

CAMBRIDGESHIRE LOCAL GOVERNMENT PENSION SCHEME

Annual Report and Statement of Accounts 2013-2014

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Introduction

This Annual Report and Statement of Accounts sets out the arrangements by which the Local Government Pension Scheme operates, reports changes which have taken place and reviews the investment activity and performance of the Cambridgeshire Local Government Pension Scheme ("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 2013/14 and the Financial Reports of Pension Schemes – A Statement of Recommended Practice (Pension SORP) 2007.

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

Mr CMalyon

Chief Finance Officer
(Section 151 Officer)

Dated 2014

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;
- 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;
- complied with the Local Authority Code.

The Chief Finance Officer has also:

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

Certificate by the Chief Executive

I certify that this Accounting Statement has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Pension Fund at the reporting date and of its expenditure and income for the year ended 31 March 2014.

Mr C Malyon

Chief Finance Officer
(Section 151 Officer)

Dated 2014

Chairman's Foreword

It is my pleasure, as Chairman of the Pension Fund Board to introduce the Cambridgeshire Fund's Annual Report and Statement of Accounts for 2013/14.

The Fund held assets of £2.058bn as at 31 March 2014 (compared with £1.904bn on 31 March 2013). The number of pensioners in the Fund has continued to grow along with the number of active members.

- 24,854 active members (22,760 at 31 March 2013)
- 14,991 pensioners (14,274 at 31 March 2013)
- 25,793 deferred pensioners (24,566 at March 2013)

These members relate to around 197 employers who participate in the Fund.

Investments

The Cambridgeshire Fund delivered a return of 7.8% for the year, outperforming the Fund's benchmark return (7.2%) and the average Local Authority Pension Fund (6.4%). Overall, the Fund's equity and bond managers achieved returns ahead of their respective benchmarks, while the property and European equity managers performed with mixed results.

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. Although they are more vulnerable to setbacks in investor sentiment as we have been experiencing recently, we believe it is important for the Fund to continue to invest on the basis of a very long investment horizon. The investment strategy is reviewed on a regular basis, most recently in quarter 2 of the current financial year (April 2014), and we are confident that the Fund is well positioned to deliver attractive returns over the long term.

Funding

Over the year, the funding level for the Fund has increased from 72.4% to 77.7%. This reflects the outperformance returned by most of the Fund's equities and bond managers (which has driven the increase in asset values) and the large swings from long dated bonds (which helped reduce the liabilities value).

The Fund now obtains regular quarterly updates on the funding level with a formal valuation of the Fund carried out every 3 years. The most recent formal valuation was at 31 March 2013 and included a review of the Funding Strategy, which remains focussed on the long term health of the Fund.

Administration and Communications

The merging of the Cambridgeshire Pension Fund administrators with those of the Northamptonshire Pension Fund as part of LGSS has continued to bring opportunities for review and the introduction of greater efficiencies in relation to the running of the Fund.

The restructure of both the Cambridgeshire and Northamptonshire Funds completed in September 2013. A small satellite office in Cambridgeshire remained to maintain a local presence for Scheme members and employers. A number of new team members

joined the Northamptonshire office in the last 6 months of 2013-14 to fill the remaining vacancies. A large scale training programme has been in place for all new team members proving very successful with no significant effect on productivity or quality of service delivered to members of either Fund.

The joint Communications Policy continues to be a success with significant cost and resourcing savings through economies of scale. The joint Pension Fund website has been a significant success. The website holds a vast array of information allowing members to download relevant forms and access information to their specific needs.

The later half of 2013-14 involved a great deal of communication, both written and face to face presentations to both employers and scheme members on the changes to the Local Government Pension Scheme with effect from 1 April 2014. There were significant changes to the assessment of pensionable pay from which employers needed to calculate and deduct pension contributions that employers needed to be fully aware and prepared for. For members, the 2014 changes were quite significant with the scheme design changing from a final salary to a CARE scheme (Career Average Revalued Earnings).

Governance

The six modules of the CIPFA Skills and Knowledge framework were delivered as joint training sessions for both Board Members and Officers of Cambridgeshire and Northamptonshire Pension Funds. The six modules were split into 3 separate training days held at venues in Cambridgeshire, Northamptonshire and Bedfordshire. The training sessions proved very successful with presentations being delivered by key speakers in the pensions industry. The sessions were also extended to Board Members and Officers from Bedfordshire and Lincolnshire Pension Funds in the spirit of collaborative working.

Conclusion

I would like to take this opportunity to thank the members of the Pension Fund Board and Investment Sub-Committee, the Chief Finance Officer, the Head of Pensions and all the staff in the LGSS Pensions Service team, the advisers to the Fund and all who have participated in the management of the Fund, for all their hard work during the year.

2013-14 was a challenging and very busy year for LGSS Pensions with embedding a full restructure whilst maintaining a first class service and managing and preparing for the introduction of the 2014 changes to the Local Government Pension Scheme with the final key pieces of legislation not being available until very shortly before the new Scheme came into being.

Steve Count
Chairman of Cambridgeshire Pension Fund Board

Management and Financial Performance Report

Scheme Management and Advisers

Administering Authority	Cambridgeshire County Council Shire Hall Castle Hill Cambridgeshire CB3 0AP
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Administrator	Mr CMalyonChief Finance Officer (Section 151 Officer)
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Pension Fund Board and Investment Sub Committee

County Council Members	Councillor Steve Count (Chairman) Councillor Maurice Leeke (Vice Chairman) Councillor Roger Hickford Councillor Ashley Walsh Councillor John Reynolds Councillor Peter Ashcroft Councillor Nick Guyatt
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Unitary Authority/District/Borough	Councillor David Seaton (Peterborough City Council)
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All Other Employers Representative	David Brooks (resigned 6 December 2013)
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All Other Local Authorities, Police & Fire	Nick Guyatt
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Employees' Representatives	John Walker Matthew Pink
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Key Officers supporting the Fund

Head of LGSS Pensions	Steve Dainty
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Deputy Head of LGSS Pensions	Mark Whitby
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Governance & Funding Manager	Paul Tysoe
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Fund Accountants	John Hopwood Anthony Olaniyi
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Investment Advisors	Hymans Investment Consulting
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Investment Managers	Schroders Amundi Newton
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M&G
Adams Street Partners
HarbourVest
Equitix
Skagen
Partners Group
UBS

Joint Ownership Cambridge & Counties Bank Ltd
with Trinity Hall, Cambridge

Custodian BNY Mellon

AVC Providers Prudential Assurance
Equitable Life Assurance Society

Fund Actuary Hymans Robertson LLP

Auditor PricewaterhouseCoopers LLP

Legal Advisors LGSS Legal Services

Performance reporting WM Company

Bankers Barclays Bank

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

Paul Tysoe – Funding and Governance Manager
E-mail: phtysoe@northamptonshire.gov.uk

Enquiries relating to benefits and administration
should be directed to:

Mark Whitby, Deputy Head of Pensions, LGSS
E-mail: MWhitby@northamptonshire.gov.uk

Risk Management

This section sets out the key aspects of risk management within the scheme and should also be read in conjunction with the Governance arrangements section on page 11.

Governance Risk

The Governance arrangements explain the legal framework of the scheme, the make up of the Pensions Board and how the scheme manages investment asset allocation and the management of external Fund managers. In addition the role of the Custodian which is fundamental, covering accounting and pricing of assets risk is covered.

Investment Risk

Investment risk is covered in detail in the scheme's Statement of Investment Principles which is available on the Cambridgeshire Pension Fund website. See link below

<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>

Key Risks and Controls

The scheme considers all types of operational risk through risk audits, working with the County Council risk manager. Some of the current key risks with actions to mitigate include:

Risk	Mitigation
Inappropriate long-term investment strategy	Fund specific benchmark informed through regular asset liability modelling with support of the scheme's Actuary.
Investment manager under performance	Pension Fund Board and Investment Sub Committee monitoring of fund manager performance at least once every three months. (This may be via officers of the Fund as well as formal Board scrutiny).
Pensioners living longer than previous valuation assumptions	Triennial valuations to review and update longevity expectations.
Regulatory change	Members of the Pension Fund Board and officers of the Fund regularly attend seminars and training sessions to maintain knowledge and understanding, to ensure regulatory changes are fully understood and implemented.
Administering authority not advised of an employer closing to new entrants.	The Fund has an effective communication policy with all employer bodies to inform on the importance and impact of such changes.

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 Local Government Pension Scheme is principally governed by the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 [as amended] and the Local Government Pension Scheme (Administration) Regulations 2008 [as amended]. The scheme covers eligible employees of the County Council, the Police Authority, District and Borough Councils 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. A list of all those bodies with employees currently participating in the scheme is shown on pages 30 and 31.

This defined benefit scheme provides benefits related to salary for its members and is unaffected by the investment return achieved on the scheme’s assets. Pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory reviews and, where applicable, increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State and is based on the Consumer Price Index (CPI).

From 1 April 2014, the scheme design changed to a career average revalued earnings scheme (CARE).

Contributions

The scheme is financed by contributions from employees and employers, together with income earned from investments. The surplus of contributions and investment income over benefits being paid is invested.

The contributions from employees are prescribed by statute and are banded ranging from 5.5% for members on a full time annual pay rate of up to £13,500 to 12.5% for a full-time pay rate of more than £150,000 as at 31 March 2014.

Employers’ contribution rates are set following the actuarial valuation which takes place every three years. The contribution rate reflects the Fund deficit or surplus and is the rate at which employers need to contribute to achieve a 100% funding level. The Fund currently recovers deficits over a maximum period of 20 years commencing April 2008, as set out in the Funding Strategy Statement.

Employer contribution rates for 2013-14 were assessed by the Fund’s Actuary based on the completed valuation of the Fund’s financial position as at 31 March 2010.

The latest actuarial valuation was undertaken in 2013, based on data as at 31 March 2013. Changes in contribution rates, as a result of this valuation, will take effect from 1 April 2014.

Governance Arrangements

Pension Fund Board Arrangements

The investment activities of the Fund are controlled by the County Council's Pension Fund Board.

The Pension Fund Board consists of:

- six members nominated by the County Council;
- two district council representatives;
- one employee representative, nominated by the employees' UNISON;
- one representative of active members;
- one representative of deferred

The members of the Pension Fund Board as at 31 March 2014 are listed on page 7. All members have equal voting rights.

Fundamental Review of Pension Fund Board Arrangements

In August 2011 a fundamental review of the governance arrangements of the Fund commenced, culminating in Full Council approval of revised terms and conditions and where necessary specific standing orders, in July 2012. The new arrangements are detailed in the Governance Policy and Compliance Statement at the following link:

<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>

New legislation resulting from the Public Service Pensions Act 2013 requires the introduction of a further Pensions Board with a remit of oversight. The new Board will be established from 1 April 2014 and will consist of equal number of employer and scheme member representatives.

Management of Investments

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

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

Investment Asset Allocation and the role of Fund Managers

Asset allocation is the determination by the Pension Fund Board informed by professional investment advisors of the categories of investment that the Fund should seek to invest in, being an assessment of the asset types that best serves the current and future demands on the Fund. Typical categories are equities, fixed interest instruments, property and cash.

Following determination of the categories of investment, external investment managers are appointed to implement the investment strategy. Operational “day to day” investment decisions are taken by external investment managers, appointed by the Investment Sub Committee to optimise returns, as determined within the Fund’s asset allocation.

