CAMBRIDGESHIRE PENSION FUND BOARD

Date:Wednesday, 25 January 2017

Democratic and Members' Services
Quentin Baker
LGSS Director: Lawand Governance
Shire Hall
Castle Hill
Cambridge
CB3 0AP

10:00hr

Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

1	**Apologies for absence and declarations of interest** *Guidance on declaring interests is available at http://tinyurl.com/ccc-dec-of-interests*	
2	**Minutes - 26th October 2016**	**5 - 16**
3	**Minutes of the Pension Fund Committee - 8th December 2016**	**17 - 24**
4	**Local Pension Board Seminar Feedback** *Oral update from the Chairman*	
5	**Executive Summary Report**	**25 - 38**
6	**Internal Audit Report 2015-16**	**39 - 62**

7	**Cambridgeshire Pension Fund Valuation Report**	**63 - 68**
8	**Cambridgeshire Local Pension Board Effectiveness Review**	**69 - 78**
9	**CIPFA Pensions Administration Benchmarking Club Report 2016**	**79 - 112**
10	**The Pension Regulator's Public Service Pension Scheme Compliance Assessment Tool**	**113 - 130**
11	**Cambridgeshire Pension Fund Training Strategy 2016**	**131 - 150**
12	**Pension Fund Annual Report & Statement of Accounts 2015-16**	**151 - 376**
13	**LGSS Pensions Service Administration Performance Report**	**377 - 394**

14 Exclusion of Press and Public

Agenda item 13 contains a confidential appendix. If the Board wishes to discuss its contents then it will be necessary to exclude the press and public from the meeting on the following grounds - the appendix contains exempt information under paragraph 4 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended and it would not be in the public interest for this information to be disclosed: information relating to the financial or business affairs of any particular person (including the authority holding that information).

15 Investment Update

Oral update.

16	**Agenda Plan**	**395 - 396**

The Cambridgeshire Pension Fund Board comprises the following members:

Mr Barry O'Sullivan (Chairman) Councillor Peter Downes (Vice-Chairman)

Mr David Brooks and Mr John Stokes and Councillor Mac McGuire

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

Clerk Name: Daniel Snowdon

Clerk Telephone: 01223 699177

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

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Agenda Item No: 2

LOCAL PENSION BOARD

MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Wednesday 26th October 2016

Members of the Board in attendance:
Employers – Councillor P Downes

Scheme Members in attendance:
B O'Sullivan, D Brooks and J Stokes

Officers in attendance:
M Rowe – Democratic Services Manager
D Snowdon– Democratic Services Officer
J Walton – Governance and Regulations Manager
M Whitby – Head of Pensions

Time: 10.00am to 11:40am
Place: Shire Hall, Cambridge

Action

49. ELECTION OF CHAIRMAN

John Stokes proposed, seconded by David Brooks with the unanimous agreement of the Board that Barry O'Sullivan be elected Chairman for the municipal year 2016/17.

50. ELECTION OF VICE-CHAIRMAN

John Stokes proposed, seconded by David Brooks with the unanimous agreement of the Board that Councillor Peter Downes be elected as Vice-Chairman for the municipal year 2016/17

51. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies were received from Councillor McGuire.

The Democratic Services Manager informed the Board that Ian Dewar had not attended the last three meetings of the Pension Fund Board and no apologies had been received for the last two. Attention was drawn to section 7 of the Board's Standing orders, Termination of Membership, in which paragraph 4 stated, "a Board member no longer being able to demonstrate to the Administering Authority their capacity to attend and prepare for meetings or to participate in required training". The Democratic Services Manager requested that the Board consider the course of action they would prefer to take regarding Mr Dewar's attendance. **DS/MR**

Board members requested that officers write to Mr Dewar asking if he wished to remain a member of the Board that included a time scale for him to respond. If no response was received then the position would be advertised, the results of which would be presented to the January meeting of the Board.

Councillor Downes declared a Disclosable Pecuniary Interest under the Code of Conduct as a member of the Local Government Pension Scheme.

52. MINUTES & ACTION LOG – 22ND JULY 2016

The minutes of the meeting of 22nd July 2016 were approved as a correct record and signed by the Chairman.

Matters arising from the action log:

Minute 14 – The Board was informed that the Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking process was taking place and when the final report had been received, it would be circulated to the Board. The report would provide details of the unit cost per member. **MW/JW**

Minute 39 – The Democratic Services Manager informed the Board that it was the view of the Monitoring Officer that he would undertake the interview process. The Board would have opportunity to speak with the proposed candidate but would not be part of the formal interview process. Board members requested that further advice be sought from the Scheme Advisory Board on the matter as it was the Board's preference for a nominee from the Board to be involved in the interview process. **MO/JW**

Minute 40 – Information regarding the relationship between the size of employer and whether the employer met the key performance indicators for scheme employer performance would be presented to the January meeting of the Board.

Minute 44 – The Board was informed that indemnity insurance was required and this was being pursued through the LGSS Insurance Manager to ensure that the correct type and level of insurance was purchased.

Requested that comments and an estimated completion date be added to the action log. **MW/JW**

The Board requested that a report be presented to the January meeting regarding the Cambridgeshire Bank.

53. CAMBRIDGESHIRE PENSION FUND EXECUTIVE SUMMARY

The Board received the Executive Summary of the reports presented to the July Pension Committee meeting. The Board noted that this was the first year that BDO had completed an audit of Cambridgeshire County Council and it had not been without issues. The Annual Report and Statement of Accounts was therefore not presented to the October meeting of the Pension Committee.

During discussion Board members:

- Requested that the minutes of the Pension Committee be added as a standing item to the Local Pension Board agenda. **DS**

- Requested a breakdown of the Management expenses of £8.8m featured in paragraph 2.3.2 of the officer report. **JW/MW**

- Drew attention to the Scheme Advisory Board – Investment Fees Code of Transparency and questioned whether the code would be incorporated within the operation of LGSS Pensions. Officers explained that all national guidance was adhered to and would examine the Scheme Advisory Board code further and report to the Board at the January meeting regarding its possible adoption into current practice. **MW/JW**

- Questioned why the fund performance set out in paragraph 3.3.1 of the report had been lower than other comparable funds. Officers explained that the under-performance related to a period of transition to two new fund managers and the under-performance of a third manager.

- Questioned how remuneration for fund managers related to performance. It was explained that remuneration related partly to performance that was one part of the tendering process during which fees were negotiated. Actively managed funds attracted higher fees but there were numerous targets that would have to be achieved. The Board noted that asset pooling would likely assist with reducing fees and should achieve greater stability of investments.

- Noted that the Chairman of the Council's Audit and Accounts Committee talked extensively at the recent meeting of Full Council regarding the performance of BDO and informed that there were no material concerns with the accounts. The Democratic Services Officer agreed to supply the link to the minutes. **DS**

- Noted that the Council's Section 151 Officer would be providing feedback on the performance of BDO. An update would be sought regarding whether BDO were likely to lose the audit contract. **JW/MW**

Officers updated the Board regarding the triennial valuation of the Pension Fund carried out by Hymans Robertson, the scheme actuary. The Funding Strategy Statement was presented to the Pension Committee at the meeting held on 20th October 2016 and would be published following a 30 day consultation with participating scheme employers, which had been delayed following a change in the guidance published by CIPFA. Key assumptions were highlighted to the Board such as salary growth and the difference between the Retail Prices Index (RPI) and Consumer Prices Index (CPI). Initial results showed that funding had increased from 72% to 78% between the two most recent valuations.

Officers explained that a chart was produced that illustrated inter-valuation experience relative to key assumptions and formed part of the valuation

document. Reports had been commissioned from Hymans Robertston to brief the Pensions Committee on proposed changes to key valuation assumptions..

It was resolved to note the contents of the report.

54. LGSS PENSION SERVICE ADMINISTRATION PERFORMANCE REPORT

The Board received the Administration Performance report for consideration. Officers highlighted that Parish Councils were resistant to making contributions via BACS transfer despite having been informed that cheques would not be accepted. Attention was drawn to paragraph 2.1.5 of the report where a large employer who had made 2 late payments and 2 non-payments for the period had now been resolved.

In the course of discussion:

- It was confirmed that policy was adhered to when staff were transferred into the scheme through Transfer of Undertakings (Protection of Employment) (TUPE) and it was possible for "Admitted Body" status to be obtained but risks would be monitored.

- It was confirmed that in the case highlighted in paragraph 2.1.5 of the report, it had not been necessary to refer the matter to the Pension Regulator but had been placed on the risk register.

- Board members noted that there had been no overpayments of pension and £1,299.28 had been recovered following overpayment of pension after death.

- Attention was drawn to the Key Performance Indicators (KPIs) presented in paragraph 2.3.2 in the report and the Board questioned whether the target for providing a maximum of one estimate of benefits to employees per year on request was realistic. The Board noted that the 90% target was an industry standard and officers agreed to provide details of the total number of estimates completed. **JW/MW**

- The Board noted the difficulties regarding the recruitment of staff and that it was anticipated that performance against some KPIs may worsen before the performance improved.

It was resolved to note the Administration Performance Report.

55. ASSET POOLING

The Board received a report setting out an overview of the current position with regard to asset pooling. The focus of activity following the submission had been mainly on governance and the structure of the pool, predominantly whether to rent or build the pooling entity. The question of whether to rent or build the pooling structure was discussed at a meeting of the Chairmen on 2nd September 2016, who agreed in principle to a rental structure, but with an option to take ownership in the future.

During discussion of the report Board members:

- Questioned the level of member representation on asset pools. It was confirmed that the Local Pension Board would retain its scrutiny function and national guidance was being sought regarding member representation on the pools.

- Councillor Downes proposed with the unanimous agreement of the Board that it be requested formally that a member representative be appointed to the Asset Pooling Board. Asset pooling would be placed as a standing item on the agenda plan for the Local Pension Board, with member representation addressed further at the January meeting of the Board. **JW/MW DS**

- Noted that infrastructure funding proposals had progressed and expressed concern regarding the risks of investment in infrastructure funding and the potential pressure government could place upon funds to invest in infrastructure against the interest of members. Officers explained that it was proposed the pool would invest 5% in infrastructure and the investment would not fall to one particular fund. The Board noted the possibility of a national infrastructure pool and confirmed that the Pension Committee would decide whether to enter such a pool.

It was resolved to note the progress made on the Asset Pooling proposal.

56. CURRENT AGENDA PLAN

The following reports were requested for the January meeting of the Board:

- Cambridgeshire Bank
- Full statement of accounts **MW/JW**
- Fund Manager selection process
- Asset Pooling including member representation.

Chairman

Agenda Item No: 2b)

Cambridgeshire County Council

Cambridgeshire Local Pension Board

Minutes - Action Log

Introduction:

This log captures the actions arising from the Cambridgeshire Local Pension Board and will form an outstanding action update from meetings of the Committee to update Members on the progress on compliance in delivering the necessary actions.

This is the updated action log as at 28th November 2016.

Minute No.	Report Title	Action to be taken by	Action	Comments	Completed /Ongoing
Minutes of 21st October 2015					
12.	**Cambridgeshire Local Pension Board – Terms of Reference, Standing Orders & Code of Conduct.**	**M Rowe/D Snowdon**	**The Board to consider the outcome of the Local Government Scheme Advisory Board review of the newly formed Local Pensions Boards.**	**Awaiting publishing of Scheme Advisory Board review.**	**Ongoing.**
14.	**Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2014-15**	**J Walton/M Whitby**	**High level quarterly update report to be circulated to Board members**	**Provided as part of the Administration Report.** **The final Annual Report and Statement of Accounts is being presented in January 2017.**	**Completed**

14.	**Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2014-15**	**J Walton/M Whitby**	**Further details of the unit cost per member would be circulated to the Board at a later date.**	**The Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking process was taking place and when the final report had been received, it would be taken to the Board. This will be January 2017. The report would provide details of the unit cost per member**	**Completed**
14.	**Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2014-15**	**J Walton/M Whitby**	**The Board agreed to investigate why there were variations in investment manager fees.**	**Covered previously and will be covered in the Investment Update in January 2017**	**Completed**
22.	**Procedure for Future Appointments to the Local Pensions Board.**	**M Rowe/J Walton**	**The Board highlighted the importance of communications and requested the Pension website be placed on payslips as part of the ongoing development work regarding the Payroll system**	**To be included on payslips from April 2017, currently in discussions with the payroll project team over this.**	**Ongoing**
22.	**Procedure for Future Appointments to the Local Pensions Board.**	**J Walton/M Oakensen**	**The Board suggested an introductory presentation be developed for potential future Board Members.**	**Welcome e-mails have been developed with links to previous papers, the Pensions Website and the Pension Regulator toolkit. Induction training is still being developed and is also part of the Training Strategy.**	**Ongoing.**
Minutes of 28th April 2016					
29.	**Asset Pooling in the Local Government Pension Scheme**	**J Walton/M Whitby**	**Board members were informed that professional advice regarding the formation of the Pool was being sought and it was agreed for it to be circulated to Board members**	**Presented at the October meeting as a standard item.**	**Completed**

Minutes of 22nd July 2016					
40.	**One Year on Seminar Feedback**	**M Oakensen / J Walton**	**Sought more information about the relationship between size of employer and whether the employer met the key performance indicators (KPIs) for scheme employer performance, commenting that one might expect larger employers to have less difficulty meeting the KPIs than smaller employers, and that the Board might be more concerned if a large employer, rather than a small one, was failing to meet targets. The Governance and Regulations Manager undertook to find the information requested**	**Information will be provided to the January meeting of the Board as part of the administration report.**	**Completed**
44.	**One Year on Seminar Feedback**	**M Rowe / J Walton**	**The LGSS Insurance and Risk Manager was investigating the insurance position; the Democratic Services Manager undertook to see that this was followed up, as it was important that individual Board members be covered by insurance.**	**The Board was informed that indemnity insurance was required and this was being pursued through the LGSS Insurance Manager to ensure that the correct type and level of cover was purchased.**	**Completed**
Minutes of 26th October 2016					
51.	**Apologies & Declarations of Interest.**	**M Rowe/D Snowdon**	**Action required regarding the attendance of Mr Ian Dewar at Board meetings.**	**Mr Dewar has resigned from the Local Pensions Board and the vacancy has been advertised.**	**Completed**

52.	**Minutes & Action Log.**	**All Officers**	**Requested that estimated completion dates be added to the Action Log.**	**Dates have been added where applicable**	**Completed**
52.	**Minutes & Action Log.**	**M Rowe**	**The Board requested that further advice from the Scheme Advisory Board be sought regarding the level of Board involvement in the selection process for new Board members**	**Member involvement in the selection process for new Board members would be developed and addressed in time for the next recruitment and selection**	**Ongoing.**
53.	**Cambridgeshire Pension Fund Executive Summary**	**D Snowdon**	**Requested that the minutes of the Pension Committee be added as a standing item to the Local Pension Board Agenda.**	**Has been added to the work plan of the Board.**	**Completed**
53.	**Cambridgeshire Pension Fund Executive Summary**	**J Walton / Mark Whitby**	**Requested a breakdown of the management expenses of £8.8m featured in paragraph 2.3.2 of the report.**	2014-15 £000 / 2015-16 £000 2,292 Administrative costs 2,270 Investment management expenses : 6,688 - Management fees * 5,971 510 - Investment support costs 419 7,198 6,390 408 Oversight and governance costs 110 9,898 8,770 *Includes performance related fees in 2015-16 of £2.7m (2014-15: £4.1m).	**Completed**
53.	**Cambridgeshire Pension Fund Executive Summary**	**J Walton / Mark Whitby**	**Scheme Advisory Board – Investment Fees Code of Transparency to be examined and a report presented to the January meeting of the Board.**	**The Scheme Advisory Board (SAB) have started a project to develop a voluntary code to be followed by investment managers to ensure consistent and transparent reporting of the fees charged to LGPS funds. This will assist LGPS funds in making the disclosures recommended in guidance published by CIPFA. To date the SAB have drafted a fee disclosure template for listed securities and consulted on the appropriateness of the template with investment managers. The**	**Completed**

				target date to launch the process for listed investments was Autumn 2016.	
53.	Cambridgeshire Pension Fund Executive Summary	D Snowdon	Link to the YouTube broadcast of the Full Council meeting to be circulated to Board members.	The footage of the meeting can be found here: https://www.youtube.com/watch?v=dML1B0UU_s The Audit and Accounts information can be found at 39 minutes.	Completed
53.	Cambridgeshire Pension Fund Executive Summary	J Walton / Mark Whitby	An update would be sought regarding whether BDO would lose the audit contract with the Council.	The Auditors are appointed by central government. Feedback would be given regarding the performance of BDO but it was not within the gift of the Council to terminate the contract.	Completed
54.	LGSS Pension Service Administration Performance Report	J Walton / Mark Whitby	The Board requested details of the total number of estimates of benefits to employees completed for a year.	The total number of estimates completed for the period 1 December 2015 to 30 November 2016 is 1,224 (682 for the Cambridgeshire Fund and 542 for the Northamptonshire Fund)	Completed
55.	Asset Pooling	J Walton / Mark Whitby	The Board requested that a member representative be appointed to the Asset Pooling Board.	The ACCESS Shadow Joint Committee comprises the Chairman of the constituent funds who represent the views of their individual Administering Authority's Pension Committees taking into account the interests of all stakeholders represented on those committees. However, we understand that dialogue on this issue encompassing all pools would take place at a national level between the LGA and UNISON. The subject was on the agenda for the ACCESS Shadow Joint Committee (ASJC)	Completed

				meeting on the 14th December in London and it was unanimously decided to not have a member representative but the meetings will be held in public.	
55.	**Asset Pooling**	**D Snowdon**	**Asset Pooling to be placed on the Local Pension Board Agenda as a standing item.**		**Completed**
56.	**Agenda Plan**	**D Snowdon / J Walton / Mark Whitby**	**The following topics were requested for presentation at the January meeting of the Board.** • **Cambridgeshire Bank** • **Full Statement of Accounts** • **Fund Manager selection process** • **Asset Pooling including member representation** • **Scheme Advisory Board – Investment Fees Code of Transparency**		**Completed**

Agenda Item No: 3

MINUTES OF THE PENSION FUND COMMITTEE

Date: Thursday 8th December 2016

Time: 10:00am – 11.40am
Place: Kreis Viersen Room, Shire Hall, Cambridge

Committee Members present:
Councillors P Ashcroft, R Hickford (Chairman), N Kavanagh, M Leeke (Vice Chairman); G Deeble, L Brennan and M Pink

Officers: C Blose, D Cave, S Heywood, M Oakensen, R Perry, S Pilsworth and J Walton; D Green (Hymans)

Apologies: John Walker (Liz Brennan substituting); Cllrs A Fraser, G Kenney and J Schumann

93. DECLARATIONS OF INTEREST

Liz Brennan declared a personal interest as an active member of LGPS.

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

94. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE 20TH OCTOBER 2016

The minutes of the Pension Fund Committee meeting held on 20th October 2016 were approved as a correct record.

With regard to the Action Log item no. 86, Jo advised that this was now completed as payment had been received within the last week.

It was resolved to:

(1) approve the minutes of the Pension Fund Committee meeting held 20th October 2016;

(2) note the Action Log of the Pension Fund Committee meeting held 20th October 2016.

95. GOVERNANCE AND LEGISLATION REPORT

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

The Pensions Regulator had published a self-assessment tool for those involved in running public service pension schemes to assess how they were getting on with both meeting their legal requirements and complying with the guidance set out in the Regulator's Code of Practice in relation to governance and administration of public service pension schemes. LGSS had previously tested the tool and provided feedback to the Pensions Regulator regarding its functionality. A complete version of the self-assessment tool would be presented at the next meeting of the Pension Committee.

The Pensions Regulator had also commenced its 2016 survey of the governance and administration of public service pension schemes.

DCLG had issued the results of data collection forms by LGPS administering authorities. The key points included:

- The market value of LGPS funds in England at the end of March 2016 was just over £200 billion;
- There were 1.8 million active members, 1.5 million pensioners and 1.8 million deferred members.

With regard to the Early Day Motion to annul LGPS Investment Regulations 2016, Jo confirmed that there had been no delay in the regulations coming into force.

It was resolved to:

note the content of the report.

96. EMPLOYERS ADMISSION AND CESSATIONS REPORT

The Committee received a report on the admission of five admission bodies and one designating body to the Cambridgeshire Pension Fund.

It was resolved to:

1. notes the admission of the following admission bodies to the Cambridgeshire Pension Fund:

    - Easy Clean (Eastfield Infants LEA)
    - Lunchtime (Gorefield)
    - Lunchtime (Over)
    - Lunchtime (St Matthews)
    - Lunchtime (Swaffham Prior)

2. notes the admission of the following designating bodies to the Cambridgeshire Pension Fund:

    - Melbourn Parish Council

With Members' consent, the Chairman agree to reverse the order of the next two items.

97. ASSET POOLING REPORT

Members received a report on the latest progress with collaboration of the ACCESS group, working together on LGPS asset pooling arrangements.

Members noted the proposed structure, including the (shadow) Joint Governance Committee (JGC), which would comprise of the Chairs of the member Funds, and the Officer Working Group (OWG) being put together. Work was currently going on to agree the terms of a draft Inter Authority Agreement (IAA) necessary to put in place the formal, legally binding structure and to define the decision-making powers of the respective Authorities that will be delegated to the JGC. The ACCESS pool currently had no delegated powers from any of its constituent authorities. It was envisaged that the draft IAA would be presented to the County Council's Constitution & Ethics Committee on 26/01/17 in advance of it going to the full Council meeting at the end of March, seeking a change of Constitution so that the requisite powers could be delegated to the Joint Governance Committee.

There were nine governing principles of the ACCESS fund which would be included in the IAA:

- collaborative
- risk management
- objective evidence based decisions
- equitable voice in governance
- professionalism
- equitable cost sharing
- no unnecessary complexity
- evolution and innovation
- Value for Money

Members noted which responsibilities the JGC would take on, and which responsibilities would remain with each member Fund. There was a discussion on how the pool could be held to account, noting that ultimately the Operator was on contract to serve the ACCESS pool, and the ultimate sanction was that they could be replaced or dismissed. There would be mechanisms by which the JGC held the Operator to account for its performance.

The JGC's responsibilities included governance, operator relationships strategic planning, ensuring Value for Money, implementing common policies, cross pool liaison and approving advisors and suppliers. ACCESS was currently putting out feelers on which companies would be interested in participating in the procurement process to be appointed the Operator.

It was noted that the Pool was very linear in terms of progress, but with sign-offs on different dates to suit relevant authorities' democratic processes so that the authorities' Constitutions could be changed for the April 2017 deadline.

The Chairman advised that with regard to cross pool liaison, although officers meet regularly, he had asked at the Chairmen's meeting whether the respective pools' Elected Members should also meet on a regular basis. However, there had been no appetite for this from the other Chairmen, given the volume of work currently being undertaken, so cross pool liaison would be reliant on officers for the time being.

There was a discussion on the type of pool-wide policies that would be overseen by the JGC compared to those that would still be managed by individual Funds. It was suggested that the arrangements would not hamper effectiveness, and could potentially make Funds more effective.

It was noted that the sign off by government was supposed to be straightforward, but had not yet happened, and a Member commented that it appeared partly due to a lack of understanding by DCLG on how the LGPS worked and the powers currently reserved to the Administering Authorities. This had delayed the process, as it was originally planned to present the proposed Constitutional changes to the December full Council meeting, but without the government "green light" this was not possible. It was noted that all pools had met with the government minister over the last few weeks to discuss their July submissions.

Members were reminded that there was an open invitation to the Task & Finish group on Tuesday 13th December.

It was resolved unanimously to:

1. note the progress made on the Asset Pooling proposal and in particular the work in the Inter Authority Agreement (IAA) and the challenge of meeting the full Council deadline of early February 2017.

98. AUDIT REPORT

Duncan Wilkinson presented the final report of the 2015-16 audit of LGSS Pensions Administration. The audit assessed the adequacy of design and controls for the administration of the Pensions Services in Cambridgeshire and Northamptonshire. Based on the fieldwork and testing carried out, Internal Audit had given substantial assurance for controls in place and operating within LGSS pensions for 2015-16.

Members were pleased to note that all areas were given "substantial assurance" with the exception of Death of Pensioners ("good assurance") and Reconciliations, which had "moderate assurance". The reasons for this were explored, noting the comment in the report that "the task of reconciliation will take some considerable time unless additional resources are allocated to this in order to bring this to a swift conclusion", in relation to the reconciliation between Payroll and Altair. It was noted that without additional resources, this reconciliation would take considerable time, and there was significant reputational risk if overpayments had to be recovered.

Officers reassured Members that for the 2016/17 year end reconciliation the process would be addressed and the reconciliation would be automated from that point forward: in the past collecting all the required information had been very resource intensive.

With regard to the reconciliation between Altair payroll and Altair administration, where there were historical differences, officers explained that the introduction of Altair had been resource intensive. Whilst it was a resource issue, the type of additional staff resource required to address this issue needed to be very skilled and experienced, and it was difficult to attract such individuals, and there were competing priorities for the time of the existing experienced officer team. An external company had been contracted to audit the data, and the results were expected in February. The Chairman commented that if additional resource was required to deal with this issue, the Head of Pensions should contact the Chairman and Vice Chairman.

Turning to the Death of Pensioners, Members discussed ways of ensuring quicker notification of unnotified deaths, e.g. through Life Certificates, noting that the National Fraud Initiative (NFI) data matching process provided some checking facilities. A particular risk area were those pensioners living overseas. It was noted that lack of notification was not usually due to fraud or even negligence, but rather an oversight at a difficult time by members of the deceased's family. Officers advised that they had contacted other Funds to

see how they approach this area, and it appeared that they focused on specific groups e.g. overseas, certain ages. It was also noted that the annual newsletter was sent to home addresses, which could act as a prompt. Pensions were also stopped if payslips were returned through the postal system.

Duncan confirmed that he was happy with the direction of travel for areas highlighted in the Audit, and was aware that some actions were work in progress.

It was confirmed that the tolerance thresholds set for reconciliations were per annum, and officers agreed to review the thresholds, with a view to reducing thresholds, in the light of work being done.

It was resolved unanimously to note the audit work undertaken.

99. PENSION FUND TRAINING STRATEGY 2016

The Committee considered a report on the Cambridgeshire Pension Fund Training Strategy. The Knowledge Management Policy was tabled.

Officers noted that the strategy, produced by Hymans, recommended that Chairmen accrue 28 training credits, and members 25. A Scorecard would be produced so that training could be evidenced going forward. In response to a Member question, it was noted that based on existing scoring criteria, current Members had between 7 and 25 credits accrued.

The Chairman commented that the amount of knowledge needed by Members was enormous, especially with pooling, and it was difficult for Members to commit sufficient time given their competing priorities. This was exacerbated by the turnover in Members resulting from membership changes and elections. Members discussed whether there should be a requirement for Members to meet a minimum standard or participate in specific Pensions induction training before they could sit on the Committee, as with Planning Committee membership. It was noted that the skills and knowledge of the Committee was listed as a risk on the Risk Register. Much also depended on the experience and background of individual Members.

The various forms and providers of training were noted e.g. training courses, web-based, through providers like Hymans and in-house training, including joint training sessions with Northamptonshire Members and Local Pension Board Members. Training opportunities and conferences were reported to every Committee meeting.

It was noted that there was a free online training resources available on the Pensions Regulator website, which was freely accessible and a really useful starting point for new Members.

It was suggested that a further report was required at the new meeting, which would include issues such as induction training for new Members and credit thresholds for Pension Fund Committee Members. **Action required.**

It was unanimously resolved to:

1. Approve the Cambridgeshire Pension Fund Training Strategy appended to the report.

100. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2016-17

Michelle Oakensen presented the third Business Plan update for the 2016-17 financial year.

The final assessment of the Customer Service Excellence (CSE) accreditation was held in June and following this the LGSS Pensions Service had been awarded the CSE Standard.

Members noted performance against Key Performance Indicator (KPI) targets, noting the detailed analysis in the appendix and the reasons for shortfalls.

In response to a Member question, officers advised that there had been 164 requests for estimates, which was about average.

Members were disappointed to note the employers reported to the Pensions Regulator for underpayment or lack of payment.

It was resolved to:

1. note the Pension Fund Business Plan third update for the 2016-17 financial year.

101. EXCLUSION OF PRESS AND PUBLIC

It was resolved:

That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business (item 10) on the grounds it contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information which is likely to reveal information relating to the financial or business affairs of any particular person) and that it would not be in the public interest for this information to be disclosed.

102. VALUATION

Douglas Green, Actuary, of Hymans Robertson, gave a presentation on the Actuarial valuation.

It was resolved to:

1) note the report.

103. DATE OF NEXT MEETING: 8 DECEMBER 2016 (10am)

Agenda Item No: 5

CAMBRIDGESHIRE PENSION FUND

Pension Fund Board

Date: 25 January 2017

Report by: Head of Pensions

Subject:	**Agenda items from the October and December 2016 Pension Committee Meetings**
Purpose of the Report	To provide the Pension Fund Board with an executive summary of specific agenda items discussed at the October and December Pension Committee meetings.
Recommendations	**That the Pension Fund Board note the contents of this report.**
Enquiries to:	Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

1.1 This report is an executive summary of the items discussed at the October and December 2016 meetings of the Pension Committee which are not addressed through other reports to the Pension Fund Board at this meeting.

1.2 The agenda items which are covered in this report are:

- Governance and Legislation Reports
- Employer Admissions and Cessations Report

1.3 The full reports can be found at the link detailed in section 11 of this report.

2. Governance and Legislation Report

2.1 The following sections summarise the information relating to the Governance and Legislation Report.

2.2 Scheme Advisory Board Update

2.2.1 The Scheme Advisory Board met on 1 August 2016 and considered and agreed its proposed terms of reference. These will now be sent to the Minister for approval. The Minister will also receive the Board's suggested budget (£384,375) and work plan for 2016/17. The budget will be submitted along with a suggestion that the Board's secretariat, through an additional post, provide support to the DCLG. The purpose of the post would be to ensure the Board's recommendations are given the degree of consideration and research necessary for the effective development of the Scheme.

2.2.2 Also at this meeting Scheme Advisory Board agreed to proceed with the selection process to fill the vacant non-voting member seat which has been allocated to practitioners. Seven nominations were received by the closing date for nominations and so an election process was carried out to complete the process. Each LGPS administering authority with an open fund was invited to cast one vote for their preferred candidate. A vote was held in August with Nicola Mark of Norfolk Pension Fund being the preferred candidate.

2.2.3 The final result issued on 20 September 2016 was for Nicola Mark to fill the non-voting practitioner member seat on the Local Government Pension Scheme Advisory Board.

2.3 Legal opinion on LGPS and application of Financial Services Markets Act 2000

2.3.1 The LGA has obtained a legal opinion from Nigel Giffin QC on the extent to which a local authority or other body which is the administering authority of an LGPS fund might in that connection be subject to regulation by the Financial Conduct Authority ("FCA") pursuant to the Financial Services and Markets Act 2000 ("FSMA").

2.3.2 In the opinion, Mr Giffin concluded that, in managing an LGPS fund, the administering authority is not carrying out a regulated activity, and does not require FSMA authorisation.

2.3.3 The full legal opinion can be found on the Scheme Advisory Board website at the following link;

http://www.lgpsboard.org/index.php/board-publications/legal-opinions

2.4 Investment Fees – Code of Transparency

2.4.1 The move toward investment fee transparency and consistency is seen by the Scheme Advisory Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.

2.4.2 To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis the Scheme Advisory Board is working to develop a voluntary Code of Transparency for LGPS asset managers. As part of this work a consultation meeting was held on 21 September 2016 with representative fund accountants. The minutes if this meeting can be found at the following link;

http://www.lgpsboard.org/images/Consultations/NoMfund%20accountants210916.pdf

2.5 The Pensions Regulator – Prosecution Policy

2.5.1 There are a number of criminal offences concerned specifically with workplace pensions. The Pensions Regulator has the power to prosecute these offences, as well as other offences that form part of the same facts or events or are otherwise connected to enforcement functions.

2.5.2 The Pensions Regulator has produced a policy that identifies a risk-based approach to prosecution decisions, considers each case on its particular facts and explains how they will use their prosecution powers. The annex of the policy lists the criminal offences under workplace pension's legislation and can be found at –

http://www.thepensionsregulator.gov.uk/docs/prosecution-policy.pdf

2.6 The Pensions Regulator – Annual Scheme Return

2.6.1 The Pensions Regulator issued its annual scheme return for public service pension schemes, which each LGPS fund has a legal duty to complete. The return was submitted on behalf of Cambridgeshire Pension Fund ahead of the 11 August 2016 deadline.

2.7 The Pensions Regulator - Self-assessment tool for public service pension schemes

2.7.1 The Pensions Regulator (TPR) has published a self-assessment tool for those involved in running public service pension schemes to assess how they are getting on with both meeting their legal requirements and complying with the guidance set out in the Regulator's code of practice number 14 – governance and administration of public service pension schemes.

2.7.2 The tool sets out a range of processes, tools and actions that TPR expects to see in a well-run scheme and, upon completion, the tool provides schemes with indicative risk ratings in certain key areas.

2.7.3 LGSS Pensions had previously tested the tool and provided feedback to TPR regarding its functionality.

2.8 The Pensions Regulator - Survey of public service pension schemes

2.8.1 Following last year's survey of the governance and administration of public service pension schemes, the Pensions Regulator issued the 2016 survey. The survey builds on the content of last year's survey, but with a greater emphasis on record-keeping, internal controls and communications

2.8.2 The survey was completed in conjunction with the Chairman of the Pension Fund Board in line with the direction received from the Pensions Regulator.

2.9 Pensions and Lifetime Savings Association (PLSA) survey of LGPS pension funds

2.9.1 In August 2016 the Pensions and Lifetime Savings Association undertook its annual survey of LGPS pension funds with the aim of obtaining insights into the changing landscape in which pension schemes operate. The results of the survey will be shared once they become available.

2.9.2 In addition, the Pensions and Lifetime Saving Association have issued the first of a series of guides for employers participating in the LGPS:

- Guide for employers participating in the LGPS: An introduction to the LGPS for scheduled bodies; and;
- Guide for employers participating in the LGPS navigating entry into the LGPS: for local government contractors.

Both documents are available on the PLSA's website and later this year there are plans to issue further guides for employers, focusing on participating and leaving the scheme.

http://www.plsa.co.uk/PolicyandResearch/DB/Employers-participating-in-the-LGPS.aspx

3. Consultations

3.1 Local Government Pension Scheme Regulations

3.1.1 On 27 May 2016 the Department for Communities and Local Government issued a 12 week consultation on a number of changes to the Local Government Pension Scheme in England and Wales.

3.1.2 The consultation focussed on the long awaited changes being proposed to accommodate New Fair Deal as well as specific draft regulations that would provide members with more options for using their Additional Voluntary Contributions in the scheme following the introduction of the Government's policy of Freedom and Choice in Pensions. The consultation also addressed draft regulations on how the scheme operates within the Public Sector Transfer Club and a number of draft amending regulations that are intended to improve the administration of the scheme.

3.1.3 The consultation closed on 20 August 2016. LGSS Pensions did not have capacity to respond to this consultation on this occasion, however, the response from the Local Government Association can be found at the following link;

http://lgpsregs.org/images/Drafts/2016-05LGPSAmendsConsResponse.pdf

3.2 Government publish response to college insolvency consultation

3.2.1 Following the Government consultation undertaken earlier this year to introduce insolvency provisions for further education and sixth form colleges in England (see articles in bulletins 148 and 149), the Department for Education has published its formal response.

3.2.2 The response notes that the LGPS was a common issue raised in responses and the Government respond to a number of the concerns raised about the potential impacts on the LGPS. In particular, the Government's views are as follows:

- Following the area review process, the risk of college insolvency will be very low and the special administration regime (SAR) will be a tool of last resort.
- However, in the event of a college insolvency event, most cases would not result in the crystallisation of a pensions deficit as there would be a merger with, or transfer to, another provider.
- Pension funds should nevertheless assess the strength of each employer's covenant.

- Providing guarantees from Government for college liabilities would not be appropriate as colleges do not form part of the public sector. The comparison with academies, for whom the Government does provide a limited guarantee, is therefore not fitting because academies are public bodies.
- During an insolvency event, the Government would consider whether ongoing pension contributions should form part of the costs of administration to be funded by Government.

3.2.3 The Government will now take forward their plans via primary legislation when parliamentary time permits.

4. Legislation

4.1 Guidance on Preparing and Maintaining an Investment Strategy Statement

4.1.1 On the 15 September DCLG issued the above new guidance. New investment regulations published on 23 September 2016 include a requirement for administering authorities to publish new Investment Strategy Statements by 1 April 2017 in accordance with this new guidance. Administering authorities will be required to act in accordance with the provisions in this guidance when Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 comes into force from 1 November 2016. An administering authority's duty to prepare, maintain and review their Funding Strategy Statement under Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") is unaffected.

4.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

4.2.1 These Regulations, which come into effect on 1 November 2016, make provision in relation to the management and investment of pension funds held by administering authorities required to maintain such funds by the Local Government Pension Scheme Regulations 2013.

4.2.2 The most significant amendment surrounds Regulations 7 and 8 which respectively require authorities to publish an investment strategy in accordance with guidance issued by the Secretary of State and enable the Secretary of State to issue a direction to any authority which fails to comply with its statutory obligations as regards its pension fund or which fails to act in accordance with the guidance.

4.3 Debate following e-petition on LGPS investment regulations

4.3.1 Earlier this year, an e-petition was set up on the Government website in response to the consultation on new investment regulations for the LGPS in England and Wales, which was underway at the time. The e-petition set out concerns about:

- the proposed Government intervention power in scheme investments,
- the requirement for an improved capacity for investment in infrastructure, and
- ensuring that investments be made in the interests of scheme members.

4.3.2 As the e-petition succeeded in getting over 100,000 signatures, the Government granted a debate on the subject and this debate was held on 24 October 2016. The Hansard transcript of the debate is available at:

https://hansard.parliament.uk/commons/2016-10-24/debates/A7FADB91-3C81-4C9D-A6C9-791C57EEC3B2/LocalGovernmentPensionScheme

4.4 Early Day Motion to annul LGPS Investment Regulations 2016

4.4.1 On 25 October, MPs from the Labour Party submitted an Early Day Motion (EDM) praying that the LGPS (Management and Investment of Funds) Regulations 2016 [SI 2016/946] be annulled. It is understood that the Early Day Motion had been submitted because of similar concerns to those that gave rise to the e-petition (as detailed above).

4.4.2 The EDM was not successful in annulling the legislation.

4.5 Publication of LGPS (England and Wales) statistics 2015/16

4.5.1 Following the completion of the 2015/16 SF3 data collection forms by LGPS administering authorities in England and Wales, DCLG have published the results.

4.5.2 The key points from the England release are:

- Total LGPS expenditure in England in 2015-16 was £10.0 billion. On a like-for-like basis the increase was £0.6 billion or 6.1% compared to 2014-15.
- Total LGPS income in England in 2015-16 was £12.4 billion. On a like-for-like basis the decrease was £0.2 billion or 1.4% compared to 2014-15.
- Employers' contributions to the LGPS in 2015-16 amounted to £6.6 billion and employees' contributions to the scheme were £2.0 billion.
- The market value of LGPS funds in England at the end of March 2016 was just over £200 billion.
- The LGPS in England encompasses more than 5.06 million people. Of this number, 1.8 million are employees who are still contributing to the scheme, 1.5 million are pensioners and 1.8 million are former employees who are entitled to a pension at some time in the future.

4.5.3 It should be noted when looking at the figures that:

- Comparisons on a fund level from 2012/13 to 2015/16 may be difficult given the transfer of probation staff to Greater Manchester Pension Fund in 2014/15.

- There have been changes in the way that administration costs are now recorded, meaning that historical comparisons may also be difficult in respect of the costs of the scheme.

4.5.4 The full report can be found at the following link;

https://www.gov.uk/government/collections/local-government-pension-scheme

5. Employer Admissions and Cessations Report – October & December 2016

5.1 New Scheduled Bodies

5.1.1 Regulation 3 (1) of the Regulations provides for a person employed by a body listed in Schedule 2 to be an active member of the Local Government Pension Scheme. Part 1 of Schedule 2 includes "a proprietor of an Academy" as being a class of Schedule 2 employer and therefore a Scheduled Body. There is no discretion on the administering authority or the employer as to whether or not employers in Schedule 2 are provided with access to the Fund; it is a requirement.

5.1.2 The LGPS Regulations recognise the proprietor of the Academy as the scheme employer. Where Academies are part of a Multi Academy Trust (MAT), the Trust is the scheme employer and not each individual Academy. Academies joining an existing MAT are not reported as they are therefore not recognised as new scheme employers.

5.1.3 At the October meeting, the admission of the University of Cambridge Primary School (a MAT) with effect from 1 September 2015 was noted.

5.2 New Admission Bodies

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

5.2.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service or assets in connection with the exercise of a function of a scheme employer, as a result of a transfer of the service or assets by means of a contract or other arrangement. Though the Regulations effectively provide discretion on the administering authority as to which bodies become paragraph 1(d)(i) admission bodies, guidance by the Department of Communities and Local Government in December 2009 states "*The administering authority cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the LGPS regulations*."

5.2.3 A body which falls under paragraph 1(a) of Part 3 of Schedule 2 is an admission body that is a body which provides a public service in the United Kingdom which operates otherwise than for the purpose of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest. The committee has discretion over allowing entry to a body that falls under this paragraph.

5.2.4 At the October meeting of the Pension Committee it was noted that the following have become new admission bodies in the Cambridgeshire Pension Fund under paragraph 1(d)(i).

Date	**New Admission Body**	**Background information**
01/09/2015	Accent Catering Limited (Fulbridge Academy)	Fulbridge Academy has outsourced its catering services to Accent Catering Limited and has transferred its catering staff as part of this arrangement.
01/10/2015	Action for Children (London Road Contract)	Action for Children have been awarded the contract to provide respite care services for children and young people at Haviland Way and Woodford Lodge. Cambridgeshire County Council staff have been transferred to Action for children as part of the arrangement.
01/06/2016	Easy Clean (Godmanchester Primary School)	Godmanchester Primary School has outsourced its cleaning services to Easy Clean Contractors Ltd and has transferred some Cambridgeshire County Council cleaning staff, to Easy Clean Contractors Ltd, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Godmanchester Primary School remains responsible for the pension liabilities.
01/06/2016	NPS Property Consultants	Peterborough City Council and NPS Property Consultants entered into a joint venture initiative to provide property related services to Peterborough City Council. As a result of this arrangement a number of staff transferred from Peterborough City Council to NPS Property Consultants.
01/04/2016	Mountain Healthcare	Cambridgeshire Constabulary have outsourced their Sexual Assault referral services and Custodial Healthcare service. As a result a number of Cambridge Constabulary staff have been transferred under TUPE arrangements to Mountain Healthcare. This body is admitted under a Pass Through agreement meaning Cambridgeshire Constabulary remains responsible for the pension liabilities.
01/04/2016	Kealey HR Ltd	Peterborough City College have outsourced their HR services. As a result Peterborough City Council agreed a closed Pass Through admission of Kealey HR Ltd from Peterborough City Council. The body is admitted under meaning Peterborough City Council remains responsible for the pension liabilities. The staff transferred under TUPE arrangements to Kealey HR Ltd.

6.2.5 At the December meeting of the Pension Committee it was noted that the following have become new admission bodies in the Cambridgeshire Pension Fund under paragraph 1(d)(i).

Date	New Admission Body	Background information
10/10/2016	Easy Clean Contractors Ltd (Eastfield Infants)	Eastfield Infants, an LEA school, has outsourced its cleaning services to Easy Clean Contractors Ltd and has transferred some Cambridgeshire County Council cleaning staff to Easy Clean Contractors Ltd, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.
01/01/2015	Lunchtime Company (Gorefield Primary School)	Gorefield Primary School, an LEA school, has outsourced its catering services to Lunchtime Company and has transferred some Cambridgeshire County Council cleaning staff to Lunchtime Company, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.
20/04/2016	Lunchtime Company (Over Primary School)	Over Primary School, an LEA school, has outsourced its catering services to Lunchtime Company and has transferred some Cambridgeshire County Council cleaning staff, Lunchtime Company, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.
01/09/2014	Lunchtime Company (St Matthew's Church of England Primary School)	St Matthew's Church of England Primary School, an LEA school, has outsourced its catering services to Lunchtime Company and has transferred some Cambridgeshire County Council cleaning staff to Lunchtime Company, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.
27/05/2015	Lunchtime Company (Swaffham Prior Church of England Primary School)	Swaffham Prior Church of England Primary School has outsourced its catering services to Lunchtime Company and has transferred some Cambridgeshire County Council cleaning staff, Lunchtime Company, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Cambridgeshire County Council remains responsible for the pension liabilities.

6.3 New Designating Body

6.3.1 Regulation 3 (1) of the Regulations provides for a person, who is employed by a body listed in Part 2 of Schedule 2 and is designated, or belongs to a class of employees that is designated, by the body, to be an active member of the Local Government Pension Scheme.

6.3.2 The designating body has to pass a resolution to designate employees as being eligible for membership of the Local Government Pension Scheme.

6.3.3 At the December meeting of the Pension Committee it was noted that Melbourn Parish Council is a designating body by means of being a precepting authority within the meaning of section 69 of the Local Government Finance Act 1992 and has passed a resolution to allow employees of the Council to join the LGPS with effect from 1 January 2017.

6.4 Cessations

6.4.1 We had previously reported to the Pension Committee the cessation of Indigo Spa Management which ceased as an employer in the Fund following the termination of its arrangement with Huntingdon District Council, due to Indigo Spa becoming financially insolvent. Pension contributions were outstanding at the point of cessation and all attempts to contact Indigo Spa Management had been unsuccessful.

6.4.2 Following further attempts to contact Indigo Spa Management, the outstanding pension contributions were paid in full by Huntingdonshire District Council on 23 August 2016.

6.4.3 As previously reported, the pension liabilities transferred back to Huntingdonshire District Council at cessation therefore the cessation of Indigo Spa Management has now been completed.

6.4.4 Easy Clean were admitted to the Fund under a pass through admission agreement on 1 August 2013, as a result of a contract to provide cleaning services at St Peters School. This resulted in the transfer of Cambridgeshire County Council employees, to Easy Clean under TUPE regulations.

6.4.5 The admission agreement has now ceased due to the last active LGPS member, under this contract, ceasing employment on the 20 April 2016. All employee and employer pension contributions owing to the Fund have been paid. As a pass through admission, all liabilities will pass back to Cambridgeshire County Council, as the ceding employer. As a result there is no cessation payment to be made.

7. Relevant Pension Fund Objectives

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

8. Finance & Resources Implications

8.1 Not applicable.

9. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with this report.		Green

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

Risk	Risk Rating
There are no risks associated with this report.	Green

10. Communication Implications

10.1 Not applicable.

11. Legal Implications

11.1 Not applicable.

12. Consultation with Key Advisers

12.1 Not applicable.

13. Alternative Options Considered

13.1 Not applicable

14. Background Papers

14.1 Link to reports from the 20 October and 8 December meetings of the Pension Committee:

https://cmis.cambridgeshire.gov.uk/ccc_live/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/215/Committee/16/Default.aspx

https://cmis.cambridgeshire.gov.uk/ccc_live/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/216/Committee/16/Default.aspx

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Head of Pensions?	Mark Whitby – 22/12/2016

CAMBRIDGESHIRE PENSION FUND

Pension Fund Board

Date: 25 January 2017

Report by: Governance and Legislation Manager

Subject:	**Internal Audit Update – Internal Audit Report 2015-16**
Purpose of the Report	To brief the Local Pension Board on the completed internal audit for 2015-16
Recommendations	**That the Local Pension Board note the audit work undertaken.**
Report Author and Enquiries to:	Jo Walton – Governance and Regulations Manager, LGSS Pensions Tel: 01604 367030 Email: jwalton@northamptonshire.gov.uk Or Paul Clarke, Group Auditor, LGSS Internal Audit Tel: 01604 367130 Email: pclarke@northamptonshire.gov.uk

1. Summary of Report

1.1 The report presents the final report on the 2015-16 audit of LGSS Pensions Administration. The audit assessed the adequacy of design and implementation of controls for the administration of the Pensions Services of Cambridgeshire and Northamptonshire Pension Funds. Based on the completion of fieldwork and the testing carried out, substantial assurance has been given for the controls in place and operating within LGSS Pensions for 2015-16. The final audit report is included as Appendix A.

2. Background

2.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2.2 The work of Internal Audit complements and supports the work of external auditors in forming their opinion on the financial accounts. Internal audit work is coordinated with the external auditors and they place reliance on the work of internal audit to reduce the level of testing they undertake themselves. This reduces overall costs by avoiding

unnecessary duplication of effort and supports delivery of an efficient and effective service.

3. Relevant Pension Fund Objectives

3.1 The audit work undertaken was designed to support the Pension Service in achieving its objectives through the effective management of risk. The work therefore supports all of the outcomes of the Pension Service:

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. *Objective 1*
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. *Objective 2*
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. *Objective 3*
Continually monitor and measure clearly articulated objectives through business planning. *Objective 4*
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*
Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund. *Objective 6*
Ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer. *Objective 7*
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. *Objective 8*
Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer. *Objective 9*
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. *Objective 10*
Maintain accurate records and ensure data is protected and used for authorised purposes only. *Objective 11*
Promote the Scheme as a valuable benefit. *Objective 12*
Deliver consistent plain English communications to Stakeholders. *Objective 13*
Provide Scheme members with up to date information about the Scheme in order that they can make informed decisions about their benefits. *Objective 14*
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund. *Objective 15*
Ensure cash flows in to and out of the Fund are timely and of the correct amount. *Objective 16*
Ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment. *Objective 17*
Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy. *Objective 18*
Maximise investment returns over the long term within agreed risk tolerances. *Objective 19*
Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required. *Objective 20*

4. Finance & Resources Implications

4.1 Provision was made within the LGSS Audit Plan to undertake this work.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
The audit work may identify significant weaknesses with potential for reputational damage to the Pension Service.	A process is in place for timely and effective response to the findings of internal and external auditors.	Green

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

Risk	Risk Rating
Unmitigated risks to the objectives of the Pension Service are not identified and addressed. The legal obligation to ensure internal audit is undertaken would not be met.	Red

6. Communication Implications

Website	The work of auditors will be transparent and will be published on the internet.

7. Legal Implications

7.1 The requirement for an Internal Audit function derives from section 151 of the Local Government Act 1972. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2003 in England (Appendix 41) [4] should make provision for Internal Audit in accordance with the Code.

8. Consultation with Key Advisors

8.1 BDO (Cambridgeshire Council's external auditors) and KPMG (Northamptonshire County Council's external auditors) have confirmed their requirements for the internal audit.

9. Alternative Options Considered

9.1 Continue with separate audits as was the case prior of the convergence process. This would be a failure to capitalise on the opportunity to deliver a more efficient and effective service.

