure - equity	43,000	-	500	-	11,200	-	54,700
Private equity and infrastructure - other	164,353	-	22,630	(27,250)	13,602	18,144	191,479
Total	328,888	-	43,283	(43,616)	22,705	19,497	370,757

Note: As noted above, following the publication of the PRAG/Investment Association Guidelines, the classification of financial instruments to Level 3 have been reviewed and balances at 1 April 2016 re-presented.

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-16 Loans and receivables £000	Financial liabilities at amortised cost £000		Designated as fair value through profit and loss £000	31-Mar-17 Loans and receivables £000	Financial liabilities at amortised cost £000
Financial assets						
61,316	-	-	Bonds	74,590	-	-
266,984	-	-	Equities	357,733	-	-
1,487,140	-	-	Pooled investments	1,898,748	-	-
187,080	-	-	Pooled property investments	192,549	-	-
207,353	-	-	Private equity/ infrastructure	246,179	-	-
-	-	-	Derivative contracts	-	-	-
-	60,172	-	Cash	-	73,775	-
2,815	-	-	Other investment balances	2,714	-	-
-	18,050	-	Debtors	16,204	-	-
2,212,688	78,222	-		2,788,717	73,775	0
Financial liabilities						
-	-	-	Derivative contracts	-	-	-
-	-	(1,006)	Other investment balances	-	-	(1,137)
-	-	(13,613)	Creditors	-	-	(7,777)
-	-	(14,619)		-	-	(8,914)
2,212,688	78,222	(14,619)	Total	2,788,717	73,775	(8,914)
2,276,291			Grand total	2,853,578		

NOTES TO THE PENSION FUND ACCOUNTS

17b. Net Gains and Losses on Financial Instruments

2015-16 (Restated) £000		2016-17 £000
	Financial assets:	
(55,013)	Fair value through profit and loss	541,117
1,098	Loans and receivables	1,373
	Financial liabilities:	
(51)	Fair Value through profit and loss	5
(162)	Loans and Receivables	(13)
-	Financial liabilities measured at amortised cost	-
(54,128)	Total gains / (losses)	542,482

In 2016-17 investment manager expenses have been reclassified from gains and losses on financial instruments as noted on page 69. The prior year comparatives have been restated for consistency.

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 2016-17 reporting period. Due to the withdrawal of the Fund's previous provider of this data, 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	15.8
Overseas equities	18.4
Global pooled equities	18.9
Index-linked bonds	9.0
Pooled fixed interest bonds	10.1
Property	14.2
Alternatives	26.1
Cash and Other investment balances	0.0

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-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
Total Assets	2,813,286		3,279,108	2,347,464

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-16 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
UK equities	803,607	11.00	892,044	715,210
Overseas equities	7,697	13.30	8,721	6,673
Global pooled equities	665,635	10.80	737,524	593,746
Index-linked bonds	61,316	9.47	67,123	55,509
Pooled fixed interest bonds	271,811	1.37	275,535	268,087
Property	187,080	1.84	190,522	183,638
Alternatives	207,353	4.01	215,668	199,038
Cash and Other investment balances	39,112	0.01	39,116	39,108
Total Assets	2,243,611		2,426,253	2,061,009

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 2017 and 31 March 2016 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-16 £000	Asset Type	31-Mar-17 £000
31,929	Cash and cash equivalents	41,910
28,243	Cash balances	35,140
61,316	Index-linked securities	74,590
271,811	Fixed interest securities	290,579
393,299	Total	442,219

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	35,140	-	35,140	35,140
Index-linked securities	74,590	746	73,844	75,336
Fixed interest securities	290,579	2,906	287,673	293,485
Total change in assets available	442,219	3,652	438,567	445,871

Assets exposed to interest rate risk	Value at 31-Mar-16 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	31,929	-	31,929	31,929
Cash balances	28,243	-	28,243	28,243
Index-linked securities	61,316	613	60,703	61,929
Fixed interest securities	271,811	2,718	269,093	274,529
Total change in assets available	393,299	3,331	389,968	396,630

NOTES TO THE PENSION FUND ACCOUNTS

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	893	911
Index-linked securities	405	4	401	409
Fixed interest securities	4,385	-	4,385	4,385
Total	5,692	13	5,679	5,705

Income exposed to interest rate risk	Amount receivable in 2015-16 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits, cash and cash equivalents	149	1	150	148
Index-linked securities	35	-	35	35
Fixed interest securities	6,325	-	6,325	6,325
Total	6,509	1	6,510	6,508

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% (the 1 year expected standard deviation).

A 10% (31 March 2016: 6.0%) 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% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

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	201,065	245,747
Overseas Cash Fund	8,753	875	7,878	9,628
Total	1,167,741	116,774	1,238,083	1,097,399

Assets exposed to currency risk	Value at 31-Mar-16 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	673,332	40,467	713,799	632,865
Overseas Fixed Income	210,891	12,675	223,566	198,216
Overseas Cash Fund	5,374	323	5,697	5,051
Total	889,597	53,465	943,062	836,132

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 2017 was £73.8m (31 March 2016: £60.2m). This was held with the following institutions:-

	Rating	31-Mar-17 £000	31-Mar-16 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	41,125	29,934
UK Treasury Bills		-	-
Bank deposit account			
Barclays Bank	A	31,865	28,243
Bank current accounts			
Northern Trust custody accounts	P-1	785	1,995
Total		73,775	60,172

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 2017 the value of illiquid assets was £438.7m, which represented 15.4% of the total Fund assets (31 March 2016: £394.4m, which represented 17.6% 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 2017 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	2017/2018	2018/2019	2019/2020
18.1%	£26,039,000	£17,959,000	£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.