With the exception of a passive global equities mandate all external investment managers have been given “active” briefs to outperform the benchmark, which means they must determine which stocks to hold and which not to hold, in order to outperform the investment benchmark they are instructed to trade in.

External investment managers:-

- are given specific briefs in a defined asset class, therefore have little or no flexibility between asset classes;
- have limited sums to invest and are therefore less disruptive to replace should the need arise;
- have competitive performance targets to reflect the intensity of their limited specialist investment brief;
- are sometimes limited in which country they can invest, for example the Fund has investment managers who can only invest in UK equities.

Performance

Fund manager performance review is undertaken by the Investment Sub Committee and in part delegated to finance officers of the Fund, with fund managers required to report on investment performance on a quarterly basis. They are subject to challenge in these meetings from the Investment Sub Committee members and the Fund's investment consultant from Hymans.

Custodian Services

BNY Mellon is the Fund's appointed Global Custodian.

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, collecting all dividends and coupons accruing to the Fund and holding all cash;
- providing the administering authority with monthly valuations of the scheme's assets and details of all transactions during the quarter;
- providing details in a timely manner to WM Company.

Asset Liability Study

The Fund is required to undertake a full actuarial valuation of its assets and liabilities every three years. The valuation which impacted on the financial period covered in the report came into effect from 1st April 2010, for a three year period ending on March 2013.

The valuation process considers current and future liabilities and the degree to which these liabilities are provided for in the current value of assets, anticipated future investment return and the level of ongoing employer funding.

It is best practice following a valuation to review the asset allocation of the Fund and consider changes to the Fund's investment strategy; the Fund has recently undertaken a review of its asset allocation following the March 2013 triennial valuation that took effect from 1 April 2014. The outcome of the asset allocation review is a change to the Fund's asset mix. These changes are currently being implemented and will be reported in the Investment Policy and Performance Report section of the 2014-15 annual report next year.

Key Policies and Strategies of the Fund

The key policies of the Fund are briefly described below; the full latest version of these policies can be accessed through the following link:

<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>

These policies and statements are:

- Governance Policy and Compliance Statement
- Statement of Investment Principles
- Funding Strategy Statement
- Communications Policy
- Administration Strategy
- Knowledge Management Policy

Governance Policy and Compliance Statement

CIPFA published a guide to “Delivering Good Governance in Local Government: Framework (2007)” the purpose of which was to guide LGPS Funds in raising standards and awareness of what good governance constitutes and standards and quality sought by the Department for Communities and Local Government (DCLG). This resulted in funds producing their governance standards in a policy and a compliance statement, measuring against the good governance framework. In March 2011 Lord Hutton published his final report on the future of public sector pensions, which contained 27 recommendations on improving standards, 8 of which related to governance.

Following the Hutton Review the Fund undertook a fundamental review of Pension Committee operation including terms of reference, powers, structure and special standing orders, which resulted in Full Council approving a change to the County Council constitution in respect of its Pensions Fund Board governance arrangements.

The Governance Compliance Statement has been reviewed to incorporate these changes, which further strengthen its compliance standards, and was submitted to the newly formed Pension Fund Board in October 2012. The Governance Policy and Compliance Statement is available at the following link:

<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>

Statement of Investment Principles (SIP)

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

The statement must also state the extent to which the administering authority complies with guidance given by the Secretary of State, and, to the extent the authority does not comply, the reasons for not complying.

The statement must be reviewed and if necessary, revised, by the administering authority from time to time and, in the case of any material change in the authority's policies or breach of compliance, within six months of such change. To meet this requirement the Pension Fund Board reviews the SIP in its annual effectiveness review meeting, currently held in July.

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

The statement is required to state the extent to which the administering authority is compliant with the guidance given by the Secretary of State and also the extent the authority does not comply and if so, the reasons for non compliance. Currently the SIP compliance rating is deemed "fully compliant".

The latest version of the SIP is available at the following link:

<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>

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 the need to ensure sufficient funds are available for its current liabilities.

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

The purpose of this Funding Strategy Statement is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

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

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

The Funding Strategy Statement was updated in March 2014 and is available at the following link:

<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>

Communications Policy

The Communications Policy is guided by the standards set out in Regulation 106B of the Local Government Pension Scheme Regulations 1997 and Regulation 67 of the Local Government Pension Scheme (Administration) Regulations 2008.

These regulations requires administering authorities to:

- prepare, maintain and publish a written statement setting out their policy concerning communications with:
 - scheme members
 - representatives of schememembers
 - prospective schememembers
 - 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.
- 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.

This communications policy has been jointly adopted by both the Cambridgeshire Fund and the Northamptonshire Fund managed by Cambridgeshire County Council and Northamptonshire County Council, for which Cambridgeshire County Council and Northamptonshire County Council are the administering authorities. The driver for the joint approach is because the administration of these Funds is carried out by LGSS, a shared service arrangement, whereby a single team has been created to deliver pension services to both Funds, driving efficiency and improved standards.

The full Communications Policy and Plan are available at the following link:

<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>

Administration Strategy

Development of an administration strategy, as allowed for by the regulations governing the Local Government Pension Scheme, is seen as one of the tools which can help in delivering a high quality administration service to the scheme member and other interested parties. Delivery of a high quality administration service is not the responsibility of one person or organisation, but is rather the joint working of a number of different parties.

An administration strategy has been developed in consultation with employers; the strategy sets out the quality and performance standards expected of the administering authority and each scheme employer within the Funds. It seeks to promote good working relationships, improve efficiency and enforce quality amongst the scheme employers and the administering authority. The administration strategy received approval at the December 2012 Pension Fund Board meeting.

Regulatory framework

This statement is being produced in accordance with Regulation 65 of the Local Government Pension Scheme (Administration) Regulations 2008. 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 43 of the administration regulations 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.

This administration strategy sets out the information as required by the regulations mentioned above.

This administration strategy is being jointly developed by both Northamptonshire Local Government Pension Scheme and Cambridgeshire Local Government Pension Scheme managed by Northamptonshire County Council and Cambridgeshire County Council. The driver for the joint approach is because the administration of these Funds is carried out by Northamptonshire and Cambridgeshire County Councils' LGSS, a shared service arrangement whereby a single team has been created to deliver pension services to Funds, driving efficiency and improved standards.

The Administration Strategy is found at the following link:

<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>

Knowledge Management Policy

Governance standards recognise the need for effective decision making and a key requisite for this is effective training. The industry has recognised this, and is embedded in best practice and the various regulations in regard to pensions.

In 2010, CIPFA, working through the CIPFA Pensions Network of member authorities, produced a skills and knowledge framework aimed at setting standards for funds to achieve. Funds are required to report in their annual reports the compliance with the framework.

The framework covers six key skill areas, being:

- Pensions Legislative and Governance
- Pensions Accounting and Auditing Standards
- Financial Services Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial Markets and Products Knowledge
- Actuarial Methods, Standards and Practices

The Fund has recognised the need to review the delivery of the training programme, for which a Knowledge Management Policy was presented to the Pension Fund Board in July 2013. This facilitated joint training opportunities with the members of the Northamptonshire Pension Fund to make the training plan as efficient as possible and focus on the six segments shown above.

The policy recognises the need for members of the Investment Sub Committee to achieve a higher degree of training and awareness due to the increased complexity and importance of delivering a focussed and effective investment strategy for the Fund.

Each participant, both Pension Fund Board members and officers, are required to complete a training assessment questionnaire to establish future training requirements on an individual basis. Regular reviews of this training assessment by participants facilitate the measurement of progress of the training plan.

The joint training days were held on the 21 June 2013, 22 October 2013 and 10 June 2014 covering the 6 key skill areas with both members and officers from Cambridgeshire and Northamptonshire as well as from Bedfordshire and Lincolnshire.

The Knowledge Management Policy is available on the link below:

<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/>

Conflicts of interest

The Fund is currently developing a formal policy for managing potential conflicts of interest.

Legislation Report 2013-14

During this year there has been a single Statutory Instrument made and laid before Parliament that made amendments directly to the Local Government Pension Scheme provisions that applied up to 31 March 2014:

The Local Government Pension Scheme (Miscellaneous Amendments) Regulations 2014

These Regulations made amendments to the following sets of regulations:

LGPS (Benefits, Membership and Contributions) Regulations 2007	To clarify an issue over commutation of small pensions,
LGPS (Administration) Regulations 2008	In consequence of automatic enrolment requirements, to allow the Housing Ombudsman access to the scheme and;
	To set out action to be taken when an employer ceases to participate in the LGPS, or the administering authority consider it likely that they will at some point
LGPS Regulations 2013	To allow the Housing Ombudsman access to the scheme.

Two Statutory Instruments laid before Parliament introduced the reformed LGPS from 1 April 2014:

The Local Government Pension Scheme Regulations 2013	These regulations set out the provisions for the reformed LGPS in respect of membership from 1 April 2014 onwards
The Local Government Pension Scheme (LGPS) (Transitional Provisions, Savings and Amendment) Regulations 2014	These regulations set out the provisions and protections for those that have membership of the LGPS before and after introduction of the reformed scheme on 1 April 2014,
	Provided that Councillors would no longer be able to join the scheme after 31 March 2014, and clarified that existing active Councillor members as at 31 March 2014 could remain active members only until the end of their term of office.

The following new legislation issued during 2013-14 had an impact on the Local Government Pension Scheme:

The Pensions Increase (Review) Order 2013	This provided that the rate of increase applied to public sector deferred benefits, and pensions in payment, was to be 2.2% from 8 April 2013.
The Guaranteed Minimum Pensions Increase Order 2013	This provided that Guaranteed Minimum Pensions in payment that accrued, post 5 th April 1988 were to be increased by 2.2% from 6 April 2013.
The Automatic Enrolment (Earnings Trigger and Qualifying Earnings Band) Order 2013	This provided increases to values used in the operation of automatic enrolment.
Public Service Pensions Act 2013 The Act provides the framework for the changes to public sector pension schemes, such as the LGPS. It:	Provides for scheme regulations to be made within a common framework
	Establishes new Career Average Revalued Earning schemes across public sector schemes
	Links the normal retirement age to State Pension age
	Develops a new governance framework, and
	Requires a cost control mechanism to keep the ongoing cost of the schemes within defined margins.
Finance Act 2013	The Act includes a wide range of taxation measures and these include the reduction of the Lifetime Allowance from £1.5 million to £1.25 million from tax year 2014/15 onwards, the reduction of the annual allowance from £50,000 to £40,000 from tax year 2014/15 onwards and various transitional provisions.
Marriage (Same Sex Couples) Act 2013	The Act includes a Section, 16, which provides that the Secretary of State must arrange for a review of the relevant differences in survivor benefits, reviewing the costs, and other effects, of securing that relevant differences in survivor benefits are eliminated by the equalisation of survivor benefits. The outcome of the review should be published before 1 July 2014.
The Registered Pension Schemes and Overseas Pension Schemes (Miscellaneous Amendments) Regulations 2013	These regulations relating to 'qualifying recognised overseas pension schemes' (QROPS) were introduced to strengthen the QROPS regime. They include an increase in the specific information a QROPS must provide and a requirement that a QROPS must re-notify HM

	Revenue and Customs every five years that it meets the QROPS criteria.
The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013	These regulations consolidate and update requirements on pension schemes relating to the provision of information. They replace earlier, separate, regulations that applied to Personal Pension Schemes and Occupational Pension Schemes.
The Public Service Pensions Act 2013 (Commencement No.2 and Transitional Provisions) Order 2013	These Orders brings into force provisions of the Public Service Pensions Act 2013.
The Public Service Pensions Act 2013 (Commencement No.3) Order 2014	
Public Service Pensions Act 2013 (Commencement No.4) Order 2014	
The Public Service Pensions (Employer Cost Cap) Regulations 2014	These regulations provide that the specified margins in which scheme costs must remain, before corrective action is taken to rebalance the costs of the scheme, are set at 2 percentage points above and below the employer cost cap. They further provide that the target cost of a scheme, for cases where the cost would otherwise go beyond these margins, is the same as the employer cost cap. The target cost is the rate to which the costs of the scheme must return as a result of any corrective action.