10. Background Papers

10.1 Previous report on 18th March 2016 to the Pensions Committee – Internal Audit Update and Plan 2016-17.

11. Appendices

11.1 Appendix A – Internal Audit Report - LGSS Pensions Administration 2015-16 – Executive Summary and Action Plan

Checklist of Key Approvals *(To be included for all reports)*	
Is this decision included in the Business Plan?	NO
Will further decisions be required? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO
Has this report been cleared by The Head of Pensions?	Mark Whitby – 22/12/2016

Appendix A

LGSS Audit & Risk Management Service

Internal Audit Report
LGPS Administration 2015/2016

	Confidential
Client	LGSS
Issued To	Matt Bowmer, Director of Finance
Cc	Chris Malyon , S151 LGSS Mark Whitby, Head of Pensions Joanne Walton, Governance Regulations Manager Akhtar Pepper, Operations and Technical Paul Tysoe, Group Accountant
Date	11 August 2016
Lead Auditor	Janette Lynn
Status of Report	Final Report
Internal Audit Opinion	Substantial Assurance

Assurance Summary

Control Environment Assurance	**Substantial**
Compliance Assurance	**Substantial**

Organisational Impact	**Minor**

Executive Summary

1. Background to the review

The audit of the Local Government Pension Service for the Northamptonshire Pension Fund (NPF)and the Cambridgeshire Pension Fund (CPF) which is administered by LGSS includes the administration of:

- new members
- payment of pensioners and dependents
- transfers into and from the pension schemes
- receipt and recording of contributions from the employers
- administration processes on Altair operated by the LGSS pensions staff to ensure that there are appropriate separation of duties on key tasks
- reconciliations of financial systems
- User access

The audit provides assurance to the Pensions Committee and also the Pension Fund's External Auditors for their final accounts audit.

The audit seeks to provide assurance to management, External Audit and the employer organisations that expected controls are in place for pensions administration and key financial systems, such controls are adequate in design and function appropriately in practice.

1.1 Key Risks

The audit relates the following risks from the LGSS Pension Service risk register:

- B4 Pension Fund Contributions are not collected on an accurate and timely basis
- B5 Payments to pensioners and not paid accurately
- B6 Lack of staff to administer and account for the fund
- C2 Failure to comply with legislative and regulatory requirements
- C3 Failure to comply with Data Protection and Freedom of Information Acts
- D1 Inability to attract or retain staff with the right skills and experience

Based on previous experience and the requirements of external audit the key risks identified are:

- Risk 1 – Pension payments are not made in accordance with the LGPS and council policy (including rates, annual uplift, lump sums, pensions, deferred pensions, early retirements, annual pension statements);
- Risk 2 – Pension payments are not recorded properly and not accounted for correctly;
- Risk 3 – New members are not set up on a timely basis and do not receive appropriate information;
- Risk 4 – Contributions and accompanying schedules are not received on time or are not correct; (includes employee and employer contributions, additional contributions from all scheme employers;
- Risk 5 – Transfers in and out of the scheme are not subject to appropriate checks and authorisation;
- Risk 6 – Reconciliations are not completed i.e. between Altair and Oracle and also for the Pensions bank account;
- Risk 7 – Performance of the service provided is not monitored and reviewed;
- Risk 8 – User access is not reviewed and so staff may have inappropriate access to the pensions system

1.2 Objectives

Therefore, the objectives of the review were to provide management with assurance that there are appropriate controls in place to mitigate effectively the risks related to Pensions

1.3 Approach

In order to test the operating effectiveness of the controls in place we performed sample testing for both the NPF and the CPF as follows:

- new members;
- new pensioners, calculations and pensions actually paid ;
- transfers into and out of the LGPS to ensure the calculations were checked and monies paid out were authorised and receipts monitored;
- deaths of pensioners and dependent pensioner benefits;
- monitoring the receipt of contributions and supporting documentation from employer organisations;
- year end reconciliations of contributions received;
- reconciliation of bank accounts;
- reconciliation of pensions payroll to the Altair records;
- the annual uplift of pensions on Altair;
- access to Altair

2. Internal Audit Opinion and Main Conclusions

2.1 Main conclusions

Based on the completion of our fieldwork and the testing carried out, we are giving **substantial** assurance for the controls in place within LGSS pensions for the administration of LGPS.

The team is benefitting from the continued impact of improved systems capturing data electronically and providing management information to assist with key processes.

Whilst most areas have been given substantial assurance due to this the areas of reconciliation are moderate as these had not been completed or were currently work in progress.

The day to day administration of benefits i.e. pensions paid, lump sums and transfers in, where the key financial risks are found have substantial assurance. The incidence of non compliance on these day to day processes has seen a significant reduction as demonstrated by the findings in the audits over the last three years.

The table below provides a breakdown on the level of assurance for both NPF and CPF for each of the process areas identified:

Process Area	NPF	CPF
New members	Substantial	Substantial
New pensioners	Substantial	Substantial
Transfers in	Substantial	Substantial
Transfers out	Substantial	Substantial
Deaths of pensioners	Good	Good
Contributions	Substantial	Substantial
Reconciliations	Moderate	Moderate
Systems and User Access	Substantial	Substantial
Overall Level of Assurance	**Substantial**	**Substantial**

New members - substantial assurance

The Systems team have continued to improve their methods for capturing data from employers on new members and contract changes etc.

Improvements have been made since last year's audits so that information is now received electronically from the majority of employers or their payroll providers, reviewed and processed in a timely manner. These functions are monitored so that if delays occur or issues arise these are investigated and resolved.

New pensioners - substantial assurance

Twenty five new pensioners were tested for NPF and for CPF.

The administration process was tested to check that appropriate controls were in place before a pension was awarded to ensure that the individual had left employment, calculations were prepared based on final pay and or CARE and in line with the members request as to whether there were to be any conversion of benefits. Calculations were prepared, checked and authorised and a separation of duties between these phases was in place. Separation of duties was also in place for notifications to the payroll provider, and the pension actually paid was checked to confirm it was correct.

A separation of duties was also in place for the payment of any lump sums that were due, based on the above calculations, and appropriate evidence for the payment was held on file in most cases.

NPF

There were two instances where evidence of lump sum payments had not been placed on Altair.

Transfers in - substantial assurance

Five transfers in were tested for NPF and five for CPF

Appropriate checks were completed before a transfer in was estimated. Calculations were prepared based on evidence of their service in other LGPS schemes or on the monetary value of non LGPS schemes that was to be transferred, this was then equated to a value of service credit that was to be awarded.

Calculations were prepared, offers issued, and final calculations prepared when the employee confirmed their request to transfer their previous pensions into the scheme.

The receipt of monies was monitored and recorded on Altair and a transfer in service credit recorded on the member's records.

A separation of duties was in place for all stages of the process.

Transfers Out - substantial assurance

Ten transfers out were tested for NPF and fifteen for CPF. The auditor was advised that there had been a delay in processing the transfers out due to software upgrades that were due to take place shortly, hence the sample sizes to chose from were reduced from previous years numbers.

Appropriate checks were completed before a transfer out was permitted to ensure that the funds were to be transferred to an appropriate pension fund, that the member had left employment. Quotations were issued and on receipt of an authorisation from the member a final calculation was prepared based on evidence of their service and contributions paid.

Payments were then processed to the appropriate receiving pension provider.

A separation of duties was in place for all stages of the process.

NPF

Three payments had been made to pension providers and although the details had been recorded on Altair the supporting evidence had not been placed on the system. This was also true for a high value payment which had been authorised by the Head of Pensions.

Deaths of Pensioners - good assurance

a) Notified deaths and dependent pensions:

A walkthrough for two notified deaths was completed for the NPF and CPF

The administration process was tested to check that appropriate controls were in place when a death was notified, the actual death was confirmed and their pension payments stopped. Calculations were prepared for any dependent pensioners or lump sum payment due, these were checked and authorised and a separation of duties between these phases was in place. Separation of duties was also in place for notifications to the payroll provider, and the pension actually paid was checked to confirm it was correct.

A separation of duties was also in place for the payment of any lump sums that were due, based on the above calculations, and appropriate evidence for the payment was held on file.

b) Deaths of pensioners – check pension payments were stopped:

The records for five pensioners in the NPF and five in the CPF who had been reported as deceased were checked to confirm that their death had been confirmed, that pensions had been suspended and a reconciliation of payments completed to ensure that action was taken to recover monies owed to the scheme or the payment of any balances owed to the deceased pensioner's estate or dependents.

Possible un-notified death:

During the audit period whilst the pension team were undertaking the reconciliation of payroll to Altair it was identified that it appeared that an elderly pensioner had passed away but was still in receipt of pension. This is currently being investigated i.e. a copy of actual death certificate has been requested. The death had not been notified to the pensions service nor had it been picked up through the NFI (National Fraud Initiative) data matching process as the death had occurred between the data checking periods.

This incident has highlighted the need to review how the service checks if pensioners are still alive. Life certificates are not currently required and whilst the NFI process provides some checking facilities it may be that some pensioners would not be identified through this process. There are also particular risks around those pensioners who are resident outside of the UK and upon whom checks cannot easily be completed.

Contributions from employer organisations – substantial assurance

Fifteen employers contributions records were tested for NPF and CPF.

Monthly returns from employers were reviewed and checked to contributions received which were coded to the appropriate employer.

Where variances were identified between the employers level of contributions, and expected and actual payments received these had been resolved or were work in progress.

Reconciliations - moderate assurance

During the audit it was identified that a yearend reconciliation for 2014/2015 of contributions from employers, received and posted in the accounts had been undertaken but this had not been compared to the employers' payroll information that was submitted as part of the year end processes.

Monthly bank reconciliations had been completed.

A reconciliation between pensions payroll and Altair had commenced but was not fully completed. This had highlighted a large number of variances in actual and expected payments:

NPF 13,962 of which 12,858 were below the acceptable tolerance threshold of £100, leaving 822 to be investigated.
CPF 14,658 of which 12959 were below the acceptable tolerance threshold of £100, leaving 1496 to be investigated.

There were a number of reasons why these variances occurred and these were being investigated. The reconciliation process was very detailed as records had in some cases to be checked back to the date that the pension was first awarded to confirm the correct starting value, and how this was made up i.e. possibly a combination of pensions or benefits.

It was not possible to ascertain the potential call on the pension fund for any underpayments or the benefit from any recoupment as it is not known whether the record on payroll or Altair was correct.

Those with the highest variances are being investigated as priority – of the 31 cases investigated for the NPF £122k can potentially be reclaimed from members and £24k is owed to members.

A breakdown for the 44 cases investigated for the CPF was not available, so it is not possible to state whether the split would be similar as the administration for both schemes on Altair and payroll has historical differences.

The task of reconciliation will take some considerable time unless additional resources are allocated to this in order to bring this to a swift conclusion.

Although the Pensions Committee have agreed an overpayments policy which is being used to inform decision making, there remains a significant reputational risk for LGSS Pensions i.e the potential dissatisfaction of members and employers when pensioners are notified that they have been overpaid and repayment is required. Whilst reimbursement will only be sought for six plus the current years maximum, as agreed at the Pensions Committee, such charges may cause financial hardship or angst for pensioners.

Systems and User Access – substantial assurance

The Systems procedures were reviewed and checked to ensure that when users were set up staff had appropriate levels of access and that when staff left their access was removed.

The annual uplift process was also reviewed to confirm that appropriate controls were in place and that pensions were increased as expected based on national guidance.

It has also been identified that now that the pensions calculations are based Career Average Revaluations Earnings (CARE) which are uplifted for each year, in future the audit should include checking of these calculations for those active members not yet in receipt of pensions, to confirm that the correct increases are added to each year's value.

2.2 Main recommendations

For each of the issues identified we have made suggested recommendations in the accompanying action plan. When implemented these will positively improve the control environment and aid the Authority in its ability to effectively manage its risks.

2.3 Acknowledgement

We would like to take this opportunity to thank all members of staff whom we contacted during the course of this review for their time and assistance.

Findings and Management Responses

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
1	**New Pensioners**			
M	**NPF** 25 new pensioners were tested to confirm that the pension and any lump sum payment made to a new pensioner was correct. Although for lump payments a reference number was recorded on Altair under "Exit payment", for two of these evidence to support the payment was not held on Altair e.g. Oracle ERP screen print. Testing confirmed that correct payments had been made for these individuals.	When payments are made details of the payee, the amount and date e.g. Oracle print should be held on Altair to provide evidence of this.	To be advised to staff at team meeting.	Akhtar Pepper, 31/5/16
2	**Transfers Out**			

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
M	**NPF** a) The payments relating to ten transfers out had been made and recorded on the "Exit payments" screen. Evidence to support these was not held on Altair for three of these payments e.g. Oracle ERP print. Testing confirmed that correct payments had been made for these individuals.	When payments are made details of the payee, the amount and date e.g. Oracle print should be held on Altair to provide evidence of this.	To be advised to staff at team meeting.	Akhtar Pepper, 31/5/16
	b) A transfer out had been recorded on Altair as a "non-club transfer" incorrectly. This was an "interfund" payment to the West Yorkshire Pension Fund.	The descriptor used for fund transfers should be checked during processing to check that it is correct.	To be advised to staff at team meeting.	Akhtar Pepper, 31/5/16
	c) A high value payment had been authorised by the Head of Pensions but evidence to demonstrate this was not on Altair. Evidence for this was uploaded during the audit.	When high value payments require authorisation by Head of Pensions (above £250k) evidence of this should be held on Altair.	To be advised to staff at team meeting.	Akhtar Pepper, 31/5/16

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
3	**Year End reconciliation of Employers contributions**			
M	The audit highlighted that a year end reconciliation of 2014/2015 employers' and employees contributions received had not been completed. The Systems team confirmed that a year end return had been received from all but 2 NPF and 1 CPF employers. Members contributions had been reconciled against their Altair record but a reconciliation of employers and employees contributions to monies received and posted in the accounts had not been completed. The PEN 18 system had been updated with year end information by the Systems team but variances had not been investigated by the accountancy team. Variances do not necessarily indicate that monies are owed, these could be due to incorrect recording on returns, or posting of receipts to the accounts. However there remains a risk that incorrect payments may have been made and not identified until this task is completed.	The reconciliation of the 2014/2015 year end returns should be completed prior to the completion of the 2015/2016 reconciliation.	A review of the variances identified and checked with employers to ascertained why these have occurred and payments and transactions reconciled.	Paul Tysoe, 30/6/16

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
4	**Pensions Payroll**			
M	A reconciliation between the pensions payroll and Altair for NPF and CPF has commenced. This has identified significant variances both in the number of pensioner records and also the values of pensions paid. **NPF** 13,962 (12,858 below £100, 822 over £100) **CPF** 14,658 (12,959 below £100, 1496 above £100) £100 has been determined as an acceptable tolerance threshold and therefore the cases below this threshold are not going to be investigated. Investigation of these variances has identified that these may have arisen due to a number of issues including: - Records on payroll but not on Altair as these preceded the use of Altair	The reconciliation process should be completed in order to confirm the number and value of the adjustments that are required. The Pensions Management team should provide updates to the Pensions Committee on the work already completed and as the work progresses so that they are kept fully informed given the potential risks associated with this piece of work.	The reconciliation of Altair and Payroll to be continued with highest value items being prioritised.	Joanne Walton, Governance Regulations Manager . 31/3/17

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
	- Records which were not held on Altair as they were payments relating to teachers - Fire service pensions or elements of fire pension also paid - GMP adjustments that were on payroll and or not on Altair or had not been recorded correctly - Added years which were paid but not included in the Altair records as systems prior to this could not accommodate these transactions/adjustments (CPF) - Deaths which had occurred where pensioners had not been removed from one of the systems - Spouse pensions not adjusted on payroll after short term payments Work is ongoing to resolve these queries. **NPF** 328 records have been checked to date. 328 investigated to date, 31 have financial implications, £138k overpaid, of which £122k can be reclaimed (6 yrs plus current yr) and £24k underpaid (6 yrs plus current yr).			

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
	CPF 44 records have been checked to date – breakdown as above not yet available. In addition to the financial risks associated with these potential incorrect payments, which cannot be confirmed until each case has been fully investigated, there also remains a reputational risk to LGSS Pensions who may as a result of resolving these issues face adverse criticism by members, employers and or the press. Some of these errors may span a considerable amount of time e.g. 20 years. The Pensions Committee had agreed an overpayments policy which states that only those incorrect payments for the last six plus the current year will be reclaimed. Some of the corrections could have a significant impact on the pensioners' income and they may not have sufficient resources to make the repayments. Equally the pensioners who have not received the correct payments and have been underpaid will need to be recompensed.			

Area Risk Level	Key findings	Recommendations	Management Agreed actions / Response	Timescale / Owner
5	**Deaths of Pensioners**			
M	The discovery of deceased pensioner still in receipt of pension has highlighted the need to have additional controls in place to verify that pensioners are still alive. Currently the pensions service is reliant on deaths of pensioners being notified to them by the next of kin/executors, by banks returning payments when accounts have been closed or by identifying them through the NFI checking process. This means that there could be time delays or there could be non notification if spouses/partners or others concealed the fact that an individual has passed away, and this would be easier to achieve if the person was resident abroad. The NFI data matching service has recently announced that it is now offering additional more frequent mortality screening service which local authorities can purchase.	The Pensions Service should establish a system to verify if: - elderly pensioners are still alive; - pensioners living abroad are still alive; to ensure that pensions of deceased pensioners are suspended promptly, without delay and that any over payments which may have arisen are recouped. Consideration should be given as to whether to engage in additional national and international checking procedures to assist in this process and whether to re introduce life certificates at certain periodic intervals e.g. at age 70 years and then repeat checks every 3 years.	A review of the controls in place to check if pensioners of a certain age are still alive will be completed.	Joanne Walton, Governance Regulations Manager . 31/3/17

Appendix 1 – Audit Definitions

There are three elements to each internal audit review, and an assurance opinion is provided against each element at the conclusion of the audit. The following definitions are used by Internal Audit in assessing the level of assurance which may be provided against each key element, and in assessing the impact of individual findings:

1.1 Control Environment Assurance

Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place which mitigate the risk of those objectives not being achieved. Completion of this work enables Internal Audit to give an assurance on the control environment.

Control Environment Assurance	
Level	Definitions
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment.
Moderate	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

1.2 Compliance Assurance

However, controls are not always complied with, which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

Compliance Assurance	
Level	Definitions
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Moderate	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

1.3 Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to SMT along with the relevant Directorate's agreed action plan.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

1.4 Findings prioritisation key

When assessing findings, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks.

For ease of reference, we have used a high/medium/low system to prioritise our findings, as follows:

H	Failure to respond to the finding has a high probability of leading to the occurrence or recurrence of an identified high-risk event that would have a serious impact on the achievement of service or organisational objectives, or may lead to significant financial/ reputational loss. The finding is critical to the system of internal control and action be implemented immediately.	**M**	Failure to respond to the finding may lead to the occurrence or recurrence of an identified risk event that would have a significant impact on achievement of service or organisational objectives, or may lead to material financial/ reputational loss. The finding has a significant effect on the system of internal control and action should be implemented as a matter of priority.	**L**	The finding is important to maintain a reasonable system of internal control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve service objectives effectively and efficiently. Management should review, make changes if considered necessary or formally agree to accept the risks.

CAMBRIDGESHIRE PENSION FUND

LGSS

Pension Fund Board

Date: 25 January 2017

Report by: Head of Pensions

Subject:	**Cambridgeshire Pension Fund Valuation Report**
Purpose of the Report	To provide the Pension Fund Board with an update on progress of the Cambridgeshire Pension Fund Valuation
Recommendations	**That the Pension Fund Board note the contents of this report.**
Enquiries to:	Mark Whitby – Head of Pensions Tel – 01604 368502 E-mail – mwhitby@northamptonshire.gov.uk

1. Background

1.1 This report provides a short update on the progress of the 2016 valuation of the Cambridgeshire Pension Fund.

1.2 A valuation of the Pension Fund is carried out on a triennial basis providing a health check of the whole Pension Fund and providing employers with their individual funding positions.

1.3 The employer contributions rates, required for the inter-valuation period, are also certified as part of the valuation process.

1.4 Various activities are undertaken to engage with the relevant stakeholders to ensure that they are informed and understand the valuation process and how funding positions and contribution rates are calculated.

2. Progress to Date

The following sections summarise the progress made to date in completing the valuation process.

2.1 Stakeholder Engagement

2.1.1 Officers have undertaken a number of activities to engage with the Fund's stakeholders regarding the valuation process. These include dedicated Pension Bulletins, training sessions, employer forums and direct engagement over individual results.

2.1.2 A training session, focussed on the valuation was provided to members of both the Pension Fund Committee and Local Pension Board in February 2016. This was delivered by the scheme actuary and discussed the basics of what a valuation is, why it is important and provided an overview of the process for completing the valuation and calculating employer contribution rates.

2.1.3 Employer Forums were held in April and November 2016. The actuary was present at both Forums and provided presentations outlining the valuation process, key time frames and the methodology used for calculating an employer's funding position and their contribution rates. Particular focus was given on ensuring the employers understood that their contributions would be calculated using a risk-based approach, according to employer type.

2.1.4 Employers were provided with an opportunity of an open question and answer session with the actuary as well as the opportunity to book individual sessions with the actuary to discuss any specifics issues or concerns. Employers that attended the Forum were provided with their results in advance so that they could discuss them with the actuary, if required.

2.1.5 Feedback from the Forums were very positive with employers finding them extremely useful and informative. The level of engagement at, and following, these sessions has been excellent.

2.1.6 Two bespoke sessions were held for our County/District Council and Police and Fire Authority employers to discuss the particular stabilisation approach that we would be using for setting their contribution rates.

2.1.7 A number of bulletins have also been issued to employers containing information about the valuation process, including one bulletin dedicated to progress and next steps in the valuation process.

2.1.8 The Funding Strategy Statement, which determine the approach taken for the valuation and setting employer contribution rates was approved by the Pension Fund Committee and then published for consultation in December 2016. Employers were informed about the consultation at the Employer Forum and an direct e-mail was sent to each employer when the consultation was launched. The draft document and details of the consultation were also published on our website.

2.2 Whole Fund Valuation Results

2.2.1 The initial valuation results, for the whole Fund, were completed on 30 September 2016. The results showed that the funding level had improved from 72% in 2013 to 78% in 2016. Additionally, the funding deficit has decreased from £728m to £626m.

2.2.2 The main reason for the change in funding level was better than anticipated investment returns, reduced allowance for future salary and benefit increases, and positive membership experience.

2.3 Issue of Individual Employer Results

2.3.1 The majority of individual employer results were issued in draft form during November and December with 162 individual results issued before 31 December 2016.

2.3.2 The Employer Services team have been engaging with employers following release of their results, dealing with any employer queries and working with employers to agree final contribution rates.

3. Next Steps

3.1 The Employer Services team will continue to engage with employers to agree and finalise appropriate contribution rates for the inter-valuation period.

3.2 Following closure of the Funding Strategy Statement consultation, responses will be reviewed and considered. Any proposed amendments will be discussed with the scheme actuary before the final strategy statement is published.

3.2 **I**f any amendments are made to the strategy statement, individual employer results may also be amended to reflect those changes. Once the strategy statement has been finalised, the employer contributions can be certified by the actuary.

3.3 The employer contribution rates will be finalised and certified by the actuary and published on the Rates and Adjustments certificate prior to 31 March 2017. The contribution rate published on this certificate will constitute the official contributions required for the inter-valuation period.

4. Relevant Pension Fund Objectives

Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. *(Objective 3)*
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund. *(Objective 15)*

5. Finance & Resources Implications

6.1 Not applicable.

7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with this report.		

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

Risk	Risk Rating
There are no risks associated with this report.	

8. Communication Implications

8.1 Not applicable.

9. Legal Implications

9.1 Not applicable.

10. Consultation with Key Advisers

10.1 Not applicable.

11. Alternative Options Considered

11.1 Not applicable

12. Background Papers

12.1 Link to reports from the 24 March 2016 meeting of the Pension Committee:

http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Committee.aspx?committeeID=86

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Director of Finance/Section 151 Officer?	Not applicable
Has this report been cleared by Head of Pensions?	Mark Whitby – 11 January 2017
Has this report been cleared by Legal Services?	Not applicable

CAMBRIDGESHIRE PENSION FUND

LGSS

Pension Fund Board

Date: 25 January 2017

Report by: Head of Pensions

Subject:	**To review the effectiveness of the Cambridgeshire Local Pension Board**
Purpose of the Report	To provide feedback on the results from the effectiveness review survey.
Recommendations	**That the Board notes the feedback and approves the plan of action to improve the effectiveness in the areas identified.**
Enquiries to:	Name: Jo Walton (Governance and Regulations Manager) Tel: 01604 367030 E-mail: jwalton@northamptonshire.gov.uk

1. Background

1.1 The need to regularly review the effectiveness of the Cambridgeshire Local Pension Board is considered good governance and will be undertaken as an annual exercise. On 31 October 2016 a survey was distributed to members of the Board to complete on how adequate they felt the current arrangements of the Board were.

1.2 The survey consisted of 15 statements and sought feedback in the areas of:

- The running of meetings
- The quality and quantity of information provided
- The risks facing the Fund
- The knowledge and skills required
- The Statutory objectives of the Pensions Regulator
- The Code of Conduct
- The governance and compliance statement
- Potential conflicts of interest

1.3 Completed surveys were to be returned to LGSS Pensions Service by 30 November 2016 to be included in the final assessment of the results.

2. Response to the review

2.1 The survey to ascertain the views of the Cambridgeshire Local Pension Board was sent to all five members consisting of three member representatives and two employer representatives. Three completed questionnaires were returned.

3. Results of the effectiveness survey

3.1 The survey consisted of 15 statements that participants were asked to provide a rating of between 4 and 1 with 4 being wholly agree and 1, totally disagree. Participants were also encouraged to provide further comments to support the rating they had provided.

3.2 A full analysis of the results of the survey can be found in appendix 1.

4. Conclusions drawn from the effectiveness survey

4.1 The average result for the effectiveness of the Local Pension Board was 41.9 out of the potential 60 available.

4.2 From an analysis of the ratings and additional comments provided in the survey the following can be concluded that the Local Pension Board are felt to be particularly effective at ensuring:

- Adequate time is allocated to agenda items to ensure sufficient discussion and effective recommendations are made;
- The quality of the Local Pension Board papers always meet the expected standard;
- Understanding of the statutory objectives of the Pension Regulator;
- Understanding of the legal obligations in regards to reporting any breaches members deem are of material significance to the Pensions Regulator and how to go about reporting if necessary;
- The high standards of behaviour expected of members as required by the Code of Conduct;
- Familiarity with the Governance Compliance Statement and how the roles of the Local Pension Board fit into the overall Administering Authority functions; and
- Sufficient awareness of potential conflicts of interest and what actions are required if one arises

4.3 The survey also identified a number of areas for improvement, the below table identifies those areas and what course of action will be taken against each one, including where a low rating was given but no further detailed comment provided:

Area for improvement	Concern	Proposed course of action
There are a sufficient number of meetings during the year.	Needs to be flexible if agenda / workload items require additional meetings.	The agenda allows for items to be discussed thoroughly. Additional meetings can be scheduled if the workload deems this necessary. The Board currently complies with the four scheduled meetings a year. Additional meetings can be recommended at any time and can be scheduled with the agreement of the Chairman.

The reports detailing the administration of the Fund are a sufficient overview of how the Fund is performing to challenge or make recommendations.	The papers issued to the Pensions Committee do not go to the Board.	The Pension Committee papers should be circulated to the Local Pension Board as a matter of course. This has been raised with Democratic Services and will happen going forward. All Board members are able to attend Committee meetings when convenient to do so. Pension Committee papers can be viewed on the Cambridgeshire County Council website.
There is sufficient awareness of the risks facing the Pension Fund.	There may be unknown risks. Difficult to know if members are aware of 'all' risks to the Fund.	The risk strategy and risk register were presented to the Board during the course of 2016/17. The final risk register will be taken to the Board during 2017/18 and will be taken back periodically for review or beforehand if deemed appropriate.
The Knowledge and Skills Framework adopted by the Board is adequate for achieving the required level of knowledge to enable effective scrutiny.	The majority of knowledge and skill appears to be mainly provided by 'Consultants' who have a financial interest. More independent unbiased training would be beneficial – also little detailed information / training has been provided on fees and charges.	Training is offered in many forms with external consultants being one method. Officers in consultation with the Board will need to weigh up the costs of independent training against the benefits in conjunction with the topic the training needs to cover. A presentation on fees and charges is being delivered at the January 2017 meeting. Board members have access to Pension Committee and Investment Sub Committee papers in order to receive additional information in this area as and when it becomes available.
There is a high level understanding of the areas covered by the Pension Regulator's Code of Practice and where the Fund is compliant and non-compliant.	There is not sufficient detailed knowledge of the Fund's operation to know if it is compliant or non-compliant, only to take on face value information provided in the annual report.	A report on the extent to which the Fund is complying Pension Regulator's Code of Practice is being delivered at the January 2017 meeting. The report will highlight any areas of concern and will detail a clear action plan for full compliance.

Sufficient knowledge and understanding has been obtained to challenge any failure by the Administering Authority to comply with the Regulations and other legislation relating to the governance and administration of the Local Government Pension Scheme and/or any failure to meet the standards and expectations set out in the Code of Practice.	There is a lot of knowledge needed to challenge. This knowledge does not happen overnight. How is sufficient quantified to be able to know if a desired level has been attained?	The Knowledge Management Policy was initially adopted by the Board upon the creation of the Board. A revised Knowledge Management Strategy has been developed and is being presented to the Board in January 2017, which has been designed for the Committee and Board members and encourages members to attain credits via various training methods. Officers of the Fund keep members updated with training opportunities to facilitate as many opportunities as possible.
Adequate information is provided to the Local Pension Board in order to carry out the role effectively. Please specify what further information could be provided to assist you in your role, if any.	A review of the Pension Committee meetings and decisions should be carried out. This is now being addressed. Papers that go to the Pensions Committee do not go the Board. It is difficult to know whether there is adequate oversight.	The Pension Committee papers should be circulated to the Local Pension Board as a matter of course. This has been raised with Democratic Services and will happen going forward. All Board members are able to attend Committee meetings when convenient to do so. Pension Committee papers can be viewed on the Cambridgeshire County Council website.
The Local Pension Board makes a valuable contribution to the overall governance of the Fund	The Board could be a more valuable contributor. We have up until quite recently been given little scope to review decisions made by the Pensions Committee. This situation is however changing.	The Board are contributing to the governance of the Fund by looking at pre and post scrutiny of the decisions made by the Pensions Committee. The Board reviewed the risk register and have started to make recommendations to the Committee. This will continue to develop now the Board is more established and knowledge is being obtained on a regular basis.

5. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. *Objective 1*
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. *Objective 2*
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. *Objective 3*
Continually monitor and measure clearly articulated objectives through business planning. *Objective 4*
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*

6. Finance & Resources Implications

6.1 There are no financial or resource implications as a result of accepting the recommendations within this report.

7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with the proposal as it is good governance to review best practice of the Local Pension Board.	N/A	Green

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

Risk	Risk Rating
Not reviewing the effectiveness of the Local Pension Board could lead to an ineffective Board and therefore poor governance arrangements.	Amber

8. Communication Implications

8.1 There are no communication implications as a result of accepting the recommendations within this report.

9. Legal Implications

9.1 There are no legal implications as a result of accepting the recommendations within this report.

10. Consultation with Key Advisers

10.1 There has been no consultation with professional advisers in the writing of this report.

11. Alternative Options Considered

11.1 Not applicable.

12. Background Papers

12.1 None

13. Appendices

13.1 Appendix 1 – Results from the effectiveness review of the Cambridgeshire Local Pension Board

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Head of Pensions?	Mark Whitby – 3 January 2017

Appendix 1

Local Pension Board – Effectiveness review – Collective Responses

Please find below statements that will assist our understanding of the effectiveness of the Cambridgeshire Local Pension Board. The information that you provide will help form a discussion on how greater effectiveness can be achieved.

For each of the statements please indicate whether you wholly agree (4) or totally disagree (1) and provide a comment in the box to support your score.

Your views will be remain anonymous

Q1	There is adequate time allocated to agenda items to ensure sufficient discussion and effective recommendations are made				
	4	3	2	1	Don't Know
	3				
Q2	There are a sufficient number of meetings during the year				
	4	3	2	1	Don't Know
	2.7 • Needs to be flexible if agenda / workload items require additional meetings				
Q3	The quality of the Local Pension Board papers always meet the expected standard				
	4	3	2	1	Don't Know
	3.3 • Always of a high standards				

Q4	The reports detailing the administration of the Fund are a sufficient overview of how the Fund is performing to challenge or make recommendations				
	4	3	2	1	Don't Know
	2.3 • Papers issued to the pensions committee do not go to the board. • Generally Ok, as long as additional / clarification is provided as requested				
Q5	There is sufficient awareness of the risks facing the Pension Fund				
	4	3	2	1	Don't Know
	2.7 • You only know what you know. I'm not sure that I'm fully aware of 'All' the risks facing the Pension Fund				
Q6	The Knowledge and Skills Framework adopted by the Board is adequate for achieving the required level of knowledge to enable effective scrutiny				
	4	3	2	1	Don't Know
	2.7 • The majority of knowledge & skill appears to be mainly provided by 'Consultants' who have a financial interest. I would like to see more independent unbiased training provided – also little detailed information / training has been provided on fees and charges.				
Q7	Sufficient knowledge and understanding has been obtained to challenge any failure by the Administering Authority to comply with the Regulations and other legislation relating to the governance and administration of the Local Government Pension Scheme and/or any failure to meet the standards and expectations set out in the Code of Practice				
	4	3	2	1	Don't Know
	2.3 • Tricky as there is a lot of knowledge needed to challenge. This knowledge does not happen overnight. • How does you quantify sufficient? I suspect from my perspective the answer will always be never enough				

Q8	Good understanding of the statutory objectives of the Pension Regulator has been obtained and advocated through your role				
	4	3	2	1	Don't Know
	3				
Q9	Good understanding of the legal obligations in regards to reporting any breaches you deem are of material significance to the Pensions Regulator and how to go about reporting if necessary				
	4	3	2	1	Don't Know
	3.3				
Q10	There is a high level understanding of the areas covered by the Pension Regulator's Code of Practice and where the Fund is compliant and non-compliant				
	4	3	2	1	Don't Know
	2.3 • I don't have sufficient detailed knowledge of the funds operation to know if it is compliant or non-compliant, only to take on face value information provided in the annual report				
Q11	The Local Pension Board display the standards of behaviour expected of members as required by the Code of Conduct				
	4	3	2	1	Don't Know
	3.7				
Q12	The Local Pension Board are familiarised with the Governance Compliance Statement and how the roles of the Local Pension Board fit into the overall Administering Authority functions				
	4	3	2	1	Don't Know
	3.3				
	There is sufficient awareness of potential conflicts of interest and what actions are required if one arises				

Q13	4	3	2	1	Don't Know
	3.3				
Q14	Adequate information is provided to the Local Pension Board in order to carry out the role effectively. Please specify what further information could be provided to assist you in your role, if any.				
	4	3	2	1	Don't Know
	2.3 • If we ask for information we generally get it. Possibly we need to review minutes of pension committee meetings and decisions. This is now being addressed. • Papers that go to the pensions committees do not go the board. It, therefore, is difficult to know whether we are overseeing adequately • See Q6				
Q15	The Local Pension Board makes a valuable contribution to the overall governance of the Fund				
	4	3	2	1	Don't Know
	1.7 • We could be a more valuable contributor. We have up until quite recently been given little scope to review decisions made by the Pensions committee. This situation is however changing. • To be brutally honest 'I have my doubts'. I wish we could make more of a 'valuable contribution', but suspect we only exist as a tick box exercise because the Government requires us to. Not sure how we change this mind set.				

Agenda Item No: 9

CAMBRIDGESHIRE PENSION FUND

Local Pension Board

Date: 25 January 2017

Report by: Head of Pensions

Subject:	**CIPFA Pensions Administration Benchmarking Club Report 2016**
Purpose of the Report	To inform the Local Pension Board of the results of the CIPFA Pensions Administration Benchmarking Club Report 2016
Recommendations	**That the Local Pension Board notes the content of the report.**
Enquiries to:	Jo Walton – Governance and Regulations Manager, LGSS Pensions Service Tel: 01604 367030 E-mail: jwalton@northamptonshire.gov.uk

1. Background

1.1 Cambridgeshire Pension Fund has participated in the CIPFA Pensions Administration Benchmarking Club in respect of the year ending 31 March 2016. The Benchmarking Club enables other participating LGPS administering authorities to measure and compare performance and associated costs.

1.2 The final report was issued on 30 November 2016, comparing performance with 43 other LGPS administering authorities, including Northamptonshire Pension Fund with whom LGSS Pensions operate joint administration with fully converged processes.

1.3 It should be noted that central government are aware that the results from the CIPFA Benchmarking report are not sufficiently robust as to be used in any analysis of the costs of running the LGPS by each participating administering authority. It is generally considered that the survey questions can be ambiguous allowing for potential skewing of true results to seek favourable result outcomes.

1.4 Participation in the benchmarking exercise is voluntary and over recent years has seen a significant decline of the number of administering authorities taking part to just under 50%.

1.5 It should also be noted that the costs submitted during the completion of this survey do not directly relate to that reported in the Fund's final statement of accounts.

1.6 The final report is attached in appendix 1.

2. Overview of the final report

2.1 The summary of results in section 1 (page 4) shows that staff costs, excluding payroll, are £8.61 per scheme member which is just above the club average of £8.58. The number of scheme members per full time equivalent member of staff is 5,125 compared with the club average of 4,025.

2.2 The summary in section 2 (page 5) indicates that the total net administration cost per member is £20.31 compared with the lower club average of £18.48. The net administration costs are a total of staff, payroll, overheads and direct costs. In 2015, the net cost was £19.44 per member compared with the club average of £19.17.

2.2.1 Section 2 of the results also provides a detailed analysis of the cost per member. The following table highlights the areas where the costs per member are higher than the club average. Results are given for 2015 and 2016.

Area/Function	**Cambridgeshire Pension Fund (cost per member)**		**Club average (cost per member)**	
	2015 (£)	**2016 (£)**	**2015 (£)**	**2016 (£)**
Payroll (including staff)	4.25	3.98	1.85	1.35
Other running costs	1.17	5.09	0.78	1.22
Staff (excluding payroll)	5.37	8.61	7.83	8.58

2.2.2 Payroll (including staff) costs per member has in this and previous years been higher than the club average due to the high license fee for the previous pension payroll system, Oracle. The pensioner payroll moved from Oracle to Altair on 1 October 2016 and so the cost of the payroll function should start to decrease in 2016-17.

2.2.3 Conversely, the following table highlights the areas where the costs per member are lower than the club average.

Area/Function	**Cambridgeshire Pension Fund (cost per member)**		**Club average (cost per member)**	
	2015 (£)	**2016 (£)**	**2015 (£)**	**2016 (£)**
Communications	0.60	0.46	0.78	0.70
IT Pensions Administration	2.09	0.36	2.32	2.26
Actuaries	2.40	0.54	1.14	0.91
Other central charges	1.87	0.72	1.60	1.27
Accommodation	0.63	0.55	0.65	0.60

2.3 Section 3 (page 13) details that the total number of joiners and leavers per ‘000 of active members is above average with 351 joiners and leavers compared with the club average of 296.

2.4 Section 4 (page 22) examines staff related measures. A high proportion of staff hold no relevant qualification, however since 2015 the number of staff in training for a qualification is above the club average.

2.5 Section 4 (page 25) also details that both the short and long term sickness absence continues to be below the club average at 2.5 full time equivalent days per member of staff compared with 6.5.

2.6 For section 5 (page 26), performance indicator data was provided for six out of the eight indicators. The results show that the administering authority's performance exceeded the club average in four areas. For the two areas in which the target performance was not met, namely the provision of estimates and transfer in quotations, the underperformance was within 3%.

2.7 Section 6 (page 27) shows a comparison of in-house administrators compared with outsourced administrators in terms of cost per member (including payroll costs). The details for Cambridgeshire Pension Fund compared with the outsourced average and the club average are as follows:

	Northamptonshire Pension Fund (£)	**Club average (£)**	**Outsourced average (£)**
2015	19.44	19.17	21.06
2016	20.31	18.48	18.12

3. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. *Objective 1*
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. *Objective 2*
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. *Objective 3*
Continually monitor and measure clearly articulated objectives through business planning. *Objective 4*
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. *Objective 8*

4. Finance & Resources Implications

4.1 Not applicable

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no risk associated with this report		Green

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

Risk	Risk Rating
This report does not contain a proposal	Red

6. Communication Implications

Website	The CIPFA Pensions Administration Benchmarking Club Report 2016 will be published on the LGSS Pensions website.

7. Legal Implications

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

8. Consultation with Key Advisers

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

9. Alternative Options Considered

9.1 There are no alternative options to be considered.

10. Background Papers

10.1 Not applicable

11. Appendices

11.1 Appendix 1 - CIPFA Pensions Administration Benchmarking Club Report 2016

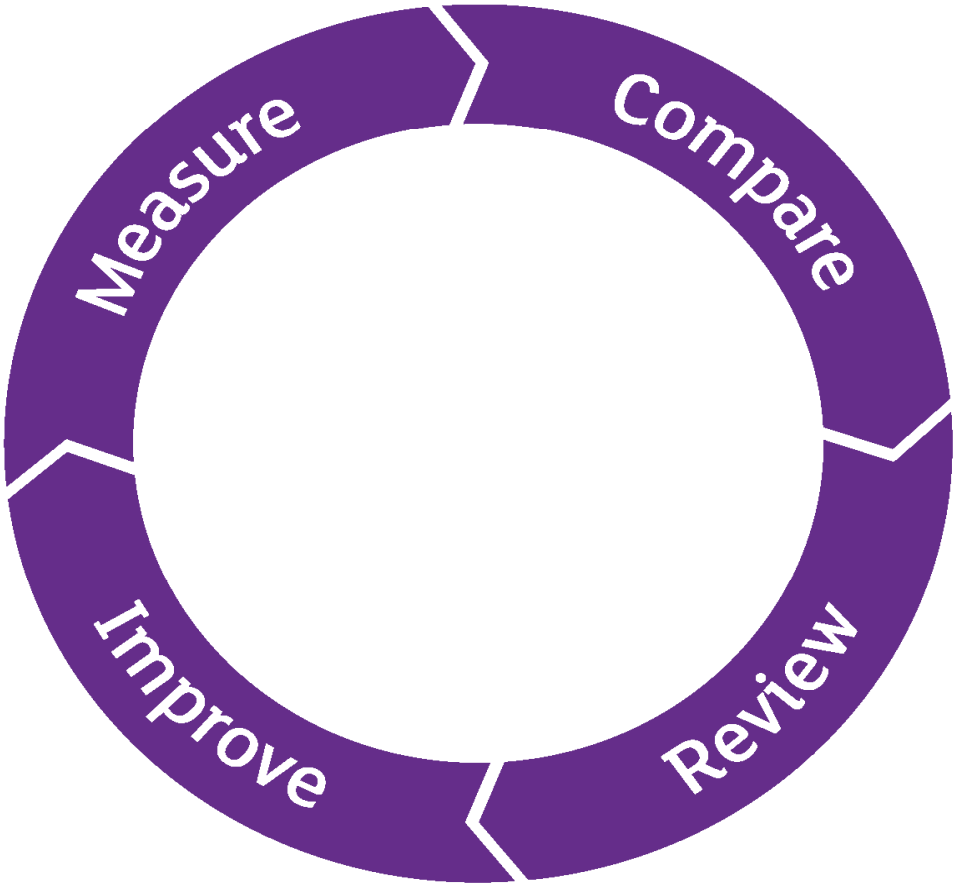
Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Head of Pensions?	Mark Whitby – 04/01/2016

CIPFA The Chartered Institute of Public Finance & Accountancy

Information Services

pensions administration benchmarking club

2016 - Cambridgeshire Final Report



PREFACE

This report compares your data with the group of authorities specified on the title page.

Throughout the report your figures are shown in tables and in graphical form. If you are not familiar with our reports we hope this page will help you to better understand the way we present this data.

Averages: Almost all of our tables and charts compare your figure with a group average. The average is the unweighted mean value for the group. This average value ignores missing data, or data that we have excluded and for this reason sets of averages sometimes do not reconcile precisely.

Charts: We display a large amount of data on charts as this allows us to show the data for the entire group efficiently and gives far more information than a simple average (i.e. range of data, individual authority values etc.). Below we have annotated an example chart to help explain what they are showing.

Bar Charts: These are our standard method of displaying a full set of data

Staff experience	FTE	%	*Avg*
< 1 year	1.5	10%	*9%*
1-5 years	6.5	42%	*29%*
5-10 years	3.5	23%	*21%*
> 10 yrs	4.0	26%	*41%*
Total	**15.5**		

INTRODUCTION

This report compares your performance with the group of authorities specified on the title page. It is divided into the following sections.

		Page
1	Summary 2016	4
2	Cost Measures	5
3	Workload Measures	11
4	Staff Related Measures	22
5	Industry Standard Performance Indicators	26
6	Comparison by method of service delivery } *final reports*	27
7	Timeseries } *final reports only*	28

Section 1 - Summary 2016

This page provides a brief summary of the most salient aspects of the report.

Section 2 - Cost Measures

This section concentrates on cost/member ratios starting with total cost/member which is then broken down by staff costs, payroll costs, direct costs, overheads and income. Further analysis of direct costs and overheads is also provided in this section.

Section 3 - Workload Measures

The first measure of workload is the number of members in the scheme, which is shown along with a breakdown by class of membership. This is followed by an analysis of the number and type of LGPS employers.

Other workload measures include:

- Joiners and leavers with a full analysis of the various types of retirements
- Number of quotations provided and actual events processed
- AVCs, ARCs and Added years
- Appeals

Section 4 - Staff Related Measures

The measures included here are an analysis of staff numbers by pay band, sickness absence, pensions work experience, staff qualifications and staff turnover.

Section 5 - Industry Standard Performance Indicators

In this section we show how authorities perform against each of the LGPC performance indicators.

Section 6 - Comparison by Method of Service Delivery (final report only)

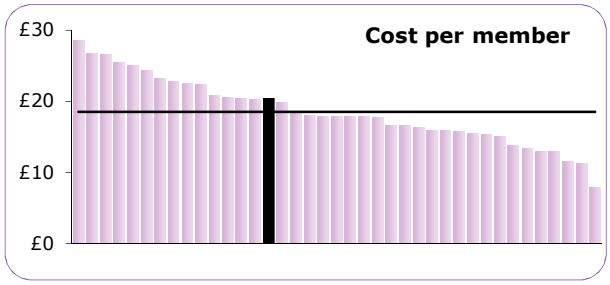
This shows members' costs and averages compared for in-house and externally managed pension schemes.

Section 7 -Timeseries (final report only)

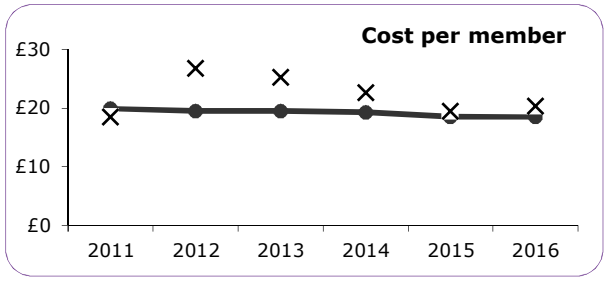
This shows the individual members' performance over time compared to the club average for cost per member, which is analysed over staff cost and other costs.