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-16 £bn		31-Mar-17 £bn
(3.555)	Present value of promised retirement benefits	(4.175)
2.277	Fair value of scheme assets (bid value)	2.854
(1.278)	Net liability	(1.321)

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.

NOTES TO THE PENSION FUND ACCOUNTS

Assumptions used

	31-Mar-17 % p.a.	31-Mar-16 % p.a.
Inflation/pension increase rate assumption	2.4	2.2
Salary increase rate	2.7	4.2
Discount rate	2.6	3.5

21. CURRENT ASSETS

31-Mar-16 £000		31-Mar-17 £000
	Debtors:	
2,048	Contributions due – members	861
6,544	Contributions due – employers	3,077
127	Transfer values receivable (joiners)	223
6,803	Sundry receivables	10,147
15,522		14,308
28,243	Cash balances	31,865
43,765		46,173

Analysis of debtors

31-Mar-16 £000		31-Mar-17 £000
3,785	Central government bodies	3,715
2,755	Other local authorities	6,825
4,079	NHS bodies	24
4,666	Public corporations and trading funds	3,333
237	Other entities and individuals	411
15,522		14,308

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 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 2017, a total of £2,528,000 was still due from the Ministry of Justice, with £632,000 being shown

NOTES TO THE PENSION FUND ACCOUNTS

in Current Assets and £1,896,000 being due after 31 March 2017 being shown in Non Current Assets.

23. CURRENT LIABILITIES

31-Mar-16 £000		31-Mar-17 £000
13,153	Sundry payables	4,126
94	Transfer values payable (leavers)	2,962
366	Benefits payable	689
13,613		7,777

Analysis of creditors

31-Mar-16 £000		31-Mar-17 £000
-	Central government bodies	-
12,943	Other local authorities	7,002
1	NHS bodies	-
93	Public corporations and trading funds	180
576	Other entities and individuals	595
13,613		7,777

24. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31-Mar-16 £000		Market value 31-Mar-17 £000
463	Equitable Life	418
7,182	Prudential	7,986
7,645		8,404

No contributions (2015-16: negligible contributions) were paid to Equitable Life during the year and total contributions of £1,026k were paid directly to Prudential during the year (2015-16: £940k). The value of the Equitable Life fund decreased during the year due to the payment of retirement benefits exceeding receipts from contributions and investment income. The Prudential fund increased during the year due to the performance of investments.

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.

2015-16 £000	2016-17 £000
2,005 Unfunded pensions	2,360
2,005	2,360

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 (2015-16: £2.2m) 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 £31.1m to the Fund in 2016-17 (2015-16: £28.2m). At 31 March 2017 there was £1.3m (31 March 2016: £2.8m) 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 Steve Count
- Councillor Roger Hickford
- Councillor Maurice Leake
- Councillor Michael Shellens
- Matthew Pink
- John Walker

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

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 who's 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 (investments) at 31 March 2017 totalled £146.5m (31 March 2016: £93.9m).

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

28. CONTINGENT ASSETS

Eighteen 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.

29. IMPAIRMENT LOSSES

Impairment for bad and doubtful debts

During 2016-17 the Fund did not suffer any impairment loss (2015-16: Nil) for overpayment of pensions unable to be recovered due to reasons of estoppel.

NOTES TO THE PENSION FUND ACCOUNTS

GLOSSARY OF TERMS

ACCRUAL

An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

ACTUARIAL BASIS

Valuations performed by an actuary relating to a pension scheme's assets and liabilities.

ACTUARY

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

ADMITTED BODIES

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

ALL SHARE INDEX

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

AT BEST

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

AUTHORISED UNIT TRUSTS

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

AVAILABLE FOR SALE FINANCIAL ASSETS

Assets that have a quoted market price and/or do not have fixed or determinable payments.

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.

NOTES TO THE PENSION FUND ACCOUNTS

CLEAN PRICE

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

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.

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.

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

NOTES TO THE PENSION FUND ACCOUNTS

to price movements for speculation or getting access to otherwise hard to trade assets or markets.

DISTRIBUTION DATES

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

DIVIDEND

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

EARNINGS PER SHARE (EPS)

The net (after tax) profits of a company divided by the number of ordinary shares in issue. This is used as the 'E' term in the P/E ratio to value shares.

EQUITIES

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

EXERCISE PRICE

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

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.

FUTURES

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

GEARING

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

GILT

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

NOTES TO THE PENSION FUND ACCOUNTS

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.

IMPAIRMENT

A reduction in the value of an asset from its previous value in the accounts.

IMRO

Investment Management Regulatory Organisation. Fund Manager Regulator.

INDEX LINKED

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

INTEREST YIELD

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

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).

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.

MEDIUMS

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

NOMINEE

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

OFFER PRICE

The price at which market makers will sell stock.

ORDINARY SHARES

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

NOTES TO THE PENSION FUND ACCOUNTS

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.

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.

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.

UNDERWRITER

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

UNIT TRUST

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

NOTES TO THE PENSION FUND ACCOUNTS

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

Appendix A – Governance Policy & Governance Compliance Statement

Appendix B – Funding Strategy Statement

Appendix C – Investment Strategy Statement

Appendix D – Joint administration strategy & joint communication strategy