New or revised guidance received

In addition to the above legislation, there have also been documents issued from central government that are referenced when administering the scheme:

Secretary of State for Education, Michael Gove - Written Ministerial Statement on Academies and LGPS Liabilities	This statement sets out details of a guarantee that any outstanding LGPS liabilities on academy closure will be met by the Department for Education. This guarantee came into force on 18 July 2013.
HM Treasury – Directions: The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014	Sets out details of when valuations are to take place, the methodology and assumptions to be used and contents to be included in the Valuation Report.
The Public Service Pensions (Information about Benefits) Directions 2014	Sets out information to be included in, and manner in which Benefit Information Statements are to be provided to scheme members.
Government Actuary's Department	In relation to LGPS up to 31 March 2014:

	<p>Lifetime Allowance and Additional Cash Commutation</p> <p>Limit on Total Amount of Benefits – Lifetime Allowance</p> <p>Correction to Table A in GAD guidance on "Application of a Pension Debit for Divorced Members - dated 4 March 2013"</p> <p>Correction to Table B1 of Section 4 in GAD guidance on "Annual Allowance Charges: Calculation of Scheme Pays Offset - dated 6 September 2012"</p>
	<p>In relation to the reformed scheme from 1 April 2014:</p> <p>Transfers;</p> <p>AVC conversion to Additional Pension, Trivial Commutation;</p> <p>Purchase of Additional Pension;</p> <p>Pension Credits on Divorce;</p> <p>Limits on Additional Cash Commutation</p> <p>Late Retirements</p>

Scheme Administration Report

This financial year has seen the Pensions Service continue to develop and expand on all of the advancements made in 2012-13, with convergence, streamlining and best practice being the driving force throughout.

The creation of a single LGSS Pensions Service for the Cambridgeshire Pension Fund and Northamptonshire Pension Fund completed in 2013-14 with converged processes being implemented very early on in the year eradicating duplication and creating efficient and streamlined processes.

The combined LGSS Pension Service saw a reduction of staff from 75.5 FTE to 60 FTE, delivering significant cost savings. LGSS Pension Services have continued to develop the single site operation which has secured efficiencies and adheres to one of the founding principles of LGSS – the development of Centres of Excellence. A Pensions Service presence for Cambridgeshire Pension Fund at Shire Hall to service visitors (both scheme members and employers) who would benefit from having individual face-face meetings. During 2014/15 the presence at Shire Hall will be scaled down to being staffed on a rota basis to further drive through efficiencies but without impacting on the quality of service we deliver to our Cambridgeshire Pension Fund stakeholders.

Other significant developments this year have been:

Pension Fund Website

The continued development of the joint Pension Fund website. The website contains detailed information for all the Fund's stakeholders. The content also includes a comprehensive suite of forms and factsheets for both members, prospective members and employers.

Employer Self Service

Employer self service gives employers access to our pensions database remotely and securely, allowing them to view, create and amend their member's data, run reports and perform benefit calculations. This has continued to reduce the administrative burden on the Pensions Service. Employer Self Service continues to be promoted to employers to generate further efficiencies.

Member Self Service

Member self service, like employer self service, allows members to access their records held on our pensions database to enable them view the information we hold and run certain calculations. During 2013-14 a programme of inviting members to access the self service facility began. This is due to be completed in 2014-15 with every member having access to their details. This initiative, like Employer Self Service, is also expected to generate further efficiencies.

I-Connect

I-Connect allows employers to securely submit automatically payroll data to the pensions database ensuring accurate and timely record maintenance and is a solution to the demands of automatic enrolment. LGSS Pensions Service has been working with its largest employers to implement I-Connect. Full implementation will achieve significant efficiencies for both the Pension Funds and the employer.

Administration Strategy

The Administration Strategy and Service Level Agreements have been consulted on and launched with our employers. We see the take up of these as one of the main tools to aid the delivery of a high quality administration service to all stakeholders. The Admission Agreement for new Admitted Bodies to the Pension Fund now includes a clause which leads to automatic sign up to the Administration Strategy.

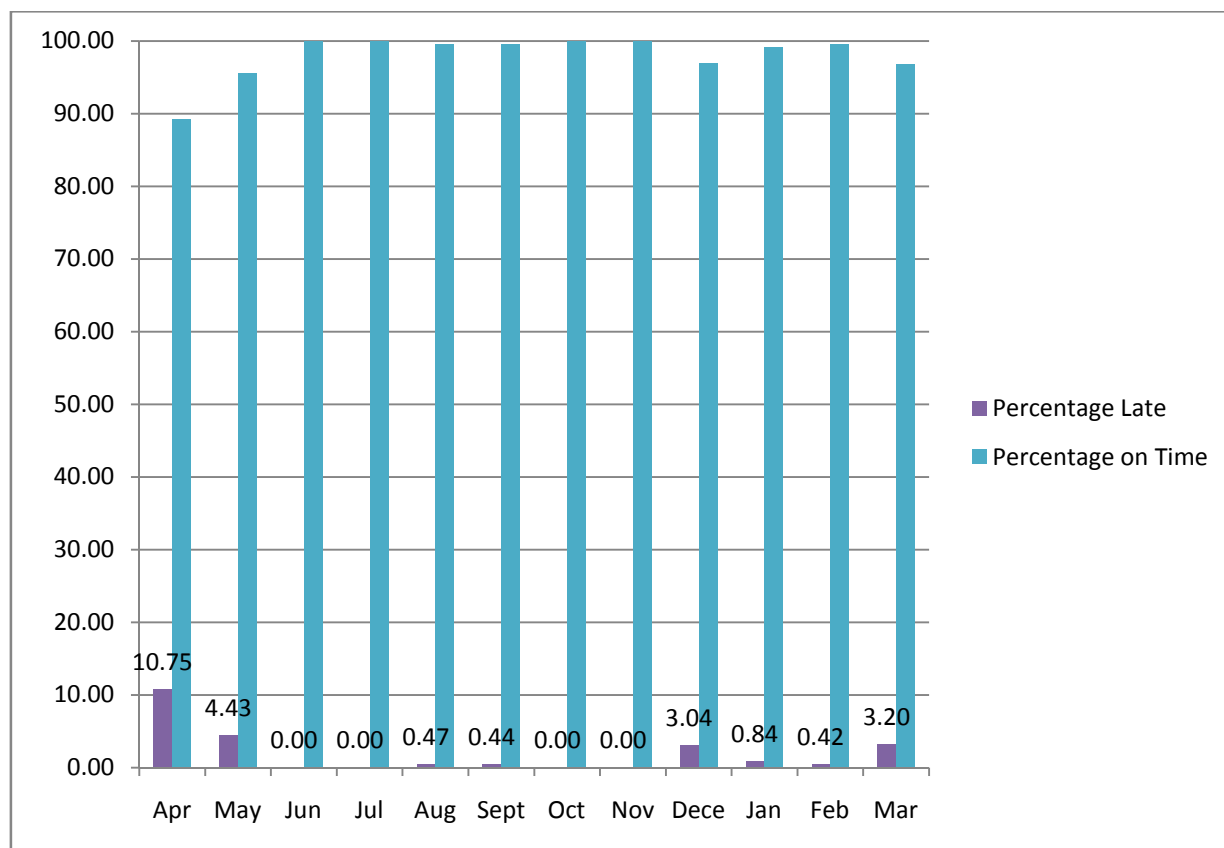
Steve Dainty
Head of Pensions

Steve Count
Chairman
Cambridgeshire Pension Fund Board

Financial Performance

Contributions

The chart shows the timeliness of contributions received during 2013-14, by showing the percentage of employers whose contribution payments were on time or overdue by the due date (19th of the month following deduction).



The above table identifies that the payment of employer contributions to this Fund were received within the deadline on an average of 98.44% of cases.

Management Performance

Membership

Members are made up of three main groups:

- Contributors – those who are still working and paying money into the Fund;
- Pensioners – those who are in receipt of a pension and;
- Deferred Pensioners - those who have left their employment with a future entitlement to a pension.

The tables below provide the composition of the Fund's membership at the end of each of the five years 2009-10 to 2013-14.

Active Membership

	31 March 2010	31 March 2011	31 March 2012	31 March 2013	31 March 2014
Cambridgeshire County Council	11,322	11,263	10,401	9,820	10,273
Cambridgeshire Fire Authority	157	158	154	142	134
Cambridgeshire Police Authority	1,209	1,086	1,005	941	936
Cambridgeshire Probation Service	244	237	221	215	221
District Councils					
Cambridge City Council	1,004	952	917	925	934
East Cambridgeshire District Council	183	165	161	162	173
Fenland District Council	531	503	440	428	430
Huntingdonshire District Council	718	697	630	619	606
Peterborough City Council	3,942	3,782	3,770	3,473	3,689
South Cambridgeshire District Council	432	400	392	391	425
Admitted Bodies					
Cambridgeshire Community Services NHS	185	173	161	155	93
Peterborough Culture & Leisure Trust (Vivacity)	0	104	91	84	71
Cambridge Regional College	397	423	390	375	367
Cross Keys Homes	150	159	147	127	119
Enterprise	0	447	403	324	291
Peterborough Regional College	218	229	237	225	257
Other Bodies	2,034	1,929	3,210	4,438	5,835
Total Contributors	22,811	22,774	22,770	22,760	24,854

Deferred Membership

	31 March 2010	31 March 2011	31 March 2012	31 March 2013	31 March 2014
Cambridgeshire County Council	9,107	9,615	10,513	12,475	12,993
Cambridgeshire Fire Authority	74	83	106	129	143
Cambridgeshire Police Authority	640	717	780	870	910
Cambridgeshire Probation Service	151	155	157	165	163
District Councils					
Cambridge City Council	1,012	1,056	1,109	1,150	1,207
East Cambridgeshire District Council	144	153	161	171	175
Fenland District Council	393	414	444	480	492
Huntingdonshire District Council	577	98	634	665	706
Peterborough City Council	3,435	3,728	3,913	4,600	5,043
South Cambridgeshire District Council	298	310	312	336	324
Admitted Bodies					
Cambridgeshire Community Services NHS	3	2	4	23	24
Peterborough Culture & Leisure Trust (Vivacity)	0	13	20	31	40
Cambridge Regional College	310	339	379	432	468
Cross Keys Homes	227	230	242	294	86
Enterprise	64	72	74	85	94
Peterborough Regional College	0	0	22	85	306
Other Bodies	1,812	2,248	1,935	911	2,619
Total Contributors	18,285	19,763	20,848	24,566	25,793

Pensioner and Dependants Membership

	31 March 2010	31 March 2011	31 March 2012	31 March 2013	31 March 2014
Cambridgeshire County Council	5,959	5,566	6,596	6,937	7,304
Cambridgeshire Fire Authority	57	60	74	86	92
Cambridgeshire Police Authority	322	367	407	431	463
Cambridgeshire Probation Service	129	138	149	152	155
District Councils					
Cambridge City Council	799	825	851	890	913
East Cambridgeshire District Council	168	178	183	195	210
Fenland District Council	341	353	380	398	411
Huntingdonshire District Council	466	485	536	561	575
Peterborough City Council	1,430	1,467	1,677	1,778	2,406
South Cambridgeshire District Council	367	390	412	426	449
Admitted Bodies					
Cambridgeshire Community Services NHS	1	14	21	31	40
Peterborough Culture & Leisure Trust (Vivacity)	0	7	13	14	16
Cambridge Regional College	77	87	106	119	142
Cross Keys Homes	33	40	46	58	63
Enterprise	0	0	10	20	38
Peterborough Regional College	87	97	102	110	125
Other Bodies	1,722	2,596	1,845	309	1,689
Total Contributors	12,001	12,726	13,489	14,274	14,991

Membership movements

	2011-12	2012-13	2013-14
No. of new starters throughout the year	2,770	4,255	4,467
No. of new pensioners throughout the year	902	994	902
No. of new deferred beneficiaries throughout the year	1,724	2,914	2,258
No. of refunds and transfers out throughout the year	378	187	158

The membership analysis below shows the age profile of membership.