SECTION 1 - SUMMARY 2015/16

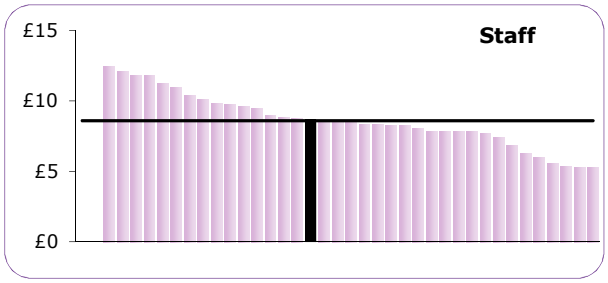
NET COST / MEMBER 2015/16

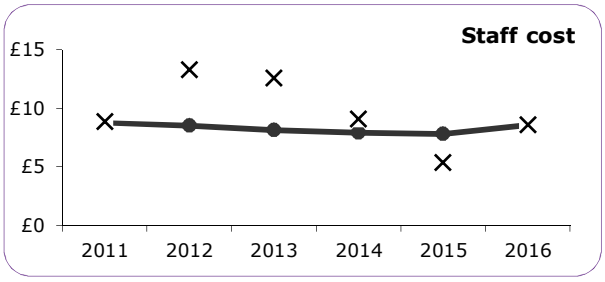


Club average
X Cambridgeshire

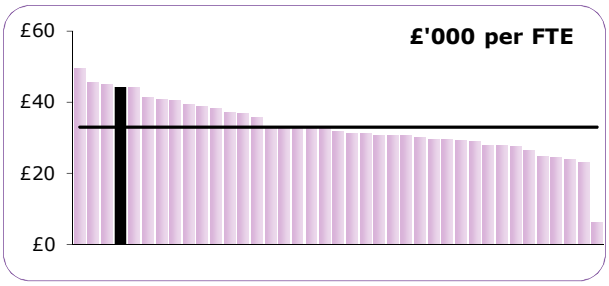


STAFF COST / MEMBER 2015/16

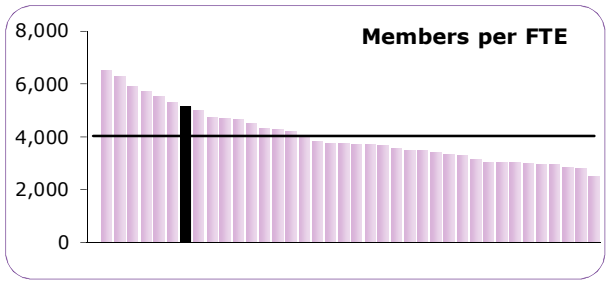




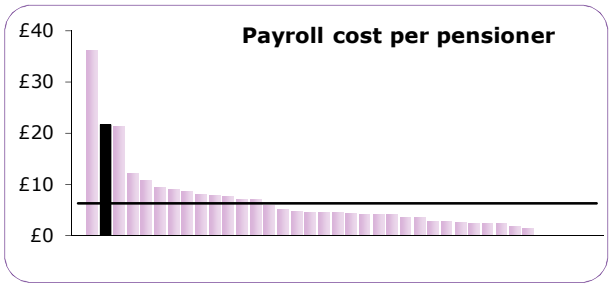
COST £'000 / FTE



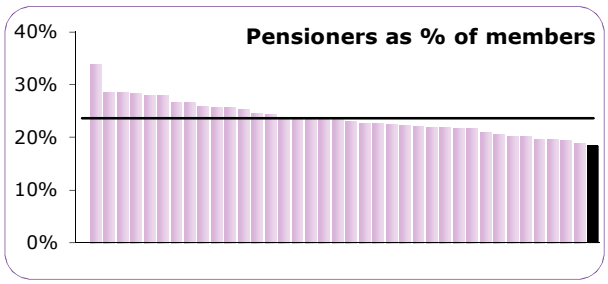
MEMBERS LGPS / ADMIN FTE



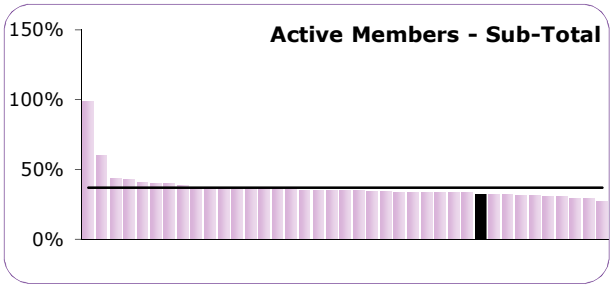
PAYROLL COST / PENSIONER



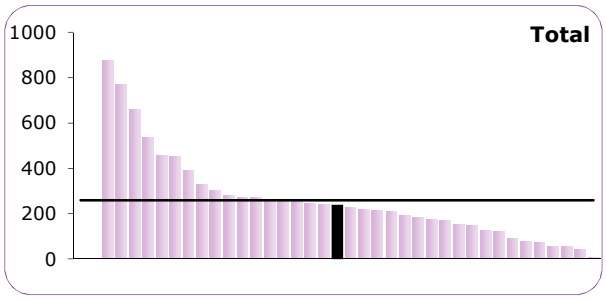
PENSIONERS AS A % MEMBERS



ACTIVES AS A % MEMBERS



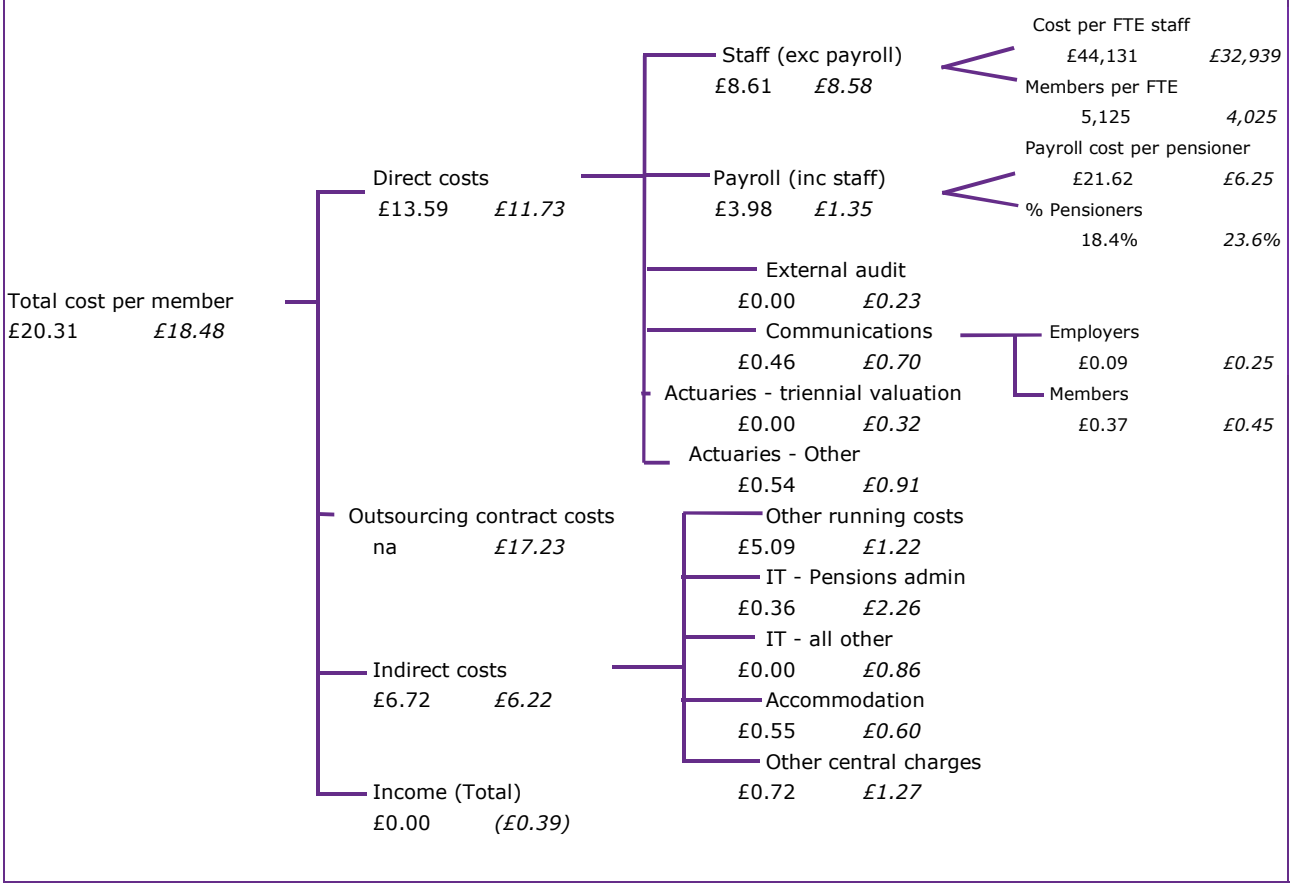
NUMBER OF LGPS EMPLOYERS



SECTION 2 - COST MEASURES

COST/MEMBER TREE 2015/16

This tree diagram analyses the cost per member. For each benchmark two figures are given the first being the authority's cost and the second (in italics) is the group average.



FTE staff	
Pension Section total	28.8
less	
IT staff	4.5
Payroll staff	2.0
Communications staff	0.5
Employing authority work	6.0
Work for other schemes	NA
Other work	0.5
Admin of LGPS	**15.3**

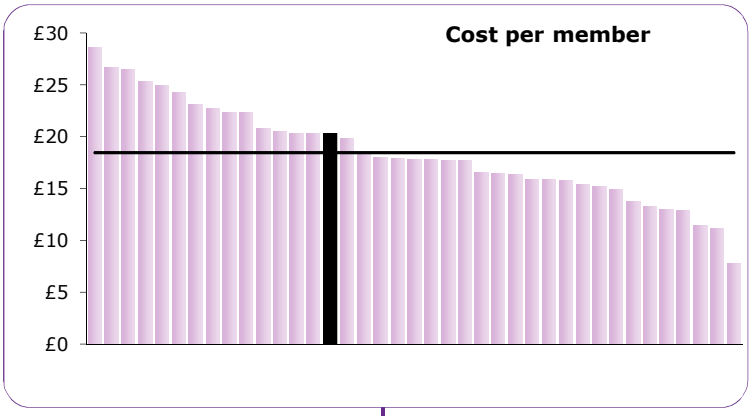
Net Costs £'000	£'000
Pension Section total	2,271
less	
Work for other schemes	151
Employing authority work	170
Other work	363
Admin of LGPS	**1,587**

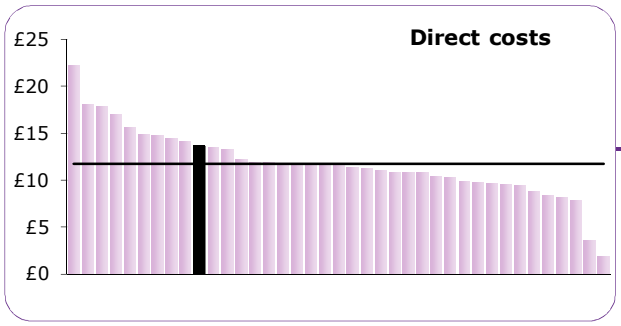
Admin of LGPS costs	£'000	£ per member	Avg
Staff - administration	673	8.61	*8.58*
Staff - payroll	1	0.01	*0.34*
Payroll	310	3.97	*1.01*
Communications (Total)	36	0.46	*0.70*
Actuaries - triennial valuation	-	-	*0.32*
Actuaries - other	42	0.54	*0.91*
External audit	-	-	*0.23*
Total Direct Costs	**1,062**	**13.59**	***11.73***
Outsourcing costs	**-**	**na**	***17.23***
Other running costs	398	5.09	*1.22*
IT - Pensions admin	28	0.36	*2.26*
IT - All other	-	-	*0.86*
Accommodation	43	0.55	*0.60*
Other central charges	56	0.72	*1.27*
Total Indirect Costs	**525**	**6.72**	***6.22***
Gross Cost	**1,587**	**20.31**	***18.83***
Income - Members	-	-	*(0.04)*
Income - Employers	-	-	*(0.15)*
Income - Other	-	-	*(0.20)*
Total Income	**-**	**-**	***(0.39)***
Net Cost	**1,587**	**20.31**	***18.48***

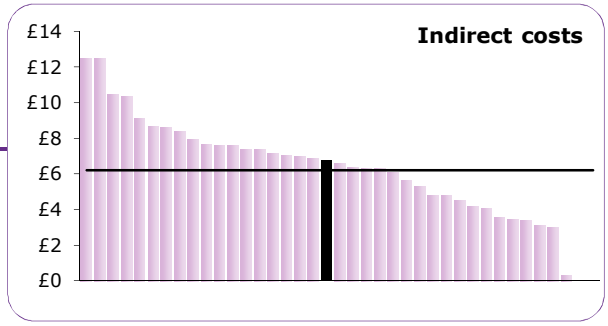
Total Scheme Membership	**78,155**

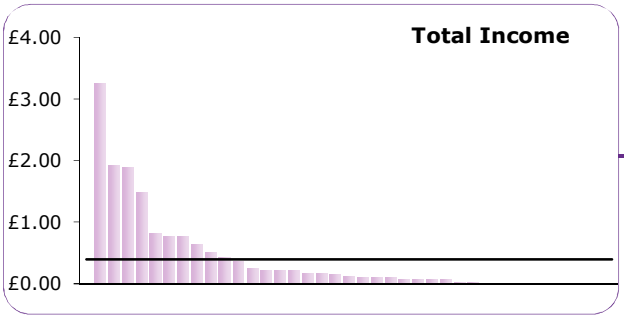
*Outsourcing Contract Costs average only includes those members who have outsourcing costs.

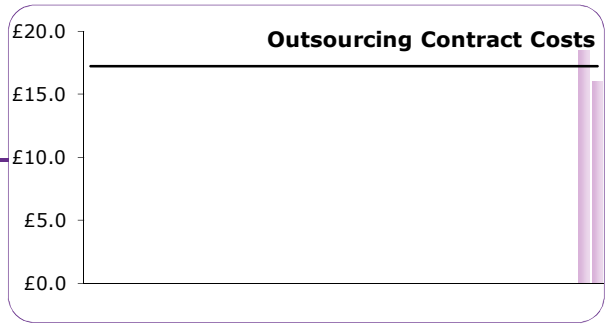
COST PER MEMBER 2015-16







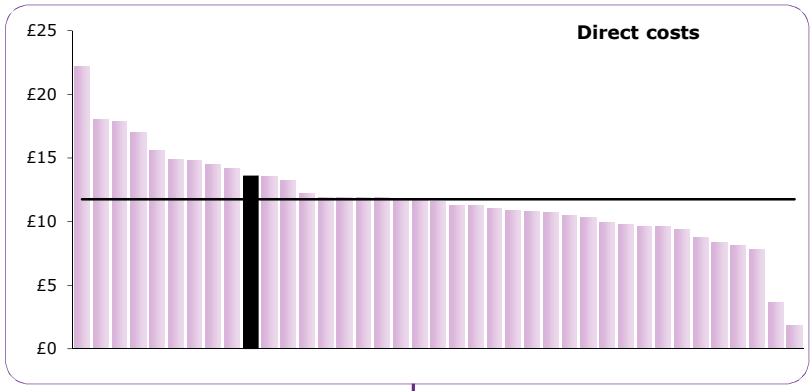


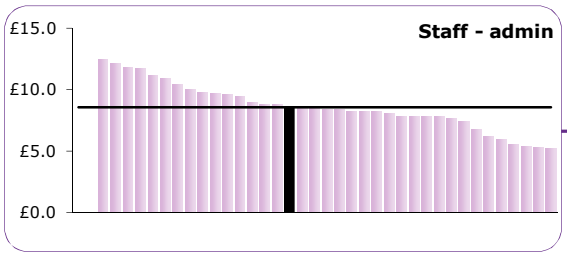


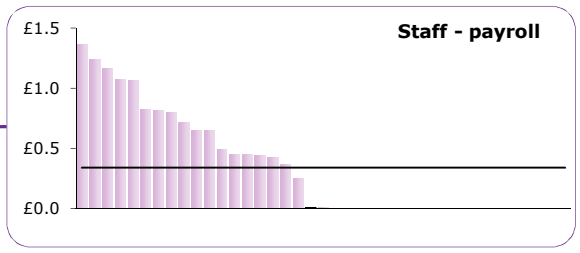
Admin of LGPS costs	£'000	£ per member	Avg
Total Direct Costs	1,062	13.59	*11.73*
Outsourcing costs	-	na	*17.23*
Total Indirect Costs	525	6.72	*6.22*
Total Income	-	-	*(0.39)*
Net Cost	**1,587**	**20.31**	***18.48***

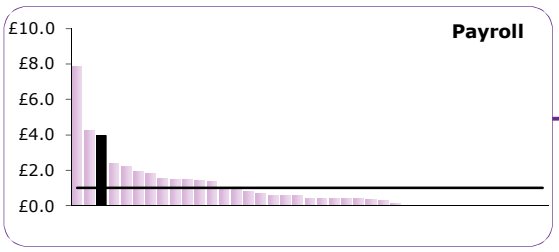
Total Scheme Membership	**78,155**

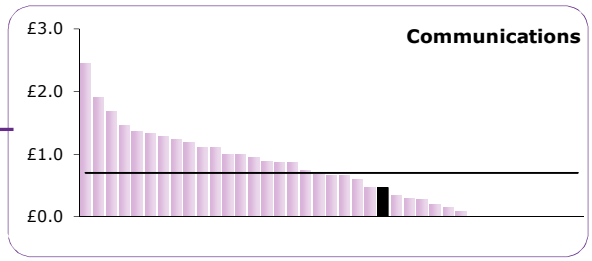
COSTS PER MEMBER - Direct costs 2015/16

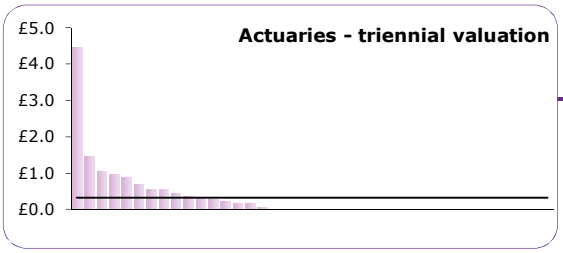


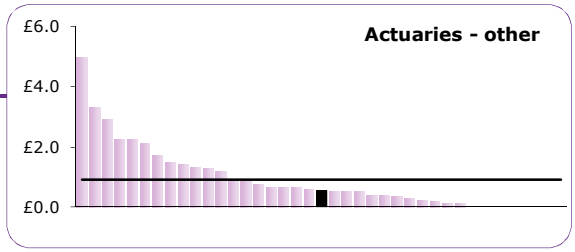


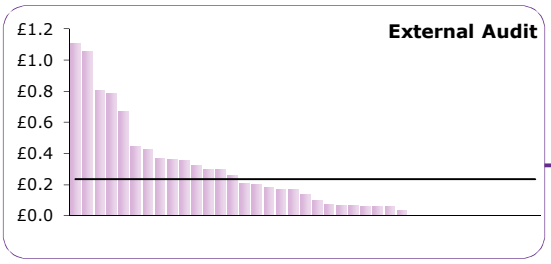


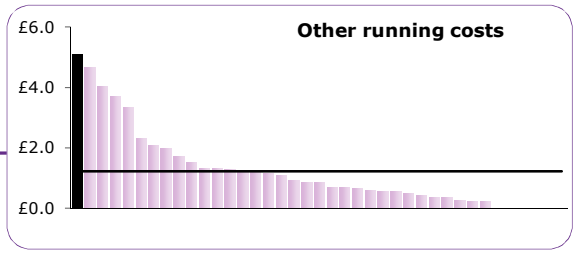








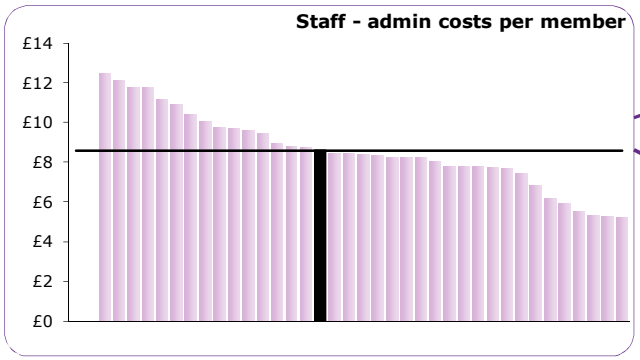


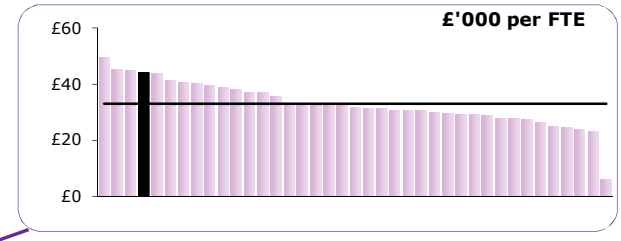


Direct costs	£'000	£ per member	*Avg*
Staff - admin	673	8.61	*8.58*
Staff - payroll	1	0.01	*0.34*
Payroll	310	3.97	*1.01*
Communications	36	0.46	*0.70*
Actuaries - triennial valuation	-	-	*0.32*
Actuaries - other	42	0.54	*0.91*
External audit	-	-	*0.23*
Total	**1,062**	**13.59**	***11.73***

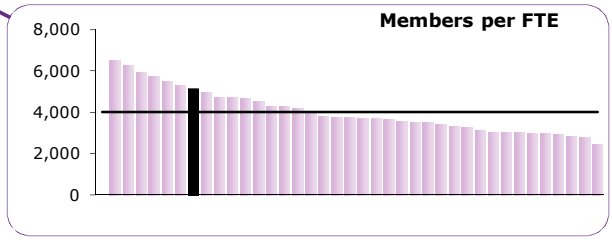
DIRECT COSTS PER MEMBER - Staff and Payroll costs 2015/16

	£'000	£ per member	Avg
Staff - admin	673	8.61	*8.58*



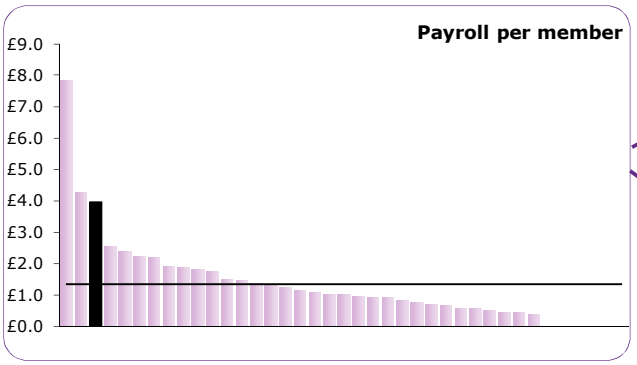


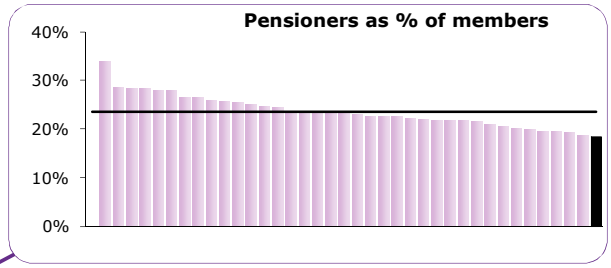
Cambridgeshire 44.1 *Avg* *32.9*



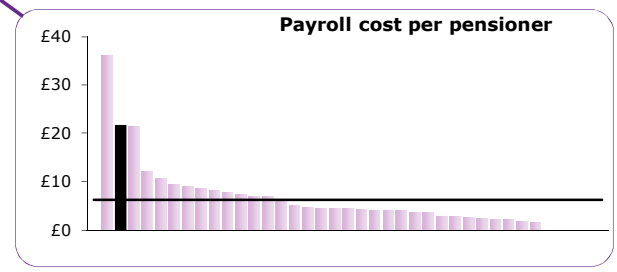
Cambridgeshire 5,125 *Avg* *4,025*

	£'000	£ per member	Avg
Payroll (combined)	311	3.98	*1.35*



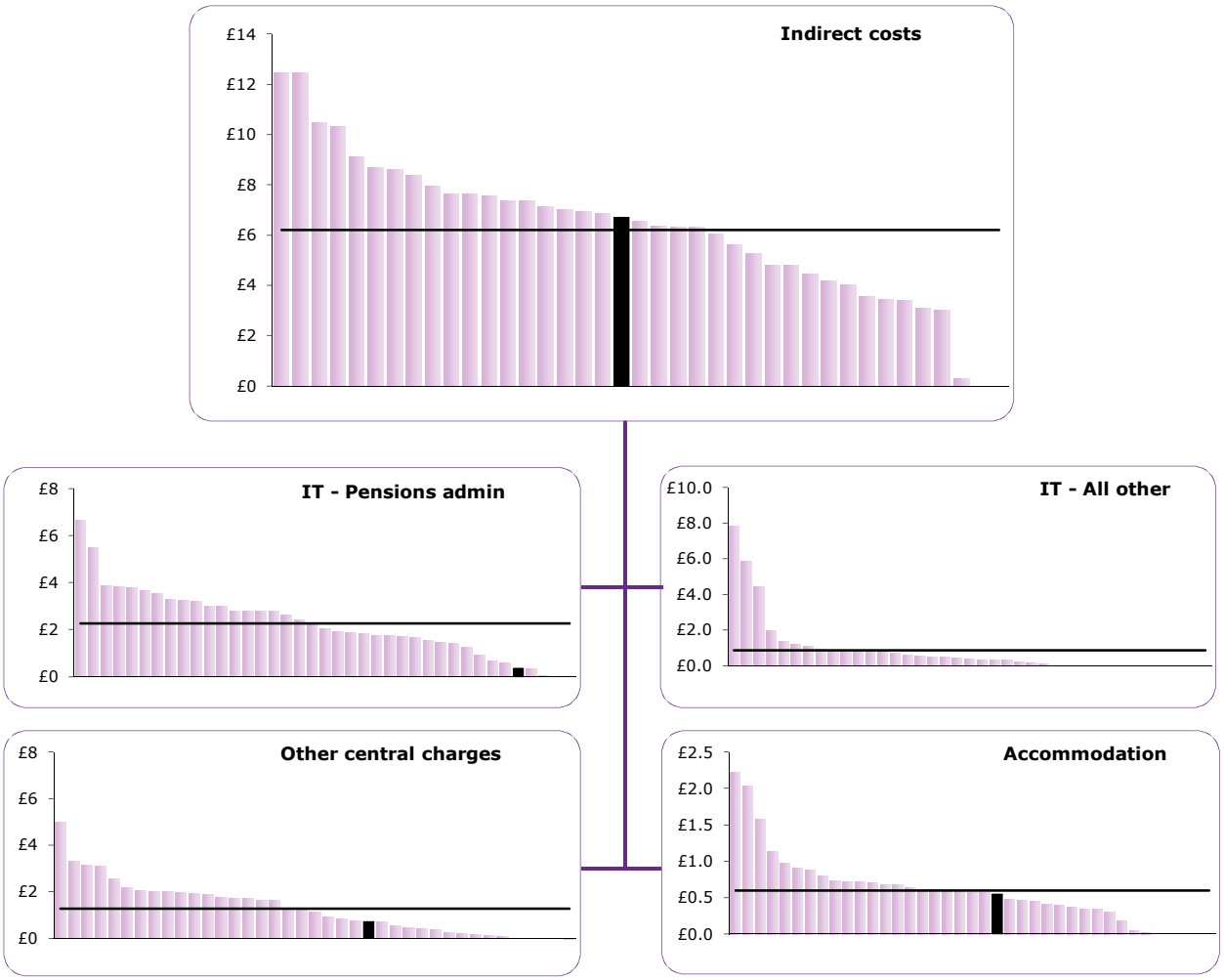


Cambridgeshire 18% *Avg* *24%*



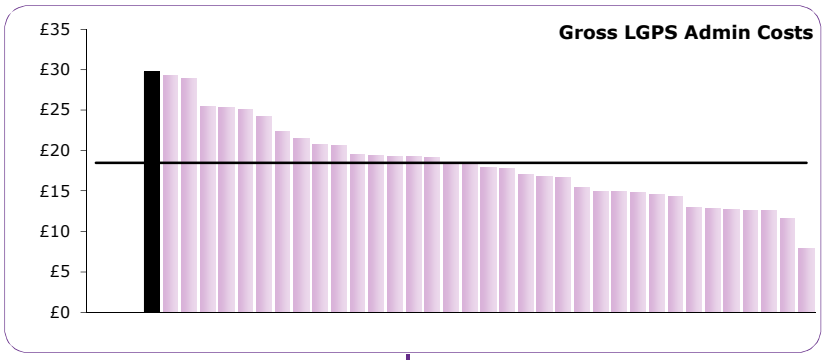
Cambridgeshire 21.6 *Avg* *6.2*

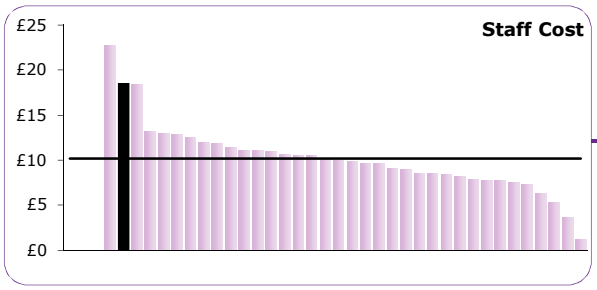
COSTS PER MEMBER - Indirect costs 2015/16

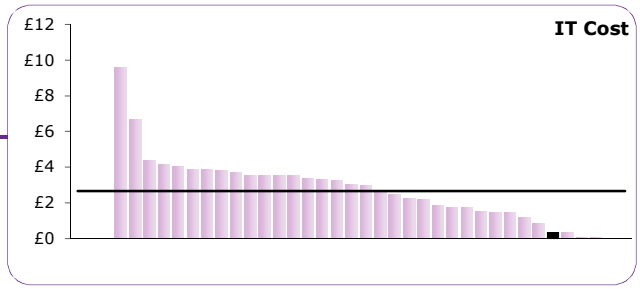


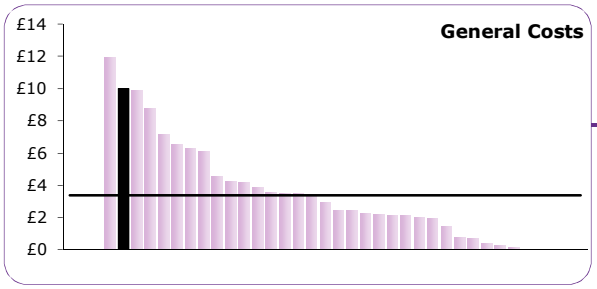
Indirect costs	£'000	£ per member	*Avg*
Other running costs	398	5.09	1.22
IT - Pensions admin	28	0.36	2.26
IT - All other	-	-	0.86
Accommodation	43	0.55	0.60
Other central charges	56	0.72	1.27
Total	**525**	**6.72**	**6.22**

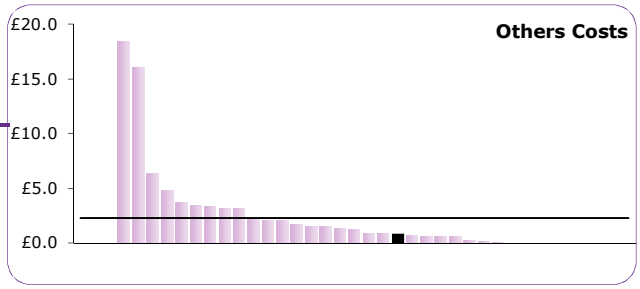
COSTS PER MEMBER - LGPS Administration Expenses Analysis 2015/16







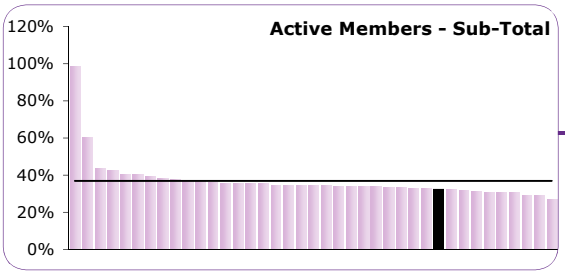


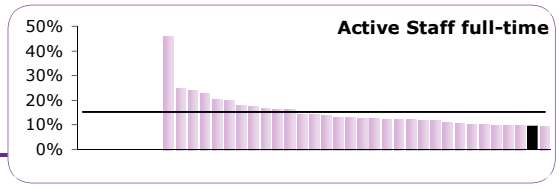


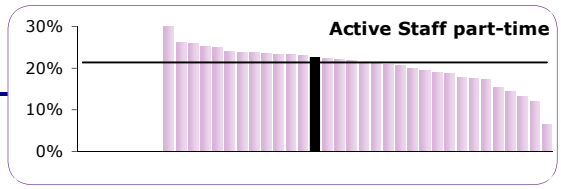
LGPS Administration Expenses	£'000	£ per member	*Avg*
Staff Costs	1,449	18.54	10.17
IT Costs	28	0.36	2.67
General Costs	780	9.98	3.37
Other Costs	63	0.81	2.26
Gross LGPS Admin Exp.	**2,320**	**29.68**	**18.47**
Gross LGPS Income	**50**	**0.64**	**0.67**
Net LGPS Admin Exp.	**2,270**	**29.04**	**17.80**

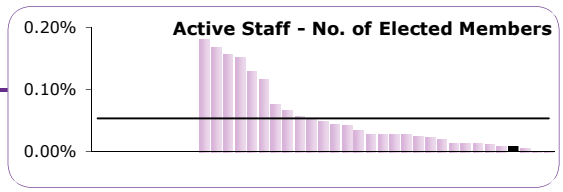
SECTION 3 - WORKLOAD MEASURES

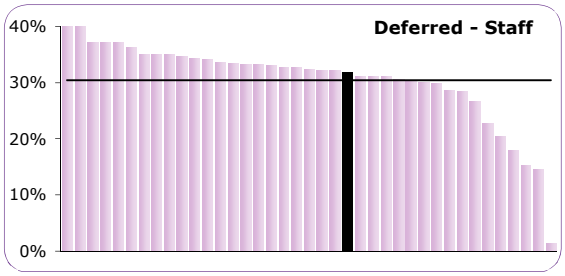
COMPOSITION OF MEMBERS AS AT 31/3/2016

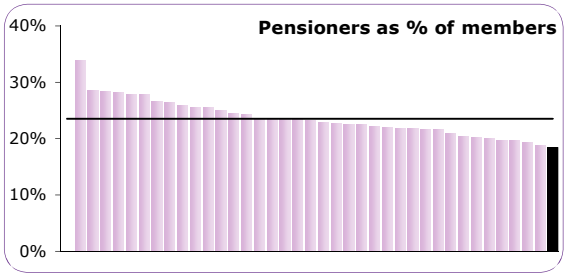


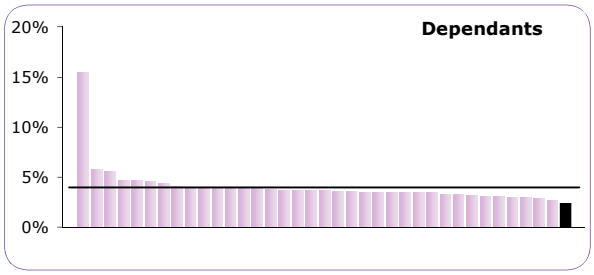


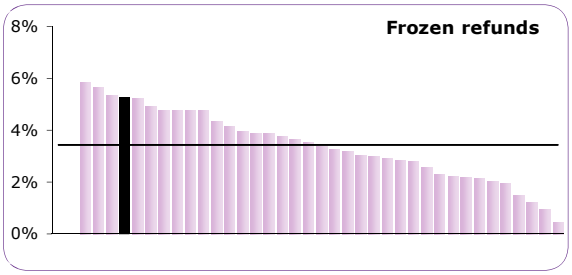


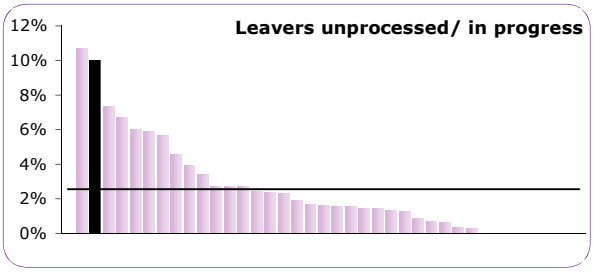






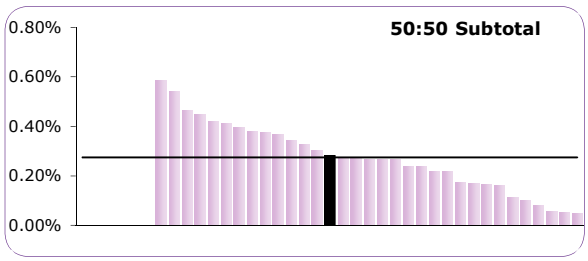






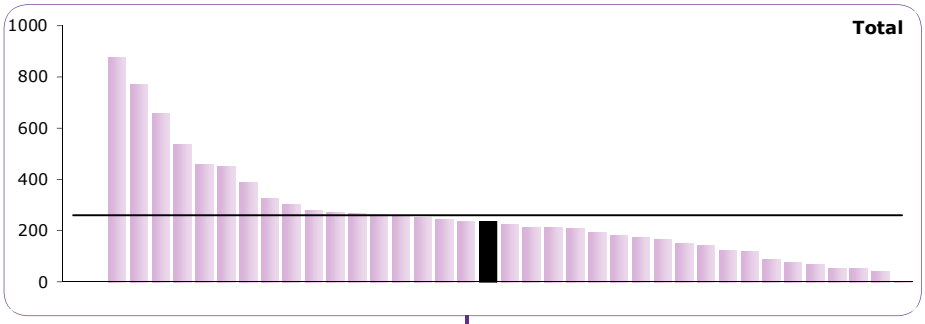
Composition of members	No.	%	*Avg*	*Avg %*
Active:				
- full-time	7,470	9.6%	*19,886*	*15.3%*
- part-time	17,717	22.7%	*17,548*	*21.4%*
- no. of elected Members	7	0.0%	*39*	*0.05%*
- sub-total	**25,194**	**32.2%**	***36,572***	***36.9%***
Deferred:				
- Staff	24,820	31.8%	*31,783*	*30.5%*
- Elected Members	6	0.0%	*33*	*0.0%*
Pensioners	14,382	18.4%	*24,676*	*23.6%*
Dependants	1,827	2.3%	*4,210*	*3.9%*
Frozen refunds	4,102	5.2%	*3,302*	*3.4%*
Leavers unprocessed/ in progress	7,824	10.0%	*2,368*	*2.5%*
Total	**78,155**		***102,943***	

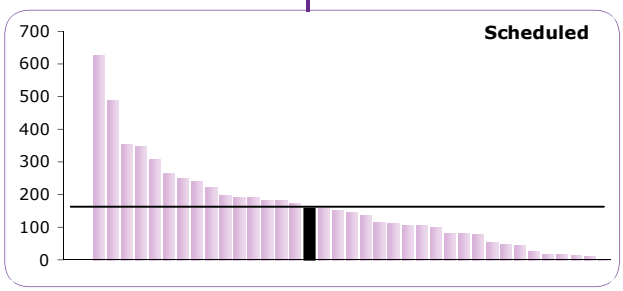
COMPOSITION OF MEMBERS AS AT 31/03/2016

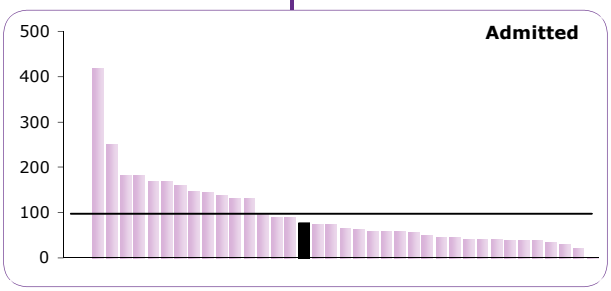


Composition of active members	No.	%	*Avg*
50:50	71	0.3%	*0.3%*

NUMBER OF LGPS EMPLOYERS AS AT 31/03/2016



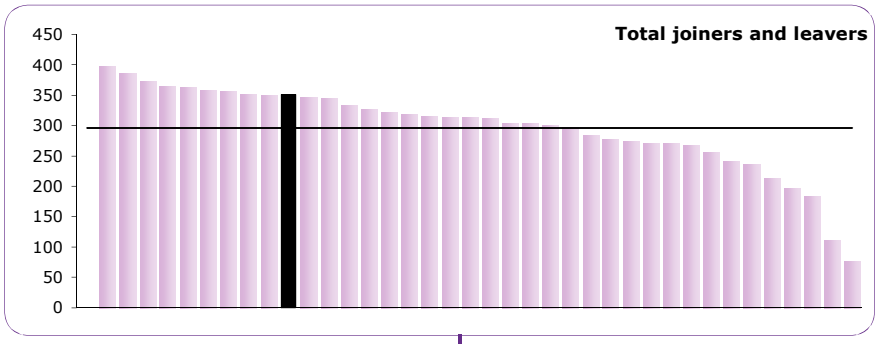


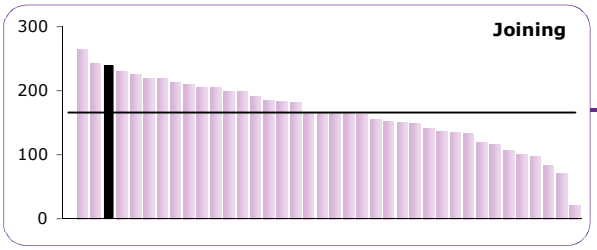


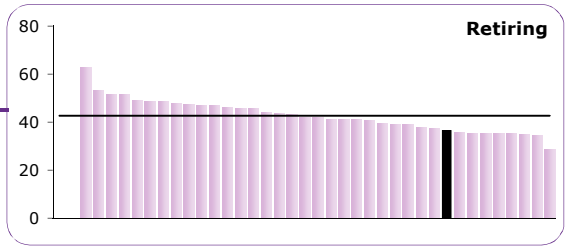
LGPS employers (31/3/16)						
	No.	*Avg*	of which:	No.	%	*Avg*
Scheduled	160	*163*	Local Authorities	9	6%	*9%*
Admitted	78	*97*	Transferee	55	71%	*44%*
Total	**238**	***260***				

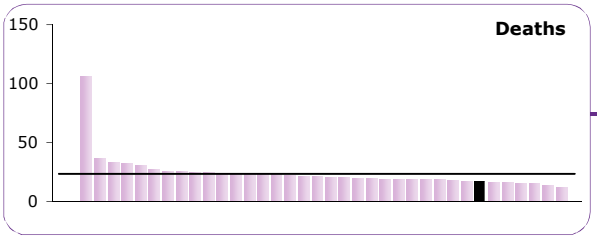
Employer changes 2015/16	+/- Changes		Admitted		Leaving	
	No.	*Avg*	No.	*Avg*	No.	*Avg*
Scheduled	<min	*2*	12	*13*	3	*1*
Admitted	<min	*1*	14	*9*	<min	*34*

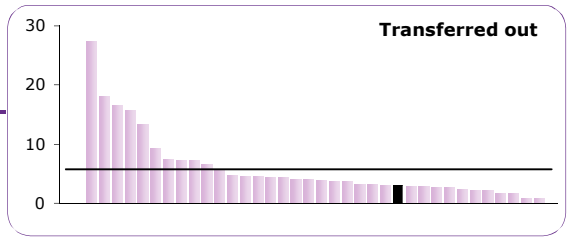
JOINERS & LEAVERS (per '000 active members)

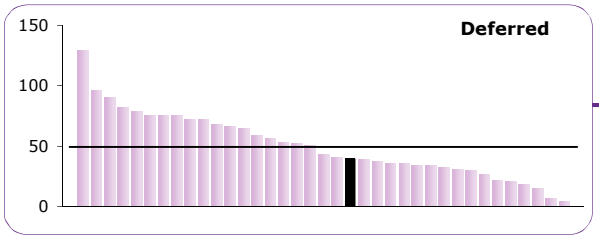


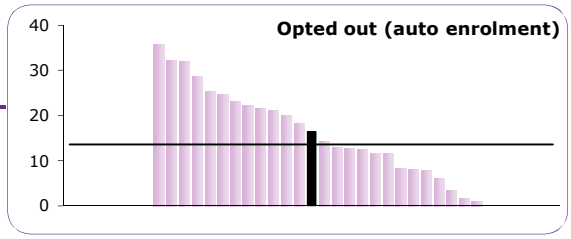








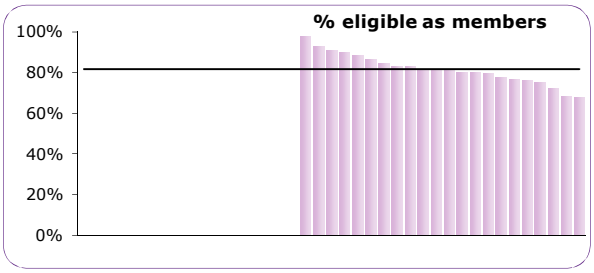




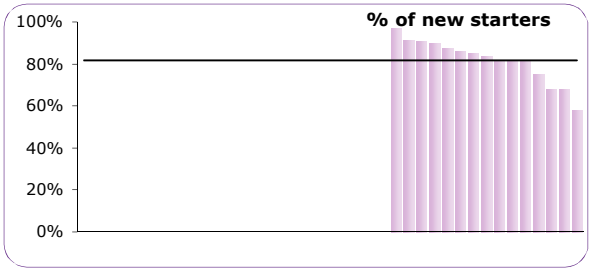
Joiners & leavers (per '000 active members)	No.	'000	*Avg*
Joining	6,022	239	*166*
Retiring	921	37	*43*
Deaths	419	17	*23*
Transferred out	75	3	*6*
Deferred	993	39	*49*
Opted out	416	17	*14*
Total	8,846	351	*296*

Active members
25,194

LGPS members as % eligible employees

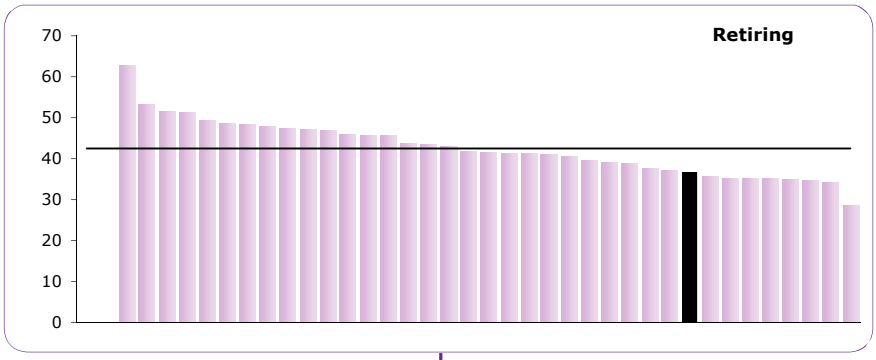


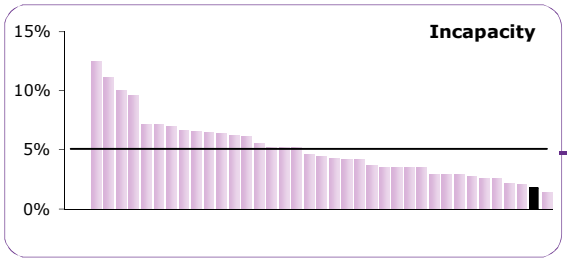
Cambridgeshire na *Avg* *82%*

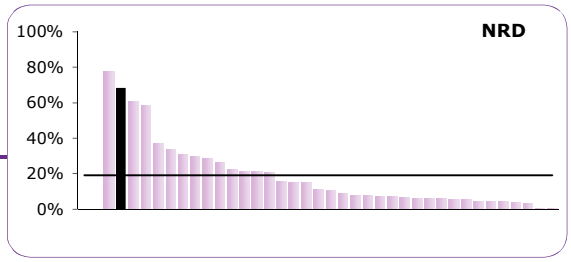


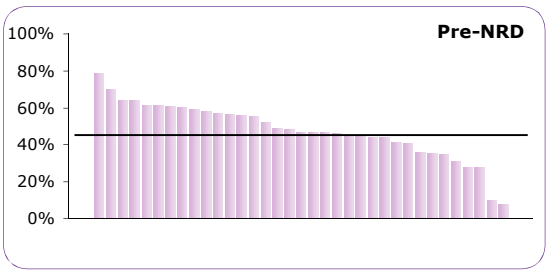
Cambridgeshire na *Avg* *82%*

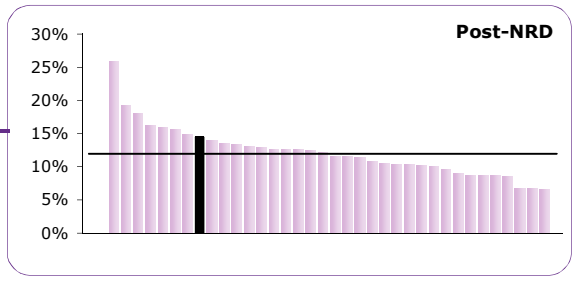
RETIRING (per '000 active members)

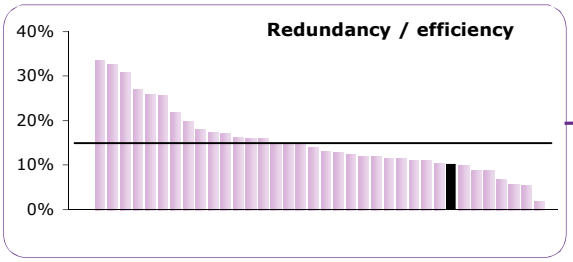


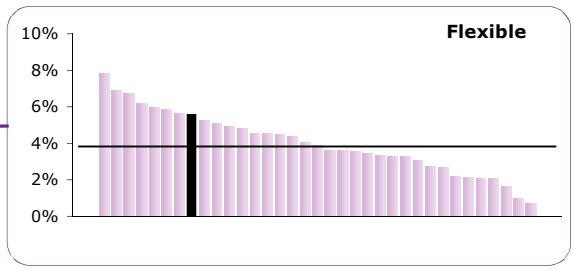










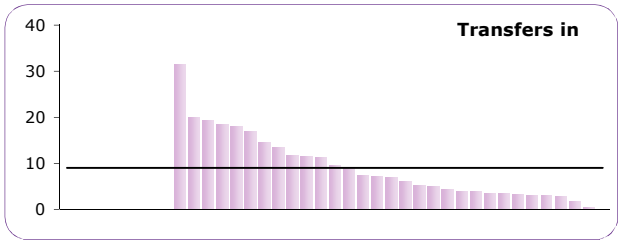


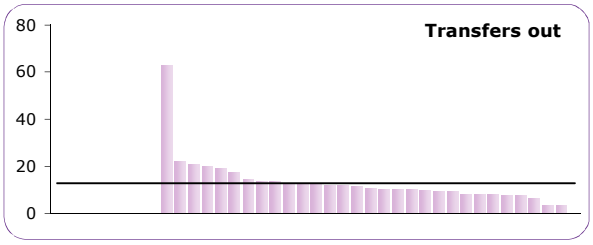
Retirements	No.	%	*Avg*
Incapacity	16	2%	*5%*
NRD	621	68%	*19%*
Pre-NRD	-	0%	*45.2%*
Post-NRD	132	14%	*12%*
Redundancy / efficiency	92	10%	*15%*
Flexible	51	5.6%	*3.8%*
Total	**912**		

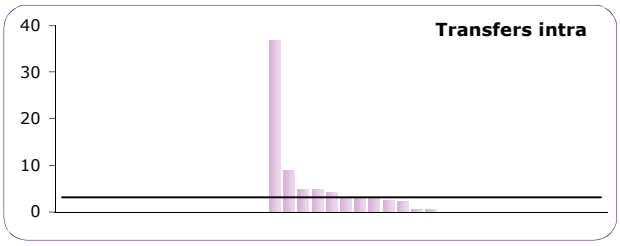
Retiring (per '000 active members)	No.	'000	*Avg*
Retiring	912	37	*43*

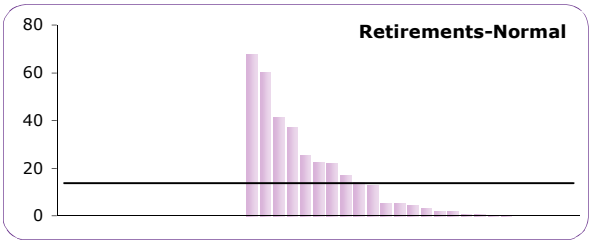
Active members
25,194

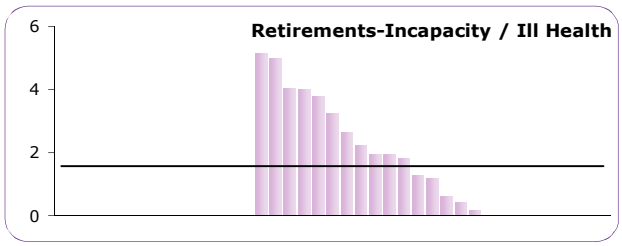
NUMBER OF QUOTATIONS PROVIDED (per '000 active members)