	31 March 2014	31 March 2014	31 March 2014
Members in LGPS	Actives	Deferred	Pensioners
Age 0 Up to and including 20	294	110	96
Age 21 Up to and including 25	1,242	878	19
Age 26 Up to and including 30	1,633	1,906	3
Age 31 Up to and including 35	2,269	2,626	10
Age 36 up to and including 40	2,774	2,879	14
Age 41 Up to and including 45	4,093	4,120	35
Age 46 up to and including 50	4,652	4,825	84
Age 51 Up to and including 55	3,688	4,313	192
Age 56 Up to and including 60	2,797	3,235	1,064
Age 61 Up to and including 65	1,142	793	3,584
Age 66 Up to and including 70	237	90	4,039
Age 71 Up to and including 75	29	15	2,414
Age 76 Up to and including 80	4	3	1,618
Age 81 Up to and including 85	-	-	1,128
Age 86 Up to and including 90	-	-	595
Age 91 Up to and including 95	-	-	195
Age 96 Up to and including 100	-	-	21
Age over 100	-	-	-

Cambridgeshire Pension Fund – Employers with active members 2013-14

Major Scheduled Bodies
Cambridge City Council
Cambridgeshire County Council
Cambridgeshire Fire Authority
Cambridgeshire Police Authority
East Cambridgeshire District Council
Fenland District Council
Huntingdonshire District Council
Peterborough City Council
South Cambridgeshire District Council
Other Scheduled Bodies
Cambridge & Peterborough Probation Trust
Cambridge Regional College
Hills Road 6th Form College
Huntingdonshire College
Long Road 6th Form College
Peterborough Regional College
Abbey College
Alderman Jacobs School Academy Trust
All Saints Inter Church Academy
Arthur Mellows Village College
Bassingbourn Village College

Bishop Creighton Academy
Bottisham Village College
Bourn Church of England Primary
Buckden Church of England Primary
Burrowmoor Primary Academy
Bury CE Primary School
Cambourne Village Academy
Cambridge Meridian Academies Trust - Nene Park
Chesterton Community College Academy
Chesterton Primary Academy
City of Peterborough Academy
City of Peterborough Academy Special School
Comberton Village College
Cottenham Village College
Cromwell Community College
Crosshall Infant School - Academy Trust
Crosshall Junior School Ltd
Ely College
Ernulf Academy
Fulbridge Primary School
Godmanchester CP School Academy
Great Staughton Primary Academy

Hatton Park School
Hinchingsbrooke School
Highlees Primary School Academy
Histon and Impington Infants Academy
Histon and Impington Junior Academy
Impington Village College
Leverington Primary Academy
Linton Village College
Longsands Academy
Kenet Community School
Kimbolton Primary Academy
Melbourn Village College
Middlefield CP School
Murrow Primary School
Neale Wade Academy
Nene Infants Academy
Nene Park Academy
New Road Primary School
North Cambridge Academy
Ormiston Bushfield Academy
Ormiston Meadows Academy
Park Lane Primary and Nursery School
Parkside Federation
Peckover Primary Academy
Round House CP School
Sawston Village College
Sawtry Academy
Shade Primary Academy

Sir Harry Smith Community College
Soham Village College
Stanground Academy
St Bedes Inter Church School
St Ivo School
St John's Academy
St Peter's School Huntingdon
Swavesey Village College
The Centre School
The Kings Academy
Thomas Clarkson CC Academy
Thomas Deacon Academy
Voyager Academy
Welland Primary School
Winhill Primary Academy
Witchford Village College
Resolution Bodies
Bretton Parish Council
Burnt Fen Internal Drainage Board
Burwell Parish Council
Cambourne Parish Council
Chatteris Town Council
Cheveley Parish Council
City Of Ely Council
Eye Parish Council
Farcet Parish Council
Feldale Internal Drainage Board
Gamlingay Parish Council

Haddenham Level Drainage Commissioners
Haddenham Parish Council
Hemingford Grey Parish Council
Histon and Impington Parish Council
Holmewood & District Internal Drainage Board
Huntingdon Town Council
Kimbolton & Stoneley Parish Council
Linton Parish Council
Little Downham Parish Council
Little Paxton Parish Council
Littleport & Downham Internal Drainage Board
Middle Fen & Mere Internal Drainage Board
Middle Level Commissioners
Newborough Parish Council
North Level Commissioners Internal Drainage Board
Old West Internal Drainage Board
Orton Waterville Parish Council
Sawston Parish Council
Soham Town Council
St Ives Town Council
St Neots Town Council
Sutton Parish Council
Swaffham Internal Drainage

Board
Swavesey Parish Council
Thorney Parish Council
Tydd St Giles Parish Council
Waterbeach Level Internal Drainage Board
Waterbeach Parish Council
Whittlesey & District Internal Drainage Board
Wimblington Parish Council
Wisbech Town Council
Witcham Parish Council
Yaxley Parish Council
Admission Bodies
Action For Children
ADEC
Advanced Cleaning Services (Watheralls)
Advanced Cleaning Services (Burwell & Netherall)
Apollo Property
Avocet Cleaning Services Ltd
Balfour Beatty Plc
Cambridge Primary Education Trust
Cambridgeshire Community Services Trust
Cambridgeshire PCT
Cambridgeshire Mencap
Care Quality Commission
Cater Link Limited
Circle Anglia Limited
Collections Trust
Compass Contract Services

Conservators of River Cam
Cross Keys Homes Limited
Cucina Restaurants
Dell (Neale Wade)
Dell (Cromwell)
Dell (Harry Smith)
Drinksense
East of England Local Government Association
Easy Clean (Fenstanton)
Easy Clean (St Peters)
Ecovert FM Limited
Elior UK
Enterprise Management
Excelcare
Etheldred House
Friends Therapeutic Community Trust
Greenwich Leisure
Group Therapy
Home Close Limited
Homerton College
Inclusion
Innovate Services Limited
Kelsey Kerridge Sports Hall
Kimbolton School
Luminus Group Limited
Lunchtime UK Ltd
M & B Caterers Limited
Mears Group PLC
Mears Limited
Mitie PFI Limited
Oxford Archaeology (East)
Pabulum Limited (Swavesey)

Pabulum Limited (Cottenham)
Peterborough Council Voluntary Services
Perse School For Girls
Peterborough Primary Care Trust
Radis Community Care
Roddens Housing Association
Sanctuary Housing
Schools Direct (Sawtry Infants)
Schools Direct (Sawtry Junior)
Screen East
Serco Limited (Peterborough)
Serco Limited (IT)
Skanska
Spurgeons
Taylor Shaw Limited
Thorokleen Trading Limited
Vivacity Culture & Leisure (Peterborough)
Wisbech & Fenland Museum
Wisbech Grammar School
Employers that ceased during 2013/14
Sports & Leisure Management

Investment Policy and Performance Report

March 2013 Benchmark & Indices

The asset allocation and benchmarks applied during the 2012/13 financial year are shown below. This can be compared to the asset allocation and benchmarks as at 31 March 2014 for the 2013-14 financial year.

Asset Class	Weighting (%)		Market Benchmark Adopted
UK Equity	20.0		
	10.0		FTSE All-Share
	10.0		Composite
Global Equity	44.5		
	12.0		MSCI AC World Unhedged NDR
	12.0		MSCI Europe NDR
	11.0		FTSE All World (inc EM)
	5.0		MSCI Emerging Markets Equities
	4.5		Composite
Bonds	14.5		
	12.0		Composite
	1.5		3m LIBOR
	1.0		FTSE Actuaries British Government Index Linked Gilts Stocks
Property	11.0		IPD UK All Balanced Average Funds Index
Private Equity and Infrastructure	10.0		MSCI World
Total	100.0		

March 2014 Benchmark & Indices

Asset Class	Weighting (%)		Market Benchmark Adopted
UK Equity	20.0		
	10.0		FTSE All-Share
	10.0		Composite
Global Equity	44.5		
	12.0		MSCI AC World Unhedged NDR
	12.0		MSCI Europe NDR
	11.0		FTSE All World (inc EM)
	5.0		MSCI Emerging Markets Equities
	4.5		Composite
Bonds	14.5		
	12.0		Composite
	2.5		3m LIBOR
Property	11.0		IPD UK All Balanced Average Funds Index
Private Equity and Infrastructure	10.0		MSCI World
Total	100.0		

What has changed?

Bonds

Following a review of the bond mandates the Fund increased its allocation in the European Loan Fund managed by M & G from 1.5% to 2.5%, funded by a transfer from the 1.0% allocation to UK index linked gilts previously managed by State Street.

Fund Manager Profiles

The fund manager profile at the start of the financial year 1st April 2013:

Investment Manager	Asset Class	Individual Target above Benchmark
Schroder	Multi-Asset	1.00%
	Property	0.75%
Amundi	Pan European Equities	2.00%
State Street	UK Equities	n/a
	Global Equities	n/a
	Index Linked Gilts	n/a
Skagen	Emerging Markets Equities	2.00%
Newton	Global Equities	2.00%
M & G Loans	Bonds	4.00%
Private Equity and Infrastructure	Private Equity and Infrastructure	n/a
Overall Fund Target		1.10%

The fund manager profile at the end of the financial year 31st March 2014:

Investment Manager	Asset Class	Individual Target above Benchmark
Schroder	Multi-Asset	1.00%
	Property	0.75%
Amundi	Pan European Equities	2.00%
State Street	UK Equities	n/a
	Global Equities	n/a
Skagen	Emerging Markets Equities	2.00%
Newton	Global Equities	2.00%
M & G Loans	Bonds	4.00%
Private Equity and Infrastructure	Private Equity and Infrastructure	n/a
Overall Fund Target		1.10%

Key Changes

The key change reflects the termination of the State Street 1% allocation to index-linked bonds which was reallocated to the M & G European Bond mandate. The target allocation to the M&G mandate is now 2.5% of the Fund.

The changes were implemented and in place by the end of quarter 1, 2013-14.

Asset Allocation Strategic Review

The Fund has a policy to review its asset allocation on an annual basis and to conduct a full review following the triennial valuation process. A full review was conducted in 2013-14 following the valuation.