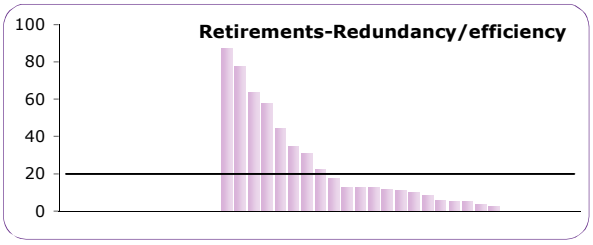


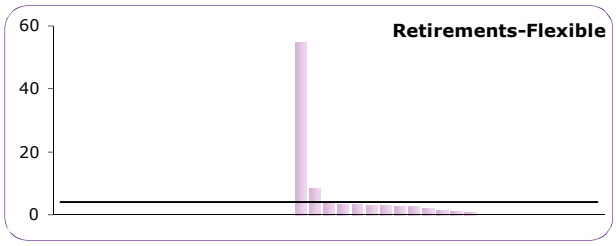


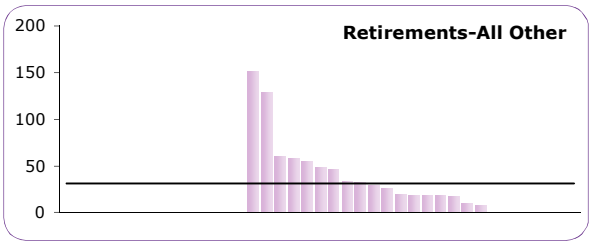


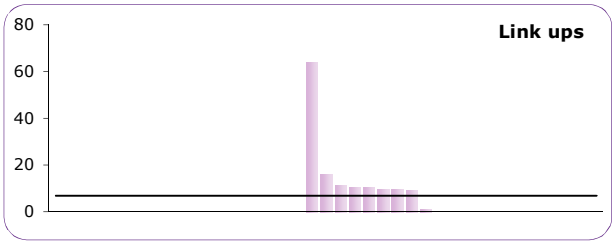


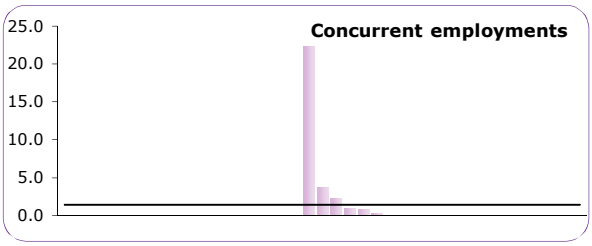


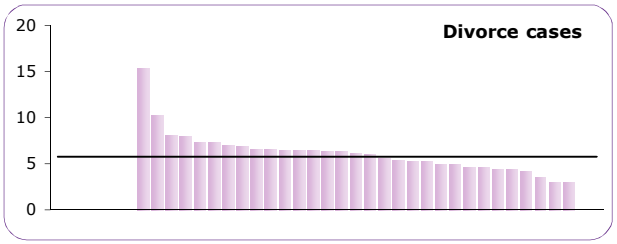


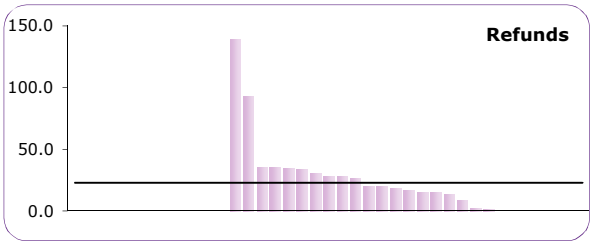


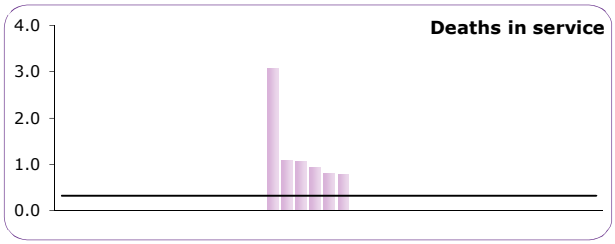


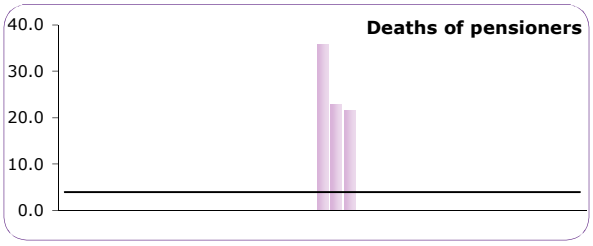








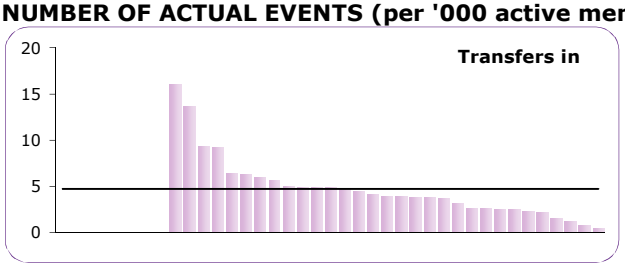


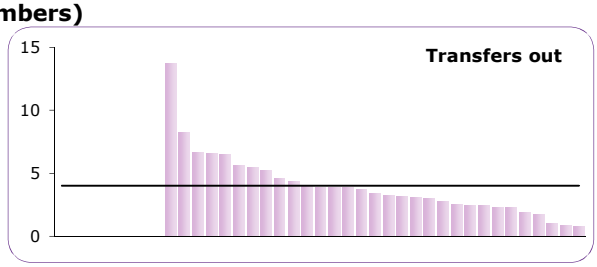


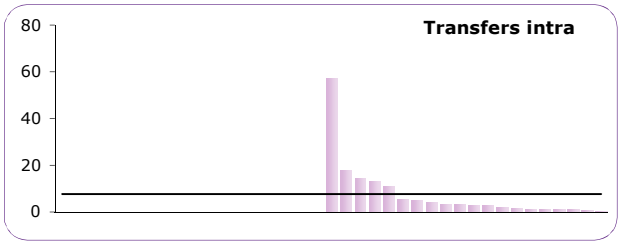
No of bulk transfers	No.	'000	Avg
TUPE -in	na	na	*0*
TUPE -out	na	na	*0*
Academies	na	na	*0*

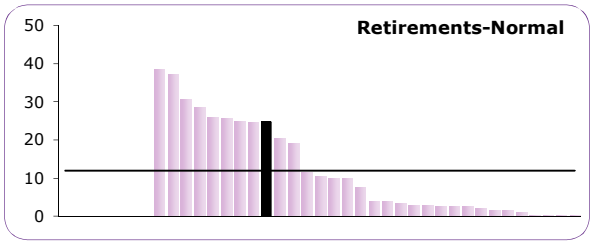
Active members:	25,194		
Quotations provided	**No.**	**'000**	***Avg***
TUPE -in	na	na	*0.0*
TUPE -out	na	na	*0.0*
Academies	na	na	*0.0*
Retirements:			
- Normal	na	na	*13.8*
- Incapacity/ill-health	na	na	*1.6*
- Redundancy/efficiency	na	na	*20.0*
- Flexible	na	na	*4.1*
- All other	na	na	*31.2*
Transfers in	na	na	*8.9*
Transfers out	na	na	*12.9*
Transfers intra	na	na	*3.1*
Link ups	na	na	*6.7*
Concurrent employments	na	na	*1.4*
Refunds	na	na	*22.9*
Divorce cases	na	na	*5.8*
Deaths in service	na	na	*0.3*
Deaths of pensioners	na	na	*4.0*

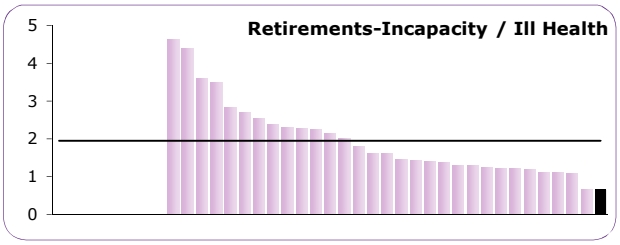
NUMBER OF ACTUAL EVENTS (per '000 active members)

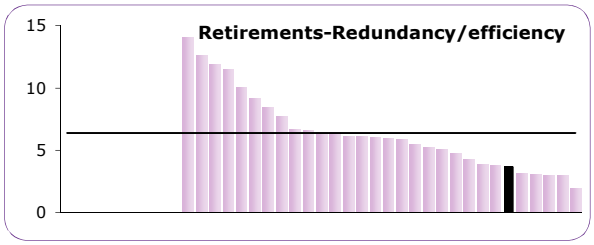


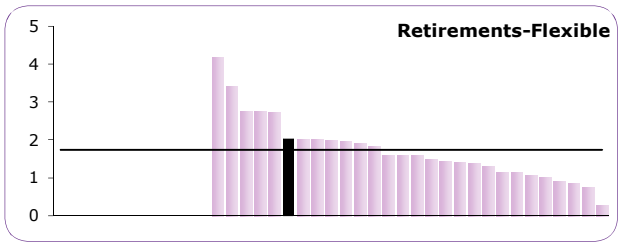


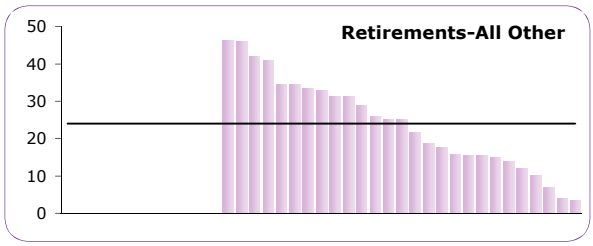


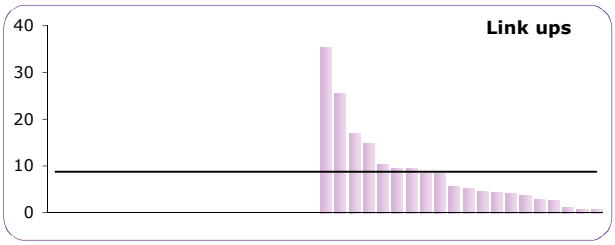


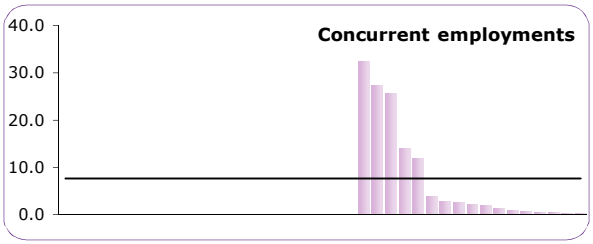


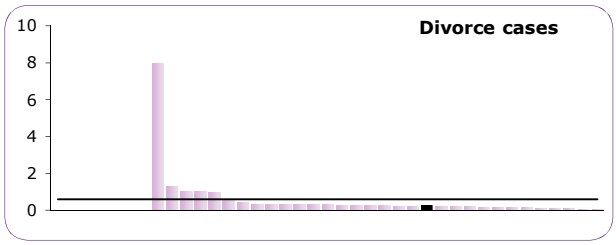


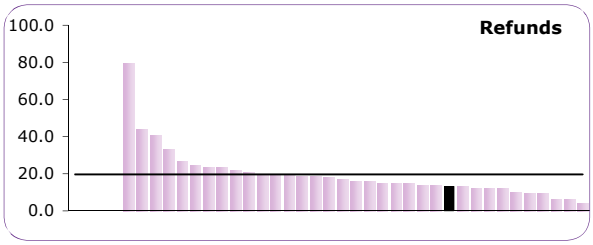


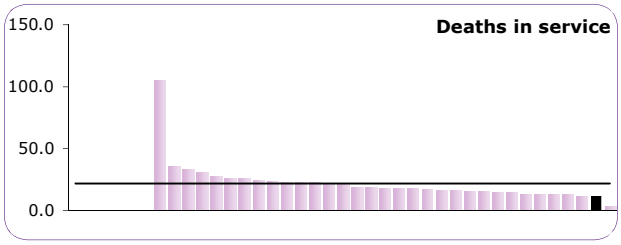


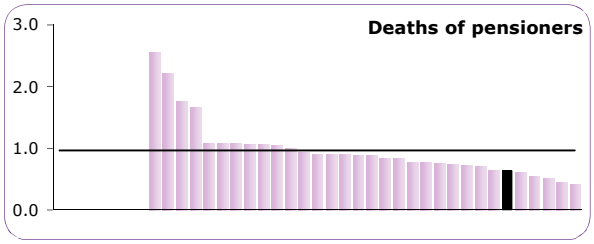


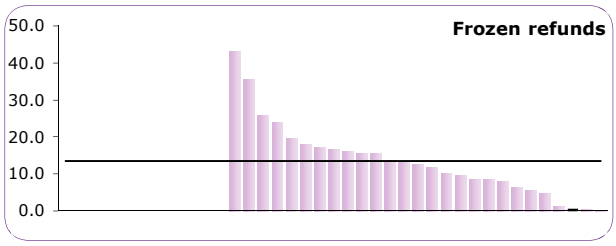


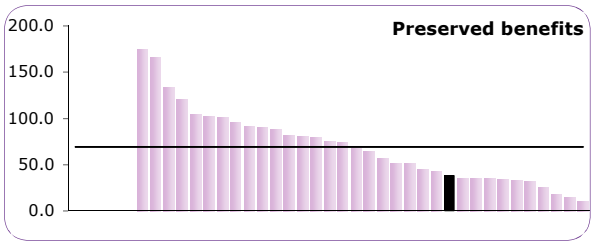






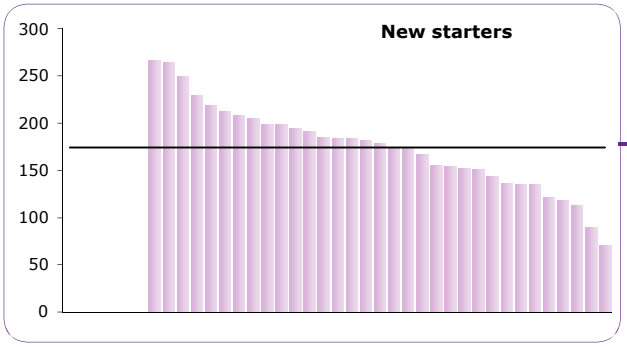


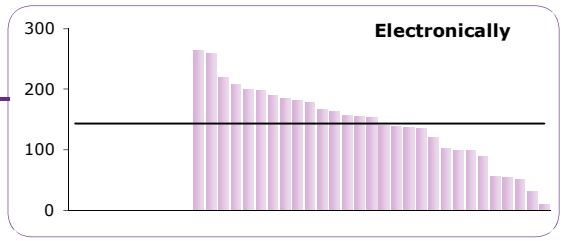


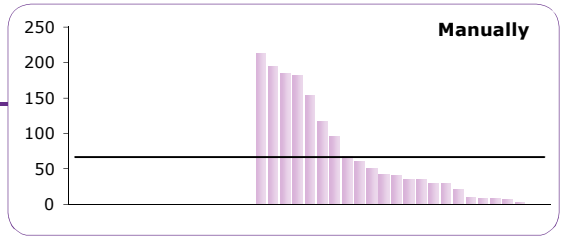


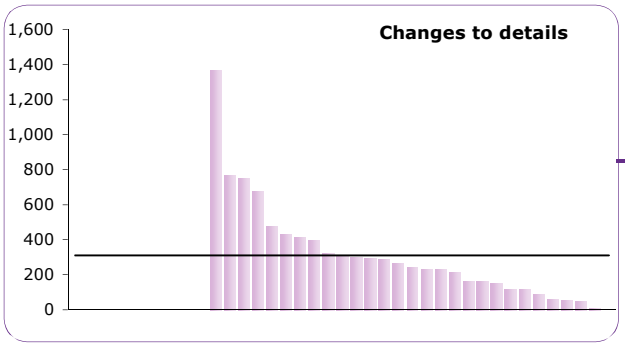
Active members:	25,194		
Actual events	**No.**	**'000**	***Avg***
TUPE -in	na	na	*0*
TUPE -out	na	na	*0*
Academies	na	na	*10*
Retirements:			
- Normal	621	25	*12*
- Incapacity/ill-health	16	1	*2*
- Redundancy/efficiency	92	4	*6*
- Flexible	51	2.0	*2*
- All other	..	na	*24*
Transfers in	..	na	*5*
Transfers out	..	na	*4*
Transfers intra	..	na	*7*
Link ups	..	na	*9*
Concurrent employments	na	na	*8*
Refunds	335	13	*20*
Frozen refunds	13	0.5	*14*
Preserved benefits	958	38	*69*
Divorce cases	6	0	*1*
Deaths in service	285	11.3	*22*
Death of pensioners	16	1	*1*
Single Status / Job Evaluation	na	na	*na*
Members Estimates	na	na	*37*

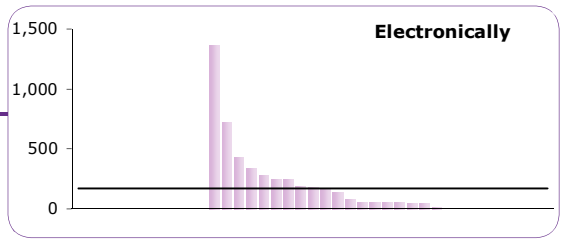
ACTUAL CALCULATIONS (per '000 active members)

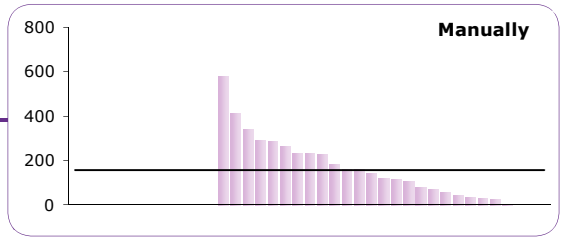








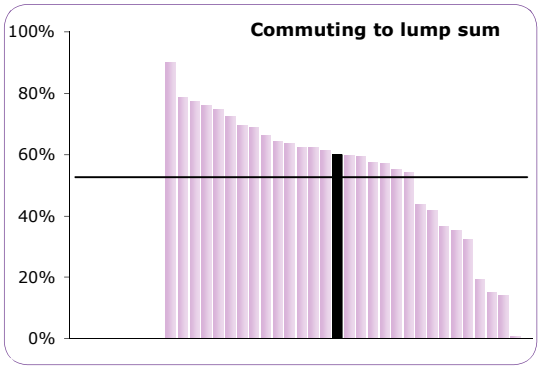




Active members
25,194

RETIREMENTS

Retirements commuting to lump sum

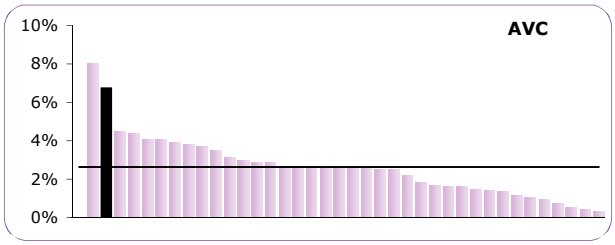


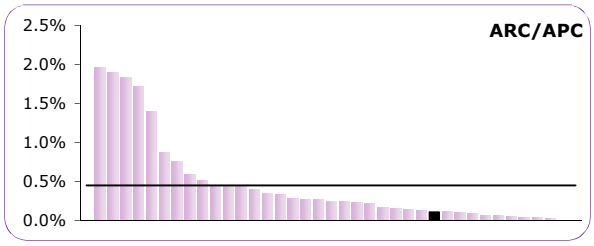
Actual calculations	No.	'000	*Avg*
New starters	**..**	**na**	***174***
- electronically	..	na	*143*
- manually	na	na	*66*
Changes to details	**..**	**na**	***308***
- electronically	na	na	*169*
- manually	na	na	*156*

Retirements commuting lump sum		
Number	% total	*Avg*
548	60%	*53%*

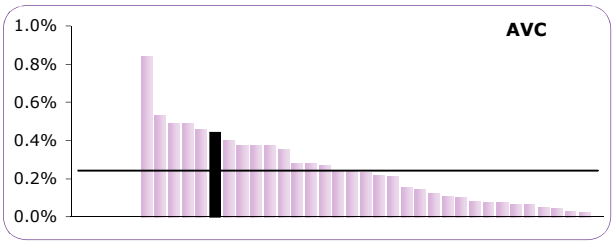
AVCs, ARCs and Added years

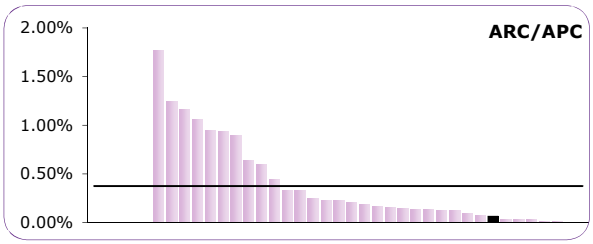
% Currently contributing

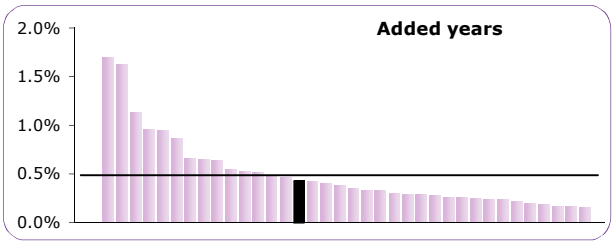




% New contributors this year



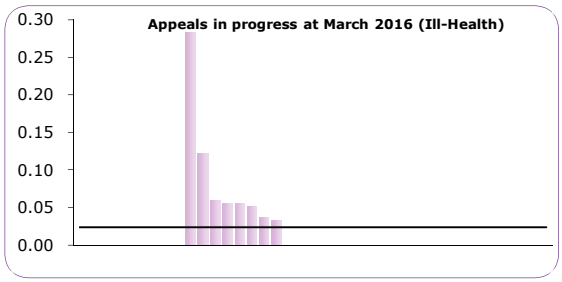


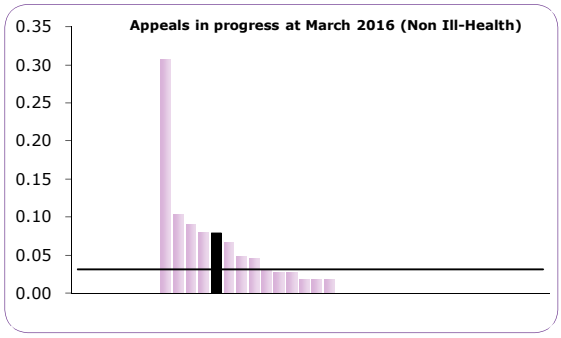


Contributors to AVCs and ARCS	No.	%	*Avg*
Currently contributing			
- AVC	1,706	6.77%	*2.64%*
- ARC/APC	29	0.12%	*0.45%*
- Added years	109	0.43%	*0.49%*
Total	1,844	7.32%	*3.47%*
New contributors this year			
- AVC	112	0.44%	*0.24%*
- ARC/APC	17	0.07%	*0.37%*
Total	129	0.51%	*0.54%*

Active members
25,194

APPEALS



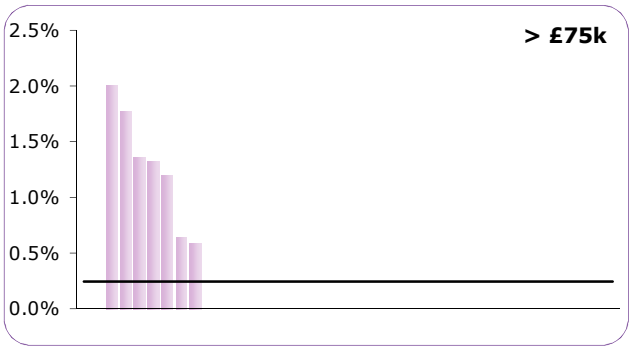


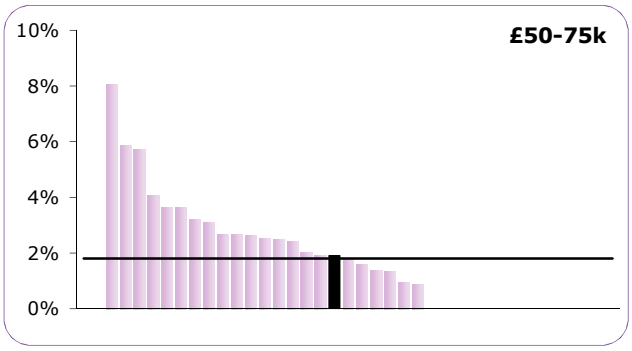
*Club total: This shows the total for all the Benchmarking Club members 2016

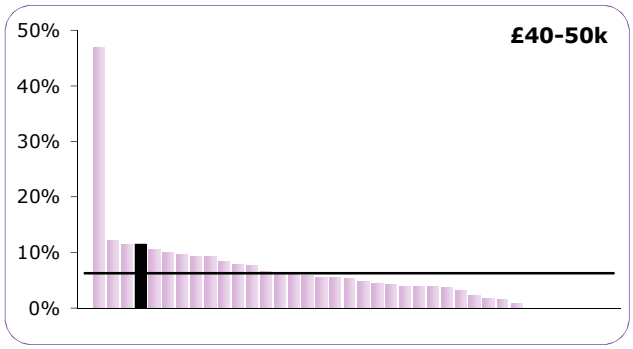
Number of appeals	No.	Per '000 members	*Avg*	Club* total
Ill-Health				
In progress at start of year	0	0.00	*0.03*	26
In progress at end of year	0	0.00	*0.02*	35
Non Ill-Health				
In progress at start of year	1	0.04	*0.04*	32
In progress at end of year	2	0.08	*0.03*	32
1st Stage				
Appeals in Progress - 03.15	0	0.00	0.03	27
New Appeals in Year	5	0.20	0.14	202
Appeals Withdrawn	0	0.00	0.01	7
Appeals Upheld	0	0.00	0.03	36
Appeals Not Upheld	3	0.12	0.10	162
Appeals in Progress - 03.16	2	0.08	0.03	24
2nd Stage				
Appeals in Progress - 03.15	0	0.00	0.02	16
New Appeals in Year	0	0.00	0.00	80
Appeals Withdrawn	0	0.00	0.00	3
Appeals Upheld	0	0.00	0.02	18
Appeals Not Upheld	0	0.00	0.05	66
Appeals in Progress - 03.16	0	0.00	0.01	4
Ombudsman Referrals				
Appeals in Progress - 03.15	1	0.04	0.01	8
New Appeals in Year	0	0.00	0.01	18
Appeals Withdrawn	0	0.00	0.00	1
Appeals Upheld	0	0.00	0.00	3
Appeals Not Upheld	1	0.04	0.01	10
Appeals in Progress - 03.16	0	0.00	0.01	7

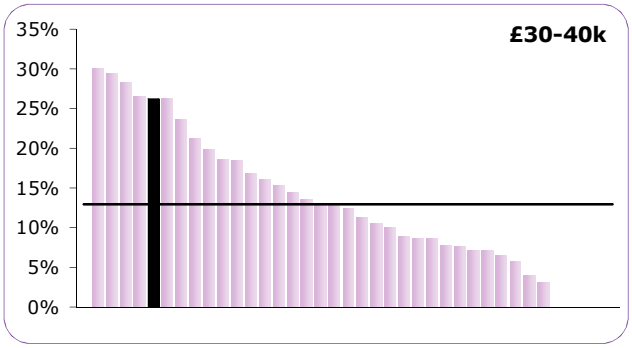
SECTION 4 - STAFF RELATED MEASURES

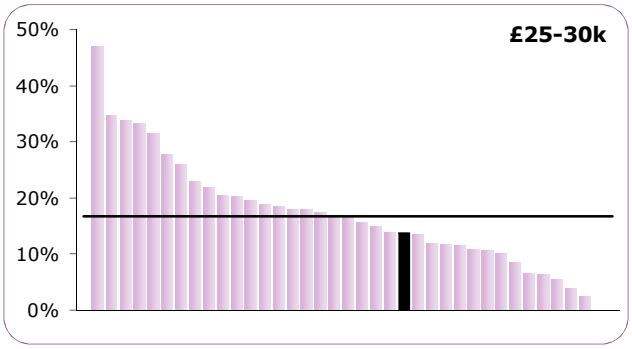
STAFF PAY

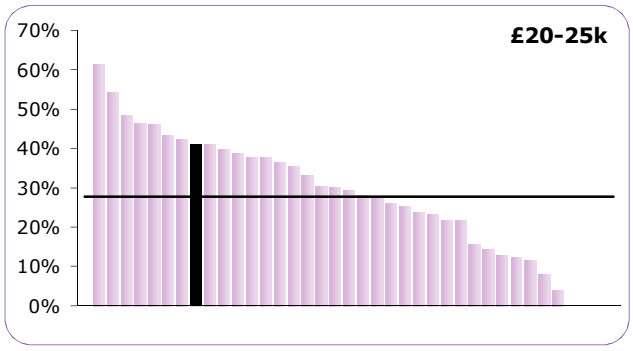


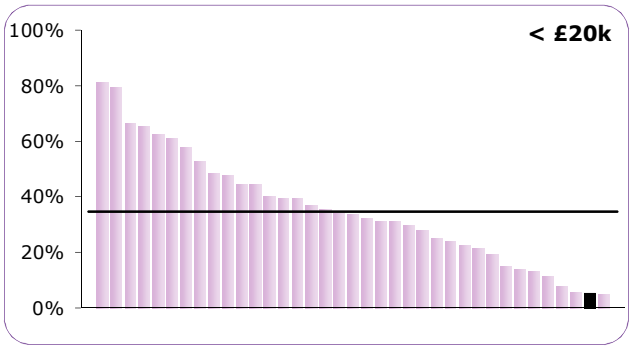






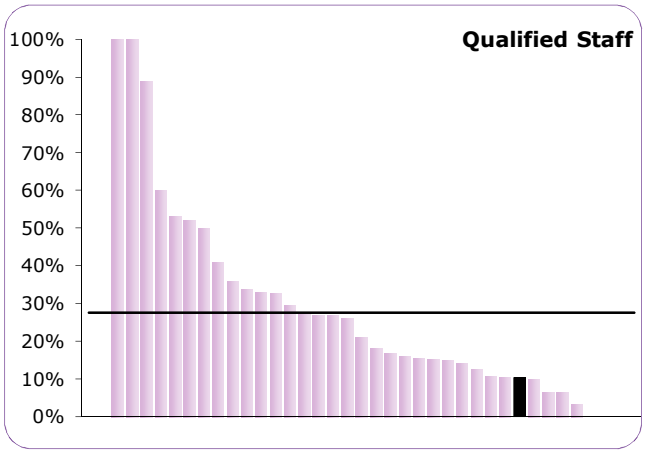


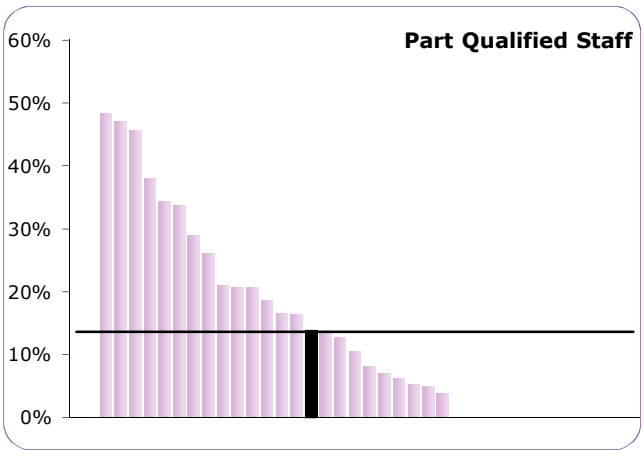


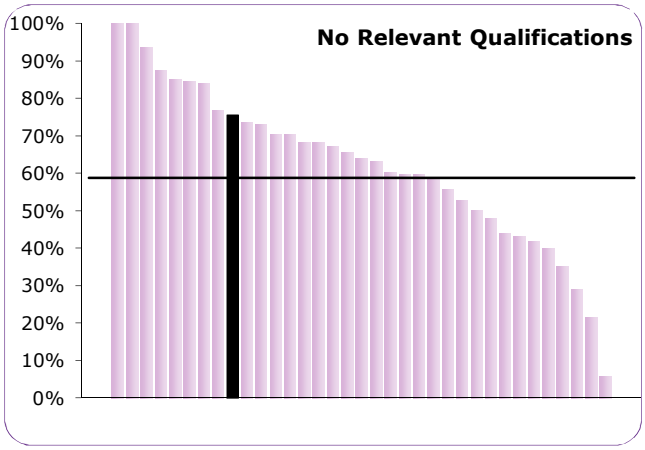


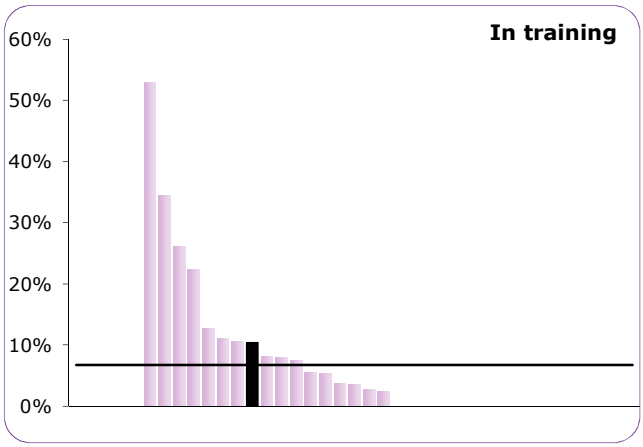
Staff pay	FTE	%	*Avg*
> £75k	0.0	0%	*0.2%*
£50-75k	0.6	2%	*1.8%*
£40-50k	3.3	11%	*6.2%*
£30-40k	7.6	26%	*12.9%*
£25-30k	4.0	14%	*16.7%*
£20-25k	11.8	41%	*27.6%*
< £20k	1.5	5%	*34.5%*
Total	**28.7**		

STAFF QUALIFICATIONS



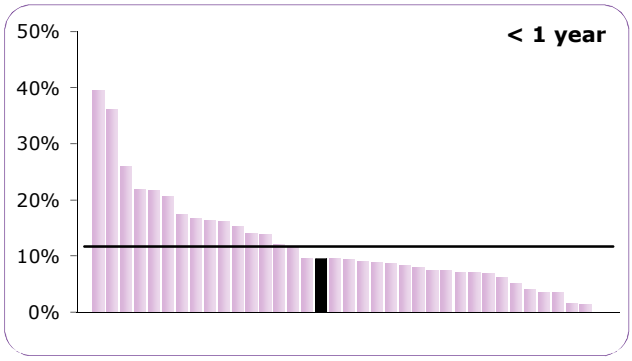


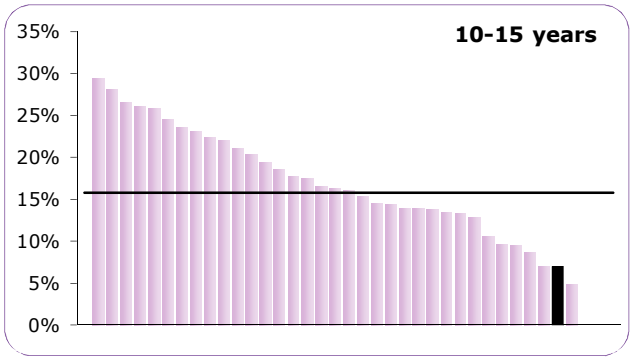


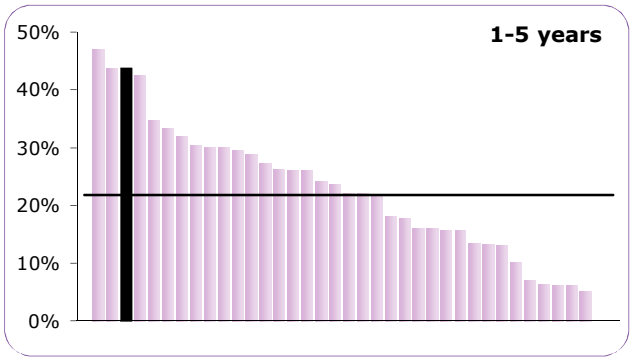


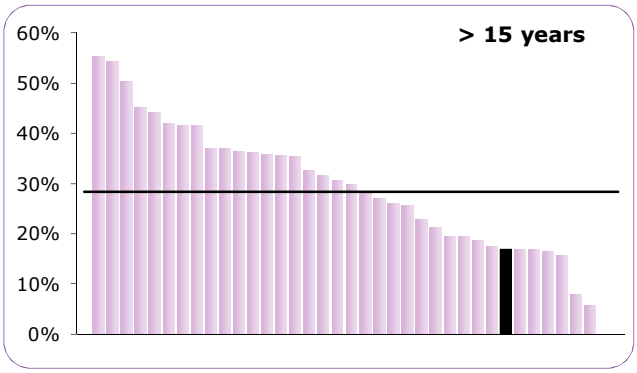
Staff qualifications	FTE	%	*Avg*
Qualified Staff	3.0	10%	*28%*
Part Qualified Staff	4.0	14%	*14%*
No Relevant Qualifications	21.7	76%	*59%*
Total	**28.7**		
Number in Training	3.0	10%	*7%*

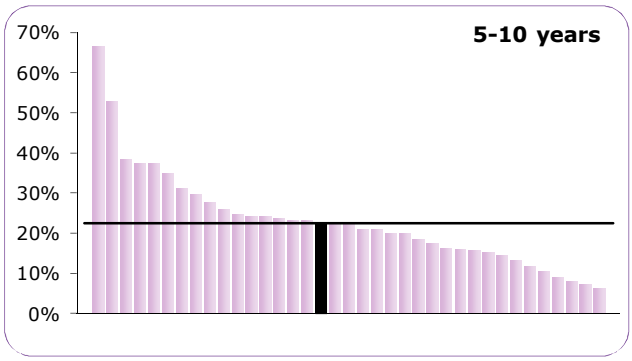
STAFF PENSIONS EXPERIENCE





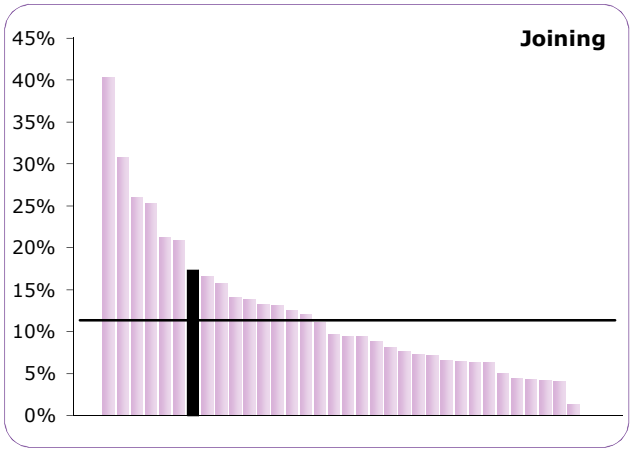


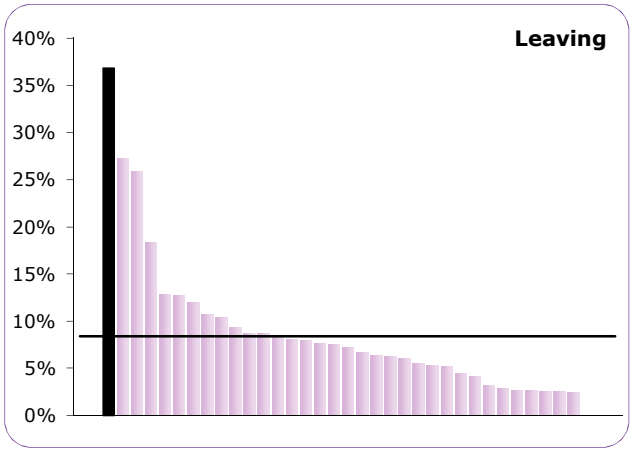




Staff experience	FTE	%	*Avg*
< 1 year	2.8	10%	*12%*
1-5 years	12.6	44%	*22%*
5-10 years	6.5	23%	*23%*
10-15 years	2.0	7%	*16%*
> 15 years	4.9	17%	*28%*
Total	**28.7**		

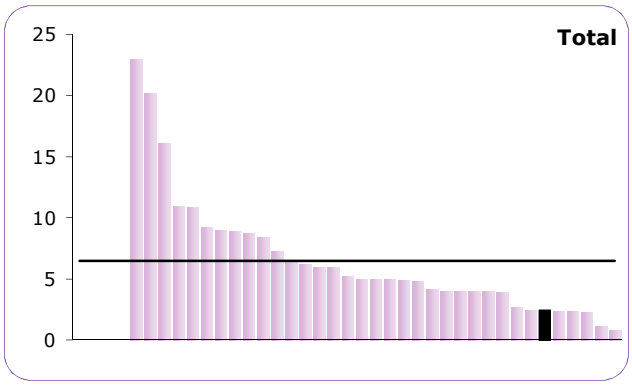
STAFF TURNOVER

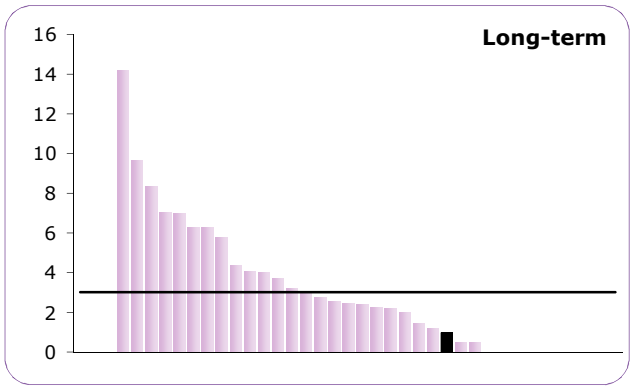




Staff Turnover	FTE	% change	*Avg*
Staff at 1/4/2015	34.3		
+ Staff joining Pension section	5.0	17.4%	11.4%
- Staff leaving Pension section	10.6	36.9%	8.4%
Staff at 31/3/2016	28.7	-16.3%	4.2%

SICKNESS ABSENCE

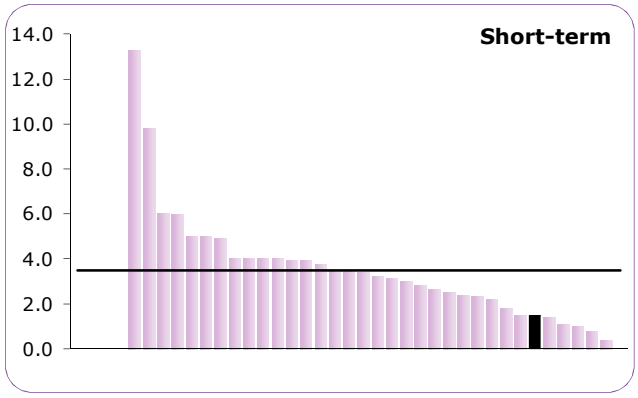




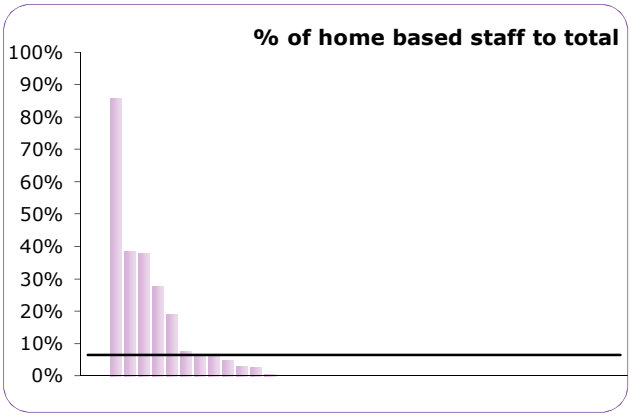
Sickness absence	Days/FTE	*Avg*
Long-term sickness	1.0	*3.0*
Short-term sickness	1.5	*3.5*
Total	**2.5**	***6.5***

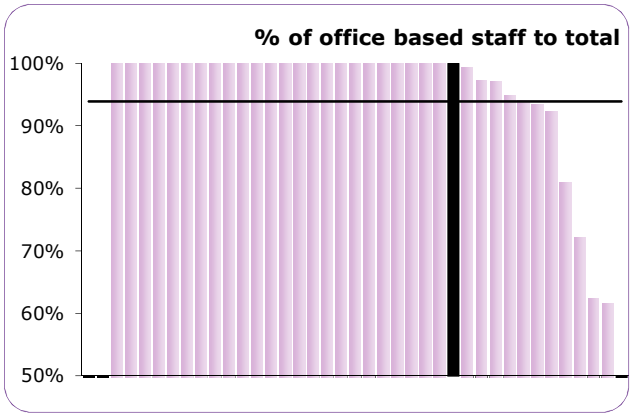
Long-term sick (periods of sickness over 20 working days)

Short-term sick (periods of sickness of 20 days or less)



STAFF LOCATION



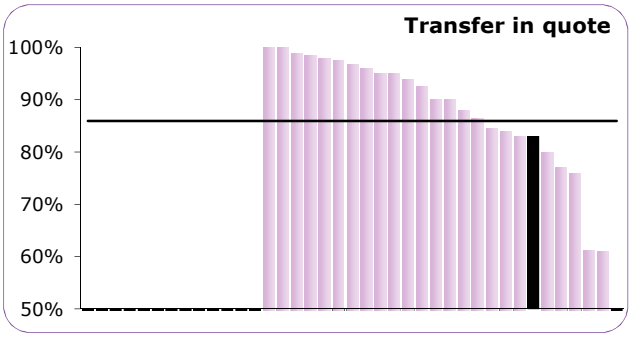


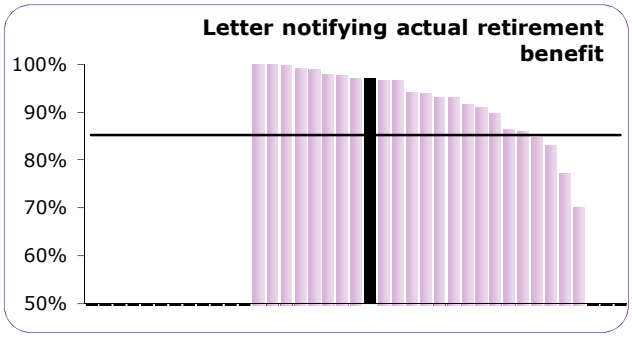
Staff location	FTE	*Avg*	*% to total FTE*	*Avg*
Home based	0.0	*2.0*	0%	*6%*
Office based	28.8	*35.3*	100%	*94%*
Total	**28.8**			

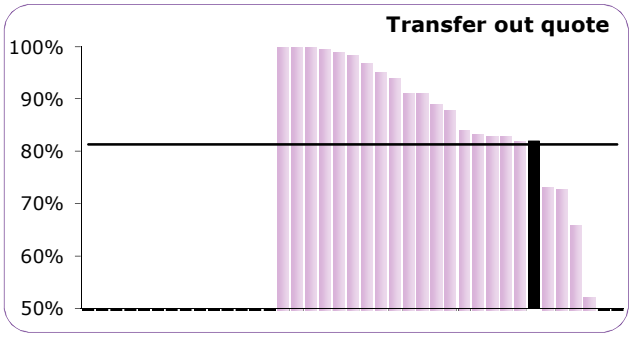
Office Based: Staff members who spend >50% of their contracted time working in the office

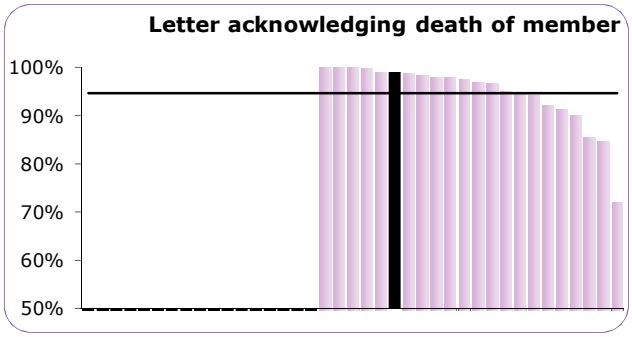
Home Based: Staff members who spend 50% of their contracted time working from home.

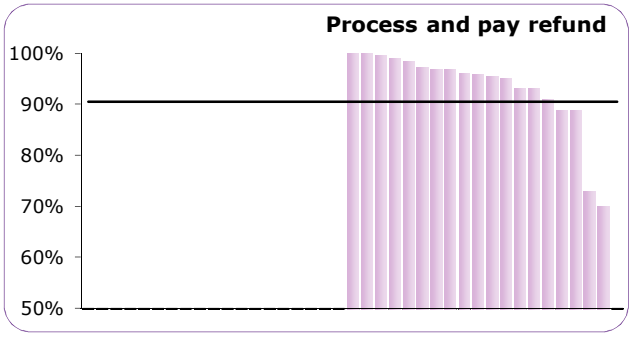
SECTION 5 - INDUSTRY STANDARD PI's

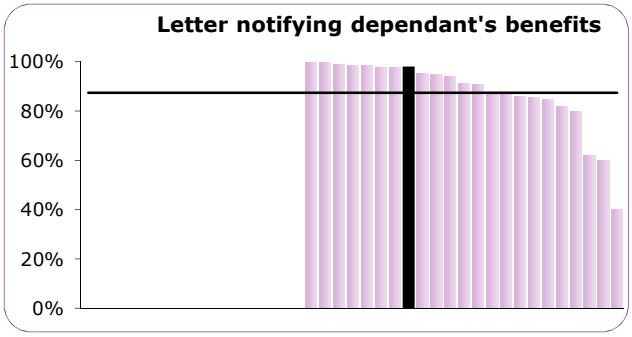


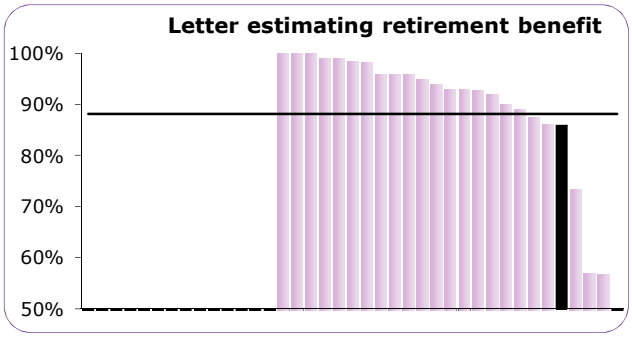


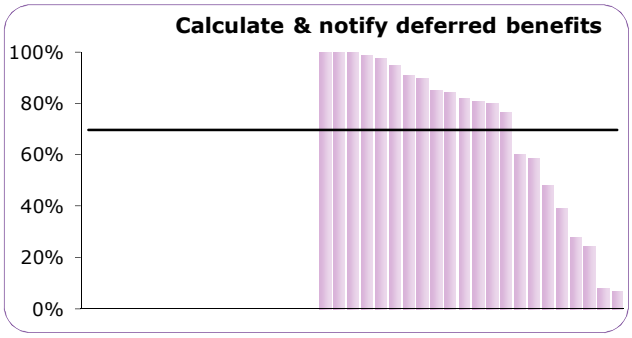












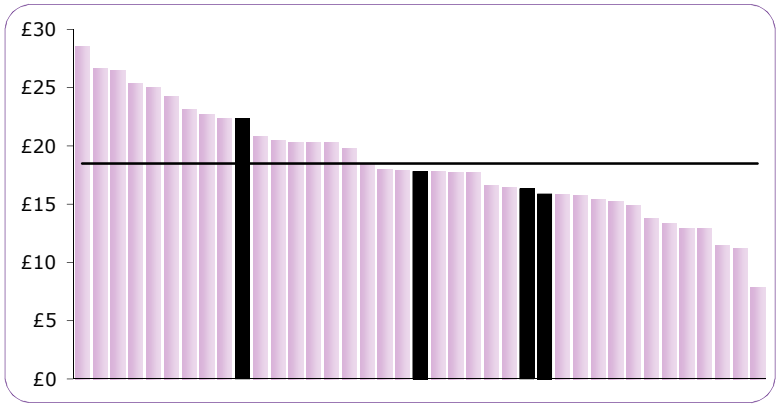
Industry Standard PI's	Target	Achieved	*Avg*
Letter detailing transfer in quote	10 days	83.0%	*86.0%*
Letter detailing transfer out quote	10 days	82.0%	*81.3%*
Process and pay refund	5 days	na	*90.5%*
Letter notifying **estimate** of retirement benefit	10 days	86.0%	*88.2%*
Letter notifying **actual** retirement benefit	5 days	97.0%	*85.2%*
Process and pay lump sum retirement grant	5 days	97.0%	*85.2%*
Letter acknowledging death of member	5 days	99.0%	*94.6%*
Letter notifying amount of dependant's benefits	5 days	98.0%	*87.4%*
Calculate and notify deferred benefits	10 days	na	*69.8%*

SECTION 6 - COMPARISON BY METHOD OF SERVICE DELIVERY

COMPARISON OF OUTSOURCED/IN-HOUSE MEMBERS

Total members with data:	40
Outsourced members:	4

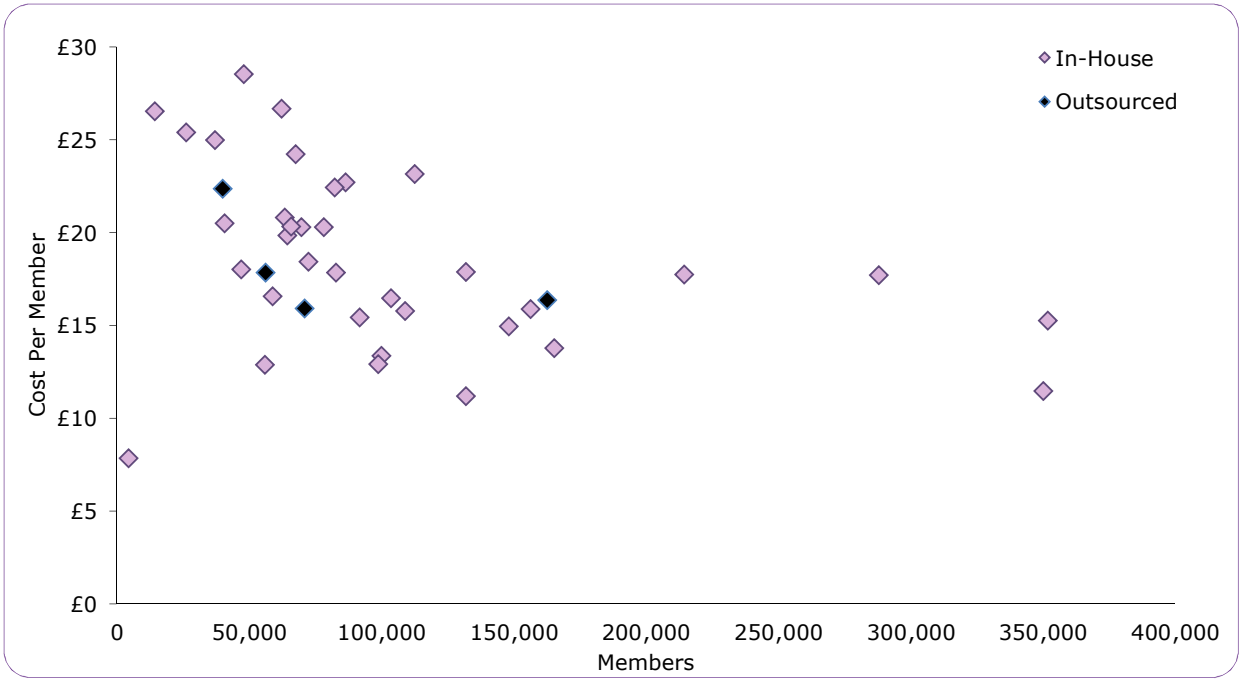
LGPS ADMIN COST PER MEMBER (INCLUDING PAYROLL)



Black bars show outsourced members

	Cost	Members	Cost per Member
Cambridgeshire	£1,587	78,155	£20.31
Club average	£1,754	102,775	£18.48
Outsourced average	£1,419	82,297	£18.12
In-house average	£1,793	105,115	£18.52

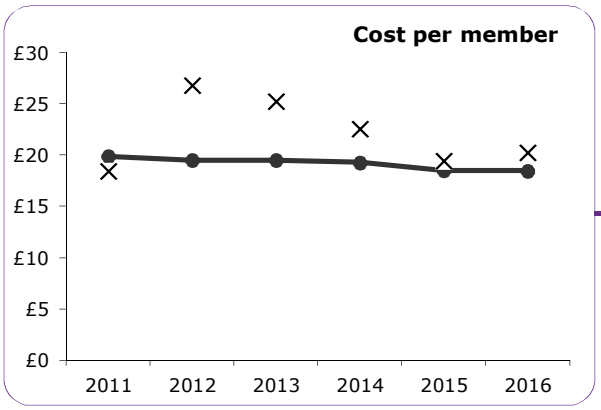
COST PER MEMBER COMPARED WITH NUMBER OF MEMBERS

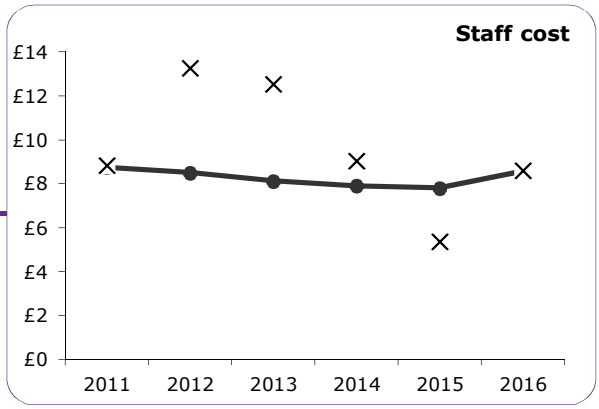


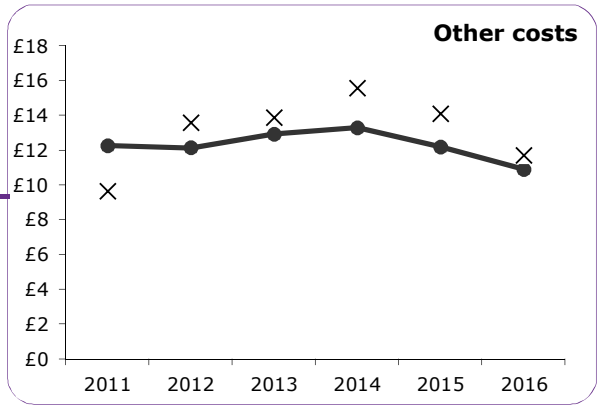
SECTION 7 - TIMESERIES

The 2016 averages are the actual club averages.