The Fund considers its existing strategy to be robust; however a regular review and challenge process is considered good governance. The last review focussed on assessing whether making changes to the asset allocation could either drive improvements in the funding level or provide more downside protection.

The Fund considered the reduction of the quantum of investment risk it takes and noted that this may however decrease the expected investment returns and would result in a requirement for greater employer contributions to recover the funding level and provide future benefits.

As such, with particular reference to the current economic environment, it made a decision to reduce investment risk slightly in a way that will not decrease its investment returns.

Asset Allocation and Fund Specific Benchmark by Fund Manager for 2013-14

The table below shows the asset allocation and associated specific benchmarks (indices) by fund manager as at the 31 March 2014.

Asset Class/Manager	Weighting (%)	Market Benchmark Adopted
UK Equity	20.0	
Schroder	10.0	Composite benchmark
State Street	10.0	FTSE All-Share index
Global Equity	44.5	
Amundi	12.0	MSCI Europe NDR
Newton	12.0	MSCI World AC
Schroder	4.5	Composite benchmark
Skagen	5.0	MSCI Emerging Market Equities
State Street	11.0	FTSE All World
Property	11.0	
Schroder	11.0	IPD UK All Balanced Property
Bonds	14.5	
M & G	2.5	3m LIBOR
Schroder	12.0	Composite benchmark
Private equity	5.0	MSCI World
Adams Street Partners		
Cambridge and Counties Bank Ltd		
HarbourVest Partnership		
Infrastructure	5.0	MSCI World
Equitix Ltd		
Partners Group		
UBS Global Asset Management		
Total	100.0	

The table below shows the asset class and value of holdings as at 31 March 2014.

Asset Class	Manager	Market Values at 31st March 2014	Holding
		(£m)	(%)
UK Equity & Property	Schroders	827.5	40.7
UK Equity and Global Equity	State Street	470.7	23.2
Global Equity	Amundi	214.4	10.5
	Skagen	90.2	4.4
	Newton	235.0	11.6
Fixed Income	M & G	49.4	2.4
Infrastructure	Equitix	16.3	0.8
	Partners Group	5.6	0.3
	UBS	17.5	0.9
Private equity	Adams Street Partners	45.7	2.2
	Cambridge and Counties Bank	14.5	0.7
	HarbourVest	38.7	1.9
Cash	Cash	7.7	0.4
Total		2,033.2	100.0

Annual Investment Review 2013-14

Economic and Market Background

Global equity markets performed strongly over the year to 31 March 2014. Investor confidence was supported, in the main, by record low short-term interest rates.

In late May 2013, there was a distinct, if short-lived, change in the prevailing bullish market sentiment, when the US central bank hinted it might begin scaling back its programme of asset purchases. Signs of a potential credit crunch in China, reduced forecasts for economic growth in the Eurozone and an uncertain outlook in the UK added to the sense of unease. Equity markets responded with sharp falls, particularly in Asia Pacific and Emerging markets. In the UK, Europe and US, there was some recovery over the summer of 2013, as central banks sought to re-assure investors and to restore confidence.

In December 2013, and after much speculation, the US central bank commenced the scaling back of its monthly asset buying program. This is likely to be phased out entirely during 2014, but official guidance indicates no rise in interest rates until there is clear evidence of sustainable economic growth. In contrast to US policy, the European Central Bank provided further monetary easing through two cuts in short-term interest rates; one in May 2013, from 0.75% to 0.50%, and a second in November 2013, to 0.25%, as inflation in the Eurozone dipped below 1% p.a.

In the March 2014 budget, branded as a budget for 'savers', the Chancellor of the Exchequer announced an increase in the threshold for tax free savings and greater flexibility in the operation of defined contribution pension plans. At the same time, the Office for Budget Responsibility revised its forecast for UK economic growth in 2014, from 2.4% to 2.7%. On this basis, the economy will surpass its pre-crisis peak later this year.

Returns, in Sterling, for various asset classes during the year were as follows:

Equities	%	Bonds	%
UK (FTSE All Share)	+8.8	UK Gilts (All Stocks)	-2.6
All World (ex UK)	+6.7	UK Index Linked (All)	-3.8
North America	+10.3	Overseas Bonds	-8.5
Europe (ex UK)	+17.3	Corporate Bonds (All Investment Grade)	+2.5
Japan	-1.6	Property	+14.0
Pacific Basin (ex Japan)	-6.6	Cash	+0.5
Emerging Markets	-10.8		

Key events during the year were:

Global Economy

- Forecasts of UK economic growth for 2014 & 2015 were revised upwards by the Office for Budget Responsibility;
- Short-term interest rates were unchanged in UK and US and reduced, in two stages, from 0.75% to 0.25%, in the Eurozone;
- The Eurozone emerged from recession after four consecutive quarter of economic contraction but growth remained very subdued;
- The European Commission allowed some member states to slow the pace of austerity measures. In the UK, the government's deficit reduction plans remained on course;
- UK inflation (CPI) fell to a four year low of 1.6% (v. target of 2%) in March 2014;
- Eurozone inflation fell to 0.5% in March 2014 (the lowest rate since November 2009);
- Japan reported a record trade deficit in 2013, as a weak Yen pushed up the cost of imports.

Equities

- The best performing sectors relative to the 'All World' Index were Technology (+8.1%) and Health Care (+7.6%); the worst were Basic Materials (-9.8%) and Consumer Goods (-5.2%);
- Equity markets in Europe (ex UK) and North America outperformed the UK in local currencies and Sterling;
- A strong local currency performance in Japan was offset by Yen weakness. Over the year Japanese equities returned -1.6% in Sterling;
- A relatively disappointing performance in emerging markets was compounded by currency weakness. In Sterling terms, emerging markets returned -10.8% over the year;
- Barclays Bank announced a £5bn rights issue (and a £2bn bond issue) to meet new capital requirements (July 2013);
- Vodafone sold its 45% stake in Verizon for \$130bn (September 2013).

Bonds and currencies

- UK government bonds yields rose (prices fell), reflecting optimism about the economic outlook;
- Corporate bonds outperformed their government counterparts by a comfortable margin;
- Argentinean devaluation in January 2014 caused sharp fluctuations in other emerging market currencies.

Fund performance

Over the twelve month period, the Fund achieved a return of 7.8% against the benchmark return of 7.2% (source: State Street Global Services). The Fund's investments in equities and bonds contributed positively in absolute terms. Amongst the Fund's investment managers, the property mandate suffered disappointing performance in relative terms. The large multi-asset mandate managed by Schroder and the specialist equity managers all outperformed their benchmarks, with the

exception of Newton Global Equity Mandate, which underperformed its benchmark over the year.

Outlook

In the months since the end of the period investors have tended to look through first-quarter fluctuations and assumed that a steady global recovery remains in place.

Thus, it is assumed that the US will bounce back from a weather-related setback in Q1. Spectacular growth in Japan is expected to wilt following a rise in consumption tax. Although there are signs of renewed slowdown in the Eurozone, the ECB has provided further support through another rate cut and a new liquidity programme. The combination of economic momentum and a still-benign interest rate outlook has been enough to push equities higher again.

Government bond markets have also continued to interpret the economic background favourably and have at least maintained Q1 gains. The focus here has been on the stabilisation of growth, in contrast to the improving outlook that marked the end of last year, as well as the continued absence of any serious inflation pressure.

Yield margins in credit markets continued to edge lower during April and May. Emerging market debt also performed well, with yields on the major local currency indices falling by 0.3% p.a. or more during April and May.

The momentum behind the rally in UK property has picked up again following more modest monthly gains at the start of the year. The IPD Monthly Capital Value index rose by 0.8% and 1.1% in April and May, respectively.

Investment Strategy

The assets of the Fund are invested on the basis of a very long term investment horizon. The asset allocation remains heavily biased towards investments expected to earn an attractive real rate of return over the long term. These investments, by their nature, will tend to exhibit more volatility in the short and medium term and are vulnerable to setbacks in investor sentiment. However, they are expected to earn more attractive rates of return over the longer term than lower risk investments.

During the course of the last year the Fund conducted its regular triennial actuarial valuation. This review confirmed that the funding position has improved since the previous valuation in 2010. The review also highlighted that, for the time being, the Fund can still expect to have more money coming in through contributions and investment income than going out through pension payments.

Following the completion of the actuarial valuation, the Fund has conducted a review of its long term strategic asset allocation. A detailed review was undertaken whereby the current strategy and a range of alternative strategies were modelled against a wide range of potential future economic scenarios.

As a result of this review, the Fund has decided to adjust its long term asset allocation, reducing the exposure to quoted equities and introducing a broader range

of diversified assets that are also expected to deliver long term real return. The Fund is now considering a number of options as to how it might implement this change most effectively. This is expected to progress over the remainder of 2014.

Paul Potter
Hymans Robertson
11 July 2014

Investment Performance 2013-14

Further investment performance details comparing the Cambridgeshire 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 2014						
		The Fund	Bench- mark	Retail Price Index	UK Average Weekly Earnings Index	Local Authority Average
2013-2014	1 year	7.8	7.2	2.5	2.2	6.4
2011-2014	3 years	7.7	7.7	3.1	1.0	7.5
2009-2014	5 years	12.0	13.7	3.8	2.3	12.7
2004-2014	10 years	7.6	8.0	3.3	3.2	7.8

Investment Manager Performance

This table sets out the investment manager performance for 2013-14.

		1 Year			3 Years		
		%			% pa		
Asset Class	Manager	Return	Bench- mark	Variance	Return	Bench- mark	Variance
Multi Asset	Schroders	8.2	3.1	5.1	10.0	6.2	3.8
UK Equity	State Street	8.1	8.5	(0.4)	8.9	8.9	-
Global Equity	Amundi	16.1	13.4	2.7	4.4	7.0	(2.6)
	Newton	5.9	6.2	0.3	7.8	7.1	0.7
	Skagen ¹	(1.9)	(10.2)	8.3	-	-	-
	State Street	6.9	6.8	0.1	7.6	7.7	(0.1)
Property	Schroders	9.8	11.9	(2.1)	3.8	6.1	(3.7)
Fixed Income	M & G ²	6.1	0.5	5.6	-	-	-

¹ Appointed on the 25 July 2012, therefore 3 year return is not yet available.

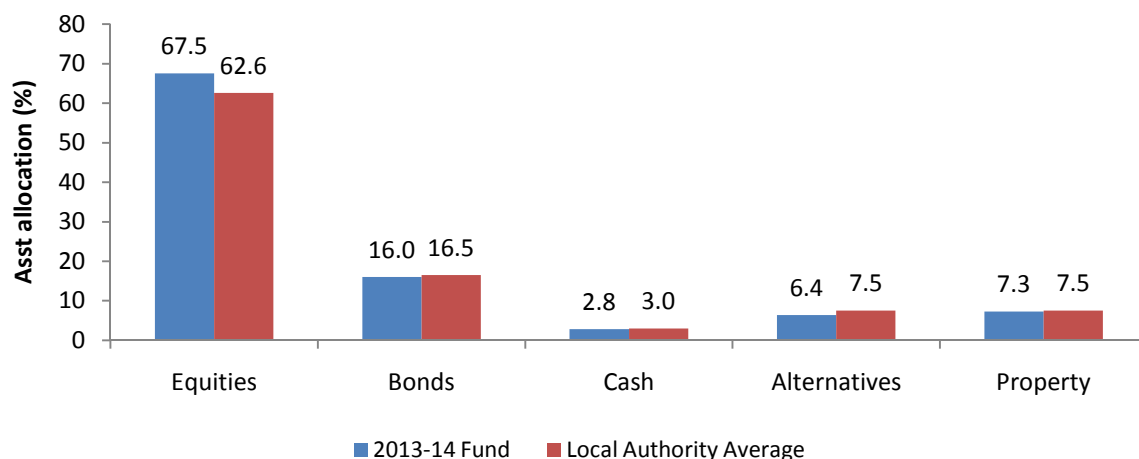
² Appointed on the 30 April 2011, therefore 3 year return is not yet available.