For previous years, the averages shown here are scaled up or down from the 2015 figure based on the average rate of change in each year. This is calculated using data from members who supplied figures in consecutive years, otherwise the simple average in each year would be distorted by changes in the composition of the club from year to year.







KEY:

Club average

X Cambridgeshire

Time series analysis	2011	2012	2013	2014	2015	2016
Members	64,075	62,337	65,820	71,707	73,354	78,155
Net cost (£'000)	1,183k	1,673k	1,664k	1,622k	1,426k	1,587k
Cost per member	£18.46	£26.84	£25.28	£22.62	£19.44	£20.31
Average	*£19.87*	*£19.51*	*£19.52*	*£19.31*	*£18.52*	*£18.48*
Staff cost	£8.85	£13.28	£12.56	£9.06	£5.37	£8.61
Average	*£8.76*	*£8.51*	*£8.14*	*£7.91*	*£7.80*	*£8.58*
Other costs	£9.61	£13.56	£13.87	£15.54	£14.07	£11.69
Average	*£12.25*	*£12.13*	*£12.92*	*£13.27*	*£12.18*	*£10.88*

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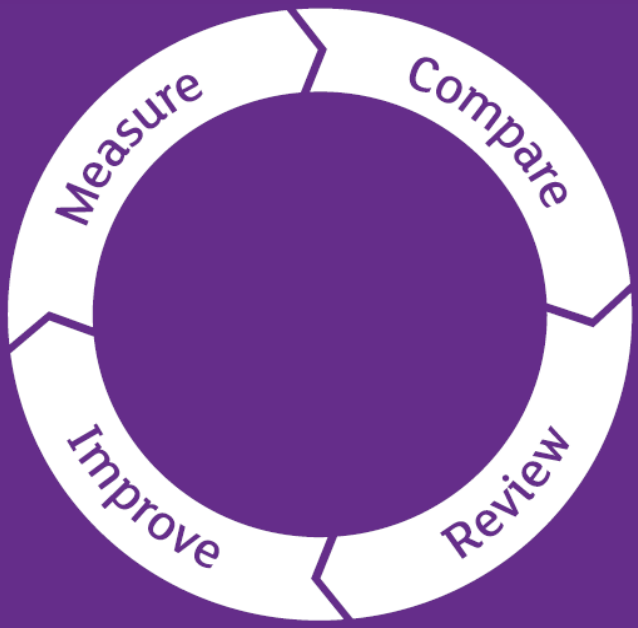

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CAMBRIDGESHIRE PENSION FUND

Local Pension Board

Date: 25 January 2017

Report by: Head of Pensions

Subject:	**The Pensions Regulator's Public Service Pension Scheme Compliance Assessment Tool**
Purpose of the Report	To inform the Local Pension Board of the extent of compliance with the Pensions Regulator's Code of Practice and actions necessary to achieve full compliance.
Recommendations	**That the Local Pension Board notes the content of the report.**
Enquiries to:	Jo Walton – Governance and Regulations Manager, LGSS Pensions Tel: 01604 367030 E-mail: jwalton@northamptonshire.gov.uk

1. Background

1.1 The Public Service Pension Act 2013 introduced the framework for the governance and administration of public service pension schemes and provided an extended regulatory oversight by the Pensions Regulator.

1.2 The Pensions Regulator is required to issue one of more codes of practice covering specific matters relating to public service pension schemes. Code number 14 (governance and administration of public service pension schemes) came into legal effect on 1 April 2015 and sets out the legal requirements for public service pension schemes in respect of these matters. The code also contains practical guidance and standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.

1.3 If scheme managers and the members of pension boards as well as pension committees are, for any reason, unable to act in accordance with the guidance within the code of practice or an alternative approach that meets the underlying requirements, they should consider their statutory duty under section 70 of the Pensions Act 2004 to assess and report breaches of the law.

1.4 The Pensions Regulator expects all schemes to carry out a thorough review of their schemes legal requirements and the guidance in the code of practice. The Pensions Regulator understands that this is a significant piece of work and has produced a tool which sets out some processes and actions that they expect to see in a well-run scheme.

1.5 The tool provides an indicative risk rating as well as guidance and links to further information and a template to create a plan to address any issues identified to help achieve best practice.

1.6 An assessment of Cambridgeshire Pension Fund's compliance with the code of practice has been undertaken and the results of which can be found in appendix one.

1.7 Section two of this report details where full compliance has not yet been achieved and section three details the steps required and associated timescales to achieve full compliance.

2. Results of the compliance assessment

2.1 The Pensions Regulator's compliance assessment tool looks at three key areas:

- Governing the scheme;
- Managing risks and issues; and
- Administration

2.2 Upon completing the self-assessment tool, the Cambridgeshire Pension Fund was compliant to the following extent:

Area	Extent of compliance / Risk Rating
Governing the scheme	86% (6 out of 7 areas achieving full compliance) / Amber
Managing risks and issues	80% (4 out of 5 areas achieving full compliance / Amber
Administration	60% (3 out of 5 areas achieving full compliance / Amber

3. Governing the scheme

3.1 The only area that the Cambridgeshire Pension Fund was not completely compliant in the section on scheme governance was with the use of training plans for members of the Local Pension Board (and Pension Committee).

3.2 The code of practice requires board members (and pension committee members) to have an appropriate degree of knowledge and understanding so they can perform their role properly. Members should regularly review their skills, knowledge and competencies to identify gaps and weaknesses and invest sufficient time in their learning and development. The Pensions Regulator draws attention to the use of individual training plans.

3.3 In order to achieve full compliance in this area, LGSS Pensions have produced a revised training strategy that is to be approved by Local Pension Board members at this meeting. The revised training strategy, in particular section 6.2, sets out the intended approach to the use of training plans.

4. Managing risks and issues

4.1 In order to achieve full compliance in this area, Cambridgeshire Pension Fund needs to be able to fully demonstrate that where services are outsourced that those outsourced providers demonstrate that they have internal controls in place.

4.2 The code of practice requires the scheme manager to establish and operate internal controls via use of documented systems, arrangements and procedures to ensure the scheme is run in accordance with legal requirements. This applies equally where schemes outsource services such as pensioner payroll provision in the case of Cambridgeshire Pension Fund.

4.3. In order to achieve full compliance in this area, LGSS are in the process of producing a service level agreement for internal traded services which will cover the provision of pensioner payroll services which are currently undertaken by LGSS Payroll and HR Transactions. Further information on this service level agreement will be presented to the Local Pension Board in due course.

5. Administration

5.1 In order to achieve full compliance with the code of practice in the area of administration, three aspects require further development.

5.2 The first area where only partial compliance has been achieved is ensuring that there are documented processes in place to monitor scheme records for all membership types on an ongoing basis and that they are accurate and complete.

5.2.1 The code of practice requires scheme managers to ensure that certain data is complete and accurate in respect of active, deferred, pensioner members and beneficiaries.

5.2.2 Cambridgeshire Pension Fund falls short of full compliance in this area as there are currently no formal documented record keeping policy or procedures for all types of members and beneficiaries.

5.2.3 LGSS Pensions have developed and are operating a variety of processes and procedures to ensure accurate and fully complete membership records. These procedures and processes range from and are not limited to the following:

- Whilst undertaking an activity on members records (such as an estimate of retirement benefits or change of personal details) the record is checked to ensure all relevant data is present and accurate.

- Employer Self Service is available for scheme employers to check and update information held on their scheme members. In addition, all employers are sent a cut of data each year on their scheme members to check that all information remains current and to make changes via Employer Self Service where appropriate.

- To ensure the accuracy of year end information supplied by scheme employers for use in the production of annual benefit statements, a macro-enabled excel workbook is sent to employers to capture and submit only accurate and consistent information.

- Membership data is also checked for accuracy when submitted to the actuary for calculation of contribution rates for new employers or for triennial valuations.

5.2.4 To achieve full compliance in this area LGSS Pensions will produce an overarching record keeping policy that details all the processes and procedures undertaken to ensure member records are kept up to date and accurate.

5.2.5 It is anticipated that the record keeping policy will be presented to the Local Pension Board for comments in October 2017.

5.3 The second area of only partial compliance is with ensuring that there are fully documented controls in place that ensure scheme employers provide timely, accurate and complete data.

5.3.1 The code of practice requires scheme managers to keep records of specific member data of which most will come from scheme employers. Schemes should therefore ensure that employers have processes in place to provide the right data at the right time and in the required format.

5.3.2 LGSS Pensions are in the process of reviewing the Fund's administration strategy which is a document that sets out the standards of administrative performance for both the scheme and the scheme employers. It is proposed that the revised administration strategy will include enforceable financial penalties for consistent poor performance on the submission of accurate and timely data relating to scheme members. The administration strategy is supported by the existing payment of employee and employer pension contributions policy which provides a formal process for reporting late payment of pension contributions which are felt to be of material concern to the Pensions Regulator.

5.3.3 The administration strategy will be presented to the Local Pension Board for comments in April 2017 before it is presented to the Pension Committee for approval in June 2017 after which it will be subject to a 30 day consultation with scheme employers.

5.4 The final area where only partial compliance has been achieved is concerned with the production of a formally documented improvement plan to address any identified poor quality or missing data.

5.4.1 The code of practice requires schemes to continually review data and carry out a data review exercise at least once a year and ensure the necessary steps are taken to resolve any issues identified. The Pensions Regulator expects schemes to produce a fully documented data improvement plan to address issues of poor quality and missing data. The data improvement plan must contain specific data improvement measures that can be monitored and an end date within a reasonable timeframe by when complete and accurate data will be achieved.

5.4.2 LGSS Pensions are always working to improve the quality of incoming and existing data and in the last year made significant progress through the various methods described in section 5.2.3 of this report and other undocumented activities. For instance, the process of transferring the pensioner payroll from Oracle to Altair included a large amount of data cleansing and the ongoing project to reconcile

pensioner payroll data to administration data and guaranteed minimum pension held by the scheme and HMRC will continue to see further enhancements to the quality of the schemes data.

5.4.3 In order to achieve full compliance in this area a formal data improvement plan is to be produced to address all areas where data quality can be improved and to incorporate the actions already being undertaken.

5.4.4 It is proposed that the data improvement plan will be presented to the Local Pension Board for comments in October 2017.

6. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. *Objective 1*
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. *Objective 2*
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. *Objective 3*
Continually monitor and measure clearly articulated objectives through business planning. *Objective 4*
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. *Objective 8*
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. *Objective 10*
11. Maintain accurate records and ensure data is protected and used for authorised purposes only. *Objective 11*

7. Finance & Resources Implications

7.1 Not applicable

8. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no risk associated with this report		Green

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

Risk	Risk Rating
This report does not contain a proposal. However, failing to comply with the Pensions Regulator's code of practice may result in a poorly run scheme which does not deliver timely and positive outcomes for its members.	Red

9. Communication Implications

Website	All policies mentioned in this report will be made publically available via the LGSS Pensions website.

10. Legal Implications

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

11. Consultation with Key Advisers

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

12. Alternative Options Considered

12.1 There are no alternative options to be considered.

13. Background Papers

13.1 The Pensions Regulator's Code of Practice No. 14 can be found at the following link:

http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx

14. Appendices

14.1 Appendix 1 – The Pensions Regulator's self-assessment tool results

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Head of Pensions?	Mark Whitby – 4/1/2017

Appendix 1

Results

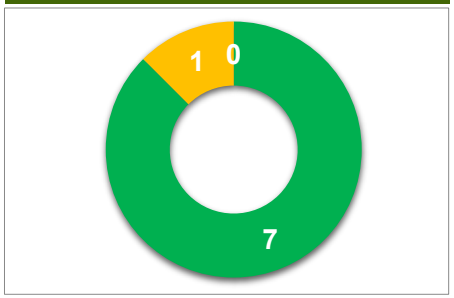
Using this report

In this report we have provided an indicative risk rating for each answer you selected, alongside some guidance and links to additional information. This report does not provide an assessment of compliance with the law – it indicates areas that might be of particular concern and where you may wish to focus. You should seek legal advice where required.

To minimise the risk of non-compliance with the law, you should conduct a comprehensive review of your scheme against the requirements set out in the legislation and the guidance provided in our code of practice. Statistics refer to findings from TPR's 2015 survey into the Governance and Administration of Public Service Schemes.

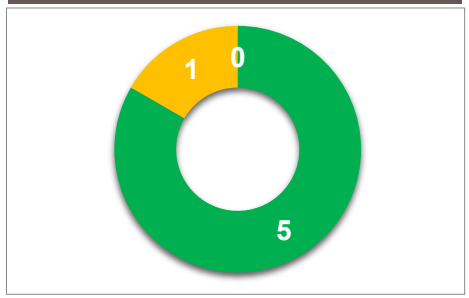
A summary of your results

Governing your scheme



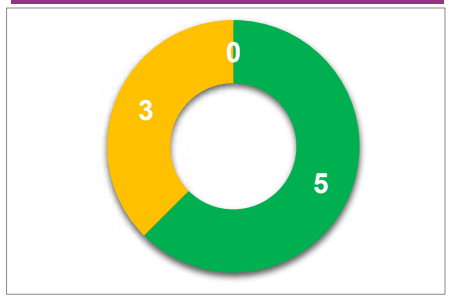
Percentage of questions answered: **100%**

Managing risks and issues



Percentage of questions answered: **100%**

Administration



Percentage of questions answered: **100%**

Results - Governing your scheme

Question 1 - Have you clearly defined and recorded the roles and responsibilities of the pension board?		
Your Answer:	Yes	Green
Feedback:	You should keep roles and responsibilities under review, in particular considering any changes to scheme regulations or working arrangements (eg where certain functions are delegated by the scheme manager). Roles and responsibilities should be made clear during the board member appointment process, so they are clear about what is expected of them and what the role entails. You should also ensure these are communicated and understood by relevant parties such as the administrator, members or in the case of local government pension schemes, the pension committee, eg by publishing them alongside other pension board information.	

Question 2 - Have you published information about the pension board and ensured it is kept up to date?		
Your Answer:	Yes – we publish information to legal requirements and provide additional information about the pension board and board business	Green
Feedback:	Our code of practice sets out examples of additional information you may wish to consider publishing if you don't already do so. You should monitor all published data to ensure it remains accurate and complete. You should also ensure that the information is suitably accessible – it should be available to all scheme members and all staff who are eligible to be automatically enrolled into the scheme without them needing to ask for it. Further information is on our website.	
Useful Links:	Code of Practice 14: Publishing information about schemes Website: Publishing scheme information	

Question 3 - Do you have policies and arrangements in place to help pension board members acquire and retain the requisite knowledge and understanding?		
Your Answer:	Yes	Green
Feedback:	Clearly defined policies and arrangements can help board members meet their legal obligations around knowledge and understanding. Four in five public service schemes have put such arrangements in place. You should keep your processes under regular review to ensure they remain effective and fit for purpose.	
Useful Links:	Code of Practice 14: Knowledge and understanding required by pension board members	

Question 4 - Do you use the following for your pension board? a) Training Plans		
Your Answer:	No	Amber
Feedback:	Board members must have the required knowledge and understanding so they can perform their role properly. They should regularly review their skills, knowledge and competencies to identify gaps and weaknesses, and should invest sufficient time in their learning and development. You should consider the use of a pension board training plan or individual training plans. Many schemes use pension board training plans. Individual training plans enable an even more bespoke approach, which reflects the different training needs of each member. Further information is in our code and our quick guide to personal development.	

b) Individual training needs analysis		
Your Answer:	Yes	Green
Feedback:	Using individual training needs analysis can help board members identify specific individual training needs. Training is an important part of the pension board members' role and they should invest sufficient time in their learning and development alongside their other responsibilities and duties. Board members should keep their skills, knowledge and competencies under regular review to identify gaps and weaknesses for further training.	

c) Training log		
Your Answer:	Yes	Green
Feedback:	Many schemes use training logs to help board members track their learning. They help you demonstrate steps you have taken to comply with legal requirements. You should regularly review the training log to ensure that risks associated with knowledge gaps are being mitigated. Board members should keep their skills, knowledge and competencies under regular review to identify gaps and weaknesses for further training.	
Useful Links:	Code of Practice 14: Knowledge and understanding required by pension board members Quick guide to personal development Template: Assessing your Learning Needs	

Question 5 - Do you have a conflicts policy and procedure for pension board members?		
Your Answer:	Yes	Green
Feedback:	Nine in ten public service schemes have put conflicts policies and procedures in place for board members. These help identify, monitor and manage any interests that have the potential to become conflicts. You should review the policy and procedures regularly to ensure they remain fit for purpose.	
Useful Links:	Code of Practice 14: Conflicts of interest and representation	

Question 6 - Do you have a register of interests (or equivalent)?		
Your Answer:	Yes	Green
Feedback:	A register is a simple and effective way of recording and monitoring interests. Conflicts should be included as an opening agenda item at pension board meetings and you should capture decisions about how to manage potential conflicts. The register of interests should be circulated to the pension board for ongoing review and published, for example on a scheme's website.	
Useful Links:	Code of Practice 14: Conflicts of interest and representation	

Results - Managing risks and issues

Question 1 - Do you have procedures in place for assessing and managing risk?		
Your Answer:	Yes	Green
Feedback:	You should review your processes regularly to ensure they remain effective and fit for purpose. Seven in ten public service schemes aim to review the effectiveness of their risk management and internal controls systems at least annually. Our code provides practical guidance on risk management to consider in your review.	
Useful Links:	Code of Practice 14: Managing risks Checklist: Internal Controls	

Question 2 - Do you have a risk register?		
Your Answer:	Yes	Green
Feedback:	You should review risks regularly. Three in five public service schemes assess risks at least every quarter. The risk register, and any other internal controls you put in place, should be kept under review to ensure that they remain effective and fit for purpose.	
Useful Links:	Code of Practice 14: Managing risks Example Risk Register	

Question 3 - Where you have outsourced services, do you ensure that providers demonstrate that they have internal controls in place?		
Your Answer:	In progress	Amber
Feedback:	The scheme manager must establish and operate internal controls: systems, arrangements and procedures that are put in place to ensure the scheme is run in accordance with legal requirements. This applies equally where schemes outsource services. Nine in ten public service schemes ensure outsourced service providers demonstrate that they have adequate internal controls in place. You should ask providers to demonstrate this in tenders for delivering services, and incorporate these requirements in your contracts. Our code provides further guidance on internal controls.	
Useful Links:	Code of Practice 14: Managing risks	

Question 4 - Do you have a service level agreement, or equivalent, in place with your scheme administrators, whether in house or outsourced?		
Your Answer:	Yes	Green
Feedback:	The administration of the scheme is where a larger proportion of the scheme manager's duties are carried out – it is vital that you pay attention to the way your scheme is administered. You should ask the administrator to attend relevant meetings, as this will help you better understand the administration function and identify improvements. You should regularly monitor the performance of your administrator against documented targets and take steps to address areas of poor performance.	
Useful Links:	Code of Practice 14: Managing risks	

Question 5 - Are your internal dispute resolution arrangements clearly communicated to members and others?		
Your Answer:	Yes	Green
Feedback:	You should consider using a variety of ways to communicate your arrangements to members, for example in joining booklets, benefit letters or decision letters. Schemes should also make their arrangements accessible to potential applicants, for example by publishing them on a scheme website, as some public service schemes do. You should ensure that the effectiveness of the arrangements is assessed regularly. Further information on internal dispute resolution is available in our code.	
Useful Links:	Code of Practice 14: Internal dispute resolution	

Question 6 - Do you have procedures in place to identify, assess and report breaches of the law?		
Your Answer:	Yes	Green
Feedback:	You should review your procedures regularly so they remain effective and fit for purpose. Some pension boards have made breach monitoring a standing agenda item, where they review all breaches (whether significantly material or not) to track progress and ensure issues are addressed. If a breach does occur and you think it is of material significance to us, you should report it to us as soon as possible. Don't wait for the issue to be resolved. Our code details information you should include in a report.	
Useful Links:	Code of Practice 14: Reporting breaches of the law	

Results - Administration

Question 1 - Do you have a process in place to ensure that information is provided to TPR as required (eg through the scheme return)?		
Your Answer:	Yes	Green
Feedback:	You must provide us with certain information and keep this information up to date, and complete a scheme return when asked. To help you meet your legal obligations, you should provide us with a 'scheme contact' via our online portal Exchange and make sure this information is kept up to date in light of role changes. Larger schemes may wish to provide several people with access to Exchange.	
Useful Links:	Website: Reporting requirements Exchange	

Question 2 - Do you have processes in place to monitor scheme records for all membership types on an ongoing basis and ensure they are accurate and complete?		
Your Answer:	In progress	Amber
Feedback:	Scheme managers must ensure that certain data is complete and accurate. This applies equally in respect of active, deferred, pensioner members and beneficiaries. Failure to maintain complete and accurate records can affect your ability to carry out basic functions. Four in five schemes have put in place record-keeping policies and procedures for all types of members and beneficiaries. You should establish or review your record-keeping processes immediately. Guidance can be found in our code and on our website.	
Useful Links:	Code of Practice 14: Scheme record-keeping Website: Types of records to keep	

Question 3 - Do you have controls in place to ensure that your employer(s) provides timely, accurate and complete data?		
Your Answer:	In development	Amber
Feedback:	Scheme managers must keep records of specific member data. Most of this information will come from your employer(s) so you should ensure that employers have processes in place to provide you with the right data at the right time and in the right format. Poor data can create significant issues, even in single employer schemes. Some schemes provide specific training to employers on data requirements. Further information can be found in our code and our guide to issuing annual benefit statements.	
Useful Links:	Code of Practice 14: Scheme record-keeping Quick guide to issuing annual benefit statements	

Question 4 - When did you last carry out a data review exercise?		
Your Answer:	Within the last year	Green
Feedback:	You should continue to carry out a data review at least annually. Data records should be additionally reviewed and cleansed when you change administrator or administration system/platform. Further information on record-keeping can be found in our code and on our website.	
Useful Links:	Code of Practice 14: Scheme record-keeping Website: Types of records to keep	

Question 5 - Where you have identified poor quality or missing data, do you have an improvement plan to address issues?		
Your Answer:	In development	Amber
Feedback:	You should continually review your data and carry out a data review exercise at least once a year. You should then ensure the necessary steps are taken to resolve any issues identified. A data improvement plan is a key tool we expect schemes to use to address issues of poor quality or missing data. Your plan should have specific data improvement measures that you can monitor and an end date within a reasonable timeframe when the scheme will have complete and accurate data.	

Question 6 - Do you have processes in place for monitoring scheme contributions, resolving issues and assessing whether to report payment failures to TPR?		
Your Answer:	Yes	Green
Feedback:	You should review your processes regularly to ensure they remain effective and fit for purpose. Guidance can be found in our code and our Managing contributions checklist.	
Useful Links:	Code of practice 14: Maintaining contributions Checklist: Managing contributions	

Question 7 - Have you reviewed your processes for issuing annual benefit statements to ensure they are fit for purpose?		
Your Answer:	Yes	Green
Feedback:	You should proactively address issues that arose in the previous year and ensure remedial work is completed before the next cycle. You should also consider reporting on the lessons learnt, for example to the pension board, employers or members. Some best practice examples to consider for future reviews are included in our guide to issuing annual benefit statements.	
Useful Links:	Quick guide to issuing annual benefit statements	

Question 8 - Have you taken steps to ensure that member communications are clear, accurate and easily accessible?		
Your Answer:	Yes	Green
Feedback:	You should regularly review your member communications to ensure members are able to engage with their pension savings. You can find out about members' information needs and their views on your communications in a number of ways - by speaking to employee representatives on the pension boards, listening in on calls to the administrator, undertaking member surveys or even organising focus groups.	

CAMBRIDGESHIRE PENSION FUND

LGSS

Pension Fund Board

Date: 25 January 2017

Report by: Head of Pensions

Subject:	**Cambridgeshire Pension Fund Training Strategy 2016.**
Purpose of the Report	To present the Cambridgeshire Pension Fund Training Strategy to members of the Board.
Recommendations	**The Board are asked to approve the attached Cambridgeshire Pension Fund Training Strategy located in the appendix to this report.**
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

1.1 The Training Policy is required to assist the Local Pension Board in performing and developing their individual role with the ultimate aim of ensuring that Cambridgeshire Pension Fund is managed and assisted by individuals who have the appropriate level of knowledge and skills as required by the Pensions Act 2004 also enforced by the Pensions Regulator.

1.2 The current Knowledge Management Policy was previously agreed at the October 2015 meeting.

1.3 It is now deemed an appropriate time to review the existing Policy to ensure it is fit for purpose and is compliant with the Pensions Regulator's expectations under the Code of Practice 14: Governance and administration of public service pension schemes and also the CIPFA guidance on the knowledge and skills required of Committee and Board members.

1.4 A proposed new strategy incorporating the Pensions Regulator and CIPFA requirements has been drafted by Officers and can be found in appendix 1.

2. CIPFA Pensions Finance Knowledge and Skills Framework

2.1 The objective of the CIPFA Knowledge and Skills Framework is to determine and set out the knowledge and skills sufficient to enable the effective analysis and challenge of decisions made by officers and advisers.

2.2 CIPFA subsequently extended the framework to cover the training and development of Local Pension Board members. The objective is to improve knowledge and skills in all the relevant areas of activity of a Local Pension Board and assist Local Pension

Board members in achieving the degree of knowledge appropriate for the purposes of enabling members to properly exercise their functions.

2.3 The Public Service Pensions Act 2013 has also amended The Pensions Act 2004 requiring the Pensions Regulator to issue a Code of Practice relating to the requirements of the knowledge and understanding of Local Pension Boards.

2.4 The Framework identifies the following areas as being key to the understanding of local pension board members;

- Pensions Legislation;
- Public Sector Pensions Governance;
- Pensions Administration;
- Pensions Accounting and Auditing Standards;
- Pensions Services Procurement and Relationship Management;
- Investment Performance and Risk Management;
- Financial markets and product knowledge;
- Actuarial methods, standards and practices.

3. The Pension Regulator's Code of Practice

3.1 The Pension Regulator's Code of Practice requires all members of the Pensions Board to maintain the necessary skills and knowledge to undertake their role effectively. Pension Board members need to be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

4. Cambridgeshire Pension Fund Training Strategy for Pension Board Members

4.1 The Cambridgeshire Pension Fund Training Strategy incorporates both the best practice as identified by the CIPFA Technical Knowledge and Skills Framework and the requirements of the Pensions Regulator.

4.2 The Strategy also recognises the requirement that skills and knowledge in the remit of a Local Pension Board must be on an individual not collective basis. As such self-assessments will identify individual training needs following which appropriate training will be arranged.

4.3 The Strategy sets out the methods by which the members of the Local Pension Board will achieve and maintain the required knowledge and understanding and how this will be measured on an ongoing basis.

5. Revisions made to the current Knowledge Management Policy

5.1 The revised strategy is relevant for members of the Pensions Committee, members of the Local Pension Board and Officers of the Fund. The joint strategy will ensure a streamlined and consistent approach to the development of those charged with the governance of the Fund.

5.2 The accumulation of credits has been defined and provides guidelines on how many credits will be accredited for each particular method of training.

5.3 A scorecard will also be introduced as a tool for recording and monitoring each individuals training target and progress against the target to ensure compliance. This will be available to members upon request and will be available to the Chairman.

6. Relevant Pension Fund Objectives

- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.

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

- Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

- Continually monitor and measure clearly articulated objectives through business planning.

- Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

7. Finance & Resources Implications

7.1 Consideration will be given to various training resources available in delivering required training to members of the Local Pension Board and in the most efficient manner.

8. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Insufficient resources being available to deliver or arrange the required training	Officers will monitor these risks and will act accordingly in the best interest of the Fund in conjunction with the Chairman of the Cambridgeshire Pension Committee/ Chairman of the Local Pension Board or Full Council where appropriate.	Amber
The quality of advice or training provided is not to an acceptable standard		Amber
Changes in membership potentially diminishing knowledge and understanding		Amber
Poor attendance at training and/or formal meetings resulting in poor standard of knowledge accrual and maintenance of knowledge		Amber

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

Risk	Risk Rating
If the policy is not approved or enacted non-compliance with the Pension Regulator's Code of Practice and Section 248A of The Pensions Act 2004 may result.	Red

9. Communication Implications

Website	The Knowledge Management Policy will be published on the LGSS Pensions Service website.

10. Legal Implications

10.1 Not applicable

11 Consultation with Key Advisers

11.1 Hymans Robertson, the Fund's Benefits and Governance Adviser from were consulted in the drafting of this policy.

12. Alternative Options Considered

12.1 Not applicable

13. Background Papers

13.1 Not applicable

14. Appendices

14.1 Appendix 1 – Cambridgeshire Pension Fund Training Strategy 2016

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 3 January 2017

Cambridgeshire
Pension Fund

Appendix 1

Cambridgeshire Pension Fund

Training Strategy

2016

LGSS

Contents

	Page
Introduction	1
Purpose of the Strategy	1
Effective date	3
Review	3
Scope	3
Delivery of Training	3
On-going development	5
Recording Training	6
CIPFA Requirements	8
Guidance from the Scheme Advisory Board	9
The Pensions Regulator	11
Training record and certification	11

1. Introduction

1.1 This is the training strategy for the Cambridgeshire Pension Fund.

1.2 The training strategy is established to aid the Pension Committee and Local Pension Board members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities. A Code of Practice and a Knowledge and Skills Framework have been developed by CIPFA which Local Government Pension Scheme (LGPS) funds are expected to sign up to.

1.3 The objective of the CIPFA Knowledge and Skills Framework is to determine and set out the knowledge and skills sufficient to enable the effective analysis and challenge of decisions made by officers and advisers to the Pensions Committee.

1.4 CIPFA subsequently extended the framework to cover the training and development of Local Pension Board members. The objective is to improve knowledge and skills in all the relevant areas of activity of a Local Pension Board and assist Local Pension Board members in achieving the degree of knowledge appropriate for the purposes of enabling members to properly exercise their functions.

1.5 The Public Service Pensions Act 2013 has also amended The Pensions Act 2004 requiring the Pensions Regulator to issue a Code of Practice relating to the requirements of the knowledge and understanding of Local Pension Boards.

1.6 Guidance covering the knowledge and understanding of Local Pension Boards in the LGPS was also issued by the Scheme Advisory Board (SAB) in January 2015. Although this has not been designated as statutory guidance it should be acknowledged as best practice.

1.7 The training necessary to achieve the additional knowledge and skills will be set out in the appropriate training plan(s) and assessed and recorded.

2. Purpose of the Strategy

2.1 Strategy Objectives

2.1.1 The Cambridgeshire Pension Fund objectives relating to knowledge and skills are to:

- Ensure the Cambridgeshire Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
- Ensure the Cambridgeshire Pension Fund is effectively governed and administered; and
- Ensure decisions are robust, are well founded and comply with regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Communities and Local Government

2.1.2 To achieve these objectives –

2.1.3 Members of the Pension Committee require an understanding of:

- Their responsibilities as delegated to them by Cambridgeshire County Council as an administering authority of an LGPS fund;
- The fundamental requirements relating to pension fund investments;
- The operation and administration of the Cambridgeshire Pension Fund;
- Controlling and monitoring the funding level; and
- Effective decisions in the management of the Cambridgeshire Pension Fund.

2.1.4 Local Pension Board members must be conversant with –

- The relevant LGPS Regulations and any other regulations governing the LGPS;
- Any document recording policy about the administration of the Cambridgeshire Pension Fund;

and have knowledge and understanding of:

- The law relating to pensions; and
- Such other matters as may be prescribed.

2.1.5 To assist in achieving these objectives, the Cambridgeshire Pension Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework and Code of Practice to meet the skill set within that Framework. Attention will also be given to the guidance issued by the Scheme Advisory Board, the Pensions Regulator and guidance issued by the Secretary of State. So far as is possible, targeted training will also be provided that is timely and directly relevant to the Pension Committee's and the Local Pension Board's activities as set out in the Fund Business Plan. For example, funding training will be given immediately preceding the meeting that discusses the Funding Strategy Statement.

2.1.6 In addition to the Pension Committee and Local Pension Board members, all those with decision making responsibility in relation to LGPS will:

- have their knowledge measured and assessed;
- receive appropriate training to fill any knowledge gaps identified; and
- seek to maintain their knowledge.

2.2 How the strategy meets Cambridgeshire Pension Fund Objectives

2.2.1 The strategy meets the following objectives of the Cambridgeshire Pension Fund as set out in the Business Plan and Medium Term Strategy -

- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance;
- Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers;
- Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment;
- Continually monitor and measure clearly articulated objectives through business planning; and
- Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate

3. Effective date

3.1 This strategy was approved by the Local Pension Board on XX and is effective from XX.

4. Review

4.1 This strategy is expected to be appropriate for the long-term but it will be reviewed annually, and if necessary, more frequently to ensure it remains accurate and relevant.

5. Scope

5.1 This policy applies to -

- members of the Pension Committee;
- members of the Local Pension Board; and
- officers of the Fund

6. Delivery of Training

6.1 Training Resources

6.1.1 Consideration will be given to various training resources available in delivering training to the Pension Committee and Local Pension Board members. These may include but are not restricted to:

For Pension Committee and Local Pension Board Members	For Officers
• In-house – shared training events where possible • Self-improvement and familiarisation with regulations and documents • The Pension Regulator's e-learning programme • Attending courses, seminars and external events • Internally developed training days and pre/post meeting sessions • Shared training with other funds or frameworks • Regular updates from officers and/or advisers • Circulated reading material	• Desktop / work based training • Attending courses, seminars and external events • Training for qualifications from recognised professional bodies (e.g. CIPFA, CIPP, PMI) • Internally developed sessions • Shared training with other funds or frameworks • Circulated reading material

6.2 Training Plans

6.2.1 To be effective, training must be recognised as a continual process and will be centred on 3 key points

- The individual;
- The general pensions environment;
- Coping with change and hot topics.

6.2.2 Training plans will be developed at least on an annual basis. These will be updated as required taking account of the identification of any knowledge gaps, changes in legislation, key events (e.g. the triennial valuation) and receipt of updated guidance.

6.2.3 Induction training will be provided for all new officers with pension responsibilities, members of the Pension Committee and members of the Local Pension Board. This will involve covering the requirements of the training strategy alongside guidance and information on the requirements of their roles.

6.3 External Events

6.3.1 A log of potential external events which may count towards credits will be maintained on an ongoing basis. This will be updated as information on events becomes available and will be provided at Pension Committee and Local Pension Board meetings. If an event occurs before the next meeting is convened, members will be advised by email.

6.3.2 After attendance at an external event, Pension Committee and Local Pension Board members will be expected to provide feedback via a feedback form which will be issued by Officers covering the following points:

- Their view on the value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to other Pension Committee or Local Pension Board members.

6.3.3 Officers attending external events will be expected to report to their direct line manager with feedback covering the following points:

- Their view on the value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to other officers.

7. Ongoing development

7.1 Maintaining Knowledge

7.1.1 In addition to undertaking on-going assessment in order to measure knowledge and skills against the CIPFA requirements and identify knowledge gaps, Officers, Pension Committee and Local Pension Board members are expected to maintain their knowledge of on-going developments and issues through attendance at external events and seminars.

7.2.1 Appropriate attendance at events for representatives of the Pension Committee and Local Pension Board will be agreed by the appropriate Chairman. Attendance at events for officers will be agreed via their relevant line manager.

7.2.2 A list of future events and seminars will be presented at each Pension Committee and Local Pension Board meeting. If an event occurs before the next meeting is convened, members will be advised by email.

7.2.3 The Head of Pensions will decide an appropriate level of credits for attendance at an event depending on the type of event, its content and relevance to knowledge maintenance but based on the guide given in section 8 below. The level of credit may then be re-evaluated when receiving feedback (see 6.3 above).

7.2.4 In any event, attendance at events and seminars (which may include some internal training sessions) that are not direct training courses focussed on the CIPFA Knowledge Skills Framework or issued guidance but enhance and improve related on-going and emerging pension knowledge will count as one credit for each session of up to a half day.

7.2.5 Owing to the changing world of pensions, it will also be necessary to have ad hoc training on emerging issues or on a specific subject on which a decision is to be made by the Committee in the near future or is subject to review by the Board. These will also count as credits in maintaining knowledge.

7.2.6 Given the importance of the roles of Chairman of the Pension Committee and Chairman of the Local Pension Board in leading and shaping the direction of their respective bodies, it is expected that they will both be able to demonstrate an additional level of knowledge and skills to that required by the other members of the Pension Committee and Local Pension Board.

8. Recording Training

8.1 Training Credits

8.1.1 As a measure of training given or knowledge level, Pension Committee and Local Pension Board members are desired to have a minimum level of training credits. Credits will be awarded in recognition of attendance at training events, successful completion of recognised training assessment or for attendance at relevant industry events or seminars. This approach recognises that members of the Pension Committee and Local Pension Board may have different learning styles, while at the same time requiring that an appropriate core level of knowledge is attained.

8.1.2 Credits will be awarded in accordance with the following guide:

Method of attaining credit	Number of credits awarded
Completion of a single module of the Pensions Regulators e-learning toolkit. There are 7 modules in total.	1 credit per module passed and valid for 2 years.
Completion of a module of the CIPFA Knowledge and Skills Framework. 8 modules in total with 4 events scheduled per year.	2 credits per module passed and valid for 2 years (a pass being awarded for achieving at least 2/3rds of the available marks).
Successful completion on a knowledge assessment upon appointment to either the Committee or Board.	2 credits valid for 2 years.
Successful completion of a knowledge assessment following a training event organised by the Cambridgeshire Pension Fund. This would typically be held as part of a full Pension Committee or Local Pension Board meeting. There will be a minimum of 2 training sessions per year.	1 credit per session and valid for 2 years.
Attendance at an approved conference, seminar or external training event	2 credit for a full day's attendance. 1 credit for a half day's attendance. Credits valid for 2 years
All other relevant training	1 credit – member to inform officers of training undertaken
Induction training upon appointment	2 credits
Training provided/organised by the LGSS Pensions Service	2 Credits

8.2 Number of credits required

8.2.1 The chairs of the Pension Committee and the Local Pension Board will each be expected to accumulate 18 credits over a rolling 2 year period.

8.2.2 Credits can be obtained in any combination but the credit level has been set at a level which will require commitment to and attendance at Cambridgeshire Pension Fund training events as well as successful completion of training assessments. Credits will be measured and monitored by LGSS Pensions in conjunction with the Chairman of the Committee or Board over rolling 2-year period.

8.2.3 It is acknowledged that where an individual is new to the role there will be a lead-in period before the member will be expected to demonstrate the full range of knowledge and skills. New members will be encouraged to undertake induction training within 6 months of appointment.

8.2.4 A training record will be sent to members after each credit is attained to ensure members are able to keep a personal record of training undertaken and to monitor the credits they have attained.

8.3 Scorecard

8.3.1 For the purposes of disclosing the level of knowledge and understanding of through the scorecard mechanism, the following will be recorded separately for the Pension Committee and Local Pension Board:

- Total number of credits possible collectively in the period in question for a new member joining after that date;
- Total number of credits achieved collectively in the same period.

8.3.2 The latter score will be flagged as green if this represents at least 90% of the potential target, amber for between 60% and 89% (inclusive) and red if below 60%.

8.3.3 Separately, LGSS Pensions will hold a record of each individual's training credits split between attendance and assessment and will be shared with the chairman of the relevant Pension Committee or Local Pension Board on an annual basis.

9. CIPFA Requirements

9.1 CIPFA Knowledge and Skills Framework

9.1.1 In January 2010 CIPFA launched technical guidance for Elected Representatives on s101 Pension Committees and non-executives in the public sector within a knowledge and skills framework. The framework covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context;
- Pension accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

9.1.2 The Knowledge and Skills Framework sets the skills required for those responsible for pension scheme financial management and decision making under each of the above areas in relation to understanding and awareness of regulations, workings and risk in managing LGPS funds.

9.2 Local Pension Boards: A Technical Knowledge and Skills Framework

9.2.1 In August 2015 CIPFA extended the Knowledge and Skills Framework to specifically include members of Local Pension Boards, albeit there exists an overlap with the original Framework. The Framework identifies the following areas as being key to the understanding of local pension board members;

- Pensions Legislation;
- Public Sector Pensions Governance;
- Pensions Administration;
- Pensions Accounting and Auditing Standards;
- Pensions Services Procurement and Relationship Management;
- Investment Performance and Risk Management;
- Financial markets and product knowledge;
- Actuarial methods, standards and practices.

9.3 CIPFA's Code of Practice on Public Sector Pensions Finance, Knowledge and Skills (the "Code of Practice")

9.3.1 CIPFA's Code of Practice, issued in 2013, embeds the requirements for the adequacy, acquisition, retention and maintenance of appropriate knowledge and skills required. It recommends (amongst other things) that LGPS administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework in its knowledge and skills statement;
- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

9.3.2 The Cambridgeshire Pension Fund fully supports the intentions behind CIPFA's Code of Practice and has agreed to formally adopt its principles. This training strategy formally sets out the arrangements the Cambridgeshire Pension Fund will take in order to comply with the principles of the Code of Practice.

10. Guidance from the Scheme Advisory Board

10.1 General Principles

10.1.1 The Scheme Advisory Board has taken note of the regulatory requirements and the principles of the Pension Regulator's Code of Practice and in January 2015 published Guidance for administering authorities to support them in establishing their Local Pension Board. The Guidance includes a section designed to help Local Pension Board members to understand their knowledge and understanding obligations.

10.1.2 Knowledge and understanding must be considered in the light of the role of a Local Pension Board and Cambridgeshire Pension Fund will make appropriate training available to assist and support members in undertaking their role.

10.2 Committee Members

10.2.1 Although the CIPFA Knowledge and Skills Framework complements the Code of Practice that should be adopted by administering authorities there is no legal requirement for knowledge and understanding for members of an s101 Pension Committee. However the view of the Cambridgeshire Pension Fund is that members of the Pension Committee should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board. Sections 10.3 to 10.5 below are therefore still relevant in the consideration of the training needs of Pension Committee members.

10.3 Degree of Knowledge and Understanding

10.3.1 The role of the Local Pension Board is to assist the Scheme Manager i.e. the administering authority. To fulfil this role, Local Pension Board members should have sufficient knowledge and understanding to challenge failure to comply with regulations, any other legislation or professional advice relating to the governance and administration of the LGPS and/or statutory guidance or Codes of Practice.

10.3.2 Local Pension Board members should understand the regulatory structure of the LGPS and the documentary recording of policies around the administration of the Cambridgeshire Pension Fund in enough detail to know where they are relevant and where it will apply.

10.4 Acquiring, Reviewing and Updating Knowledge and Understanding

10.4.1 Local Pension Board members should commit sufficient time in their learning and development and be aware of their responsibilities immediately they take up their position. The Cambridgeshire Pension Fund will therefore provide induction training for all new Board members.

10.5 Flexibility

10.5.1 It is recognised that a rigid training plan can frustrate knowledge attainment when too inflexible to reflect a change in pension law or new responsibilities required of the Local Pension Board. Learning programmes will therefore be flexible to deliver the appropriate level of detail required.

11. The Pensions Regulator

11.1 E-learning toolkit

11.1.1 The Regulator has developed an on line tool designed to help those running public service schemes to understand the governance and administration requirements in the public service schemes Code of Practice. The toolkit is an easy to use resource and covers 7 short modules. These are:

- Conflicts of Interests;
- Managing Risk and Internal Controls;
- Maintaining Accurate Member Data;
- Maintaining Member Contributions;
- Providing Information to Members and Others;
- Resolving Internal Disputes;
- Reporting Breaches of the Law.

11.1.2 These modules are designed to apply to all public service schemes and are not LGPS specific. The toolkit is designed specifically with Local Pension Board members in mind; however in the view of Cambridgeshire Pension Fund the material covered is of equal relevance to members of the Pension Committee. Completion of the toolkit will not in itself provide Pension Committee and Local Pension Board members with all the information they require to fulfil their knowledge and skills obligations. It does however provide a good grounding in some general areas and all members of both the Pension Committee and Local Pension Board will be expected to complete the full 7 modules over time.

12. Training records and certification

12.1 Progress and achievement

12.1.1 Training plans will be used to document and address any knowledge gaps and update areas of learning where required and assist in the acquisition of new areas of knowledge in the event of change

12.1.2 Progress and achievement will be certificated at least on an annual basis individually to all Pension Committee and Local Pension Board members.

These will detail:

- The current assessment of an individual's acquired knowledge;

  - Their progress against achieving the credits from other internal/external training or events; and
- All training courses and events attended by them to date.

CAMBRIDGESHIRE PENSION FUND

LGSS

Pension Fund Board

Date: 25 January 2017

Report by: Head of Pensions

Subject:	**Pension Fund Annual Report and Statement of Accounts 2015-16.**
Purpose of the Report	To present the Annual Report and Statement of Accounts of the Pension Fund for the 2015-16 financial year.
Recommendations	That the Pension Fund Board note the report
Enquiries to:	Paul Tysoe, Tel - 01604 368671 Email: phtysoe@northamptonshire.gov.uk

1. Background

1.1 The document comprises the Annual Report of the Fund and the Pension Fund's Statement of Accounts (SOA), The SOA are replicated from the County Council's Statement of Accounts and are audited by the County Council's new external auditor BDO. The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the fund within it) and that the SOA is free from material misstatement.

1.2 Whilst BDO perform a full audit of the SOA, their work on the Annual Report is limited to a review to ensure compliance with guidance and consistency with the SOA. BDO's initial findings are noted in paragraph, 3 below.

1.3 The annual accounts are a true and fair view of the financial activities of the Fund for the financial year 1 April 2015 to 31 March 2016.

1.4 They are based on transactions accounted for within the Fund's financial ledger, information received from Fund Managers and the Fund's Custodian, and assumptions and estimations utilising the professional judgement of officers and Fund professional advisers in order to give a true and fair statement of the Fund's financial position.

1.5 The structure and content of the Annual Report is governed by guidance issued by CIPFA in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013. There have been no changes in the requirements this year.

1.6 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a set of pro forma accounts to illustrate the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code), which governs the

preparation of the SOA for Local Government Pension Scheme funds. There has been no material change to this pro forma in completing the 2015-16 SOA.

1.7 The CIPFA template has been used as a framework for the Pension Fund SOA to ensure that the reporting meets the requirements of the Code and is compliant with International Financial Reporting Standards (IFRS).

1.8 The publication of the Accounts is an essential feature of public accountability and stewardship as it provides information on how the Fund has used the members' funds for which it is responsible.

2. Summary of Report

2.1 This summary discusses the key highlights of the Annual Report and Statement of Accounts covering activity in the year ended 31 March 2016 from both a financial and membership perspective.

2.2 The number of employers in the Fund continues to grow with an increase in active employers by 24 to 243 at 31 March 2016 primarily as a result of schools converting to Academies, continuing the recent trend. The names of the current employers are listed on Pages 9 and 10 of the Report (attached as Appendix 1),

2.3 Membership activity shows an increase in total membership of 4,544 to 73,802 at 31 March 2016. The increase comprises active members up by 1,399 to 26,744, an increase in pensioners of 511 to 16,169 and an increase in deferred members of 2,634 to 30,889. See Note 1 on page 65 in Appendix 1.

2.4 The Fund Account (Page 62 of Appendix 1) and the Net Asset Statement (page 63) provide a summary of the Fund's financial activity in the year and financial position at 31 March 2016. The notes to the accounts provide more detailed analysis and narrative to add perspective.

2.5 The Pension Accounting statements reflect two, largely separate, activities being the Fund "member" activity and the Investment activity, which are combined to form the Fund Account. The 2016 financial year shows a surplus on member activity of £29.9m, offset by negative results from Investment activity of £28.5m and Management expenses of £8.8m, resulting in a net decrease in the "assets available for benefits during the year" of £7.4m, compared to an net increase in the prior year of £226.2m.

2.6 The year on year negative swing in the Fund Account of £233m mainly comprises changes in investment performance between the two financial years. The investment return for the year ended 31 March 2016 was a negative 1.9% return showing a negative net return on investments of £28m whilst the comparative return figure for the year ended 31 March 2015 was a positive 12.2% resulting in a net return on investments of £253m, a combined swing of £281m. The Fund return of minus 1.9% in the year, is below benchmark return of 0.2% and the Local Authority Average of 0.2%. All investment managers underperformed their respective benchmarks over the period, in particular the global equity managers Dodge & Cox and JO Hambro who were appointed during the year and both underperformed significantly. In absolute terms, the property mandate with Schroders contributed the most towards the Fund's performance returning 9.9% over the last 12 months. The decrease in reported investment income of £4.1m is also influenced by the changes of Fund manager during the financial year as the new investments are in pooled funds where any investment income is rolled into the increase in value of the investment and not

paid direct to the Fund as income. Please note Investment performance is discussed further within the Annual Report. (Pages 36-37 in the Annual Report).

2.7 On the membership side contribution income has increased, reflecting valuation increases on employer rates, pay rises for members, boosted by increases in the active membership of nearly 1,400.

2.8 Benefit payments in 2015-16 of £92.4m show a slight increase of £0.5m over the 2014-15 benefit payments of £91.9m, being a combination of an increase Pension Payments (£1.7m) offset by a reduction in lump sum payments (-£1.3m). The Pension payments increase reflected the increase in pensioners (511) and was not as high as in previous years due to the low inflation pension award. Interestingly Lump sum payment movements between March 2015 and March 2016 show a reduction within the statutory pre 2008 set lump sums offset by a small increase in the post 2008 discretionary lump sums, this suggests retirees are not maximising their lump sum options. This may be significant for projecting future year costs.

2.9 The most significant year on year change is a reduction in payments on account of leavers from £36.8m in 2014-15 to £5.3m in 2015-16. The 2014-15 payments included an abnormal one-off payment of £33m in respect of Probation Services liabilities transferred to Greater Manchester.

3. Findings and Feedback from External Audit Fieldwork

3.1 Further to the paper on the Annual Report and Statement of Accounts presented to the Pensions Fund Committee on 28 July 2016, the auditors, BDO, completed their audit in October 2016 and issued an unqualified opinion on the Statement of Accounts.

3.2 Reporting to the Cambridgeshire County Council Audit Committee in their ISA260 report ("ISA 260 report to those charged with governance") dated 14 October 2016, BDO noted:-

- That the assumptions and methods used to value the investment in the Cambridge & Counties Bank were not unreasonable, and the valuation produced was appropriate. BDO identified a non-trivial but immaterial understatement error of £1m, but concluded that the value in the accounts is not materially misstated.
- That the valuation basis used for other unquoted investments appears reasonable and the values are not materially misstated.

3.3 In addition, BDO reported that they had identified significant control deficiencies in the following areas:

- There is a lack of controls to prevent or identify officers authorising own journals within Oracle. BDO did not identify any erroneous or fraudulent entries during the course of their audit work however.

  Management response: - Only staff with appropriate responsibilities and sufficient professional knowledge can post journals, highlighting validation processes and procedures to identify miss-postings retrospectively. In addition the authority is implementing the ERP Gold system which will consider appropriate journal entry processes in this new system.

- Pension contributions are posted directly from the payroll to the Altair pensions administration system for some employers, and the contributions paid are not fully reconciled to the employers' PEN18 returns. We observed this with regards to Cambridgeshire County Council employers only, and BDO's reviews have indicated a maximum unreconciled amount of £958,000. There is no indication that incorrect contributions have been paid, but the reconciliation cannot currently be evidenced.

  Management response: - The Fund Accounting team have designed a revised reconciliation process that is currently being implemented and will be applied retrospectively from April 2016.

Progress on these actions will be provided to the Audit & Accounts Committee.

4. Relevant Pension Fund Objectives

Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. *Objective 10*
Maintain accurate records and ensure data is protected and used for authorised purposes only. *Objective 11*
Deliver consistent plain English communications to Stakeholders. *Objective 13*
Ensure cash flows in to and out of the Fund are timely and of the correct amount. *Objective 16*
Ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment. *Objective 17*
Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy. *Objective 18*
Maximise investment returns over the long term within agreed risk tolerances. *Objective 19*
Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required. *Objective 20*

5. Finance & Resources Implications

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

6. Risk Implications

a) Risk(s) associated with the proposal

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

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

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

7. Communication Implications

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

7.2 The statutory date for publication of the final set of Accounts was the end of September, this was not achieved due to the delay with the Cambridgeshire County Councils accounts.

8. Legal Implications

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

9. Consultation with Key Advisors

9.1 The Pension Fund Accounts were produced utilising information and advice provided by Fund Managers, the Fund's Custodian Northern Trust, Fund Advisers WM State Street and the Fund's Actuary, Hymans Robertson.

10. Alternative Options Considered

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

11. Background Papers

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

12. Appendices

12.1 Appendix 1 – Annual Report and Statement of Accounts 2015-16.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable.
Will further decisions be required? If so, please outline the timetable here	Not applicable.
Is this report proposing an amendment to the budget and/or policy framework?	No.
Has this report been cleared by the Head of Pensions?	Mark Whitby – 22/12/2016

Appendix 1

Cambridgeshire Pension Fund

Annual Report and Statement of Accounts 2015-16

LGSS

Contents

	Page
Introduction	3
Statement of responsibilities	4
Chairman's foreword	5
Scheme framework	7
Scheme management and advisors	11
Risk management	15
Financial performance	19
Administrative management performance	22
Investment policy and performance report	32
Scheme administration report	44
Actuarial report on funds	47
Governance policy and compliance statement	52
Pensions administration strategy	54
Funding strategy statement	55
Statement of investment principles	56
Communication policy statement	57
Any other appropriate material	58
Auditor's report	59
Fund account, net assets statement and notes	61
Glossary of terms	102
	Appendices
Governance policy & compliance statement	A
Funding strategy statement	B
Statement of investment principles	C
Joint administration strategy & joint communication strategy	D

INTRODUCTION

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

The Statement of Accounts has been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2015-16.

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

Mr C Malyon

Chief Finance Officer
(Section 151 Officer)

Dated 15th November 2016

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Certificate of Accounts

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Pension Fund at 31 March 2016 and of its income and expenditure for the year 2015-16, and authorise the accounts for issue.

Mr C Malyon

Chief Finance Officer
(Section 151 Officer)

Dated 15th November 2016

CHAIRMAN'S FOREWORD

It is my pleasure, as Chairman of the Pension Fund Committee to introduce the Cambridgeshire County Council Pension Fund Annual Report and Statement of Accounts for 2015-16.

I was appointed Chairman of the Pensions Committee in May 2016 and I would like to thank my predecessor Councillor Steve Count, for the hard work and dedication in his time as Chairman.

There has been a steady growth of members in the Fund from April 2015 to March 2016. Active membership has increased by 1,399 to 26,744, deferred membership has increased by 2,634 to 30,889 and pensioners have increased by 511 to 16,169. The total Fund membership at 31 March 2016 was 73,802, representing an increase across all categories of 7%. There has also been a steady increase in the number of employers in the Fund with an additional 24 active employers, to 243 in total as at March 2016.

At 31 March 2016 the Fund was valued at £2.276bn, slightly lower than the £2.284bn of 31 March 2015.

The Fund delivered a negative return of 1.9% for the year, under performing the Fund's benchmark return (0.2% positive) and the average Local Authority Pension Fund (0.2% positive). *(Source WM Universe)*.

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

Over the year, the funding level for the Fund has decreased from 72% to 67%. This is principally due to the value of liabilities increasing faster than the increase in the value of assets. The Fund obtains regular quarterly updates on the funding level with a formal valuation of the Fund carried out triennially, the last being 31 March 2013. The results of the 2016 valuation are expected towards the end of 2016-17.

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

The year has faced many challenges from the successful implementation and running of the Local Pension Board to the ongoing work surrounding the Government's reform agenda and the instrumental role both the Committee and Officers are playing in the design and shape of the national asset pooling agenda. In addition, the lead up to the 2016 valuation is well underway with key training undertaken and project plans designed and to date delivered. The reconciliation on the Guaranteed Minimum Pension data held by HMRC and the LGSS Pensions systems has been making good progress and this has also contributed to the data cleansing required for the implementation of Altair Payroll, which is due to run its first payroll in September 2016 after a three month parallel running period.

A high level of administration services has been maintained even though officers have operated with vacancies for most of the year, which has challenged service delivery.

I consider that it has been a successful year for the Fund due to the hard work invested by the members of the Pension Fund Committee and Investment Sub Committee, members of the

Local Pension Board, the Chief Finance Officer, the Head of Pensions and all staff involved in the administration and investment management of the Fund.

I am confident that LGSS Pension Services will continue to provide high standards of service delivery and meet the continuation of existing and new challenges into 2016-17 in the same professional manner.

Councillor Roger Hickford
Chairman of Cambridgeshire County Council Pension Fund

SCHEME FRAMEWORK

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

Employers' contribution rates are set by the Fund's Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the Fund. The last valuation took place as at 31 March 2013. The results of the valuation were a funding level of 72.4% and an average employer contribution rate of 30.5%. The 2016 valuation is underway and results are due to be published in March 2017.

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

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

The below table compares the 2008 and 2014 Schemes.

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

Active Employers (243)

Scheduled Bodies

Abbey College
Abbey Meadows Academy
Active Learning Trust HQ
Alderman Jacobs School
All Saints Inter Church VA Primary School
Arthur Mellows Village College
Bar Hill Parish Council
Bassingbourn Village College
Bishop Creighton Academy
Bottisham Village Academy
Bourn C of E Primary School
Buckden C of E Primary School
Burrowmoor Primary School
Cambourne Village College
Cambridge City Council
Cambridge Meridian Academy
Cambridge Regional College
Cambridgeshire Chief Constable
Cambridgeshire Fire Authority
Cambridgeshire Police & Crime Commissioners
Cambridgeshire Police Authority
Centre 33
Chesterton Community College Academy
Chesterton Primary Academy
City College Peterborough
City Of Cambridge
City of Peterborough Academy
City of Peterborough Special School
Comberton Academy Trust
Comberton Village College
Cottenham Village College
Cromwell Academy
Cromwell Community College
Cromwell Primary Academy
Crosshall Infants Academy
Crosshall Juniors Academy
Dogsthorpe Academy
East Cambs District
Elm Road Primary School
Ernulf Academy
Eyrescroft Primary School
Fenland District Council
Fulbridge Academy
Gamlingay
Hampton College Academy
Hatton Park
Health Authority
Highlees Primary Academy
Hills Road 6th Form College
Hinchingbrooke School Academy
Histon & Impington Infant School
Histon & Impington Junior School
Huntingdon District Council
Huntingdonshire College
Impington Village College
Isle of Ely Academy
Kennett Primary School
Kimbolton Primary Academy
Kings School Academy
Kingsfield Primary Academy
Leverington Primary Academy
LGSS Law Ltd
Linton Village College Academy
Long Road 6th Form College
Longsands College Academy
Lunchtime UK (Waterbeach)
Magistrates Court Committee
Matley Primary Academy
Melbourn Village College Academy
Mepal & Witcham C of E Primary Academy
Middlefield Primary School
Millfield Primary School Academy
Neale Wade Academy
Nene Infants Academy
Nene Park Academy
New Road Primary Academy
Newark Hill Primary Academy
North Cambridge Academy
North Peterborough PCT
Ormiston Bushfield Academy
Ormiston Meadows Academy
Parkside Federation Academy
Peckover Primary School
Peterborough City Council
Peterborough College of Adult Education
Peterborough Regional College
Ramnoth Junior Academy
Sawston Village College Academy
Sawtry Community College Academy
Shade Primary School
Sir Harry Smith Community College
Soham Village College
Somersham Parish Council
Somersham Primary School
South Cambs District
Sport & Leisure Management Ltd
Spring Common Primary School Academy
St Andrews C of E Primary Academy
St Bedes School
St Helen's School
St Ivo School Academy
St John's Academy (Stanground)
St Marys C of E Junior
St Marys Primary Academy(St Neots)
St Peters C of E Junior Academy
St Peters School Academy
Stanground Academy
Stanground St John
Staploe Education Trust HQ
Swavesey Parish Council
Swavesey Village College Academy
The Centre School Academy
The Voyager Academy
Thomas Clarkson Community College Academy
Thomas Deacon Academy
University Technical College Academy
VISIT Cambridge and Beyond
Welland Primary Academy
West Town Primary Academy
William de Yaxley C of E Junior Academy
William Law Primary Academy
Winhills Primary School
Witchford Village College

Designated Bodies

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

Admission Bodies

Action for Children
Action for Children (London Road)
ADEC
Advance Cleaning Services
Alliance in Partnership Ltd
Apollo Property Services Group Limited
Aspens (Hemingford Grey)
Aspens (Huntingdon Primary)
Aspens Services Ltd (CPF)
Aspens Services Ltd (Fen Drayton)
Aspens Services Ltd (Swavesey)
Avocet Cleaning Services Ltd
Balfour Beatty
Cambridge & Peterborough NHS Foundation Trust
Cambridge LIVE
Cambridgeshire & Peterborough Clinical Commissioning Group
Cambridgeshire and Peterborough Mental Health Trust
Cambridgeshire Careers Guidance Ltd
Cambridgeshire Community Services Trust
Carers Trust
Cater Link Ltd
Churchill Contract Services
Circle Anglia Limited
Compass Contract Services
Conservators of the River Cam
Coram Cambridge Adoption Ltd
Cross Keys Housing Association
Dell (Cromwell)
Dell (Sir Harry Smith)
Dell Corporation Ltd
Drinksense
E&Ess&Herts Prov Cls
Easy Clean (Fordham)
Easy Clean Contractors Ltd
EasyClean (Kings Hedges)
EasyClean (St Peter's)
ECOVERT
Elior UK
Enterprise Management Services Limited
Etheldred House
Everyone Active
Friends Therapeutic Community
Great Staughton Primary School
Home Close
Homerton College Cambridge
Inclusion
Indigo Spa Management
Innovate Services Ltd
Kelsey Kerridge Sports Centre
Luminus Group
Lunchtime UK (Thorndown)
Lunchtime UK Ltd
Mears Ltd
Mears Ltd (SCDC)
MITIE Facilities Management
Museum Doc Association
Oxford Archaeology
Pabulum Catering Ltd
Peterborough Council for Voluntary Service
Peterborough Womens Aid
Radis Community Care
Roddons Housing Association
Sanctuary Housing
Serco
Serco Limited
Skanska PCC (Highways)
South Cambridgshire Primary Care Trust
Spurgeons
St Columba Centre
Stephen Perse Foundation
Taylor Shaw Ltd
Thorokleen Trading Limited
TSG Building Services
Vivacity
Wisbech & Fenlnd Museum
Wisbech Grammar

SCHEME MANAGEMENT AND ADVISERS

Registered Pension Scheme Number: 00329261RX

Administering Authority

Cambridgeshire County Council
Shire Hall
Castle Hill
Cambridgeshire
CB3 0AP

Administrator Mr C Malyon
Chief Finance Officer
S151 Officer Cambridgeshire County Council

Pension Fund Committee and Investment Sub-Committee

County Council Members

Cllr Roger Hickford (appointed Chairman from May 2016; previously Vice Chairman)
Cllr Maurice Leeke (appointed Vice Chairman from May 2016)
Cllr Peter Ashcroft
Cllr Noel Kavanagh – from July 2015
Cllr Gail Kenney – from May 2016
Cllr Joshua Schumann – from May 2016
Cllr Steve Count –until May 2016. Also served as Chairman until May 2016
Cllr Mac McGuire – until April 2015
Cllr Julie Wisson – from May 2015 to May 2016

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

Cllr David Seaton (Peterborough City Council)

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

Cllr Andrew Fraser (South Cambridgeshire District Council)

Other Employers' Representatives

Tim Woods - until October 2015
Gareth Deeble – from March 2016

Member Representatives

John Walker
Matthew Pink

Local Pension Board Members

Employer representatives

Cllr Mac McGuire (Chairman)
Cllr Lucy Nethsingha
Ian Dewar– from October 2015

Scheme member representatives

Barry O'Sullivan (Vice Chairman)
John Stokes
David Brooks– from October 2015

Key Officers supporting the Fund

Head of Pensions	Mark Whitby
Investment & Fund Accounting Manager	Paul Tysoe
Operations Manager	Akhtar Pepper
Employer and Systems Team Manager	Cory Blose
Fund Financial Managers	Richard Perry (Investment) Tracy Pegram (Investment) Ben Barlow (Fund)
Governance & Regulations Manager	Joanne Walton
Investment Advisers	Mercer Investment Consulting Belvedere 12 Booth Street Manchester M2 4AW
Investment Managers	Adams Street Partners 4th Floor 75 Davies Street London W1K 5JN Dodge & Cox Worldwide Investments Ltd 6 Duke Street St. James's London SW1Y 6BN Equitix Limited 10-11 Charterhouse Square London EC1M 6EH

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

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

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

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

Schroders Investment Management Ltd
31 Gresham Street
London EC2V 7QA

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

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

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

Custodian

Northern Trust
50 Bank Street
Canary Wharf
London E14 5NT

AVC Provider	Prudential Assurance Co Ltd Laurence Pountney Hill London EC4R 0HH Equitable Life PO Box 177 Walton Street Aylesbury, Bucks HP21 7YH
Fund Actuary	Hymans Robertson LLP 20 Waterloo Street Glasgow G2 6DB
Auditor	BDO LLP 16 The Havens Ransomes Europark Ipswich, Suffolk IP3 9SJ
Legal Advisor	LGSS Law Limited Shire Hall Castle Hill Cambridge CB3 0AP
Performance reporting	The World Markets Company plc 525 Ferry Road Edinburgh EH5 2AW
Banker	Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5HP

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

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

Enquiries relating to benefits and administration should be directed to:

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

RISK MANAGEMENT

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

A Risk Strategy was formally agreed in 2015-16 and a revised Risk Register using analysis of the likelihood and impact of risk will be presented to the Committee in the 2016-17 financial year.

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

Managing decision making

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

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

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

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

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

The Local Pension Board was established on 1 April 2015, providing an additional layer of governance for the Fund. The Local Pension Board is non-decision making but has the responsibility of assisting the Administering Authority to:

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

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

Managing investment and funding risks

The Cambridgeshire Pension Fund has over £2billion pounds of assets under management as well as even larger long-term liabilities. It is essential that the Fund's assets are managed appropriately to ensure the Fund can meet the payment of its current and future liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

Managing Scheme employer related risks

At 31 March 2016 there were 301 scheme employers in the Cambridgeshire Pension Fund, of which 243 were active, all of which have different risks associated with their financial positions. Therefore it is important that close monitoring processes are in place to ensure the Fund and its stakeholders are protected from these risks.

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

It is essential for the Fund to actively manage employers that cease to exist particularly those with insufficient funding or bonds in place to meet the liabilities that they leave behind. In some cases the liabilities will pass back to the ceding employer, or where this is not an option, the liabilities will be spread across the remaining employers within the Fund. The Fund has in place a comprehensive Admissions Policy which clearly sets out where a guarantee or bond is required in order for a new employer to secure admission to the Fund.

Scheme employers can also present the Fund with risks by submitting poor quality data. Inaccurate data can lead to the miscalculation of pension benefits which can lead to the misstatement of the benefits to which a member is entitled. Any inaccuracy of data could have a detrimental effect on the size of the employer's liabilities which may result in a higher and potentially unaffordable employer contribution rate at the next valuation. The Fund has and will continue to actively engage with scheme employers to provide training, tools and support to so improve the accuracy of data. The Fund also monitors employer performance in the form of key performance indicators which are regularly fed back to employers.

Managing demographic risks

The increasing life expectancy of Scheme members over the years has increased the value of the Fund's liabilities which has resulted in a decrease in the funding position. Employer contribution rates have been increased at each triennial valuation to ensure that the funding position does not continue to deteriorate. The Fund also uses analysis of changing life expectancy trends which is fed into the Fund's valuation process to ensure that employer contribution rates are calculated based on the most accurate data available.

FINANCIAL PERFORMANCE

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

Three year forecast of income and expenditure

	2015-16 Estimated Outturn £000	2015-16 Final Outturn £000	2016-17 Forecast £000	2017-18 Forecast £000	2018-19 Forecast £000
Contributions	111,000	118,843	111,082	110,317	114,008
Transfers in from other pension funds	5,700	8,735	5,370	5,370	5,370
Total Income	**116,700**	**127,578**	**116,452**	**115,687**	**119,378**
Benefits payable	(97,800)	(92,374)	(92,784)	(94,521)	(96,305)
Payments to and on account of leavers.	(5,700)	(5,315)	(5,370)	(5,370)	(5,370)
	(103,500)	**(97,689)**	**(98,154)**	**(99,891)**	**(101,675)**
	13,200	**29,889**	**18,298**	**15,796**	**17,703**
Management Expenses	(8,370)	(8,770)	(7,855)	(7,894)	(8,045)
Investment Income	37,000	31,599	28,000	29,000	30,000
Taxes on income	-	(31)	-	-	-
Profit and losses on disposal of investments and changes in the market value of investments	130,000	(60,114)	73,000	77,000	71,000
Net return on investments	**167,000**	**(28,546)**	**101,000**	**106,000**	**101,000**
Net increase/(decrease) in the net assets available for benefits during the year	**171,830**	**(7,427)**	**111,443**	**113,902**	**110,658**

Performance against budget – net operational expenses

The following table shows the Fund's forecast for total management expenses for 2015-16 compared with the outturn.

	2015-16 Forecast £'000	2015-16 Outturn £'000	Variance £'000
Administrative costs	2,193	2,270	76
Investment management expenses	5,762	6,390	629
Oversight and Governance costs	415	110	(305)
Total Management Expenses	**8,370**	**8,770**	**400**

Investment Management Expenses outturn include performance related fees.

Timeliness of contributions

The following table shows the amount of regular employee and employer contributions paid during 2015-16 and the value and percentage of which were paid both on time and after the deadline of the 19th day of the month following deduction.

	Total Paid in 2015-16 £	Total Paid On Time £	% Paid On Time	Total Paid Late £	% Paid Late
Employer Contributions	78,807,606	73,907,511	93.78%	4,900,095	6.22%
Employee Contributions	23,946,362	22,140,111	92.46%	1,806,251	7.54%
Total	**102,753,968**	**96,047,622**	**93.40%**	**6,706,346**	**6.53%**

No interest was charged on any of the late payments.

Movement in assets & liabilities

The table below shows the forecast against the outturn on the Fund's cash flows and asset values in respect of 2015-16.

	2015-16 Estimated Outturn	2015-16 Final Outturn
	£'000	£'000
Cash flows		
Fund surplus / (deficit) cash from dealings with members	13,200	29,889
Management expenses	(8,370)	(8,770)
Returns on investments *	167,000	(28,546)
Net increase /(decrease) in the net assets available for benefits during the year	**171,830**	**(7,427)**
Assets held		
Index-linked securities	-	61,316
Equities – directly held	946,493	266,984
Pooled investments	1,171,665	1,487,140
Pooled property investments	182,429	187,080
Private equity/infrastructure	185,619	207,353
Cash deposits	54,676	31,929
Other	3,541	1,809
Net investment assets	**2,544,423**	**2,243,611**

- Returns on investments were significantly lower than estimated during the year, resulting from general poor performance across a range of markets. Management expenses were higher than expected, with higher than forecast investment management fees partially offset by savings on vacant staff positions during the year.

Recovery of overpayments of pension

The following tables show the analysis of pension overpayments that occurred during 2015-16.

Type of Overpayment	Action Taken	Number of Cases	Amount
			£
Retirement	Recovered	1	£173.72
	Requested	0	0
	Written off	93	£248.51
Total		**94**	**£422.23**
Death	Recovered	9	£8,608.20
	Requested	12	£6,674.84
	Written off	159	£12,257.87
Total		**180**	**£27,540.91**
Cessation of Eligibility (Child Pension)	Recovered	0	0
	Requested	1	£597.62
	Written Off	1	£32.34
Total		**2**	**£629.96**
Total Overpayments		**276**	**£28,593.10**

All cases arising from the 2014-15 National Fraud Initiative exercise have now been investigated and the value of £537.07 remains outstanding.

Annual Pensioner Payroll (excluding additional pension awarded by the employer)	£67,885,069.00
Total write off amount	£12,538.72
Write offs as a % of payroll	0.02%
Number of cases written off	253
Number of cases in the process of recovery	13
Number of cases recovered	10

The average write off amount per individual is £49.56.

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

The Policy can be found at -

http://pensions.northamptonshire.gov.uk/wp-content/uploads/2015/11/Overpayments-of-Pension-Policy.pdf

ADMINISTRATIVE MANAGEMENT PERFORMANCE

Key administration performance indicators

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

Case Type	Target (working days)	Number Received	Number within target	Target	% within target
Confirm transfer-in payment and service credited to scheme member	10	77	72	90%	96%
Provide employer with requested estimate of benefits	10	688	643	90%	93%
Provide a maximum of one estimate to employees per request per year	10	1,400	1,161	90%	83%
Provide a maximum of one cash equivalent transfer to employees per year on request	10	603	494	90%	82%
Notify employees retiring from active membership of benefit award	5	1,099	1,070	95%	97%
Acknowledge death of active/deferred/pensioner member	5	796	791	100%	99%
Change of address	2	1,543	1,488	100%	96%
Expression of Wish form received	2	1,248	1,244	100%	99%
Opt out form received	2	911	909	100%	99%
Personal change update	2	357	353	100%	99%

The Fund has developed a number of KPIs to monitor service delivery, these KPIs are reviewed internally on a monthly basis to monitor and inform where delivery is met or remedial action is required. The Pension Fund Committee receives quarterly performance updates within the Business Plan update.

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

In October 2015, a survey was sent to members of LGSS Pensions to assess the level of satisfaction with the services provided. LGSS Pensions achieved a 94% rating of satisfactory and above, comparing favourably to a rating of 86% in November 2014.

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

	Cambridgeshire Pension Fund	Benchmark
Unit costs per member excluding investment management expenses	£19.44 (2014-15)*	£19.17 *CIPFA Benchmarking average 2014-15 * (50 LGPS Funds)*
Unit costs per member including investment manager expenses	£142.91 (2014-15)	N/A
	**Results from the 2015-16 CIPFA Benchmarking exercise will be published on the LGSS Pensions website once released by CIPFA.*	

Key staffing indicators

In 2015-16, the average staff to member ratio was one full-time member of staff to 2,693 members (2014-15: 1:2,668) and the number of cases per full time member of staff was 896 (2014-15: 808).

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

	2012	**2013**	**2014**	**2015**	**2016**
Active Members	22,730	22,844	24,854	25,345	26,744
Deferred Beneficiaries	20,805	22,910	25,793	28,255	30,889
Pensions in Payment	13,408	14,288	15,091	15,658	16,169
Total	**56,943**	**60,042**	**65,738**	**69,258**	**73,802**

Age Profile of Fund membership at 31 March 2016

	Member Type			
Age Band Years	**Actives**	**Deferred**	**Pensioners***	**Total**
<20	363	110	89	562
20 - 24	1,432	974	11	2,417
25 - 29	1,826	2,270	2	4,098
30 - 34	2,409	3,020	9	5,438
35 - 39	3,012	3,359	13	6,384
40 - 44	4,202	4,630	28	8,860
45 - 49	4,725	5,516	78	10,319
50 - 54	4,170	5,438	154	9,762
55 - 59	2,986	4,053	944	7,983
60 - 64	1,312	1,330	3,494	6,136
65 -69	267	143	4,539	4,949
70 - 74	38	40	2,842	2,920
75 - 79	2	6	1,865	1,873
80 - 84	-	-	1,215	1,215
85 - 89	-	-	616	616
90 - 94	-	-	244	244
95 - 99	-	-	26	26
Total	**26,744**	**30,889**	**16,169**	**73,802**

(* Includes surviving dependants).

Employee and employer contributions 2015-16

The following table shows the contributions paid by the active employers in the Fund during 2015-16.

	Employee(£000)	Employer(£000)	Total(£000)
Abbey College	61	249	310
Abbey Meadows Academy	10	40	50
Abbey Meadows Primary School	29	108	137
ABM Catering Ltd (Jeavons Wood)	-	2	2
ABM Catering Ltd (Morley Memorial)	3	10	13
Action for Children	21	-	21
Action for Children (London Road)	6	21	27
Active Learning Trust HQ	19	48	67
ADEC	3	14	17
Advance Cleaning Services	1	2	3
Alderman Jacobs School	19	78	97
All Saints Inter Church VA Primary School	12	45	57
Alliance in Partnership Ltd	-	2	2
Apollo Property Services Group Limited	(2)	(10)	(12)
Aspens (Hemingford Grey)	-	2	2
Aspens (Huntingdon Primary)	1	2	3
Aspens Services Ltd (CPF)	-	2	2
Aspens Services Ltd (Fen Drayton)	1	-	1
Aspens Services Ltd (Swavesey)	1	3	4
Arthur Mellows Village College	72	269	341
Avocet Cleaning Services Ltd	-	2	2
Balfour Beatty	4	24	28
Bar Hill Parish Council	-	1	1
Bassingbourn Village College	23	88	111
Bishop Creighton Academy	13	50	63
Bottisham Village Academy	47	164	211
Bourn C of E Primary School	11	40	51
Bretton Parish Council	2	10	12
Buckden C of E Primary School	19	70	89
Burnt Fen Internal Drainage Board	1	7	8
Burrowmoor Primary School	35	132	167
Burwell Parish Council	1	5	6
Bury C of E Primary School	6	24	30
Caldecot Parish Council	-	2	2
Cambourne Parish Council	9	41	50
Cambourne Village College	25	64	89
Cambridge & Peterborough NHS Foundation Trust	17	81	98

	Employee(£000)	Employer(£000)	Total(£000)
Cambridge City Primary Care Trust	-	1,160	1,160
Cambridge LIVE	52	133	185
Cambridge Meridian Academy	42	126	168
Cambridge Regional College	524	1,589	2,113
Cambridgeshire & Peterborough Clinical Commissioning Group	7	45	52
Cambridgeshire and Peterborough Mental Health Trust	3	15	18
Cambridgeshire Careers Guidance Ltd	(11)	-	(11)
Cambridgeshire Chief Constable	1,535	5,005	6,540
Cambridgeshire Community Services Trust	-	37	37
Cambridgeshire County Council	10,279	28,169	38,448
Cambridgeshire Fire Authority	308	1,110	1,418
Cambridgeshire Police & Crime Commissioners	75	126	201
Cambridgeshire Police Authority	(16)	-	(16)
Carers Trust	6	20	26
Cater Link Ltd	6	24	30
Chatteris Town Council	2	12	14
Chesterton Community College Academy	65	198	263
Chesterton Community Sports Centre	2	7	9
Chesterton Primary Academy	5	13	18
Churchill Contract Services	24	85	109
Circle Anglia Limited	6	20	26
City Of Cambridge	1,636	5,460	7,096
City Of Ely Council	11	53	64
City of Peterborough Academy	9	37	46
City of Peterborough Special School	26	103	129
Colville Primary School	19	69	88
Comberton Academy Trust	20	61	81
Comberton Village College	121	456	577
Compass Contract Services	3	13	16
Conservators of the River Cam	5	24	29
Coram Cambridge Adoption Ltd	23	80	103
Cottenham Village College Academy	59	216	275
Cromwell Community College	56	207	263
Cromwell Primary Academy	14	54	68
Cross Keys Housing Association	123	581	704
Crosshall Infants Academy	32	125	157
Crosshall Juniors Academy	23	92	115
Cucina Ltd	1	1	2
Dell (Cromwell)	2	7	9

	Employee(£000)	Employer(£000)	Total(£000)
Dell (Sir Harry Smith)	3	9	12
Dell Corporation Ltd	-	1	1
Dogsthorpe Academy	37	139	176
Drinksense	2	11	13
E&Ess&Herts Prov Cls	53	500	553
East Cambs District	300	1,179	1,479
EasyClean (Kings Hedges)	-	1	1
EasyClean (St Peter's)	-	1	1
ECOVERT	8	35	43
Elior UK	1	2	3
Elm Road Primary School	3	11	14
Ely College	68	252	320
Enterprise Management Services Limited	204	971	1,175
Ernulf Academy	44	203	247
Etheldred House	-	6	6
Everyone Active	1	4	5
Eye Parish Council	-	2	2
Eyrescroft Primary School	8	31	39
Farcet Parish Council	1	4	5
Fenland District Council	436	2,091	2,527
Friends Therapeutic Community	77	303	380
Fulbridge Academy	72	267	339
Gamlingay Parish Council	3	20	23
Godmanchester Primary School	18	72	90
Great Staughton Primary School	2	10	12
Greenwich Leisure	11	44	55
Haddenham Level Drainage Commissioners	1	8	9
Haddenham Parish Council	2	8	10
Hampton College Academy	63	228	291
Hatton Park	9	34	43
Health Authority	2	7	9
Hemingford Grey Primary	9	35	44
Highfield School	60	223	283
Highlees Primary Academy	30	113	143
Hills Road 6th Form College	102	365	467
Hinchingbrooke School Academy	77	473	550
Histon & Impington Infant School	14	57	71
Histon & Impington Junior School	19	55	74
Histon & Impington Parish Council	5	28	33
Home Close	1	72	73

	Employee(£000)	Employer(£000)	Total(£000)
Homerton College Cambridge	154	416	570
Huntingdon District Council	908	3,600	4,508
Huntingdon Primary (CCC)	30	109	139
Huntingdon Town Council	24	115	139
Huntingdonshire Citizens Advice Board	-	1	1
Huntingdonshire College	156	549	705
Impington Village College	94	332	426
Indigo Spa Management	4	12	16
Innovate Services Ltd	-	2	2
Isle of Ely Academy	2	3	5
Kelsey Kerridge Sports Centre	26	94	120
Ken Stimpson (PCC)	53	191	244
Kennett Primary School	3	13	16
Kimbolton Primary Academy	4	15	19
Kimbolton School	56	248	304
Kings Hedges Pension	39	139	178
Kings School Academy	60	223	283
Kingsfield Primary Academy	28	104	132
Leverington Primary Academy	20	78	98
LGSS Law Ltd (CCC)	57	218	275
Linton Parish Council	1	5	6
Linton Village College Academy	53	190	243
Little Downham Parish Council	2	9	11
Little Paxton Parish Council	3	13	16
Littleport & Downham IDB	6	29	35
Long Road 6th Form College	75	290	365
Longsands College Academy	71	260	331
Luminus Group	118	705	823
Lunchtime UK (Thorndown)	-	1	1
Lunchtime UK (Waterbeach)	-	1	1
Lunchtime UK Ltd	6	24	30
Magistrates Court Committee	-	1,264	1,264
Matley Primary Academy	29	108	137
Mears Ltd	53	13	66
Mears Ltd (SCDC)	16	53	69
Melbourn Village College Academy	41	114	155
Mepal & Witcham C of E Primary Academy	4	16	20
Middle Fen & Mere Internal Drainage Board	15	61	76
Middle Level Commissioners	76	314	390
Middlefield Primary School	11	45	56

	Employee(£000)	Employer(£000)	Total(£000)
Millfield Primary School Academy	4	14	18
MITIE Facilities Management	2	8	10
Museum Doc Association	11	52	63
National Care Standards Commission	7	52	59
Neale Wade Academy	81	305	386
Neale Wade Community College	28	108	136
Nene Park Academy	45	165	210
New Road Primary Academy	7	24	31
Newark Hill Primary Academy	28	108	136
Newborough Parish Council	1	4	5
North Cambridge Academy	29	108	137
North Level Commissioners	32	147	179
North Peterborough PCT	-	2,841	2,841
Old West Internal Drainage Board	-	2	2
Ormiston Bushfield Academy	80	283	363
Orton Waterville Parish Council	1	4	5
Oxford Archaeology	53	114	167
Pabulum Catering Ltd	1	2	3
Pabulum Catering Ltd (Cottenham)	4	15	19
Park Lane School	23	88	111
Parkside Federation Academy	78	280	358
Peckover Primary School	21	83	104
Peterborough City Council	3,558	11,136	14,694
Peterborough College of Adult Education	118	395	513
Peterborough Council for Voluntary Service	-	12	12
Peterborough Regional College	304	1,008	1,312
Peterborough Womens Aid	2	7	9
Radis Community Care	23	103	126
Ramnoth Junior Academy	23	61	84
Roddons Housing Association	54	234	288
Round House Primary School	15	56	71
Sanctuary Housing	52	361	413
Sawston Parish Council	3	14	17
Sawston Village College Academy	67	246	313
Sawtry Community College Academy	48	205	253
Sawtry Parish Council	4	18	22
Serco	257	616	873
Serco Limited	53	(3)	50
Shade Primary School	7	23	30
Sir Harry Smith Community College	52	199	251

	Employee(£000)	Employer(£000)	Total(£000)
Skanska PCC (Highways)	18	68	86
Soham Parish Council	2	13	15
Soham Village College	47	181	228
Somersham Primary School	1	5	6
South Cambs District	903	2,972	3,875
Spring Common Primary School Academy	12	46	58
Spurgeons	6	-	6
St Andrews C of E Primary Academy	31	122	153
St Bedes School (Academy)	33	125	158
St Columba Centre	3	11	14
St Ives Town Council	13	60	73
St Ivo School Academy	79	297	376
St John Fisher School	49	189	238
St John's Academy (Stanground)	13	41	54
St Martins Day Centre	1	-	1
St Marys C of E Junior	19	75	94
St Marys Primary Academy(St Neots)	3	35	38
St Neots Town Council	16	82	98
St Peters C of E Junior Academy	16	64	80
St Peters School Academy	64	230	294
Stanground Academy	67	260	327
Stanground St John	1	4	5
Staploe Education Trust HQ	5	20	25
Stephen Perse Foundation	20	109	129
Sutton Parish Council	2	10	12
Swaffham Internal Drainage Board	2	9	11
Swavesey Parish Council	1	6	7
Swavesey Village College	14	-	14
Swavesey Village College	53	210	263
Taylor Shaw Ltd	2	6	8
The Centre School Academy	1	3	4
The Spinney Primary School	10	37	47
The Voyager Academy	101	347	448
Thomas Clarkson Community College	61	210	271
Thomas Deacon Academy	195	539	734
Thorney Parish Council	2	12	14
Thorokleen Trading Limited	1	2	3
TSG Building Services	31	105	136
Tydd St Giles P C	-	1	1
University Technical College Academy	22	67	89

	Employee(£000)	Employer(£000)	Total(£000)
VISIT Cambridge and Beyond	4	10	14
Vivacity	58	191	249
Waterbeach Level Internal Drainage Board	2	8	10
Waterbeach Parish Council	2	11	13
Welland Primary Academy	28	104	132
West Town Primary Academy	17	65	82
Whittlesey & District Internal Drainage Board	2	6	8
Whittlesey Town Council	5	5	10
William de Yaxley C of E Junior Academy	10	51	61
William Law Primary Academy	35	132	167
William Westley Primary	2	(2)	-
Wimblington Parish Council	-	2	2
Winhills Primary School	33	82	115
Wisbech & Fenland Museum	1	6	7
Wisbech Grammar	1	7	8
Wisbech Town Council	8	19	27
Witcham Parish Council	-	1	1
Witchford Village College Academy	61	197	258
Yaxley Parish Council	7	35	42
Other Adjustments*	12	(230)	(218)
Fund Account Contributions	**26,996**	**91,847**	**118,843**

* Includes adjustments arising from early retirements, pension strain and ill health.

INVESTMENT POLICY AND PERFORMANCE REPORT

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

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

Investment Asset Allocation

Asset allocation is determined by the Pension Fund Committee upon recommendation from the Investment Sub-Committee, who are informed by officers and professional investment advisors on the categories of investment in which the Fund should invest.

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

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

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

The review concluded that the existing strategy of 64% equities, 22% alternatives and 14% bonds was supportive of the funding arrangements in place as part of the 2013 actuarial valuation and that no change to this high level allocation was necessary. However, the review concluded that the existing global equity structure was over complex. As a result the strategy for global equities was re-focussed on high conviction mandates with a preference for global rather than regional mandates, with the consequence that in the last quarter of the 2014-15 financial year the Fund performed a selection process to appoint managers to deliver this strategy. Transition to the new managers was completed early in 2015-16 and the final asset strategy confirmed as 64.5% equities, 21% alternatives and 14.5% bonds.

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

During the 2015-16 financial year the Fund received training on strategies for enhancing inflation protection and passive equity investing and agreed to a process to switch from UK fixed interest bonds to UK index-linked bonds dependent upon levels of implied future inflation breaching pre-agreed trigger points. These strategies will be revisited when reviewing the outcome of the March 2016 actuarial valuation.

Role of Investment Managers

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

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

The IMA for each investment manager will include:

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

During 2015-16, the strategy to refocus the equity allocation was implemented with the termination of the Global Equity mandate managed by Newton in April 2015 and the funds reinvested in a pooled global equity fund managed by JO Hambro Capital Management Ltd. In addition the Japanese Equity element of the Schroder Multi Asset mandate and the European Equity mandate managed by Amundi were terminated in the first quarter and the funds reinvested in a pooled global equity fund managed by Dodge & Cox Worldwide Investments Ltd. In January 2016 the sterling bond element of the Schroders multi asset mandate was transferred to a separate mandate which will be monitored against agreed inflation triggers to determine when these bonds would be transferred into index-linked bonds. In February 2016, the first trigger was breached causing 50% of the bonds to be transferred to index-linked bonds.

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

Investment Manager Profiles and performance targets for 2015-16

The target asset and manager allocation, associated benchmarks and performance targets at 31 March 2016 is shown below.

	Weighting (%)	Market Benchmark Adopted	Target above bench-mark (%)
UK Equity	**21.0**		
Schroders – Multi Asset	10.0	Composite benchmark	1
State Street	11.0	FTSE All-Share index	n/a
Global Equity	**43.5**		
Dodge & Cox	12.5	MSCI World	3
JO Hambro	12.5	MSCI AC WI NR Index	3
Skagen	7.0	MSCI Emerging Markets	2
State Street	11.5	FTSE All World	n/a
Bonds	**14.5**		
Schroders	12.0	Composite benchmark	1
M&G	2.5	3m Libor +4%	n/a
Private Equity	**5.0**		
Adams Street	2.0	MSCI World	n/a
HarbourVest	2.0	MSCI World	n/a
Cambridge and Counties Bank	1.0	MSCI World	n/a
Infrastructure	**5.0**		
Equitix	No split calculated	MSCI World	n/a
Partners Group		MSCI World	n/a
UBS		MSCI World	n/a
Property	**11.0**		
Schroders	11.0	IPD UK All Balanced Property Fund Index	0.75
Total	**100.0**		+1.1*

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

At 31 March 2015, the Pension Fund Committee had approved the following high level target asset allocation but this had not yet been implemented.

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

The target asset and manager allocation, associated benchmarks and performance targets at 31 March 2015 before the implementation of the revised strategy is shown below.

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

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

The values of actual manager allocations, the percentage of the Fund and variance from the target asset allocation at 31 March 2015 and 31 March 2016 are shown below:

31 March 2015					31 March 2016		
Market Value (£m)	**Holding (%)**	**Above/ (below) target (%)**	**Asset Class**	**Manager**	**Market Value (£m)**	**Holding (%)**	**Above/ (below) target (%)**
320.0	14.0	4.0	UK Equity	Schroders – Multi Asset	303.8	13.6	3.6
215.1	9.5	(0.5)		State Street	207.1	9.2	(1.8)
241.3	10.7	(1.3)	Global Equity	Amundi	-	-	-
284.4	12.6	0.6		Newton	-	-	-
				Dodge & Cox	330.0	14.7	2.2
				JO Hambro	253.0	11.3	(1.2)
91.5	4.0	(1.0)		Skagen	82.6	3.7	(3.3)
320.3	14.1	3.1		State Street	318.7	14.2	2.7
112.6	5.0	0.5		Schroders – Multi Asset	0.1	0.0	0.0
284.4	12.6	0.6	Bonds	Schroders – Multi Asset	157.4	7.0	0.0
-	-	-		Schroders – Bonds & Index-linked	122.4	5.5	0.5
51.8	2.3	(0.2)		M&G	53.5	2.4	(0.1)
57.9	2.5	0.5	Private equity	Adams Street Partners	64.8	2.9	0.9
45.1	2.0	-		HarbourVest	50.9	2.3	0.3
17.3	0.7	(0.3)		Cambridge and Counties Bank (direct holding)	43.0	1.9	0.9
18.0	0.8	*	Infra-structure	UBS Infrastructure	19.1	0.8	*
18.4	0.8	*		Equitix	25.4	1.1	*
11.2	0.5	*		Partners Group	17.7	0.8	*
178.2	7.9	(3.1)	Property	Schroders – Property	191.6	8.5	(2.5)
0.3	0.0	-	Cash		2.5	0.1	0.1
2,267.8	**100.0**		**Total**		**2,243.6**	**100.0**	

* No target allocated by individual manager.

Performance monitoring

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

Investment Performance 2015-2016

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

% Returns per annum for the financial year ended 31 March 2016						
		The Fund	The Benchmark	Consumer Price Index	UK Average Weekly Earnings Index	Local Authority Average
2015-2016	**1 year**	(1.9)	0.2	0.6	1.9	0.2
2013-2016	**3 years**	5.8	6.8	0.7	2.7	6.4
2011-2016	**5 years**	6.8	7.3	1.7	1.7	7.1
2006-2016	**10 years**	4.9	5.8	2.4	2.3	5.6

(Source: WM).

Investment Manager Performance for periods ending 2015-16

	1 Year (%)			3 Years (% pa)			10 Years (% pa)		
Asset Class /Manager	**Return**	**Bench-mark**	**Var-iance**	**Return**	**Bench-mark**	**Var-iance**	**Return**	**Bench-mark**	**Var-iance**
UK Equity									
Schroders – Multi Asset [1]	(2.6)	(1.4)	(1.2)	4.5	3.1	1.4	6.5	4.9	1.6
State Street	(3.8)	(3.9)	0.1	3.5	3.6	(0.1)	n/a	n/a	n/a
Global Equity									
Dodge & Cox[2]	(5.7)	(0.3)	(5.4)	n/a	n/a	n/a	n/a	n/a	n/a
JO Hambro[2]	(12.9)	(1.2)	(11.7)	n/a	n/a	n/a	n/a	n/a	n/a
Skagen	(9.0)	(9.1)	0.1	(3.4)	(2.7)	(0.7)	n/a	n/a	n/a
State Street	(0.5)	(0.5)	0.0	8.1	8.2	(0.1)	n/a	n/a	n/a
Schroders – Multi Asset [1]	(2.6)	(1.4)	(1.2)	4.5	3.1	1.4	n/a	n/a	n/a
Fixed Income									
Schroders Bonds & Index-linked[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M&G	3.3	4.6	(1.3)	4.6	4.6	0.0	n/a	n/a	n/a
Property									
Schroders – Property	9.9	10.8	(0.9)	11.7	13.2	(1.5)	2.8	3.3	(0.5)

1 Schroder Multi Asset mandate: performance measure is the aggregate for all asset classes.

2 Dodge & Cox and JO Hambro were appointed during 2015-16 therefore the 1 year return is shown from the dates of inception 24 June 2015 and 15 June 2015, respectively.

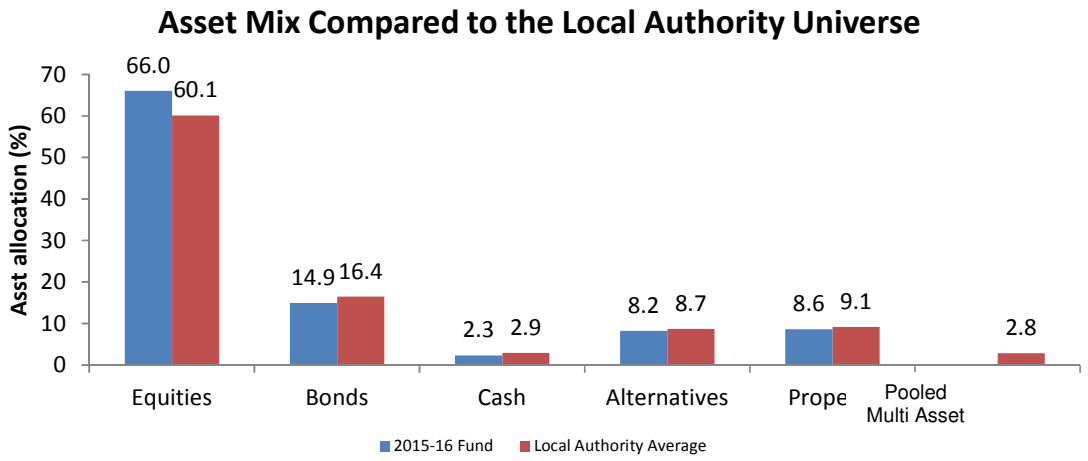
3 The Schroders Bonds & Index-linked mandate was separated from the Multi Asset mandate in January 2016 therefore separate 1 year and 3 year data is not yet measurable.