Performance in comparison with Local Authority Universe

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

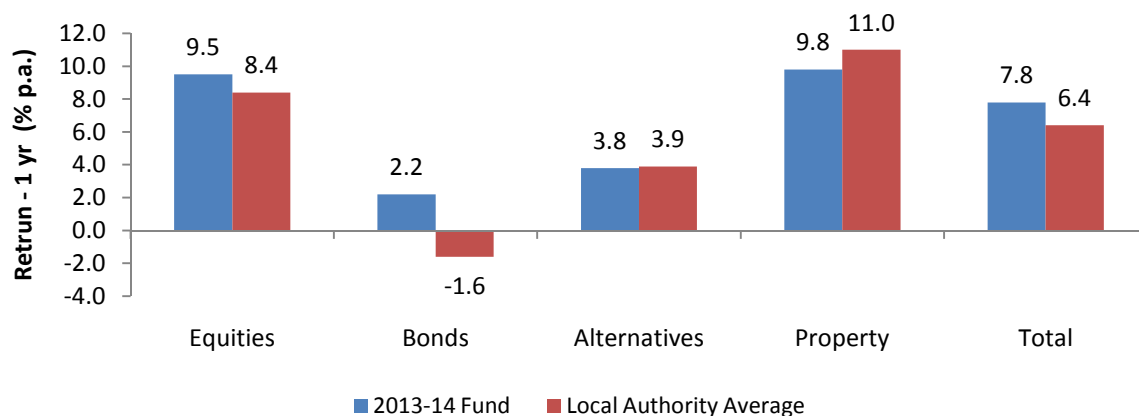
The Fund participates in the WM Company's benchmarking of local authority investment performance, which provides useful information on how well the Fund has performed in comparison with other local authorities.

Asset Mix Compared to the Local Authority Universe



The graph shows that the Fund's asset mix is broadly comparable with the local authority average, the main variances indicating the Fund's preference for equity and bonds, but disfavour of alternatives.

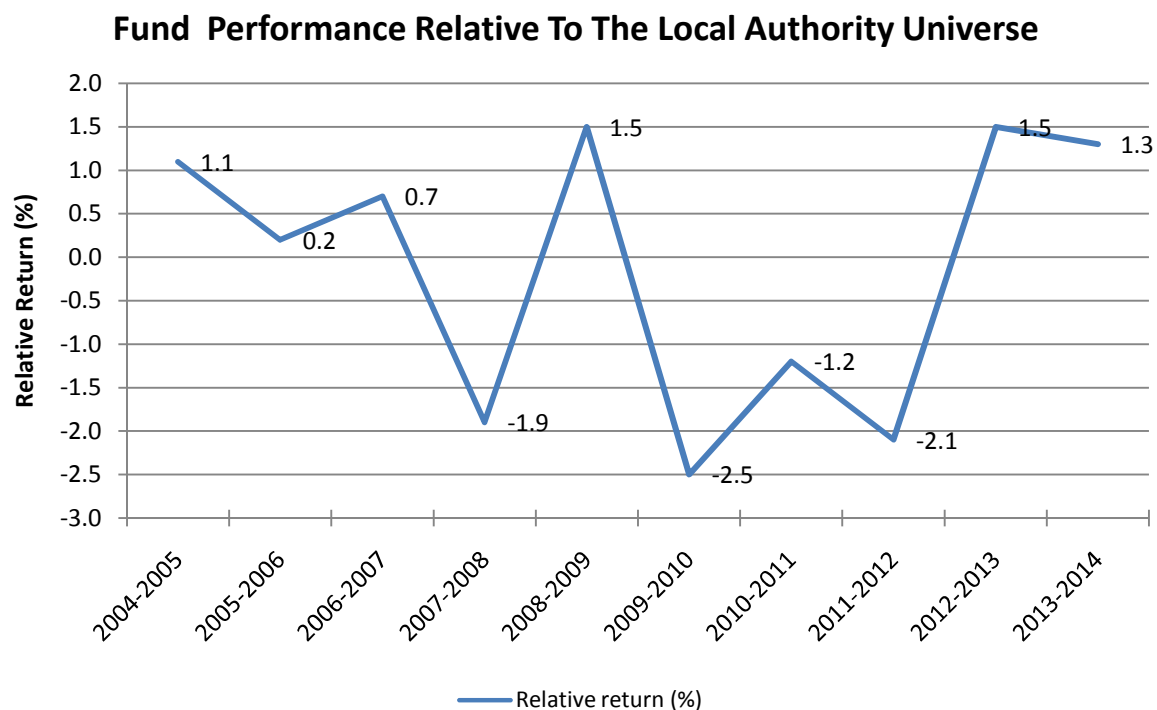
Investment Return Compared to Local Authority Universe 1 year return annualised



NB: The Fund figure for alternatives includes private equity and Infrastructure only, whilst the local authority's figure for alternatives includes private equity, hedge funds, GTAA, and commodities etc.

Year Annual Return (%)	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014
Total Fund	12.9	25.2	7.8	(4.7)	(18.8)	31.9	6.9	0.5	15.5	7.8
WMBenchm ark	11.7	24.9	7.0	(2.8)	(19.9)	35.2	8.2	2.6	13.8	6.4

The table above compares the Fund's performance with the local authority average for the ten years since 2004. This is shown graphically below where the relative returns are plotted.



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 six occasions and underperformed on four occasions.

Actuarial Reports

Actuarial Statement for 2013/14

This statement has been prepared in accordance with Regulation 34(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2013-14.

Description of Funding Policy

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), dated March 2014. 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 (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

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 better than 60% 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 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £1,905m, were sufficient to meet 72% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £728m.

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

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2014.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2013 valuation were as follows:

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

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

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

*Currently aged 45

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

Experience over the period since April 2013

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

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

Geoffrey Nathan FFA

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
21 May 2014

Hymans Robertson LLP
20 Waterloo Street
Glasgow

Fund Account and Net Assets Statement

Introduction

- 1.1 The following comprises the Statement of Accounts for the Cambridgeshire Fund. The accounts cover the financial year from 1 April 2013 to 31 March 2014.
- 1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis. They do not take account of liabilities to pay pensions and other benefits in the future.
- 1.3 The accounts are set out in the following order:

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

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

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

Cambridgeshire Fund Account for the year ended 31 March 2014

2012/13			2013/14
£000		Notes	£000
	Dealings with members, employers and others directly involved in the fund		
96,062	Contributions	8	99,575
4,553	Transfers in from other pension funds	9	4,249
100,615			103,824
(78,179)	Benefits	10	(87,599)
(5,607)	Payments to and on account of leavers	11	(5,514)
(2,920)	Administration expenses	12	(2,652)
(86,706)			(95,765)
13,909	Net additions from dealings with members		8,059
	Returns on investments		
31,084	Investment income	13	36,504
(1,899)	Taxes on income		(1,803)
218,052	Profit and losses on disposal of investments and changes in the market value of investments	16a	115,628
(2,309)	Investment expenses	14	(4,569)
244,628	Net return on investments		145,760
258,837	Net increase in the net assets available for benefits during the year		153,819

Net Assets Statement as at 31 March 2014

2012/13			2013/14
£000		Notes	£000
1,839,403	Investment assets	16	1,991,232
42,647	Cash deposits	16	47,259
1,882,050			2,038,491
(2,564)	Investment liabilities	16	(5,311)
22,315	Current assets	21	22,202
5,441	Non current assets	22	4,053
(3,520)	Current liabilities	23	(1,894)
21,672			19,050
1,903,722	Net assets of the fund available to fund benefits at the period end		2,057,541
1,644,885	Opening net assets as at 1 April		1,903,722
258,837	Net increase/decrease in the net assets available for benefits during the year		153,819
1,903,722	Closing net assets as at 31 March		2,057,541

Notes to the Accounts

1. Description of Fund

The Cambridgeshire 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 Cambridgeshire Fund's Annual Report 2013/14 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

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

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

b) Membership

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

Organisations participating in the Cambridgeshire Fund include:

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

There are 316 employer organisations in total within the Cambridgeshire Fund including the County Council itself, as detailed below. 197 of these have active members.

Cambridgeshire Fund	31 March 2014	31 March 2013
Number of employers with active members	197	157
Number of employees in scheme		
County council	10,723	9,820
Other employers	14,131	12,940
Total	24,854	22,760
Number of Pensioners		
County council	7,304	6,937
Other employers	7,687	7,337
Total	14,991	14,274
Deferred pensioners		
County council	12,993	12,475
Other employers	12,800	12,091
Total	25,793	24,566

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2014. Members' contributions and employers' contributions are based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Currently, employer contribution rates range from 11.9% to 49.8% of pensionable pay.

d) Benefits

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

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

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

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

LGPS – 2014

The key changes in LGPS 2014 from the current scheme are that the new scheme will:

- Be a Career Average Revalued Earnings (CARE) scheme rather than a final salary one.
- Have an accrual rate providing a pension of $1/49^{\text{th}}$ of pensionable earnings for each year rather than $1/60^{\text{th}}$ of final pay.
- Have a Normal Pension Age which will be individual to each member, being their State Pension Age, or age 65 if that is greater.
- Allow members who have left their pensionable employment to take payment of benefits once they are at least 55 years of age without requiring their former employer's consent to payment. If taken before age 60, their benefits will be reduced to take account of them being paid before their Normal Pension Age without reference to any "85 Year Rule" protection they may have.
- Have a "vesting period", i.e. the length of membership of the scheme required to qualify for a pension/deferred pension as opposed to a return of pension benefits or a refund, of 2 years; it is currently 3 months.
- Still have tiered contribution rates, however the bandings and rates will be different, with significant increases in rates for those earning more than £43,000 pa and with the rate paid being set by the level of a member's actual pensionable earnings, rather than the full time equivalent for part time workers.
- Provide members with a degree of contribution flexibility which is not currently available, in that they may elect to pay one half of the standard contribution rate and accrue a pension at the lower accrual rate of $1/98^{\text{th}}$; this is referred to as the 50/50 section of the scheme.
- Include non contractual overtime and pay from additional hours of part time workers as pensionable pay.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2013/14 financial year and its position at year-end as at 31 March 2014. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 20 of these accounts.

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contribution income

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

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

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 9 and 11).

Individual transfers in/out are accounted for on an accruals basis.

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 9).

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

c) Investment income

i) *Interest income*

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

ii) *Dividend income*

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

iii) *Distributions from pooled funds*

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

iv) *Movement in the net market value of investments*

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

iv) Stock lending

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

Fund Account – expense items

d) Benefits payable

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

e) Taxation

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

f) Administration expenses

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

g) Investment expenses

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

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

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

Schroders Investment Management – Multi Asset

Amundi Asset Management – Pan European Equity

Newton Asset Management – Global Asset

Skagen Asset Management - Emerging Market

Performance related fees in 2013/14 were £1.7m (2012/13: £0m)

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

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

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

Net Assets Statement

h) Financial assets

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

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

i) Market-quoted investments

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

ii) Unquoted investments

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

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

iii) Pooled investment vehicles

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

i) 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.

j) 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.