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

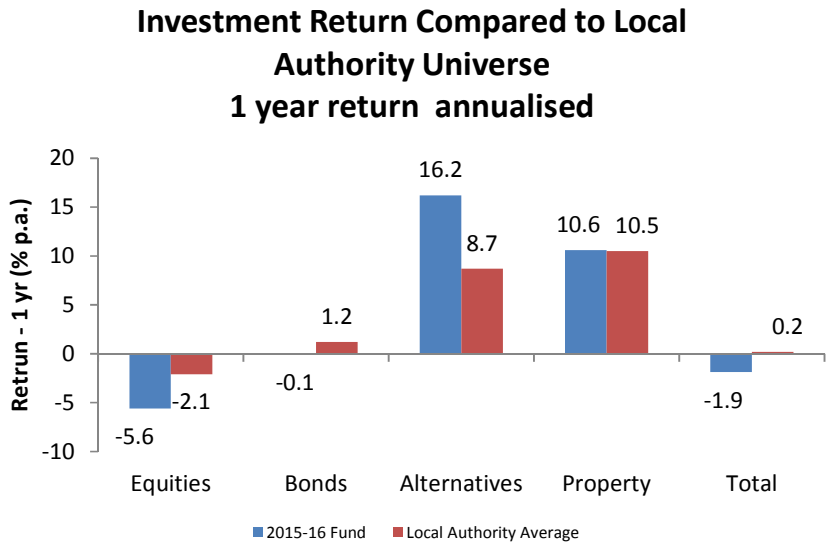
Performance in comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of 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.

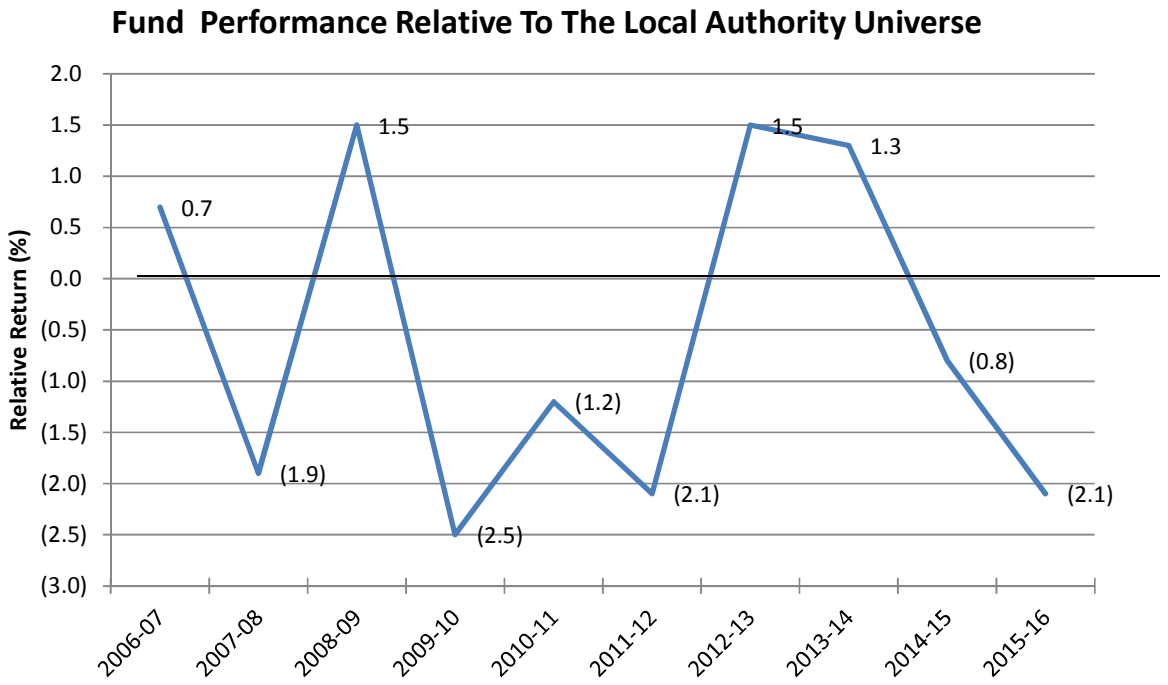


The graph shows that the Fund's asset mix is broadly comparable with the local authority Average, the main variances indicating the Fund's preference for equities.



Year Annual Return (%)	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Total Fund	7.8	(4.7)	(18.8)	31.9	6.9	0.5	15.4	7.8	12.2	(1.9)
LA Universe	7.0	(2.8)	(19.9)	35.2	8.2	2.6	13.8	6.4	13.2	0.2

The table above compares the Fund's performance with the WM Company Local Authority Average for the ten years since 2006. The relative performance is shown graphically below.



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

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

Responsible Investment Policy

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

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

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

The Fund supports the UK Stewardship Code and expects the Fund's investment managers to comply with it. The Fund has produced a Statement of Commitment to the UK Stewardship

Code highlighting how the Fund is discharging its stewardship responsibilities. This can be found in Appendix D of the Statement of Investment Principles (See Appendix C attached to this report).

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

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

Custodian Services

Northern Trust were appointed as Global Custodian with effect from 1 October 2014 following a competitive procurement process. BNY Mellon were the Custodian until 30 September 2014.

The responsibilities of the Global Custodian are:

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

Investment Consultants' Annual Investment Review 2015-16

Economic and Market Background

Overall the year to 31 March 2016 was difficult for pension schemes as bonds increased in value whilst growth assets, particularly equities, fell. As a result the funding level of the Fund has decreased due to the value of the liabilities increasing and assets decreasing.

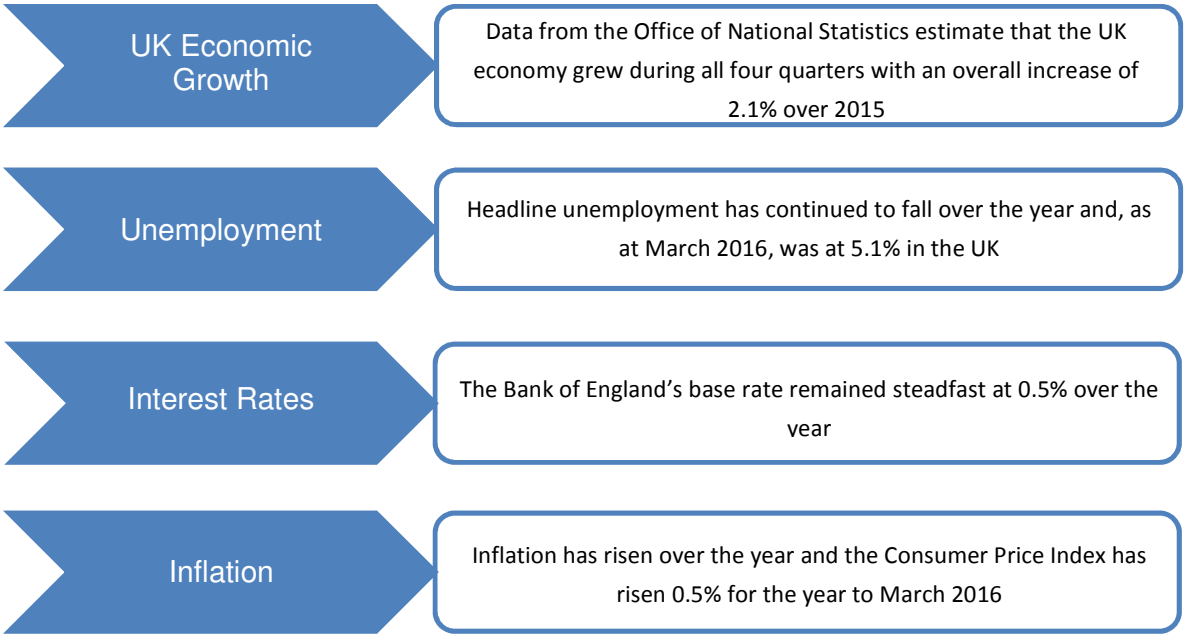
Growth assets (equities) struggled over the year, particularly during the summer of 2015 due to a slowdown in global growth and increased concerns about China. Equities subsequently recovered but renewed concerns surfaced at the start of 2016 which impacted equities significantly once again. Defensive (bond type) assets delivered positive returns over the 12 month period to 31 March 2016 despite having a slow start to the year, with the most notable fall in yields (which causes prices to increase) occurring in January 2016.

Away from equities the UK economy continued to grow throughout the year, with GDP growth rate for 2015 being 2.1% as reported by the Office for National Statistics. Inflation continued to nudge up with the annual CPI inflation rate standing at 0.5%, as at 31 March 2016.

Growth has remained strong in the US which saw the Federal Reserve raise interest rates by 0.25%, the first increase in interest rates in the US since 2006. Sterling depreciated against the Euro and against the US Dollar over the year ending 31 March 2016, due to a combination of

concerns about Brexit weighing on Sterling and the strengthening of the US Dollar due to the interest rate rises that had been priced in by the market.

Key Events during the Year



Growth Assets
Equity markets on the whole generated negative returns over the year in both Sterling and local currency terms. The FTSE All Share index returned -3.9%, whilst global equities returned -0.5% in Sterling terms.

Despite most equities falling in value, North American equities returned 4.2% in Sterling terms, with Sterling investors benefiting from the strengthening US Dollar.

Property produced positive returns; with UK property returning 11.7% over the year as measured by the IPD UK All Property Index.

Bond Markets
Yields fell marginally over the year to 31 March 2016 which led to positive returns of 3.2% from fixed interest gilts and 1.9% from index linked gilts.

Currencies
Over the 12 month period to 31 March 2016, Sterling depreciated against the major currencies. Sterling fell 3.2% against the US Dollar from $1.485 to $1.437, fell by 8.8% against the Euro by from €1.38 to €1.26 and fell 9.3% against the Yen from ¥178.03 to ¥161.55.

Fund Performance
Over the twelve month period, the fund achieved a return of -1.9% versus a benchmark return of 0.2%. All managers underperformed their respective benchmarks over the period. In particular the global equity managers Dodge & Cox and JO Hambro both underperformed

significantly. In absolute terms, the property mandate with Schroders contributed the most towards the Fund's performance returning 9.9% over the last 12 months.

Outlook

We continue to believe that developed world growth is likely to be decent, but not strong, with most emerging economies struggling. Following economic weakness at the end of 2015 and early 2016 there had been fears that the global economy would take another step downwards, possibly leading to recession. However, a dovish turn by the world's central banks and a recovery in some business confidence indicators suggest a modest pick-up in growth back towards the levels seen over the last few years seems most likely. While our central case remains that the economic recovery in the developed world will continue, we note that most of the risks to the outlook are now on the downside and that central banks would struggle to loosen monetary policy significantly if they needed to.

The recent recovery in emerging market equities and currencies could either be suggestive of an improving economic outlook, or it may just reflect a position unwind of bearish positions held by many investors. While Chinese economic data has started to improve – on the back of a (possibly unsustainable) government spending boost – there have been few signs of economic recovery elsewhere. We thus retain an open mind on economies, but note that some of the headwinds to activity may be fading, especially if recent commodity strength and US dollar weakness are not materially unwound.

Headline inflation, held down by low oil prices, is likely to start to rise as past falls in the oil price fall out of year-on-year comparisons. While core inflation is likely to remain low in most countries, the economic environment is likely to feel less deflationary than it has for some time. In the US, there have been signs that core inflation is returning to normal levels (2%). Despite this, the Federal Reserve and other central banks are likely to retain a very pro-growth bias, with the Fed only proceeding with its planned interest rate hikes if none of the downside risks materialise.

We continue to think that the main equity asset classes will produce normal type returns over the next 1-3 years: mid-single digit returns or a bit better and have nudged up our forecast for emerging market equities. While we continue to expect growth assets to outperform defensive assets over the next few years, the likelihood of the Fed raising rates, the UK Brexit vote and the US Presidential election argue for a slightly more cautious approach over the next few months.

We also shifted our medium-term return expectations for fixed interest gilts and Sterling non-government bonds slightly lower following the bond market rally seen in Q1 2016, noting that the markets are already discounting extremely dovish monetary policy over the three years.

Investment Strategy

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

During the year, the Committee continued to monitor its investment strategy relative to the funding level.

The Committee looked in more detail at interest rate and inflation risks and implemented a trigger strategy to move from fixed to index linked gilts. Training on Liability Driven Investment was also undertaken in conjunction with colleagues from the Northamptonshire Pension Fund. Also covered at that training session was different methods of structuring passive portfolios and this will be considered further in coming months.

LGPS asset pooling has meant an increased workload for Officers and the Committee and so the review of alternative assets that was scheduled for 2015, will now begin in 2016.

Joanne Holden
Mercer Limited
May 2016

SCHEME ADMINISTRATION REPORT

Cambridgeshire County Council is responsible for administering the Cambridgeshire Pension Fund. LGSS, which is a partnership between Cambridgeshire County Council and Northamptonshire County Council, provides shared services to the two Councils including pensions administration for each Council's respective Pension Fund. The primary objective of LGSS Pensions is to provide an efficient and effective pensions administration service to the stakeholders of both Funds utilising converged processes, shared resources and benefitting from economies of scale. LGSS delivers pensions services to 46,884 active members, 56,272 deferred members and 31,034 pensioner members.

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

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

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

ESS was instrumental in our preparations for the 2016 year end and valuation processes as a tool allowing employers to perform data reconciliation ahead of the year end returns being issued. This ensured that the data held by our employers was correct and up to date, reducing the number of errors and queries during year end.

ESS has also been promoted as the primary method for employers to obtain benefit estimates for their members. This is to assist the pensions section by bringing down the demands, but also to enable our employers to run their own estimates and obtain results immediately, when they need them.

We have delivered a number of ESS training sessions to employers, including large payroll providers such as EPM and Serco who provide services to a large number of employers.

Member Self Service
Member Self Service (MSS), allows members to securely access their own records held on the pensions database to view and/or amend their personal information and obtain certain benefit estimates.

MSS has been used to generate further efficiencies and has been offered to all active members across the Cambridgeshire Pension Fund. Annual Benefit Statements for active members will

be issued through MSS for the first time in 2016. It only had 200 members opting out of receiving them via this method.

We have actively promoted the use of MSS to our active members through direct mailings out, newsletters and promotion on our website. The direct mailing, distributed on the 2 April, increased the average emails received per week day, regarding MSS, by more than double from 23.5 emails per week day in March to 58.7 per week day in April.

MSS is also available to deferred members of the LGPS and we will continue to promote its uses for these members through the deferred members Annual Benefit Statements distributed for 2015-2016.

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

South Cambridgeshire District Council and Cambridge City Council began to use I-Connect from 1st April 2015.

LGSS Pensions has also agreed to use a new commercial model of i-Connect which will be rolled out to all major payroll providers over the following year. This will cover a large proportion of our employers and will have a significant impact in improving efficiency.

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

The following formal disputes have arisen and/or been resolved during 2015-16:

- Three Stage 1 IDRP cases relating to an administering authority decision arose and were dealt with in 2015-16. None of the three appeals were upheld. They related to:
  i) the rate of actuarial increase for retirement after age 65,
  ii) not being eligible for a return of pension contributions, and
  iii) a transfer value payment being less than expected as an error was made at the quote stage.
- Two other Stage 1 IDRP cases relating to an administering authority decision arose, but remained outstanding at 31 March 2016.
- Two Stage 2 IDRP cases relating to employing authority decisions arose in 2015-16, both relating to Scheme Employers' decisions not to consent to early payment of deferred benefits before age 60. One has dealt with, and was not upheld, the other remained outstanding at 31 March 2016.

- One case that was raised with the Pensions Ombudsman in 2014-15 had a determination issued in 2015-16. The appeal was not upheld, however an order to pay £500 for distress was made; it related to the rate of actuarial increase applied upon late retirement.

A further case referred to the Pensions Ombudsman in 2014-15, relating to an employing authority decision not to grant early payment of a deferred benefit had a preliminary decision issued, however the basis of this was disputed and the formal determination remains outstanding.

ACTUARIAL REPORT ON FUNDS

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

Description of Funding Policy
The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), dated March 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 (N.B. 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 £1,905 million, 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 £728 million.

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 worse than expected since the last formal valuation (excluding the effect of any membership movements). Real bond yields have fallen dramatically placing a higher value on liabilities. The effect of this has been only partially offset by the effect of strong asset returns. Funding levels are therefore likely to have worsened and deficits increased over the period.

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
12 May 2016

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

Extract from the actuarial valuation report

Executive Summary

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

Funding position

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

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

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

Contribution rates

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

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

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

The common contribution rate is a theoretical figure – an average across the whole Fund. In practice each employer that participates in the Fund has its own underlying funding position and circumstances, giving rise to its own contribution rate requirement. The minimum contributions to be paid by each employer from 1 April 2014 to 31 March 2017 are shown in the Rates and Adjustment Certificate.

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

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

GOVERNANCE POLICY AND COMPLIANCE STATEMENT

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

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

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

The Governance Policy and Compliance Statement was reviewed in June 2015 and has been published on the Funds website.

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

The Pension Fund Committee consists of the following representatives:

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

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

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

All members have equal voting rights.

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

The following table shows the attendance of committee members at both the Pension Fund Committee and Investment Sub-Committee meetings during 2015-16.

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

The Local Pension Board consists of the following representatives:

Representing	**No.**
Scheme Employers	3
Scheme Members	3
Total	6

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

The following table shows the attendance of Local Pension Board members during 2015-16.

		Attendance at Local Pension Board Meetings
Scheme Employers	Cllr M McGuire	4/4
	Cllr L Nethsingha	3/4
	Ian Dewar	2/3
Scheme Representatives	Barry O'Sullivan	4/4
	John Stokes	4/4
	David Brooks	2/3

PENSIONS ADMINISTRATION STRATEGY REPORT

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

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

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

The current Pensions Administration Strategy was approved by the Pension Fund Committee in October 2014, followed by a 30 day consultation period with the Scheme's employers. This is due to be reviewed again during the 2016-17 financial year. The strategy is published on the LGSS Pensions website and can be found in Appendix B of this report.

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

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

During 2015-16 the scheme did not exercise its powers to recover additional costs from scheme employers.

FUNDING STRATEGY STATEMENT

The Fund is required to ensure that sufficient funds are available not only to meet its current liabilities, but also to make advance provision of accruing future liabilities.
Decisions taken regarding the approach to funding will therefore determine the rate 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 as possible employer contribution rates; and
- to take a prudent longer-term view of funding those liabilities.

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

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

In 2015-16, contribution increases were implemented in accordance with the Statement to the Rates and Adjustments Certificate attached to the 2013 valuation of the Fund.

New admitted bodies are admitted into the Scheme in accordance with the Funding Strategy Statement and the Admission Bodies, Scheme Employers and Bulk Transfer Policy which was reviewed and updated in October 2015 - http://pensions.northamptonshire.gov.uk/wp-content/uploads/2012/10/Cambridgeshire-Admitted-body-Scheme-employer-and-bulk-TV-policy-Final-20152.pdf .

During 2015-16 one new bond provision was taken out and nine new guarantor agreements were put in place as security for the Fund.

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

STATEMENT OF INVESTMENT PRINCIPLES

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

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

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

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

The statement 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 Statement of Investment Principles was reviewed and approved by the Pension Fund Committee in March 2015. The SIP that was in force in 2015-16 can be found on the Cambridgeshire Pension Fund website, http://pensions.cambridgeshire.gov.uk and in appendix C of this report.

COMMUNICATION POLICY STATEMENT

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

These Regulations require administering authorities to:

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

The current Communications Policy was approved by the Pension Fund Committee in October 2014.

The policy is published on the LGSS Pensions website and can be found in Appendix D of this report.

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

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

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

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

ANY OTHER APPROPRIATE MATERIAL

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

	Active	Ceased	Total
Scheduled body	123	4	127
Admitted body	76	51	127
Designated body	44	3	47
Total	**243**	**58**	**301**

The following table shows an analysis of the Fund's assets at 31 March 2016 by asset class, based upon manager mandates.

	UK	Non UK	Global	Total
	£m	£m	£m	£m
Equities	510,870	82,602	903,162	**1,496,634**
Bonds	122,416	53,501	157,388	**333,305**
Property - direct holdings	-	-	-	**-**
Alternatives	68,378	36,804	307,322	**412,504**
Cash and cash equivalents	1,168	-	-	**1,168**
Other	-	-	-	**-**
Total	**702,832**	**172,907**	**1,367,872**	**2,243,611**

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

	UK	Non UK	Global	Total
	£000	£000	£000	£000
Equities	13,517	-	4,813	**18,330**
Bonds	35	2,004	4,320	**6,359**
Property - direct holdings	-	-	-	**-**
Alternatives	1,137	1,142	4,173	**6,452**
Cash and cash equivalents	333	-	-	**333**
Other	125	-	-	**125**
Total	**15,147**	**3,146**	**13,306**	**31,599**

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

We have examined the pension fund financial statements for the year ended 31 March 2016, which comprise the Fund Account, the Net Assets Statement and the related notes.

Respective responsibilities of the Chief Financial Officer and the auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Cambridgeshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of the Introduction, Chairman's foreword, Scheme framework, Risk management, Financial performance, Administrative management performance, Investment policy and performance report, Scheme administration report, Actuarial report on funds, Governance policy and compliance statement, Pensions administration strategy, Funding strategy statement, Statement of investment principles, and Communication policy statement.

We conducted our work in accordance with Auditor Guidance Note 07 Auditor Reporting issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Cambridgeshire County Council for the year ended 31 March 2016 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts (17 October 2016) and the date of this statement.

BDO LLP

David Eagles
For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

21 November 2016

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

FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

INTRODUCTION

1.1 The following comprises the Statement of Accounts for the Cambridgeshire County Council Pension Fund. The accounts cover the financial year from 1 April 2015 to 31 March 2016.

1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis. They do not take account of liabilities to pay pensions and other benefits in the future.

1.3 The accounts are set out in the following order:

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

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

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

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

31-Mar-15 £000		Notes	31-Mar-16 £000
	Dealings with members, employers and others directly involved in the fund:		
109,103	Contributions	7	118,843
2,866	Transfers in from other pension funds	8	8,735
111,969			127,578
(91,901)	Benefits	9	(92,374)
(36,845)	Payments to and on account of leavers	10	(5,315)
(128,746)			(97,689)
(16,777)			29,889
(9,898)	**Management Expenses**	11	(8,770)
	Returns on investments:		
35,712	Investment income	12	31,599
(1,176)	Taxes on income	13	(31)
218,316	Profit and losses on disposal of investments and changes in the market value of investments	15a	(60,114)
252,852	**Net returns on investments**		(28,546)
226,177	**Net increase/(decrease) in the net assets available for benefits during the year**		(7,427)

PENSION FUND
NET ASSET STATEMENT

31-Mar-15 £000		Notes	31-Mar-16 £000
2,219,621	Investment assets		2,212,688
48,731	Cash deposits		31,929
2,268,352			2,244,617
(594)	Investment liabilities		(1,006)
2,267,758	Net investment assets	15	2,243,611
16,055	Current assets	21	43,765
1,896	Non-current assets	22	2,528
(1,991)	Current liabilities	23	(13,613)
15,960			32,680
2,283,718	**Net assets of the fund available to fund benefits at the period end**		2,276,291
2,057,541	**Opening net assets as at 1 April**		2,283,718
226,177	**Net increase/(decrease) in the net assets available for benefits during the year**		(7,427)
2,283,718	**Closing net assets as at 31 March**		2,276,291

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund.
The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2015-16 on Pages 3 to 58 and the underlying statutory powers underpinning the scheme, namely the Public Services Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

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

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

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

Membership

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

Organisations participating in the Cambridgeshire Pension Fund include:

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

NOTES TO THE PENSION FUND ACCOUNTS

As at 31 March 2016 there are 243 (2015: 219) active employer organisations within the Cambridgeshire Pension Fund including the County Council itself, an increase of 24, as detailed below:

Cambridgeshire Fund	31-Mar-16	31-Mar-15
Number of employers with active members	243	219
Number of employees in scheme:		
County council	11,166	10,824
Other employers	15,578	14,521
Total	**26,744**	**25,345**
Number of Pensioners:		
County council	7,676	7,529
Other employers	8,493	8,129
Total	**16,169**	**15,658**
Deferred pensioners:		
County council	15,456	14,097
Other employers	15,433	14,158
Total	**30,889**	**28,255**
Total members	**73,802**	**69,258**

Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2016. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2013. Employers' contributions comprise a percentage rate on active payroll between 11% and 25.1% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

NOTES TO THE PENSION FUND ACCOUNTS

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 pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Cambridgeshire Pension Fund scheme handbook available from LGSS Pension Services based at John Dryden House, Northampton NN4 7YD or online at pensions.cambridgeshire.gov.uk.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2015-16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015-16* 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 *Code of Practice on Local Authority Accounting in the United Kingdom 2016-17* has been issued and will be adopted for the 2016-17 financial year. The revised Code requires changes to the format of the Pension Fund Account and the Net Assets Statement. The changes are expected to have minimal impact on the presentation of the Pension Fund Account and the Net Assets Statement of the Cambridgeshire County Council Pension Fund.

NOTES TO THE PENSION FUND ACCOUNTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

Contribution income

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

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

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

Transfers to and from other schemes

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

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

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

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

Investment income

i) Interest income

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

NOTES TO THE PENSION FUND ACCOUNTS

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 are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

v) *Stock lending*
Stock lending income is recognised in the Fund Account as it accrues. Stock lending income represents the transfer of securities by the Pension Fund to an approved counterparty ("Borrower"), against a receipt of collateral (non-cash), for a fee, subject to the obligation by that same counterparty to redeliver the same or similar securities back to the Lender at a future date. Securities on loan remain assets of the Fund and are recorded in the net assets statement at fair value.

Fund Account – expense items

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

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

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

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

Fees of the external Investment Managers and the Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the

NOTES TO THE PENSION FUND ACCOUNTS

investments under their management and therefore increase or reduce as the value of these investments change.

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

- JO Hambro Capital Management – Global Equities
- Schroders Investment Management – Multi Asset
- Skagen Asset Management - Emerging Market

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2015-16, £0.7m of fees are based upon such estimates (2014-15: £ 0.6m).

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

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

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:

- **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.

- **Fixed interest and index-linked securities**
  Fixed interest securities are recorded at net market value based on their current yields.

- **Unquoted investments**
  The fair value of investments for which market quotations are not readily available is determined as follows:
  - Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Council expects to receive on wind up, less estimated realisation costs.

NOTES TO THE PENSION FUND ACCOUNTS

- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds 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 *International Private Equity and Venture Capital Valuation Guidelines 2012*.
- The joint ownership of Cambridge and Counties Bank is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.

Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

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.

Foreign currency transactions

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

Derivatives

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

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.

NOTES TO THE PENSION FUND ACCOUNTS

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.

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.

Financial liabilities

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

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.

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).

Additional voluntary contributions

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

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

NOTES TO THE PENSION FUND ACCOUNTS

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equity and infrastructure investments are valued by the investment managers using the *International Private Equity and Venture Capital Valuation Guidelines 2012*. The value of unquoted private equities at 31 March 2016 was £207.4m (£165.4m at 31 March 2015).

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

NOTES TO THE PENSION FUND ACCOUNTS

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £191m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £49m, and a one-year increase in assumed life expectancy would increase the liability by approximately £41m.
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 prudency, the Pension Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.	The investment in the financial statements is £43.0m.There is a risk that this investment may be under, or overstated in the accounts.
Other private equity and infrastructure	All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £164.4m. There is a risk that this investment may be under or overstated in the accounts.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2016, and up to the date when these accounts were authorised that require any adjustments to these accounts.

Subsequent to 31 March 2016, the UK public voted in a referendum on 23 June 2016 for the UK to leave the European Union. In the period before, and immediately after, the referendum financial markets have shown heightened volatility, which might be expected to continue in the coming months. It is unclear what the long-term effects may be, however the Fund's investment portfolio is sufficiently diversified that the overall impact is not expected to be significant. The Council does not consider that the Fund's going concern status is affected, and any impact on the Fund's funding position will be considered by the actuary in the preparation of the 2016 funding valuation which will be completed later in the 2016-17 financial year.

NOTES TO THE PENSION FUND ACCOUNTS

7. CONTRIBUTIONS RECEIVABLE

By category

2014-15 Restated £000		2015-16 £000
87,393	Employers' contributions	91,847
21,710	Employees' contributions	26,996
109,103		118,843

The analysis of contributions by category for 2014-15 have been re-classified to properly reflect employers' and employees' contributions.

By authority

2014-15 £000		2015-16 £000
34,689	Administering Authority	40,093
65,771	Scheduled Bodies	70,476
8,643	Admitted Bodies	8,274
109,103		118,843

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2014-15 £000		2015-16 £000
-	Group transfers	5,773
2,866	Individual transfers	2,962
2,866		8,735

NOTES TO THE PENSION FUND ACCOUNTS

9. BENEFITS PAYABLE

By category

2014-15 £000		2015-16 £000
68,310	Pensions	67,885
21,942	Commutation and lump sum retirement benefits	23,065
1,649	Lump sum death benefits	1,424
91,901		92,374

By authority

2014-15 £000		2015-16 £000
37,220	Administering Authority	37,521
49,158	Scheduled Bodies	47,393
5,523	Admitted Bodies	7,460
91,901		92,374

The value of commutation and lump sum retirement benefits 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 March 2008 service (which provides no automatic lump sum) forms an ever increasing component of the service on which pension benefits are based. The increase in benefits payable to Admitted Bodies in 2015-16 is due to schools converting to academies.

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2014-15 £000		2015-16 £000
108	Refunds to members leaving service	221
-	Payments for members joining state scheme	-
32,745	Group transfers	-
3,992	Individual transfers	5,094
36,845		5,315

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.

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

NOTES TO THE PENSION FUND ACCOUNTS

Group transfers in 2014-15 represented a single transfer paid in February 2015 in connection with the transfer of the administration of pensions for the Probation Service to the Greater Manchester Pension Fund.

11. MANAGEMENT EXPENSES

2014-15 £000		2015-16 £000
2,292	Administrative costs	2,270
7,198	Investment management expenses (see note 14)	6,390
408	Oversight and governance costs	110
9,898		8,770

12. INVESTMENT INCOME

2014-15 £000		2015-16 £000
-	Index-linked securities	35
26,067	Equity dividends	15,681
2,638	Pooled investments – unit trusts and other managed funds	9,500
5,340	Pooled Property Investments	3,656
1,287	Private equity/infrastructure income	2,270
102	Interest on cash deposits	149
278	Other (includes stock lending, class action and underwriting)	308
35,712		31,599

13. TAXES ON INCOME

2014-15 £000		2015-16 £000
1,176	Withholding tax - equities	31
1,176		31

Taxes on income are lower in 2015-16 due to the transfer of assets from segregated managers to pooled arrangements during the first quarter of the year. Under pooled arrangements the manager of the pooled fund is accountable for any taxes and these are reflected in the valuation of the pooled fund.

NOTES TO THE PENSION FUND ACCOUNTS

14. INVESTMENT MANAGEMENT EXPENSES

2014-15 £000		2015-16 £000
6,688	Management fees	5,971
510	Investment support costs	419
7,198		6,390

Performance related fees in 2015-16 were £2.7m (2014-15: £4.1m).

15. INVESTMENTS

2014-15 £000		2015-16 £000
	Investment assets	
-	Index-linked securities	61,316
843,577	Equities	266,984
1,044,265	Pooled investments	1,487,140
162,593	Pooled property investments	187,080
165,436	Private equity/infrastructure	207,353
	Derivatives	
386	• Futures	-
48,731	Cash deposits	31,929
3,276	Investment income due	2,580
88	Amounts receivable for sales	235
2,268,352	**Total investment assets**	2,244,617
	Investment liabilities	
	Derivative contracts:	
(393)	• Futures	-
(157)	• Forward currency contracts	-
(44)	Amounts payable for purchases	(1,006)
(594)	**Total investment liabilities**	(1,006)
2,267,758	**Net investment assets**	2,243,611

NOTES TO THE PENSION FUND ACCOUNTS

15(a). Reconciliation of movements in investments and derivatives

	Market value 1-Apr-15 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31-Mar-16 £000
Index-linked securities	**-**	59,954	-	1,362	**61,316**
Equities	**843,577**	574,854	(1,125,479)	(25,968)	**266,984**
Pooled investments	**1,044,265**	615,001	(86,712)	(85,414)	**1,487,140**
Pooled property investments	**162,593**	19,910	(4,054)	8,631	**187,080**
Private equity/infrastructure	**165,436**	28,120	(26,594)	40,391	**207,353**
	2,215,871	1,297,839	(1,242,839)	(60,998)	**2,209,873**
Derivative contracts:					
• Futures	**(7)**	2	(88)	93	**-**
• Forward Currency Contracts	**(157)**	2,592	(2,291)	(144)	**-**
	2,215,707	1,300,433	(1,245,218)	(61,049)	**2,209,873**
Other investment balances:	**52,051**			**935**	**33,738**
• Cash deposits	48,731				**31,929**
• Amount receivable for sales	88				**235**
• Investment income due	3,276				**2,580**
• Amounts payable for purchases of investments	(44)				**(1,006)**
Net investment assets	**2,267,758**			**(60,114)**	**2,243,611**

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 £973k (2014-15: £709k). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

NOTES TO THE PENSION FUND ACCOUNTS

	Market value 1-Apr-14 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31-Mar-15 £000
Equities	745,800	236,732	(221,233)	82,278	**843,577**
Pooled investments	955,205	25,227	(25,513)	89,346	**1,044,265**
Pooled property investments	146,164	9,916	(15,565)	22,078	**162,593**
Private equity/infrastructure	138,312	17,565	(20,003)	29,562	**165,436**
	1,985,481	289,440	(282,314)	223,264	**2,215,871**
Derivative contracts:					
• **Futures**	199	27	(4,276)	4,043	**(7)**
• **Forward Currency Contracts**	(107)	2,470	(2,522)	2	**(157)**
	1,985,573	291,937	(289,112)	227,309	**2,215,707**
Other investment balances:	**47,607**			**(8,993)**	**52,051**
• **Cash deposits**	47,259				48,731
• **Amount receivable for sales**	2,090				88
• **Investment income due**	3,462				3,276
• **Amounts payable for purchases of investments**	(5,204)				(44)
Net investment assets	**2,033,180**			**218,316**	**2,267,758**

NOTES TO THE PENSION FUND ACCOUNTS

15(b). Analysis of Investments

31-Mar-15 £000		31-Mar-16 £000
	Index-linked securities	
	UK	
-	Public sector quoted	61,316
-		61,316
	Equities	
	UK	
364,898	Quoted	259,287
	Overseas	
478,679	Quoted	7,697
843,577		266,984
	Pooled funds – additional analysis	
	UK	
122,420	Fixed income	60,920
567,016	Equity	544,320
	Overseas	
213,787	Fixed income	210,891
140,276	Equity	665,635
766	Cash Fund	5,374
1,044,265		1,487,140
162,593	Pooled property investments	187,080
165,436	Private equity/ infrastructure	207,353
386	Derivatives	-
328,415		394,433
48,731	Cash deposits	31,929
3,276	Investment income due	2,580
88	Amounts receivable for sales	235
52,095		34,744
2,268,352	**Total investment assets**	2,244,617
	Investment liabilities	
(550)	Derivatives	-
(44)	Amounts payable for purchases	(1,006)
(594)	**Total investment liabilities**	(1,006)
2,267,758	**Net investment assets**	2,243,611

NOTES TO THE PENSION FUND ACCOUNTS

15(c). Investments analysed by fund manager

Market value 31-Mar-15 £000	%		Market value 31-Mar-16 £000	%
895,098	39.5	Schroders Investment Management	775,346	34.6
535,387	23.6	State Street Global Asset Management	525,754	23.4
284,373	12.6	Newton Investment Management	-	-
241,325	10.7	Amundi Asset Management	-	-
-	-	Dodge & Cox Worldwide Investments	329,995	14.7
-	-	JO Hambro Capital Management	253,038	11.3
91,480	4.0	Skagen Funds	82,602	3.7
57,942	2.5	Adams Street Partners	64,751	2.9
51,829	2.3	M&G Investments	53,501	2.4
45,123	2.0	HarbourVest Partners (UK)	50,919	2.3
17,289	0.7	Cambridge and Counties Bank (direct holding)	43,000	1.9
18,420	0.8	Equitix	25,378	1.1
18,011	0.8	UBS Infrastructure	19,055	0.8
11,154	0.5	Partners Group (UK)	17,749	0.8
327	0.0	Cash with custodian	2,523	0.1
2,267,758	**100.0**		**2,243,611**	**100.0**

All the above companies are registered in the United Kingdom.

The table below lists investments that represent more than 5% of the net assets of the Scheme.

Security	Market value 31-Mar-15 £000	% of total fund %	Market value 31-Mar-16 £000	% of total fund %
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	-	-	329,995	14.5
State Street Managed Pension Fund All World Equity Index Sub-Fund	320,365	14.0	318,655	14.0
JO Hambro Capital Management Global Select Fund Sterling Z shares	-	-	253,038	11.1
State Street Managed Pension Fund UK Equity Index Sub-Fund	215,022	9.4	207,099	9.1
Schroders International Selection Fund – Strategic Bond	161,958	7.1	157,389	6.9

NOTES TO THE PENSION FUND ACCOUNTS

The table below lists individual investments that represent more than 5% of any class or type of investment shown in the reconciliation of movements in investment and derivatives reported in Note 15(a).

Security	Market value 31-Mar-15 £000	% of asset class %	Market value 31-Mar-16 £000	% of asset class %
Index-linked securities	-	-	**61,316**	**100.00**
1.25% Index-linked Treasury Gilt 2055	-	-	3,823	6.23
0.375% Index-linked Treasury Gilt 2062	-	-	3,370	5.50
1.125% Index-linked Treasury Gilt 2037	-	-	3,356	5.47
1.25% Index-linked Treasury Gilt 2027	-	-	3,241	5.29
1.875% Index-linked Treasury Gilt 2022	-	-	3,244	5.29
2.5% Index-linked Treasury Stock 2024	-	-	3,139	5.12
0.5% Index-linked Treasury Gilt 2050	-	-	3,135	5.11
0.125% Index-linked Treasury Gilt 2068	-	-	3,128	5.10
0.75% Index-linked Treasury Gilt 2047	-	-	3,125	5.10
0.625% Index-linked Treasury Gilt 2040	-	-	3,114	5.08
Equities	**843,577**	**100.00**	**266,984**	**100.00**
GlaxoSmithKline plc	-	-	17,700	6.63
BP plc	-	-	15,111	5.66
Royal Bank of Scotland Group plc	-	-	14,903	5.58
Aviva plc	-	-	13,940	5.22
Pooled investments	**1,044,265**	**100.00**	**1,487,140**	**100.00**
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	-	-	329,995	22.19
State Street Managed Pension Fund All World Equity Index Sub-Fund	320,365	30.68	318,655	21.43
JO Hambros Capital Management Global Select Fund Sterling Z shares	-	-	253,038	17.02
State Street Managed Pension Fund UK Equity Index Sub-Fund	215,022	20.59	207,099	13.93
Schroders International Selection Fund – Strategic Bond	161,958	15.51	157,390	10.58
Skagen Funds Skagen Kon-Tiki Fund	91,480	8.76	82,602	5.55
Pooled property investments	**162,593**	**100.00**	**187,080**	**100.00**
Blackrock UK Fund	22,366	13.76	23,218	12.41
Standard Life Pooled Pension Property Fund	18,769	11.54	19,950	10.66
Schroder Unit Trust UK Real Estate	18,503	11.38	20,670	11.05
Legal & General Property Fund Units	17,534	10.78	19,197	10.26
Hermes Property Unit Trust	16,246	9.99	18,261	9.76
Mayfair Capital Property Units	13,496	8.30	17,977	9.61
Schroder Real Estate Real Income Fund	8,448	5.20	13,974	7.47
AVIVA Investors Pensions Ltd Property A	10,657	6.55	10,065	5.38
Industrial Property Investment Fund	8,873	5.46	10,074	5.38
Private equity/infrastructure	**165,436**	**100.00**	**207,353**	**100.00**
Cambridge & Counties Bank	17,289	10.44	43,000	20.74
Equitix Fund II, LP	18,419	11.13	24,789	11.95
UBS International Infrastructure Fund	17,517	10.58	17,765	8.57
Partners Group Global Infrastructure 2012 LP	11,154	6.74	17,749	8.56

NOTES TO THE PENSION FUND ACCOUNTS

15(d). Stock Lending

The Fund Strategy Statement sets the parameters for the Fund's stock-lending programme. At 31 March 2016, the value of quoted equities on loan was £36.3m (31 March 2015: £58.4m) in exchange for which the Custodian held collateral at fair value of £38.9m (31 March 2015: £64.6m). Collateral consists of acceptable securities and government debt.

16. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

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

Futures

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

Forward foreign currency

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

Futures

There were no outstanding exchange traded futures contracts at 31 March 2016. Outstanding contracts at 31 March 2015 were as follows:

Type	Expires	31-Mar-15	
		Economic exposure	Market value
		£000	£000
Assets			
UK Equity	Less than 1 year	-	-
Overseas Equity	Less than 1 year	-	
Overseas Cash Futures	Less than 1 year	(18,077)	386
Total assets		**(18,077)**	**386**
Liabilities			
UK Equity	Less than 1 year	-	-
Overseas Equity	Less than 1 year	-	-
Overseas Cash Futures	Less than 1 year	(2)	(393)
Total Liabilities		**(2)**	**(393)**
Net Futures		**(18,079)**	**(7)**

NOTES TO THE PENSION FUND ACCOUNTS

Open forward currency contracts

Settlement	Currency bought	Base market value £000	Currency sold	Base market value £000	Asset value £000	Liability value £000
None	-	-	-	-	-	-
				Open forward currency contracts at 31 March 2016	-	-
				Net forward currency contracts at 31 March 2016		-
				Prior year comparative		
				Open forward currency contracts at 31 March 2015	-	(157)
				Net forward currency contracts at 31 March 2015		(157)

NOTES TO THE PENSION FUND ACCOUNTS

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 year.

31-Mar-15				31-Mar-16		
Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000		Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
			Investment assets			
-	-	-	Index-linked securities	61,316	-	-
843,577	-	-	Equities	266,984	-	-
1,044,265	-	-	Pooled investments	1,487,140	-	-
162,593	-	-	Pooled property investments	187,080	-	-
165,436	-	-	Private equity/ infrastructure	207,353	-	-
386	-	-	Derivative contracts	-	-	-
-	48,731	-	Cash	-	31,929	-
3,364	-	-	Other investment balances	2,815	-	-
-	-	-	Receivables	-	-	-
2,219,621	**48,731**	**-**		**2,212,688**	**31,929**	**-**
			Investment liabilities			
-	-	(550)	Derivative contracts	-	-	-
-	-	(44)	Payables	-	-	(1,006)
-	**-**	**(594)**		**-**	**-**	**(1,006)**
			Other assets and liabilities			
-	4,033	-	Cash	-	28,243	-
-	11,927	-	Other loans and receivables	-	4,437	-
-	**15,960**	**-**		**-**	**32,680**	**-**
2,219,621	**64,691**	**(594)**		**2,212,688**	**64,609**	**(1,006)**

NOTES TO THE PENSION FUND ACCOUNTS

17b. Net Gains and Losses on Financial Instruments

31-Mar-15 £000		31-Mar-16 £000
	Financial assets:	
223,264	Fair value through profit and loss	(60,998)
(8,993)	Loans and receivables	1,097
	Financial liabilities:	
-	Fair Value through profit and loss	(51)
-	Loans and Receivables	(162)
4,045	Financial liabilities measured at amortised cost	-
218,316	**Total gains / (losses)**	(60,114)

17c. 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 2012*, which follow the valuation principles of IFRS and US GAAP.

NOTES TO THE PENSION FUND ACCOUNTS

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.

Values at 31 March 2016	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	1,125,863	753,307	333,518	2,212,688
Loans and receivables	64,609	-	-	64,609
Total financial assets	**1,190,472**	**753,307**	**333,518**	**2,277,297**
Financial liabilities				
Financial liabilities at amortised cost	(1,006)	-	-	(1,006)
Total financial liabilities	**(1,006)**	**-**	**-**	**(1,006)**
Net financial assets	**1,189,466**	**753,307**	**333,518**	**2,276,291**

Values at 31 March 2015	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	1,140,664	761,572	317,385	2,219,621
Loans and receivables	63,192	1,499	-	64,691
Total financial assets	**1,203,856**	**763,071**	**317,385**	**2,284,312**
Financial liabilities				
Financial liabilities at amortised cost	(594)	-	-	(594)
Total financial liabilities	**(594)**	**-**	**-**	**(594)**
Net financial assets	**1,203,262**	**763,071**	**317,385**	**2,283,718**

NOTES TO THE PENSION FUND ACCOUNTS

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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

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

a) Market risk

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

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

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

NOTES TO THE PENSION FUND ACCOUNTS

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2015-16 reporting period.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	11.00
Overseas equities	13.30
Global pooled equities	10.80
Index-linked bonds	9.47
Pooled fixed interest bonds	1.37
Property	1.84
Alternatives	4.01
Cash and Other investment balances	0.01

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

NOTES TO THE PENSION FUND ACCOUNTS

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

Asset Type	Value as at 31-Mar-16 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
UK equities	803,607	11.00	892,044	715,210
Overseas equities	7,697	13.30	8,721	6,673
Global pooled equities	665,635	10.80	737,524	593,746
Index-linked bonds	61,316	9.47	67,123	55,509
Pooled fixed interest bonds	271,811	1.37	275,535	268,087
Property	187,080	1.84	190,522	183,638
Alternatives	207,353	4.01	215,668	199,038
Cash and Other investment balances	39,112	0.01	39,116	39,108
Total Assets	**2,243,611**			
Variation on total assets[1]	**2,243,611**	**7.29**	**2,407,170**	**2,080,052**

[1]The percentage change for Total Assets includes the impact of correlation across asset classes.

Asset Type	Value as at 31- Mar-15 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
Equities	1,550,869	9.70	1,701,303	1,400,435
Pooled Bonds	336,207	1.10	339,905	332,509
Property	162,593	2.80	167,146	158,040
Alternatives	165,436	3.80	171,723	159,149
Cash	49,497	0.00	49,497	49,497
Other investment balances	3,156	0.00	3,156	3,156
Total Assets	**2,267,758**			
Variation on total assets	**2,267,758**	**6.60**	**2,417,430**	**2,118,086**

Note: An expanded analysis by asset type has been presented for 2015-16 but the comparative data for 2014-15 is not available for 31 March 2015 and therefore has not been re-presented.

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.

NOTES TO THE PENSION FUND ACCOUNTS

The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely.

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

31-Mar-15 £000	Asset Type	31-Mar-16 £000
48,731	Cash and cash equivalents	31,929
4,033	Cash balances	28,243
-	Index-linked securities	61,316
336,207	Fixed interest securities	271,811
388,971	**Total**	393,299

Assets exposed to interest rate risk	Value at 31-Mar-16 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	31,929	-	31,929	31,929
Cash balances	28,243	-	28,243	28,243
Index-linked securities	61,316	613	60,703	61,919
Fixed interest securities	271,811	2,718	269,093	274,529
Total change in assets available	393,299		389,968	396,630

NOTES TO THE PENSION FUND ACCOUNTS

Assets exposed to interest rate risk	Value at 31-Mar-15 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	48,731	-	48,731	48,731
Cash balances	4,033	-	4,033	4,033
Fixed interest securities	336,207	3,362	332,845	339,569
Total change in assets available	**388,971**	**3,362**	**385,609**	**392,333**

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

Income exposed to interest rate risk	Amount receivable in 2014-15 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits, cash and cash equivalents	102	1	103	101
Fixed interest securities	1,165	-	1,165	1,165
Total	**1,267**	**1**	**1,268**	**1,266**

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

Currency risk

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

NOTES TO THE PENSION FUND ACCOUNTS

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.

Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's investment advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 6.0% (as measured by one standard deviation).

A 6.0% (31 March 2015: 5.4%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period.

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

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

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

Assets exposed to currency risk	Value at 31-Mar-15 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	618,954	33,424	652,378	585,530
Overseas Fixed Income	213,787	11,544	225,331	202,243
Overseas Cash Fund	766	41	807	725
Total	**833,507**	**45,009**	**878,516**	**788,498**

b) Credit risk

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

NOTES TO THE PENSION FUND ACCOUNTS

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 2016 was £60.2m (31 March 2015: £52.8m). This was held with the following institution:-

	Rating	31-Mar-16 £000	31-Mar-15 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	29,934	37,645
UK Treasury Bills		-	1,500
Bank deposit account			
Barclays Bank	A	28,243	4,033
Futures variation margins (TBC)		-	5,193
Bank current accounts		1,995	4,393
Northern Trust custody accounts	P-1		
Total		**60,172**	**52,764**

c) Liquidity risk

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

NOTES TO THE PENSION FUND ACCOUNTS

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2016 the value of illiquid assets was £394.4m, which represented 17.6% of the total Fund assets (31 March 2015: £328.0m, which represented 14.5% 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 2016 are due within one year.

d) Refinancing risk

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

19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 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 maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

NOTES TO THE PENSION FUND ACCOUNTS

At the 2013 actuarial valuation, the Fund was assessed as 72.4% funded (72.9% at the March 2010 valuation). This corresponded to a deficit of £728m (2010 valuation: £555m) at that time. The common contribution rate (i.e. the rate which all employers in the Fund pay) is:

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

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

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

Financial assumptions

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

		31-Mar-13		31-Mar-10	
Assumption	Description	Nominal	Real	Nominal	Real
Price Inflation (CPI)/ Pension increases		2.5%	-	3.3%	-
Pay increases	CPI plus 1.8% p.a.*	4.3%	1.8%	5.3%**	2.0%
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.6% p.a.	4.6%	2.1%	6.1%	2.8%

*Plus an allowance for promotional pay increases.
**1% p.a. for 2010/11 and 2011/12, reverting to 5.3% thereafter.

NOTES TO THE PENSION FUND ACCOUNTS

Mortality assumptions

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

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	Female	Male	Female
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 19).The actuary has also used valued ill health and death benefits in line with IAS 19.

NOTES TO THE PENSION FUND ACCOUNTS

31-Mar-15 £bn		31-Mar-16 £bn
(3.791)	Present value of promised retirement benefits	(3.555)
2.284	Fair value of scheme assets (bid value)	2.277
(1.507)	**Net liability**	(1.278)

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

Assumptions used

	31-Mar-16 % p.a.	31-Mar-15 % p.a.
Inflation/pension increase rate assumption	2.2	2.4
Salary increase rate	4.2	4.3
Discount rate	3.5	3.2

21. CURRENT ASSETS

31-Mar-15 £000		31-Mar-16 £000
	Debtors:	
1,601	Contributions due – members	2,048
4,295	Contributions due – employers	6,544
260	Transfer values receivable (joiners)	127
5,866	Sundry receivables	6,803
4,033	Cash balances	28,243
16,055		43,765

NOTES TO THE PENSION FUND ACCOUNTS

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 2016, a total of £3,160,000 was still due from the Ministry of Justice, with £632,000 being shown in Current Assets and £2,528,000 being due after 31 March 2017 being shown in Non Current Assets.

23. CURRENT LIABILITIES

31-Mar-15 £000		31-Mar-16 £000
1,080	Sundry payables	13,153
450	Transfer values payable (leavers)	94
461	Benefits payable	366
1,991		13,613

24. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31-Mar-15 £000		Market value 31-Mar-16 £000
539	Equitable Life	463
7,394	Prudential	7,182
7,933		7,645

Contributions paid directly to Equitable Life during the year were negligible (2014-15: £5k) and total contributions of £940k were paid directly to Prudential during the year (2014-15: £1,109k). The value of both the Equitable Life and Prudential funds decreased during the year due to the payment of retirement benefits exceeding receipts from contributions and investment income.