For example Amundi manage a portfolio comprising UK and European equities. They use currency forward contracts to keep their overall currency exposure in line with their benchmark index regardless of whether they are overweight or underweight to specific countries. So, for example, if they are overweight to eurozone countries relative to their benchmark, they will also hold a currency forward contract which removes the extra euro exposure in favour of sterling (i.e. a negative position on the euro and positive position on sterling).

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

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

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

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

l) Financial liabilities

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

m) Contingent liabilities

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

n) Actuarial present value of promised retirement benefits

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

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

o) Additional voluntary contributions

The Cambridgeshire Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential and Equitable Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 24).

4. Critical Judgement in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2014 was £138m (£129.2m at 31 March 2013).

Pension Fund liability

The Pension Fund liability is calculated every three years by the appointed actuary, with quarterly updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £245m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £79m, and a one-year increase in assumed life expectancy would increase the liability by approximately £79m.
Private equity and infrastructure	Private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £123.8m. There is a risk that this investment may be under- or overstated in the accounts.
Cambridge and Counties Bank	Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. For prudence, the Pension Fund's investment is valued at cost.	The investment in the financial statements is valued at cost of £14.5m. There is a risk that this investment may be under- or overstated in the accounts.

6. Changes in Accounting Policy

Where there is a known future change in accounting policy required by the CIPFA Code, the Authority will disclose in the notes to the accounts:

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The Authority will also disclose information relating to an accounting standard, which has been issued but not yet adopted.

7. Events After the Year End Date

There have been no events since 31 March 2014, and up to the date when these accounts were authorised that require any adjustments to these accounts.

8. Contributions Receivable

By category

2012/13		2013/14
£000		£000
73,172	Employers	76,086
22,890	Members	23,489
96,062		99,575

By authority

2012/13		2013/14
£000		£000
33,283	Administering Authority	30,525
48,229	Scheduled Bodies	62,884
14,550	Admitted Bodies	6,166
96,062		99,575

9. Transfers In From Other Pension Funds

2012/13		2013/14
£000		£000
4,553	Individual transfers	4,249
4,553		4,249

Transfers in from other pension funds are contingent on positive transfer elections from new employees with previous pension rights available to transfer. In the current financial climate there is an ongoing restriction on new employees within public sector employers and therefore transfer applications. Significantly, the Fund also introduced a new transfer in business process in the 2012/13 year with certain self service aspects, passing specific responsibilities from the administering authority to the member. This was predicted to reduce the volume of transfer in elections.

10. Benefits Payable

By category

2012/13		2013/14
£000		£000
60,164	Pensions	68,383
16,540	Commutation and lump sum retirement benefits	17,691
1,475	Lump sum death benefits	1,525
78,179		87,599

By authority

2012/13		2013/14
£000		£000
32,582	Administering Authority	34,247
37,744	Scheduled Bodies	49,744
7,853	Admitted Bodies	3,608
78,179		87,599

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

11. Payments To and On Account of Leavers

2012/13		2013/14
£000		£000
9	Refunds to members leaving service	15
1	Payments for members joining state scheme	-
5,597	Individual transfers	5,499
5,607		5,514

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. The current financial climate reduces the opportunity for individuals to join secure pension schemes to which they may wish to transfer their accrued LGPS benefits.

The Refunds total is extremely sensitive to fluctuations as a result of the small relative value. A lack of new staff would contribute to a reduced figure as would the raising of general pensions awareness through the automatic enrolment campaign.

12. Administration Expenses

2012/13*		2013/14
£000		£000
1,678	Pension Service costs	1,472
559	County Council recharges	733
383	Direct Fund recharges	447
300	Investment related costs	-
2,920		2,652

*Restated in order to disclose categories on a comparable basis.

13. Investment Income

2012/13		2013/14
£000		£000
1	Fixed interest securities	-
22,622	Equity dividends	24,275
7,893	Pooled investments – unit trusts and other managed funds	9,645
244	Interest on cash deposits	161
324	Other (includes stock lending, class action and underwriting)	2,423
31,084		36,504

14. Investment Expenses

2012/13		2013/14
£000		£000
1,974	Management fees	4,015
335	Investment support costs	554
2,309		4,569

The increase in management fees between 2012-13 and 2013–14 is due to performance related fees.

The increase in investment support costs between 2012-13 and 2013-14 is due to the utilisation of additional consultancy services by the Fund as part of its asset allocation strategy.

15. Investments

Market value 31 March 2013		Market value 31 March 2014
£000		£000
	Investment assets	
703,467	Equities	745,800
869,170	Pooled investments	955,205
132,546	Pooled property investments	146,164
129,218	Private equity/infrastructure	138,312
	Derivatives	
302	• Futures	199
727	• Forward currency contracts	-
42,647	Cash deposits	47,259
2,955	Investment income due	3,462
1,018	Amounts receivable for sales	2,090
1,882,050	Total investment assets	2,038,491
	Investment liabilities	
	Derivative contracts:	
(13)	• Forward currency contracts	(107)
(2,551)	Amounts payable for purchases	(5,204)
(2,564)	Total investment liabilities	(5,311)
1,879,486	Net investment assets	2,033,180

16a: Reconciliation of Movements in Investments and Derivatives

	Market value 1 April 2012	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2013
	£000	£000	£000	£000	£000
Fixed interest securities	0	1,829	(1,829)	0	0
Equities	651,200	176,132	(230,542)	106,677	703,467
Pooled investments	649,773	110,658	(4,300)	113,039	869,170
Pooled property investments	143,873	38,543	(34,670)	(15,200)	132,546
Private equity/infrastructure	99,134	27,660	(11,991)	14,415	129,218
	1,543,980	354,822	(283,332)	218,931	1,834,401
Derivative contracts:					
• Futures	0	122	0	180	302
• Forward currency contracts	(114)	1,850	(2,669)	1,647	714
	1,543,866	356,794	(286,001)	220,758	1,835,417
Other investment balances:	44,017	206,162	(203,404)	(2,706)	44,069
• Cash deposits	35,923				42,647
• Amount receivable for sales	5,402				1,018
• Investment income due	3,380				2,955
• Amounts payable for purchases of investments	(688)				(2,551)
Net investment assets	1,587,883	562,956	(489,405)	218,052	1,879,486

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

Transaction costs incurred during the year totalled £670,864 (£710,024 in 2012/13). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

	Market value 1 April 2013	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2014
	£000	£000	£000	£000	£000
Equities	703,467	223,658	(248,972)	67,647	745,800
Pooled investments	869,170	149,107	(98,038)	34,966	955,205
Pooled property investments	132,546	39,577	(34,221)	8,262	146,164
Private equity/infrastructure	129,218	21,090	(17,623)	5,627	138,312
	1,834,401	433,432	(398,854)	116,502	1,985,481
Derivative contracts:					
• Futures	302	234	(427)	90	199
• Forward currency contracts	714	1,289	(1,643)	(467)	(107)
	1,835,417	434,955	(400,924)	116,125	1,985,573
Other investment balances:	44,069	186,318	(182,283)	(497)	47,607
• Cash deposits	42,647				47,259
• Amount receivable for sales	1,018				2,091
• Investment income due	2,955				3,462
• Amounts payable for purchases of investments	(2,551)				(5,205)
Net investment assets	1,879,486	621,273	(583,207)	115,628	2,033,180

16b: Analysis of Investments (Excluding Derivative Contracts)

31 March 2013		31 March 2014
£000		£000
	Equities	
	UK	
331,346	Quoted	335,542
	Overseas	
372,121	Quoted	410,258
703,467		745,800
	Pooled funds – additional analysis	
	UK	
248,947	Fixed income	270,273
221,964	Equity	206,166
	Overseas	
28,337	Fixed income	49,419
369,922	Equity	429,347
869,170		955,205
132,546	Pooled property investments	146,164
129,218	Private equity/infrastructure	138,312
261,764		284,476
1,834,401		1,985,481

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 maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

a) Futures

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

b) Forward foreign currency

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

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic exposure	Market value 31 March 2013	Economic exposure	Market value 31 March 2014
		£000	£000	£000	£000
Assets					
UK Equity	Less than 1 year	2,114	52	17,050	221
Overseas Equity	Less than 1 year	16,912	250		
Total assets		19,026	302	17,050	221
Liabilities					
UK Equity	Less than 1 year				
Overseas Equity	Less than 1 year			(10,330)	(22)
Total Liabilities		0	0	(10,330)	(22)
Net Futures		19,026	302	6,720	199

Open forward currency contracts

Settlement	Currency bought	Base market value	Currency sold	Base market value	Asset value	Liability value
		£000		£000	£000	£000
Up to one month	JPY	544	GBP	(548)		(4)
Up to one month	GBP	2,814	EUR	(2,811)	3	
Up to one month	GBP	758	USD	(756)	2	
Up to one month	SEK	10,258	EUR	(10,366)		(108)
Open forward currency forward currency contracts at 31 March 2014						5 (112)
Net forward currency forward currency contracts at 31 March 2014						(107)
<u>Prior year comparative</u>						
Open forward currency contracts at 31 March 2013						727 (13)
Net forward currency contracts at 31 March 2013						714

Investments analysed by fund manager and direct holdings

Market value 31 March 2013			Market value 31 March 2014	
£000	%		£000	%
763,246	40.7	Schroders Investment Management	827,497	40.7
460,638	24.5	State Street Global Asset Management	470,731	23.2
221,786	11.8	Newton Investment Management	234,932	11.6
184,685	9.8	Amundi Asset Management	214,409	10.5
86,208	4.6	Skagen	90,157	4.4
28,338	1.5	M&G	49,418	2.4
41,162	2.2	Adams Street Partners	45,668	2.2
40,054	2.1	HarbourVest	38,740	1.9
19,825	1.1	UBS Infrastructure	17,498	0.9
13,341	0.6	Equitix	16,302	0.8
11,028	0.6	Cambridge and Counties Bank (direct holding)	14,478	0.7
5,367	0.3	Cash with custodian	7,724	0.4
3,808	0.2	Partners	5,626	0.3
1,879,486	100.0		2,033,180	100.00

All the above companies are registered in the United Kingdom.

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

Security	Market value 31 March 2013 £000	% of total Fund	Market value 31 March 2014 £000	% of total Fund
Schroders International Selection Fund – Strategic Bond	94,738	5.0	156,756	7.7
Schroders Unit Trusts Instl Sterling Broad Mkt Bond X ACC	99,495	5.3	113,517	5.6
MPF All World Equity Index Sub-Fund	223,391	11.9	269,174	13.3
MPF UK Equity Index Sub-Fund	218,275	11.6	201,556	9.9

16c: Stock Lending

The Fund Strategy Statement sets the parameters for the Fund's stock-lending programme. At 31 March 2014, the value of securities on loan was £126.7m (31 March 2013: £81.7m) in exchange for which the Custodian held collateral at fair value

of £140.9m (31 March 2013: £89.3m). Collateral consists of acceptable securities and government debt.

17: Financial Instruments

17a: Classification of Financial Instruments

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

Designated as fair value through profit and loss 31 March 2013	Loans and receivables 31 March 2013	Financial liabilities at amortised cost 31 March 2013	Designated as fair value through profit and loss 31 March 2014	Loans and receivables 31 March 2014	Financial liabilities at amortised cost 31 March 2014
£000	£000	£000	£000	£000	£000
Financial assets					
703,467			745,800		
869,170			955,205		
132,546			146,164		
129,218			138,312		
1,016			199		
	42,647			47,259	
2,955			3,462		
	1,018			2,091	
1,838,372	43,665	0	1,989,142	49,350	0
Financial liabilities					
0					(107)
		(2,551)			(5,205)
1,838,372	43,665	(2,551)	1,989,142	49,350	(5,312)

17b: Net Gains and Losses on Financial Instruments

Fair value 31 March 2013		Fair value 31 March 2014
£000		£000
Financial assets		
217,214	Fair value through profit and loss	116,502
844	Loans and receivables	(497)
218,058		116,005
Financial liabilities		
(6)	Financial liabilities measured at amortised cost	(377)
218,052	Total	115,628

17c: Fair Value of Financial Instruments and Liabilities

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

Carrying value 31 March 2013	Fair value 31 March 2013		Carrying value 31 March 2014	Fair value 31 March 2014
£000	£000		£000	£000
Financial assets				
1,838,372	1,838,372	Fair value through profit and loss	1,989,142	1,989,142
43,665	43,665	Loans and receivables	49,350	49,350
1,882,037	1,882,037	Total financial assets	2,038,492	2,038,492
Financial liabilities				
(2,551)	(2,551)	Financial liabilities at amortised cost	(5,312)	(5,312)
(2,551)	(2,551)	Total financial liabilities	(5,312)	(5,312)

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

17d: Valuation of Financial Instruments Carried at Fair Value

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2014	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total £000s
Financial assets				
Financial assets at fair value through profit and loss	1,727,026	8,791	253,325	1,989,142
Loans and receivables	49,350	0	0	49,350
Total financial assets	1,776,376	8,791	253,325	2,038,492
Financial liabilities				
Financial liabilities at amortised cost	(5,312)	0	0	(5,312)
Total financial liabilities	(5,312)	0	0	(5,312)
Net financial assets	1,771,064	8,791	253,325	2,033,180

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2013	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total £000s
Financial assets				
Financial assets at fair value through profit and loss	1,404,551	21,420	412,401	1,838,372
Loans and receivables	43,665	0	0	43,665
Total financial assets	1,448,216	21,420	412,401	1,882,037
Financial liabilities				
Financial liabilities at amortised cost	(2,551)	0	0	(2,551)
Total financial liabilities	(2,551)	0	0	(2,551)
Net financial assets	1,445,665	21,420	412,401	1,879,486

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 Board. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

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

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

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

The Fund manages these risks in two ways:

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

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

b) Other price risk

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

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

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

c) Other price risk – sensitivity analysis

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

We provide an example below;

Asset Type	Potential Market Movement +/- (%p.a.)
Equities	12.5
Pooled Bonds	3.5
Property	2.3
Alternatives	2.9
Cash	0.0
Gilts/Corporate Bonds	2.7

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

Asset Type	Value as at 31 March 2014 (£'000s)	Percentage Change (rounded)	Value on Increase (£'000s)	Value on Decrease (£'000s)
Equities	1,381,313	12.5	1,553,977	1,208,649
Pooled Bonds	319,692	3.5	330,721	308,663
Property	146,164	2.3	149,482	142,846
Alternatives	138,312	2.9	142,378	134,246
Cash	47,259	0.0	47,268	47,249
Gilts/Corps	0	2.7	0	0
Total Assets	2,032,740	8.3	2,202,270	1,863,209

Asset Type	Value as at 31 March 2013 (£'000s)	Percentage Change (rounded)	Value on Increase (£'000s)	Value on Decrease (£'000s)
Equities	1,295,353	13.3	1,467,635	1,123,071
Gilts/corporate Bonds	258,312	4.0	268,644	247,980
Property	132,546	2.0	135,197	129,895
Alternatives	129,218	4.5	135,033	123,403
Cash	42,647	0.0	42,656	42,638
Index Linked	18,972	7.8	20,452	17,492
Total Assets	1,877,048	8.6	2,038,474	1,715,622

d) 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 2014 and 31 March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2013 £000	As at 31 March 2014 £000
Cash and cash equivalents	42,647	47,259
Cash balances	2,438	8,299
Fixed interest securities	277,284	49,419
Total	322,369	104,977

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) 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 change in interest rates:

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

Asset type	Carrying amount as at 31 March 2013 £000	Change in year in the net assets available to pay benefits	
		+100 BPS £000	-100 BPS £000
Cash and cash equivalents	2,438	24	(24)
Cash balances	42,647	426	(426)
Fixed interest securities	277,284	19,410	(19,410)
Total change in assets available	322,369	19,860	(19,860)

e) Currency risk

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

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations. The following table summarises the Fund's currency exposure as at 31 March 2014 and as at the previous period end:

Currency exposure – asset type	Asset Value as at 31 March 2013 £000	Asset Value as at 31 March 2014 £000
Overseas Equities	742,043	839,605
Overseas Fixed Income	28,337	49,419
Total overseas assets	770,380	889,024

Currency risk – sensitivity analysis

We consider the following approach to determining potential currency risk.

We determine the potential volatility of the aggregate currency exposure within the Fund at the period end and apply this single outcome to all non-UK assets. In order to calculate this, we need to create a currency basket based on a fund's currency mix. We do this by multiplying the weight of each currency by the change in its exchange rate (relative to GBP) and sum to create the aggregate currency change of the 'basket'. The aggregate currency change for March 2014 was 7.7% (4.8% for March 2013).

Repeating this for all of the months in our measurement period allows us to measure the observed volatility of this unique currency basket's changes relative to GBP. The 7.7% currency change is applied to the Fund's overseas assets as follows:

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

Asset Type	Asset Value @ 31/03/13 £000	Change to net assets available to pay benefits	
		+4.8%	-4.8%
Overseas Equities	742,043	777,925	706,161
Overseas Fixed Income	28,337	29,707	26,967
Total overseas assets	770,380	807,632	733,128

f) Credit risk

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

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

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

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

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

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2014 was £8.3 m (31 March 2013: £12.4m). This was held with the following institution:-

	Rating	Balances as at 31 March 2013 £000	Balances as at 31 March 2014 £000
Bank deposit accounts			
Barclays Bank	A	12,417	8,299
Total		12,417	8,299

g) Liquidity risk

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

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2014 the value of illiquid assets was £156.7m, which represented 7.7% of the total Fund assets (31 March 2013: £132.5m, which represented 7.0% of the total Fund assets).

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

All financial liabilities at 31 March 2014 are due within one year.

19: Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

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

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

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

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

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2010 actuarial valuation report and the funding strategy statement on the Fund's website.

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

Financial assumptions

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

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

**1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter. 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 & Deferred Members		Current Pensioners	
	Male	Female	Male	Female
2010 valuation – baseline	21.2	23.8	21.2	23.8
2010 valuation – improvements	23.5	25.9	22.4	25.0
2013 valuation - baseline	20.1	22.8	20.3	22.4
2013 valuation - improvements	24.4	26.9	22.5	24.5

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

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

Other demographic valuation assumptions:

a) Retirements in ill health

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

b) Withdrawals

Allowance has been made for withdrawals from service.

c) Family details

A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Husbands are assumed to be 3 years older than wives.

d) Commutation

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

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

The actuarial present value of promised retirement benefits at 31 March 2014 was £3.120 bn (31 March 2013: £3.033bn.) The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2010 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

	31 March 2014 % p.a.	31 March 2013 % p.a.
Inflation/pension increase rate assumption	2.8	2.8
Salary increase rate	4.6	5.1*
Discount rate	4.3	4.5

*Salary increases are assumed to be 1% p.a. nominal until 31 March 2016 reverting to the long term rate thereafter.

21: Current Assets

31 March 2013		31 March 2014
£000		£000
640	Contributions due - members	2,114
6,314	Contributions due – employers	5,921
115	Transfer values receivable (joiners)	146
3,329	Sundry receivables	5,892
11,917	Cash balances	8,129
22,315		22,202

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 2014, a total of £4,424m was still due from the Ministry of Justice, with £0.632m being shown in Current Assets and £3.792m being due after 31 March 2015 being shown in Non Current Assets. Additionally, Non Current Assets includes £0.261m which relates to pension strain/early retirement amounts due after 12 months from 31 March 2014.

23: Current Liabilities

31 March 2013	31 March 2014
£000	£000
2,288 Sundry payables	885
550 Fund management	-
- Transfer values payable (leavers)	389
682 Benefits payable	620
3,520	1,894

24: Additional Voluntary Contributions

Market value 31 March 2013	Market value 31 March 2014
£000	£000
656 Equitable Life	578
6,080 Prudential	6,984
6,736	7,562

25: Related Party Transactions

Cambridgeshire County Council

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

The Council incurred costs of £2.7m (2012/13: £2.9m) 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 £23.3m to the Fund in 2013/14 (2012/13: £24.5m).

Cambridge and Counties Bank

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

Governance

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

Councillor Batchelor (resigned 2 May 2013)

Councillor Hickford

Councillor Seaton

David Brooks (resigned 6 December 2013)

Matthew Pink

John Walker

Each member of the Pension Fund Board is required to declare their interests at each meeting.

26: Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2014 totalled £93.9m (31 March 2013: £75.7m)

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.

27: 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.

28: Impairment Losses

Impairment for bad and doubtful debts

During 2013/14 the Fund did not suffer any impairment loss (2012/13: Nil) for overpayment of pensions unable to be recovered due to reasons of estoppel.

Glossary of Terms

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

Accruals

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

Actuary

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

Admitted Bodies

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

All Share Index

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

Arbitrage

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

At Best

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

Authorised Unit Trusts

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

Bargain

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

Bear

Someone who believes prices will fall in the future

Bearer

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

Beneficial Owner

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

Bid Price

The price at which securities are purchased by market makers.

Bond

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

Bonus issue

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

Bull

Someone who believes prices will rise in the future.

Certificate of Deposit

Certificate evidencing deposit of cash with a commercial bank.

Clean Price

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

Commercial paper

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

Commutation

Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors

(usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

Contract note

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

Convertible

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

Coupon

The regular payment made on bonds.

Debenture

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

Derivative

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

Distribution dates

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

Dividend

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

Deferred Pension Benefit

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

Earnings per share (Eps)

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

Equities

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

Exercise Price

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

Expiry

The date on which an option or warrant expires.

Financial Services Authority (FSA)

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

Fixed Interest Corporate Bond

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

Gilt

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

FTSE-100 Index

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

Futures

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

Gearing

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

Hedge

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

Hedge Fund

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

IMRO

Investment Management Regulatory Organisation. Fund Manager Regulator.

Index Linked

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

Interest Yield

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

Loan Stock

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

Longs

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

Market Capitalisation

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

Mediums

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

Nominee

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

Offer Price

The price at which market makers will sell stock.

Ordinary Shares

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

Rights Issue

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

Scheduled Bodies

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

Scrip Issue

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

Short

Selling more of an asset than the investor owns.

Spread

The difference between the bid and offer prices.

Stag

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

Stock

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

Transfer Values

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

Trust

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

Underwriter

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

Unit trust

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

Warrants

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

Yield Gap

Spread between gilt yields and yields on the stock market.

Zero coupon bond

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