NOTES TO THE PENSION FUND ACCOUNTS

25. AGENCY SERVICES

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

2014-15 £000		2015-16 £000
237	Unfunded pensions	81
237		81

26. RELATED PARTY TRANSACTIONS

Cambridgeshire County Council

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

The Council incurred costs of £2.2m (2014-15: £2.4m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.
The Council is also the single largest employer of members of the Pension Fund and contributed £28.2m to the Fund in 2015-16 (2014-15: £27.3m). At 31 March 2016 there was £2.8m (31 March 2015: £4.7m) due to the Fund by the Council.

Cambridge and Counties Bank

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

NOTES TO THE PENSION FUND ACCOUNTS

Governance

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

- Councillor Michael Shellens
- Matthew Pink
- John Walker

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

Key management personnel

Paragraph 3.9.4.3 of the Code exempts Local Authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Cambridgeshire County Council Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Cambridgeshire County Council.

27. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2016 totalled £93.9m (31 March 2015: £119.5m).

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

28. CONTINGENT ASSETS

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.

29. IMPAIRMENT LOSSES

Impairment for bad and doubtful debts

During 2015-16 the Fund did not suffer any impairment loss (2014-15: Nil) for overpayment of pensions unable to be recovered due to reasons of estoppel.

NOTES TO THE PENSION FUND ACCOUNTS

GLOSSARY OF TERMS

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

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

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

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

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

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

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

AVAILABLE FOR SALE FINANCIAL ASSETS
Assets that have a quoted market price and/or do not have fixed or determinable payments.

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

BID PRICE
The price at which securities are purchased by market makers.

BOND
Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum

NOTES TO THE PENSION FUND ACCOUNTS

borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured.

CASH EQUIVALENTS
Assets which are readily convertible into cash.

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

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

CONTINGENT ASSETS AND LIABILITIES
Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

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

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

COUPON
The regular payment made on bonds.

CURRENT ASSETS
Short-term assets such as inventories, receivables and bank balances.

CURRENT LIABILITIES
Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

DEBENTURE
Fixed loan stock (bond) secured against the company's property, plant and equipment. First in the event of the company going into liquidation.

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

DEFICIT
An outcome as a result of taking away all expenses from income.

NOTES TO THE PENSION FUND ACCOUNTS

DERIVATIVE
A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

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

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

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

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

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

FINANCIAL INSTRUMENTS
Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

FINANCIAL CONDUCT AUTHORITY (FCA)
The lead UK regulator. A designated agency which is not a government department.

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

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

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

NOTES TO THE PENSION FUND ACCOUNTS

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

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

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

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

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

IMRO
Investment Management Regulatory Organisation. Fund Manager Regulator.

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

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

INFRASTRUCTURE ASSETS
Assets such as roads and bridges.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

LGSS
A partnership between Cambridgeshire and Northamptonshire County Councils to create a wholly owned public sector organisation to deliver professional and transactional support services.

NOTES TO THE PENSION FUND ACCOUNTS

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

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

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

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

OFFER PRICE
The price at which market makers will sell stock.

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

PENSIONS STRAIN
Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

RELATED PARTY
A person or an organisation which has influence over another person or organisation.

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

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

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

SURPLUS
An outcome as a result of taking away all expenses from income.

NOTES TO THE PENSION FUND ACCOUNTS

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.

TREASURY MANAGEMENT
A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

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

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

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

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

NOTES TO THE PENSION FUND ACCOUNTS

Appendix A – Governance Policy & Governance Compliance Statement
Appendix B – Funding Strategy Statement
Appendix C – Statement of Investment Principles
Appendix D – Joint administration strategy & joint communication strategy

NOTES TO THE PENSION FUND ACCOUNTS

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NOTES TO THE PENSION FUND ACCOUNTS

Governance Policy and Compliance Statement (June 2015)

Cambridgeshire Pension Fund

LGSS

Cambridgeshire Local Government Pension Scheme (LGPS)

Governance Policy and Compliance Statement (May 2015)

Introduction

This Policy and Compliance Statement details the governance arrangements for the Cambridgeshire Pension Fund, which is maintained by Cambridgeshire County Council, as required by Regulation 53 of the Local Government Pension Scheme Regulations 2013.

Under Regulation 55 of that provision all LGPS Funds are required to produce a Governance Compliance Statement which must be published and revised upon any material change in delegation arrangements.

The statement must set out -

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority:

(b) if the authority does so –

(i) the terms, structure and operational procedures of the delegation,

(ii) the frequency of any committee or sub-committee meetings,

(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights.

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under Regulation 53(4)

Each administering authority must –

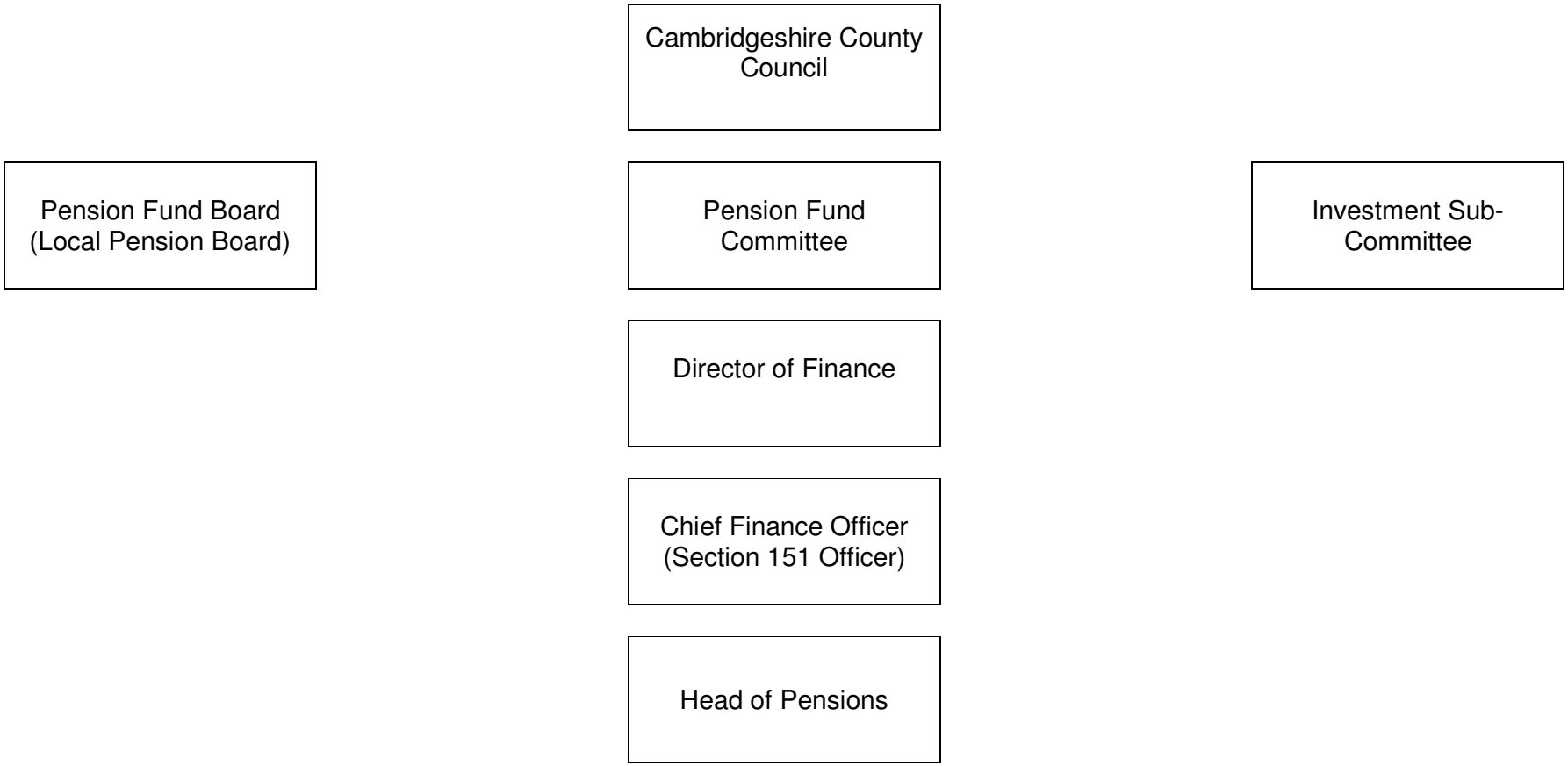
(a) keep the statement under review and make such revisions as are appropriate, following a material change,

(b) in preparing and reviewing the statement, consult such persons as it considers appropriate,

(c) publish its statement and any revised statement.

Governance Structure

The Cambridgeshire Pension Fund governance structure is shown below.



Scheme of Delegations for the Cambridgeshire Pension Fund

Cambridgeshire County Council has delegated its functions in relation to the maintenance of the Cambridgeshire Pension Fund to its Committees and Local Pension Board as follows:

Pension Fund Committee

Power to set the Pension Fund's objectives and determine and maintain appropriate strategies, polices and procedures with ongoing monitoring in the following areas:

- Funding Strategy – ongoing monitoring and management of the liabilities including ensuring appropriate funding plans are in place for all employers in the Fund. Overseeing the triennial valuation and interim valuations and working with the actuary in determining the appropriate level of employer contributions for each employer.

- Investment Strategy – to determine the Fund's investment objectives and to set and review the long term high level investment strategy to ensure these are aligned with the Fund's specific liability profile and risk appetite.

- Administration Strategy – the administration of the Fund including collecting payments due, calculating and paying benefits, gathering from and providing information to scheme members and employers.

- Communications Strategy – determining the methods of communications with the various stakeholders including scheme members and employers.

- Discretions – determining how the various administering authority discretions are operated for the Fund.

- Governance – the key governance arrangements for the Fund, including representation.

- Risk Management Strategy – to include regular monitoring of the Fund's key risks and agreeing how they are managed and/or mitigated.

Authority to approve and apply the policy on, and to take decisions relating to, employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.

Authority to agree the terms and payment of bulk transfers into and out of the Fund in consultation with the Section 151 Officer.

Authority to consider and agree business plans at least annually and monitor progress against them and to monitor compliance with the Myner's Principles on an annual basis.

Authority to develop and maintain a training policy for all Pension Fund Committee,

Investment Sub-Committee and Pension Fund Board members and for all officers of the Fund, including:

- Determining the Fund's knowledge and skills framework;
- Identifying training requirements;
- developing training plans; and
- monitoring attendance at training events.

Authority to select, appoint, monitor and where necessary terminate advisers to the Fund not sole relating to investment matters.

Authority to agree the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.

Authority to consider and determine where necessary, alternative investment strategies for participating employers.

Authority to oversee the work of the Investment Sub-Committee and consider any matters put to them by the Investment Sub-Committee.

Authority to set up sub-committees and task and finish groups including jointly with other LGPS Administering Authorities.

Authority to review and amend the Statement of Investment Principles on an annual basis, in consultation with the Section 151 Officer.

Authority to manage any other strategic or key matters pertaining to the Fund not specifically listed above.

Investment Sub-Committee

Authority to implement the Fund's investment strategy.

Authority to review and maintain the detailed asset allocation of the Fund within parameters agreed with the Pension Fund Committee.

Authority to appoint and terminate investment managers to the Fund and to monitor the performance of investment managers leading to review and decisions on termination where necessary.

Authority to appoint and monitor and where necessary terminate external advisors and service providers solely relating to investment matters, for example, the Fund Custodian, independent investment advisers, investment consultants and investment managers.

Authority to set benchmarks and targets for the Fund's investment managers.

Authority to monitor the risks inherent in the Fund's investment strategy in relation to the Fund's funding level.

Authority to determine operational matters such as rebalancing and the most appropriate methodology for asset transitions within parameters agreed by the Pension Fund Committee.

Authority to monitor and review:

- Legislative, financial and economic changes relating to investments and their potential impact on the Fund;
- The investment management fees paid by the Fund and to implement any actions deemed necessary;
- The transactions costs incurred by the Fund across its investment mandates and raise relevant issues and concerns with the investment managers as necessary;
- The investment managers' adoption of socially responsible investment considerations, on an annual basis, including corporate governance matters and a review of compliance; and
- with the UK Stewardship Code.

Authority to receive reports on Interim Manager meetings and other operational meetings.

Authority to undertake any task as delegated by the Pension Fund Committee.

Authority to refer any matter to the Pension Fund Committee as they consider appropriate.

Authority to provide minutes and such other information to the Pension Fund Committee as they may request from time to time.

Pension Fund Board (Local Pension Board)

Authority to assisting the Administering Authority to secure compliance with:

- the Principal 2013 Regulations;
- other legislation relating to the governance and administration of the LGPS; and
- the requirements imposed by the Pensions Regulator in relation to the LGPS

Authority to assist the Administering Authority in ensuring effective and efficient governance and administration of the LGPS (including funding and investments).

Director of Finance

Responsibility for the operational management of the Shared Services within the

remit of the Pensions Service and in accordance with the requirements of the Pension Fund Committee and Investment Sub-Committee, including authority to determine the number, grade, title and nature of staff deployed and all other terms and conditions.

Chief Finance Officer (Section 151 Officer)

To determine all future applications to join CCC's superannuation fund as an admitted body after consultation with the Chairman/woman of the Pension Fund Committee.

To determine any applications to CCC for recommencement of the payment of a widow's pension.

To determine future applications to CCC for the early payment of deferred pension rights.

To exercise discretion as to whom any lump sum death grant should be paid from the CCC Pension Fund.

The granting of applications to CCC for early payment of benefits on or after age 50 and before age 60.

Detailed implementation of the investment strategy as determined by the Pension Fund Committee and the issuing of any instructions to investment managers consistent with the strategy or required as a matter or urgency to safeguard CCC's/the Fund's position.

To agree any whole fund parameters and assumptions used by the Actuary for the triennial valuation and the phasing of any changes to employer contribution rates after consultation with the Chairman/woman of the Pension Fund Committee.

GOVERNANCE POLICY & COMPLIANCE STATEMENT

The Pension Fund Committee

The Pension Fund Committee is composed as follows:

Representing	No.	Term of Office	Method of appointment
Cambridgeshire County Council	6	4 years from County Council elections	Determined by Cambridgeshire County Council Full Council.
All other Local Authorities, Police and Fire	2	4 years	Nominations determined by a leaders/chief executives group. Selection will be linked to the election cycle. Details of the process to be agreed by the Chairman/woman.
All other employers	1	4 years	Nominations to be determined by eligible employers. Details of the process to be agreed by the Chairman/woman.
Active Scheme Members	1	4 years	Determined by Unison. Where Unison fails to nominate a representative for any period of 6 months or more, nominations will be requested from all eligible active members and a representative will be picked following interviews. Details of process to be agreed by the Chairman/woman.
Deferred and Pensioner Scheme Members	1	4 years	Determined by Unison. Where Unison fails to nominate a representative for any period of 6 months or more, nominations will be requested from all eligible deferred and pensioner members and a representative will be picked following interviews. Details of process to be agreed by the Chairman/woman.
Total	11		

The Chairman/woman and Vice Chairman/woman of the Pension Fund Committee shall be elected by the Pension Fund Committee.

Full Council may appoint substitute members to the Pension Fund Committee in accordance with the scheme of substitution. Similarly, substitutes for the representatives of all other employers and of Scheme members may be appointed by eligible employers and Unison respectively.

All members and representatives have equal voting rights.

GOVERNANCE POLICY & COMPLIANCE STATEMENT

The Pension Fund Committee is supported in the execution of its responsibilities by staff from LGSS Pensions (a shared service formed from the joint partnership of Cambridgeshire County Council and Northamptonshire County Council). The Committee is also supported by professional advisers such e.g. the Fund Actuary.

The Board meets four times a year with an additional Annual General Meeting in July. Additional Task and Finish Groups can meet as necessary to consider and report on matters that require further consideration.

The Investment Sub-Committee

The Investment Sub-Committee is composed as follows:

Representing	**No.**	**Term of Office**	**Method of appointment**
Cambridgeshire County Council	4	4 years from County Council elections	Determined by Cambridgeshire County Council Full Council. Details of process to be agreed by the Chairman/woman.
All other employers	2	Up to term of office ceasing in accordance with Board membership or six years, whichever is later	Determined by non-Cambridgeshire County Council employer representatives on the Committee. Details of process to be agreed by the Chairman/woman.
Scheme members	1	Up to term of office ceasing in accordance with Board membership or six years, whichever is later	By agreement between active and deferred pensioner representatives on the Committee. Details of the process to be agreed by the Chairman/woman.
Total	7		

All Investment Sub-Committee members shall be drawn from Pension Fund Committee membership. The Chairman/woman and Vice Chairman/woman of the Investment Sub-Committee shall be the Chairman/woman and Vice Chairman/woman of the Pension Fund Committee respectively.

All members and representatives have equal voting rights.

The Pension Fund Committee may appoint substitute members to the Investment Sub-Committee in accordance with the scheme of substitution. Similarly, substitutes

for the representatives of all other employers and of Scheme members may be appointed by eligible employers and Unison respectively.

The Investment Sub-Committee is supported in the execution of its responsibilities by an institutional investment adviser.

The Investment Sub-Committee meets four times a year.

In addition special meetings of the Investment Sub-Committee are held when required for the discharge of its functions in regard to such matters as the selection and appointment of investment managers.

The Pension Fund Board (Local Pension Board)

The Pension Fund Board is composed as follows:

Representing	**No.**	**Term of Office**	**Method of Appointment**
Scheme Employers	3	4 years or until qualification for membership ceases	At least two representatives to be appointed by Cambridgeshire County Council Full Council. One representative appointed via an open and transparent selection process.
Scheme Members	3	4 years or until qualification for membership ceases	To be appointed via an open and transparent selection process.
Total	6		

The Pension Fund Board has no decision making ability.

The Chairman/woman and Vice Chairman/woman of the Board shall be elected

There are no substitute members.

The Pension Fund Board meets at least twice per year.

The Pension Fund Board reports its activities at the end of each financial year to full Council.

Governance Compliance Statement

This section sets out the extent to which Cambridgeshire Pension Fund governance arrangements are compliant with the latest guidance issued by the Secretary of State for Communities and Local Government;

Principle	Not Compliant	Partially Compliant	Fully Compliant
A. Structure			
(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.			✓
(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.			✓
(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.			✓
(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.			✓
B. Representation			
(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include;			✓
(i) employing authorities (including non-scheme employers (e.g. admitted bodies)			✓
(ii) scheme members (including deferred and pensioner scheme members)			✓
(iii) independent professional observers			✓
(iv) expert advisers			✓
(b) that where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.			✓
C. Selection and role of lay members			
(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee			✓
(b) that at the start of any meeting, committee members are invited to declare any financial			✓

or pecuniary interest related to specific matters on the agenda.			
D. Voting			
(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.			✓
E. Training/Facility time/Expenses			
(a) that in relation to they way in which statutory and related decisions are taken by the Administering Authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.			✓
(b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form or secondary forum.			✓
F. Meetings (frequency/quorum)			
(a) that the Administering Authority's main committee or committees meet at least quarterly.			✓
(b) that an Administering Authority's secondary committee of panel meet at least twice a year and is synchronised with the dates when the main committee sits.			✓
(c) that Administering Authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders be represented.			N/A
G. Access			
(a) that subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.			✓
H. Scope			
(a) that administering authorities have taken steps to bring the wider scheme issues within the scope of their governance arrangements.			✓
I. Publicity			
(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.			✓

Cambridgeshire Pension Fund

Funding Strategy Statement

March 2014

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Contents

Funding Strategy Statement		PAGE
1	Introduction	1
2	Basic Funding issues	4
3	Calculating contributions for individual Employers	8
4	Funding strategy and links to investment principles	18

Appendices

Appendix A – Regulatory framework	20
Appendix B – Responsibilities of key parties	22
Appendix C – Key risks and controls	24
Appendix D – The calculation of Employer contributions	29
Appendix E – Actuarial assumptions	32
Appendix F – Glossary	34

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Cambridgeshire Pension Fund ("the Fund"), which is administered by Cambridgeshire County Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 25th December 2013.

1.2 What is the Cambridgeshire Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Cambridgeshire Fund, in effect the LGPS for the Cambridgeshire area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth;
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework of which includes:

- the LGPS Regulations;

- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles (see Section 4).

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, and in what circumstances you might need to pay more. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- 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.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment principles.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Paul Tysoe, LGSS Funding and Governance Manager in the first instance at e-mail address phtysoe@northamptonshire.gov.uk or on telephone number 01604 368671..

2 Basic Funding issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate a contribution rate?

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being built up from year to year, referred to as the "*future service rate*"; plus

b) an adjustment for the difference between the assets built up to date and the value of past service benefits, referred to as the "*past service adjustment*". If there is a deficit the past service adjustment will be an increase in the employer's total contribution; if there is a surplus there may be a reduction in the employer's total contribution. Any past service adjustment will aim to return the employer to full funding over an appropriate period (the "deficit recovery period").

2.2 How is a deficit (or surplus) calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets, to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

A larger deficit will give rise to higher employer contributions. If a deficit is spread over a longer period then the annual employer cost is lower than if it is spread over a shorter period.

2.3 How are contribution rates calculated for different employers?

The Fund's actuary is required by the Regulations to report the *Common Contribution Rate*, for all employers collectively at each triennial valuation, combining items (a) and (b) above. This is based on actuarial assumptions about the likelihood, size and timing of benefit payments to be made from the Fund in the future, as outlined in Appendix E. Note that this is a notional Fund-wide, not employer specific, contribution rate.

The Fund's actuary is also required to adjust the *Common Contribution Rate* for circumstances specific to each individual employer. The sorts of specific circumstances which are considered are discussed in Section 3. It is this adjusted contribution rate which the employer is actually required to pay, and the rates for all employers are shown in the Fund's Rates and Adjustments Certificate.

Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific circumstances. These may be suitably adjusted for employers who are approaching cessation from the Fund.

Details of the outcome of the Actuarial Valuation as at 31 March 2013 can be found in the formal valuation report dated 31st March 2014, including an analysis at Fund Level of the *Common Contribution Rate*. Further details of individual employer contribution rates can also be found in the formal report.

2.4 What else might affect the employer's contribution?

Employer covenant, and likely term of membership, are also considered when setting contributions: more details are given in Section 3. This will also include consideration of whether the employer appears to be heading for cessation from the Fund (eg due to having a low and reducing number of active members).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

If an employer is approaching the end of its participation in the Fund then its contributions may be amended appropriately, so that the assets meet (as closely as possible) the value of its liabilities in the Fund when its participation ends.

Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of the higher rate will be taken by the Fund Actuary at subsequent valuations.

2.5 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status; in addition, other forms of school (such as Free Schools) can be established under the academies legislation. All such academies, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the DCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education;
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The provision of benefits to ex-employees and their families has broader benefits to society, such as a healthier local economy and reduced means-tested State benefit payments;
- Unlike other public sector pension schemes, the LGPS Funds must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Fund will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc. This helps the Fund establish a picture of the financial standing of the employer, i.e. its ability to meet its long term Fund commitments.

For instance, where an employer is considered relatively low risk then the Fund will permit greater smoothing (such as stabilisation or a longer deficit recovery period relative to other employers) which will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, an employer whose risk assessment indicates a less strong covenant will generally be required to pay higher contributions (for instance, with a more prudent funding basis or a shorter deficit recovery period relative to other employers). This is because of the higher probability that at some point it will fail or be unable to meet its pension contributions, with its deficit in the Fund then falling to other Fund employers.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, there are a number of methods which the Administering Authority may permit, in order to improve the stability of employer contributions. These include, where circumstances permit:-

- capping of employer contribution rate changes within a pre-determined range ("stabilisation")
- the use of extended deficit recovery periods
- the phasing in of contribution rises or reductions
- the pooling of contributions amongst employers with similar characteristics
- the use of some form of security or guarantee to justify a lower contribution rate than would otherwise be the case.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority may, at its sole discretion, direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying contributions below the theoretical level

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than the theoretical contribution rate. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the choice of method,
- lower contributions in the short term will be assumed to incur a greater loss of investment returns on the deficit. Thus, deferring a certain amount of contribution will lead to higher contributions in the long-term, and
- it will take longer to reach full funding, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	**Local Authorities**	**Police, Fire, Colleges etc**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to "gilts basis" - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Future service rate	Projected Unit Credit approach (see Appendix D – D.2)				Attained Age approach (see Appendix D – D.2)	Projected Unit Credit approach (see Appendix D – D.2)
Stabilised rate?	Yes - see Note (b)	Yes - see Note (b)	Academies' Contribution rates - see Note (b)	No	No	No but see Note (i)
Maximum deficit recovery period – Note (c)	20 years	20 years	20 years	Average expected future working lifetime	Average expected future working lifetime	Outstanding contract term (or future working lifetime, if less)
Deficit recovery payments – Note (d)	Monetary amount	Monetary amount	Percentage of pay	Monetary amount	Monetary amount	Monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Preferred approach: contributions kept at future service rate. However, reductions may be permitted by the Admin. Authority		Reduce contributions by spreading the surplus over the remaining contract term
Phasing of contribution changes – Note (e)	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	3 years	3 years	3 years or outstanding contract term if less
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Reviewed annually by request in last 3 years of contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement, or similar. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising. If cessation prior to end of contract then see Note (j).

Note (a) (Basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may vary the *discount rate* used to set employer contribution rate. In particular contributions may be set for an employer to achieve full funding on a more prudent basis (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see headings in table below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring).

On the basis of extensive modelling carried out for the 2013 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Less mature* tax-raising authority, police and fire authorities	More mature* tax-raising authority	Academy **	College or University
Base cont rate	Actual 2013-14 rate	Actual 2013-14 rate	County rate plus 1% of pay	Actual 2013-14 rate
Max cont increase each year	+1% of pay	+2% of pay	+1% of pay	+1% of pay
Max cont decrease each year	-1% of pay	-2% of pay	-1% of pay	-1% of pay

The 4th year (2017-18) contributions are being held exactly as the 3rd year (2016-17 contributions), subject to adverse market conditions not making it unsafe to do so.

*The split in maturity is based on criteria such as ratio of liabilities to payroll ("gearing") and current contribution rate, after discussion between the actuary and Administering Authority, on the basis of analysis carried out by the actuary.

**The Academy stabilised rate is a single minimum rate applicable for all academies in the Fund as an alternative to their individual calculated rate, if the latter is higher. This rate will normally be close to (but not exactly equal to) the rates applicable to the ceding Local Authority.

The stabilisation criteria and limits will be reviewed at the 31 March 2016 valuation, to take effect from 1 April 2018. This will take into account the employer's membership profiles, the issues surrounding employer security, and other relevant factors. At the 2013 valuation the Administering Authority adopted a policy of ensuring the stabilised rates would remain in force for two years (as opposed to one year) after each future valuation date, to provide sufficient advance notice to such employers regarding possible changes in their contribution rates.

Note (c) (Deficit Recovery Periods)

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2014 for the 2013 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative spreading periods, for example where there were no new entrants.

Where stabilisation applies, the resulting employer contribution rate would be amended to comply with the stabilisation mechanism.

For employers with no (or very few) active members at this valuation, the deficit should be recovered by a fixed monetary amount over a period to be agreed with the body or its successor, not to exceed 10 years, unless other arrangements are in place (such as pooling).

Note (d) (Deficit Recovery Payments)

Deficit recovery payments for each employer covering the four year period until the next valuation will typically be set as a monetary sum as opposed to a percentage of salaries. However, where a percentage of salaries approach is adopted, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

For certain employers the Fund may split contributions in recognition of different groups of employees, and apply different contribution approaches accordingly. Any such arrangements will be identified in the Rates & Adjustments Certificate produced with the formal valuation report.

Note (e) (Phasing in of contribution changes)

It has been agreed at the 2013 valuation that contributions will be set for the next four years (i.e. to 2017/18), moving to three-yearly thereafter: this will assist employers in their budget planning process in future. All phasing is subject to the Administering Authority being satisfied as to the strength of the employer's covenant.

Employers which have no active members at the date of this valuation will not be phased.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee. In other words, if higher contributions are required then these will be implemented immediately (and will therefore supersede the rates put forward at the formal 2013 valuation), to be in force for the remaining period to the next valuation.

Note (g) (New Academy employers)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

a) The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;

b) The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

c) The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

d) The new academy's initial contribution rate will be calculated using market conditions, the council funding position and, membership data, all as at the day prior to conversion;

e) As an alternative to (d), the academy will have the option to elect to pay contributions outlined in Note (b) above (regarding stabilised contribution rates).These have been calculated in line with the ceding Local Authority. However, this election will not alter the academy's asset or liability allocation as per (b) and (c) above. Ultimately, all academies remain responsible for their own allocated deficit.

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (d) and (e) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund;
- the current deficit.

For all new Transferee Admission Bodies, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis.

The Administering Authority will only consider requests from Community Admission Bodies (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

In some cases it may be deemed that the risk is minimal, in which case no security will be required: this will only apply with the agreement of the Administering Authority, and recorded as such.

The above approaches reduce the risk to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Under the standard approach, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Instead of the above approach, employers which "outsource" have flexibility and can share the pension risk potentially taken on by the contractor. In particular there are three different risk-sharing routes that such employers may wish to adopt, in place of the above standard approach. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under the stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate and doesn't pay any cessation deficit. A variation of this is where the letting employer is paying a "stabilised" contribution rate, and permits the contractor to pay the same rate.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in a side agreement between the contractor and letting employer (such as the transfer agreement), as opposed to the Admission Agreement. The side agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from;

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above;
- redundancy and early retirement decisions.

  Note that, as such risk-sharing arrangements are by agreement between the letting employer and the contractor (as opposed to the Fund), then these will normally fall outside the Admission Agreement: the Admission Agreement will still require that the contractor pays full (and variable) contributions to the Fund, and any adjustments are then settled between the letting employer and the contractor separately.

  It should be noted that a letting employer which establishes a number of risk-sharing arrangements will inevitably face different (and possibly higher) pension costs and risks to itself in the future. This arises due to the retention of risk but the transfer-out of staff and revenue. This situation may require further analysis, and changes in contribution arrangements, for the letting employer.

Note (j) (Admission Bodies and Designating Employers Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund;
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus it should be noted that current legislation does not permit a refund payment to the Admission Body.

Where a cessation event has been triggered as per the above, or for non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

a) Where there is a guarantor for future deficits and contributions, the cessation valuation will normally be calculated using the ongoing basis as described in Appendix E;

b) Alternatively, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee;

c) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis", which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund would look to any bond, indemnity or guarantee in place for the employer.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit, and would carry out the cessation valuation on an ongoing basis: deficit recovery payments would be derived from this cessation debt. This approach would be monitored as part of each triennial valuation: the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members.

3.4 Pooled contributions

From time to time the Administering Authority may set up pools for employers, and change or alter the membership of such pools. This will always be in line with its broader funding strategy.

With the advice of the Actuary the Administering Authority allows smaller employers of similar types to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool. Transferee Admission Bodies are usually also ineligible for pooling.

Smaller admitted bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Employers who are permitted to enter (or remain in) a pool at the 2013 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Schools (other than academies) are generally pooled with their funding Council. However there may be exceptions for specialist or independent schools.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority, and/or it is considered appropriate to adopt a probabilistic-based analysis on the employer's contributions and obligations.

Such flexibility includes a reduced rate of contribution, an extended deficit recovery period, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan;
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

Normally such payments are required in a single lump sum immediately. However, with the agreement of the Administering Authority the payment can be spread as follows:

Major Employing bodies	- up to 3 years
Community Admission Bodies and Designating Employers	- up to 3 years
Academies	- up to 3 years

3.7 Ill health early retirement costs

At the time of writing, all employers have ill health liability insurance (see 3.8 below) which means that such costs are met (at least up to a point) by a single lump sum paid by the relevant insurer.

3.8 Ill health insurance

The Administering Authority has arranged a current insurance policy covering ill health early retirement strains for all employers in the Fund, on a mandatory basis. The employer's contribution to the Fund each year includes its share of that year's insurance premium. The existence of whole Fund insurance therefore has no impact on the total contributions paid to the Fund.

The Administering Authority will keep the employers notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund;

c) In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities;
- Notwithstanding the above, the Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment principles

4.1 What are the Fund's investment principles?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is described as the investment principles.

Investment principles are set by the administering authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (SIP), which is available to members and employers.

The investment principles are set for the long-term, but reviewed from time to time. Normally a full review is carried out after each actuarial valuation, and kept under review annually between actuarial valuations to ensure that they remain appropriate to the Fund's liability profile.

The same investment principles are currently followed for all employers.

4.2 What is the link between funding strategy and investment principles?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment principles). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment principles?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment principles of the Fund. The asset outperformance assumption contained in the discount rate (see E3) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see A1).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 How does this differ for a large stable employer?

The Actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

- Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;
- Affordability – how much can employers afford;
- Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position;
- Stability – employers should not see significant moves in their contribution rates from one year to the next, and this will help to provide a more stable budgeting environment.

The key problem is that the key objectives often conflict. For example, minimising the long term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g.

equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore a balance needs to be maintained between risk and reward, which has been considered by the use of Asset Liability Modelling: this is a set of calculation techniques applied by the Fund's actuary, to model the range of potential future solvency levels and contribution rates.

The Actuary was able to model the impact of these four key areas, for the purpose of setting a stabilisation approach (see 3.3 Note (b)). The modelling demonstrated that retaining the present investment principles, coupled with constraining employer contribution rate changes as described in 3.3 Note (b), struck an appropriate balance between the above objectives. In particular the stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

Whilst the current stabilisation mechanism is to remain in place until 2018, it should be noted that this will need to be reviewed following the 2016 valuation.

4.5 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Board meetings, and also to employers through newsletters and Employers Forums.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS 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 framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2012) and to its Statement of Investment Principles.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was made available for comment on the Fund website in November 2013;

b) Comments were requested within [30] days;

c) There was an Employers Forum on 15 November 2013 at which questions regarding the FSS could be raised and answered;

d) Following the end of the consultation period the FSS was updated where required and then published, in [December 2013].

A3 How is the FSS published once finalised (after the consultation)?

The FSS is made available through the following routes:

- Published on the website, at [http://pensions.cambridgeshire.gov.uk];
- A full copy linked from the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered, until it is consulted upon as part of the formal process for the next valuation, in 2016.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Board and would be included in the relevant Board Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Statement of Investment Principles, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at http://pensions.cambridgeshire.gov.uk

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles (SIP) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- prepare and maintain a FSS and a SIP, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS/SIP as necessary and appropriate.

B2 The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of Admission Bodies' participation in the Fund; and

- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's SIP remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Large scale outsourcings affect letting employer's ability to meet legacy liabilities	Situation monitored for all such employers (mainly local authorities), and Officers liaise with Actuary to determine whether further analysis is necessary in any given case.
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term.	Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level. Appropriate probability margin used in target funding level for stabilised employer.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context. Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than	The focus of the actuarial valuation process is on real

Risk	Summary of Control Mechanisms
anticipated.	returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is provided.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there

Risk	Summary of Control Mechanisms
	is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The results of the most recent reforms have been built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.
Change in local government landscape (eg due to large scale outsourcings and reorganisations, and/or budget cuts) reduce local authorities' ability to properly fund pension obligations	Position monitored at triennial valuations, and full discussions with local authorities to ensure proper understanding of long term obligations, costs and risk.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions (under Regulation 38) between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular

Risk	Summary of Control Mechanisms
	intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the "future service rate"; plus

b) an adjustment for the funding position of accrued benefits relative to the Fund's solvency target, "*past service adjustment*". If there is a surplus there may be a reduction in the employer's contribution rate. If there is a deficit there will be an increase in the employer's contribution rate, with the surplus or deficit spread over an appropriate period. The aim is to return the employer to full funding over that period. See Section 3 for deficit recovery periods.

The Fund's actuary is required by the regulations to report the *Common Contribution Rate*[1], for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay; it is in effect an average rate across all employers in the Fund.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer[2]. It is the adjusted contribution rate which employers are actually required to pay. The sorts of "peculiar" factors which are considered are discussed below.

In effect, the *Common Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific past service deficit spreading and increased employer contribution phasing periods.

D2 How is the Future Service Rate calculated?

The future service element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The future service rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The calculation is on the "ongoing" valuation basis (see Appendix E), but where it is considered appropriate to do so the Administering Authority reserves the right to set a future service rate by reference to liabilities valued on a more prudent basis (see Section 3).

The approach used to calculate each employer's future service contribution rate depends on whether or not new entrants are being admitted. Employers should note that it is only Admission Bodies and Designating Employers that may have the power not to automatically admit all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

[1] See LGPS (Administration) Regulations 36(5).
[2] See LGPS (Administration) Regulations 36(7).

a) Employers which admit new entrants

These rates will be derived using the "Projected Unit Method" of valuation with a one year period, i.e. only considering the cost of the next year's benefit accrual and contribution income. If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise over time.

b) Employers which do not admit new entrants

To give more long term stability to such employers' contributions, the "Attained Age" funding method is normally adopted. This measures benefit accrual and contribution income over the whole future anticipated working lifetimes of current active employee members.

Both approaches include expenses of administration to the extent that they are borne by the Fund, and include allowances for benefits payable on death in service and ill health retirement.

D3 How is the Solvency / Funding Level calculated?

The Fund's actuary is required to report on the "solvency" of the whole Fund in a valuation which should be carried out at least once every three years. As part of this valuation, the actuary will calculate the solvency position of each employer.

'Solvency" is defined to be the ratio of the market value of the employer's asset share to the value placed on accrued benefits on the Fund actuary's chosen assumptions. This quantity is known as a funding level.

For the value of the employer's asset share, see D5 below.

For the value of benefits, the Fund actuary agrees the assumptions to be used with the Administering Authority – see Appendix E. These assumptions are used to calculate the present value of all benefit payments expected in the future, relating to that employer's current and former employees, based on pensionable service to the valuation date only (i.e. ignoring further benefits to be built up in the future).

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis, unless otherwise determined (see Section 3).

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
- the effect of any differences in the valuation basis on the value placed on the employer's liabilities;
- any different deficit/surplus spreading periods or phasing of contribution changes;
- the difference between actual and assumed rises in pensionable pay;
- the difference between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death;
- the additional costs of any non ill-health retirements relative to any extra payments made;

over the period between each triennial valuation.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities

between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

D5 How is each employer's asset share calculated?

The Administering Authority does not account for each employer's assets separately. Instead, the Fund's actuary is required to apportion the assets of the whole Fund between the employers, at each triennial valuation.

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus".

The Fund actuary does not allow for certain relatively minor events, including but not limited to:

- the actual timing of employer contributions within any financial year;
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund.

The asset apportionment is capable of verification but not to audit standard. The Administering Authority recognises the limitations in the process, but it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities"). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

Changes in assumptions will affect the measured value of future service accrual and past service liabilities, and hence the measured value of the past service deficit. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The combination of all assumptions is described as the "basis". A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower liability values and lower employer costs. A more prudent basis will give higher liability values and higher employer costs.

E2 What basis is used by the Fund?

The Fund's standard funding basis is described as the "ongoing basis", which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see Note (a) to 3.3.

E3 What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund's investments. This "discount rate" assumption makes allowance for an anticipated out-performance of Fund returns relative to long term yields on UK Government bonds ("gilts"). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the purpose of the triennial funding valuation at 31 March 2013 and setting contribution rates effective from 1 April 2014, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.6% per annum greater than gilt yields at the time of the valuation (this is the same as that used at the 2010 valuation). In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2016. Although this "pay freeze" does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, the salary increase assumption at the 2013 valuation has been set to 1% above the retail prices index (RPI) per annum. This is a change from the previous valuation, which assumed a two year restriction at 1% per annum followed by longer term growth at RPI plus 1.5% per annum.

It should be noted that, whilst this assumption will affect the pre-2013 accrual of liabilities (and hence deficits), it will no longer be relevant for most employers under the new 2014 LGPS design: this is because of the Career Average approach replacing the current final salary basis.

c) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. This change was allowed for in the valuation calculations as at 31 March 2010. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the "formula effect" of the difference between RPI and CPI. At this valuation, we propose a reduction of 0.8% per annum. This is a larger reduction than at 2010, which will serve to reduce the value placed on the Fund's liabilities (all other things being equal).

d) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with "medium cohort" and a 1.25% per annum minimum underpin to future reductions in mortality rates. This is a higher allowance for future improvements than was made in 2010.

The combined effect of the above changes from the 2010 valuation approach is to add around 1% per annum per year of life expectancy on average. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

e) General

The same financial assumptions are adopted for all employers, in deriving the past service deficit and the future service rate: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Actuarial assumptions/basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of **liabilities**. The main assumptions will relate to the **discount rate**, salary growth, pension increases and longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers which voluntarily participate in the Fund, so that their employees and ex-employees are **members**. There will be an Admission Agreement setting out the employer's obligations. For more details (see 2.5).
Common contribution rate	The Fund-wide **future service rate** plus **past service adjustment**. It should be noted that this will differ from the actual contributions payable by individual **employers**.
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Deficit	The shortfall between the assets value and the **liabilities** value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).
Deficit repair/recovery period	The target length of time over which the current **deficit** is intended to be paid off. A shorter period will give rise to a higher annual **past service adjustment** (deficit repair contribution), and vice versa.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Discount rate	The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a **liabilities** value which is consistent with the present day value of the assets, to calculate the **deficit**. A lower discount rate gives a higher liabilities value, and vice versa. It is similarly used in the calculation of the **future service rate** and the **common contribution rate**.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **liabilities** values for each employer are individually tracked, together with its **future service rate** at each **valuation**.
Funding level	The ratio of assets value to **liabilities** value: for further details (see 2.2).
Future service rate	The actuarially calculated cost of each year's build-up of pension by the current active **members**, excluding members' contributions but including Fund administrative expenses. This is calculated using a chosen set of **actuarial**

	assumptions. It is usually expressed as a percentage of pay.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
Liabilities	The actuarially calculated present value of all pension entitlements of all **members** of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the **deficit**. It is calculated on a chosen set of **actuarial assumptions**.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Past service adjustment	The part of the employer's annual contribution which relates to past service **deficit** repair.
Pooling	Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of **deficit**, or (if formally agreed) it may allow **deficits** to be passed from one employer to another.

For further details of the Fund's current pooling policy (see 3.4).

Profile The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.

Rates and Adjustments Certificate A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Scheduled Bodies Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Solvency In a funding context, this usually refers to a 100% **funding level**, ie where the assets value equals the **liabilities** value.

Stabilisation Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

Theoretical contribution rate The employer's contribution rate, including both **future service rate** and **past service adjustment**, which would be calculated on the standard **actuarial basis**, before any allowance for **stabilisation** or other agreed adjustment.

Valuation An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2013), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

CAMBRIDGESHIRE LOCAL GOVERNMENT PENSION SCHEME

Statement of Investment Principles

July 2015

Statement of Investment Principles

Contents

A. Introduction 3
B. Compliance Statement 3
C. Funding objectives 5
C.1 Funding objective 5
D. Investment Principles 5
D.1 Investment Policy 5
D.2 Types of Investment to be held 5
D.3 Balance between different types of investment 6
D.4 Investment Risk 6
D.5 The realisation of investments 7
D.6 Expected return on investments 7
D.7 Stock Lending 7
D.8 Operational Risk 7
E. Responsible Investment Policy 9
E.1 Responsible Investment – Position, Definition and Beliefs 9
E.2 Scope 9
E.3 Governance of the RI Policy 9
E.4 Engagement – encouraging ESG best practice 10
E.5 Collaborative engagement 10
E.6 Corporate Governance and Proxy Voting 11
E.7 Manager Monitoring 12
E.8 Negative screening/investment exclusions 13
E.9 Compliance with the Myners Principles 13
Appendix A - Fund Managers and Mandates – July 2015 14
Appendix B – Performance Targets 15
Appendix C - Key Risks and Controls 16
Appendix D - Statement of Commitment to the UK Stewardship Code 17
Appendix E - Compliance with the Principles of Good Investment Practice ("the Myners Principles") 19

A. Introduction

A.1 The Pension Fund Committee (PFC) of the Cambridgeshire Local Government Pension Scheme acting with the delegated authority of the Cambridgeshire County Council (the Administering Authority) has approved this Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. This statement is available to the public on the Fund's website at: http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/ . This document supersedes all previous versions of the SIP.

A.2 This Statement of Investment Principles (SIP) must cover the Fund's policy on:-

a) the types of investment to be held;
b) the balance between different types of investments;
c) risk, including the ways in which risks are to be measured and managed;
d) the expected return on investments;
e) the realisation of investments;
f) the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;
g) the exercise of the rights (including voting rights) attaching to investments, if the authority has any such policy; and
h) stock lending.

A.3 The SIP 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 PFC reviews the SIP annually.

A.4 The SIP has been prepared taking into account the most recent actuarial valuation and the Funding Strategy Statement (FSS).

B. Compliance Statement

B.1 The SIP 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.

B.2 The table below sets out the requirements of the contents of the SIP, and the section within the SIP evidences this. This document therefore demonstrates that the Fund is currently Fully Compliant with all its requirements under the Regulations.

Document Ref	Requirement ***That the SIP covers statements on:***	Compliance Status

D2	The types of investment to be held	Fully Compliant
D3	The balance between different types of investments	Fully Compliant
D4, Appendix C	Risk, including the ways in which risks are to be measured and managed	Fully Compliant
D5	The realisation of investments	Fully Compliant
D6	The expected return on investments	Fully Compliant
D7	Stock Lending	Fully Compliant
Section E, Appendices D & E	The extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments	Fully Compliant
Section E, Appendices D &E	The exercise of the rights (including voting rights) attaching to investments, if the authority has any such policy	Fully Compliant

C. Funding objectives

C.1 Funding objective

C.1.1 The primary objective of the Fund is to achieve a funding level of 100% over the long-term (on a prudent basis) whilst ensuring that there are sufficient resources available to pay pensions and other benefits as and when they fall due. These payments will be met by contributions or asset returns and income. To the extent that the accumulated assets, then higher cash contributions are required from employers, and vice versa.

C.1.2 The Fund is subject to an actuarial review every three years, in preparation for which the Fund, in conjunction with the Fund's Actuary and taking investment advice, prepares a Funding Strategy Statement (FSS) that sets out the strategy to ensure the long-term solvency of the Fund whilst recognising the need for a minimum (where possible and subject to a level of prudence) and stable level of employer contributions. The FSS is published on the Fund's website at: http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/ .

D. Investment Principles

D.1 Investment Policy

D.1.1 The investment objectives are to maximise investment returns over the long term within specified reasonable risk tolerances. Investment returns are defined as the overall rates of return (capital growth and income combined).

D.1.2 The investment style is to appoint suitable expert fund managers with a clear performance benchmark and place maximum accountability for performance against that benchmark on the fund manager.

D.2 Types of Investment to be held

D.2.1 In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the acceptable types of investment which the fund managers may hold include:

- Equities
- Fixed Interest Bonds
- Index linked investments
- Property Unit Trusts
- Hedge Fund of Funds
- Private Equity Fund of Funds
- Alternatives Investments such as Infrastructure, Futures, Derivatives and Commodities
- Cash Instruments
- Relevant Insurance Instruments

D.3 Balance between different types of investment

D.3.1. The PFC reviews the allocation over the different types of investment formally as part of the triennial funding valuation; however reviews can occur more frequently should material issues arise.

D.3.2. Following the strategic review and allocation of investment types, the Fund will review and if necessary change, its mix of external fund managers to efficiently deliver the Fund's investment portfolio.

D.3.3. The Fund holds assets across a range of products and managers in order to diversify the investment manager risk, and currently has eleven investment mandates with seven fund managers. Each will have an agreement in place that sets out the relevant benchmark against which performance will be measured, a performance target and any constraints and parameters within which the manager must operate. Appendix A and B show the detailed breakdown of managers and mandates as at the date of this report. In December 2014 the PFB approved revisions to the high level Investment Strategy as shown in Appendix A1 which will be implemented during 2015.

D.3.4. Over time the actual asset allocation will deviate from the strategic percentage allocation due to the differential relative performance of each investment type. The Fund's Investment Sub Committee has agreed that the actual value of each major investment type can vary within the following tolerances:

	Allowable variation compared to the total value of the Fund
Equities	+/- 5%
Bonds	+/- 3%
Alternatives	No formal range due to liquidity constraints

Asset balances are rebalanced within these tolerances and the ISC review the actual asset allocation compared to the strategic target allocation each quarter.

D.3.5. The Administering Authority believes the current strategic asset allocation and blend of fund managers, provides a strong diversification, specialisation and spread of risk for the investments of the Fund's assets.

D.4 Investment Risk

D.4.1. Managers are monitored relative to their long term return targets and stated risk levels. Care is also taken to understand the circumstances under which managers are expected to perform well and the converse, with the aim of avoiding short term decision making. The appointment of more than one fund manager introduces a level of diversification of manager risk and style.

D.4.2. Fund managers are expected to exhibit a diversified portfolio within their strategy remit and demonstrate that risks are sufficiently controlled and the potential for losses is reduced. The nature and extent of risks arising from financial instruments is disclosed in the Pension Fund Statement of Accounts each year.

Fund managers are also instructed to observe the Fund's restrictions in investments as set out in the Investment Regulations 2009.

D.4.3. Fund managers will bias their portfolios towards stocks which are expected to out-perform in rising or falling markets, but not take such contrarian positions that major under-performance occurs if they are incorrect in their strategies. They are required to operate in such a way that the possibility of under-performance against the long term target is kept within an acceptable limit. Fund managers will use and report on the risk measures employed on a regular basis.

D.5 The realisation of investments

D.5.1. Some fund managers are required to maintain portfolios that consist of assets that are readily realisable. The majority of the Fund's investments are quoted on major stock markets and thus may be realised relatively quickly if required.

D.5.2. The PFC has delegated to the fund managers responsibility for the selection, retention and realisation of assets.

D.6 Expected return on investments

D.6.1. The Fund is expected to produce a return over the long term in excess of the investment return assumed in the actuarial valuation. The majority of the Fund's assets are managed on an active basis and, overall, the Fund is expected to out-perform its benchmarks over the long term.

D.6.2. At the last actuarial valuation, an excess return of 1.6% p.a. over gilts was assumed for the Fund's assets. The Fund monitors investment return against the valuation assumptions, through quarterly performance monitoring from WM Company (the Fund's performance reporter) and meeting with managers at quarterly ISC and Interim meetings to discuss performance relative to their benchmark and longer term objectives. Additionally WM Company and the Fund's Investment Consultant, Mercer Limited, report on fund performance and manager prospects annually at the PFC and ISC.

D.7 Stock Lending

D.7.1. The Fund actively engages in Stock Lending as permitted by the LGPS regulations through the Fund's custodian with a formal agreement in place and approved collateral to protect the Fund's assets. Lending is limited to 25% of the stock held by the Fund, although actual activity in 2012-13 averaged 11.1% and in 2011-12 10.2%.

D.8 Operational Risk

D.8.1. The overall risk for any Pension Scheme is that its assets will be insufficient to meet its liabilities. The risk is negligible for Local Authority Funds as they are open to future accrual and new members and the overall covenant of the major employers is generally strong.

D.8.2. In terms of specific investment risk, the Cambridgeshire Pension Fund is managed in a way that is designed to control and mitigate against this.

D.8.3. Further Asset Liability Studies will be undertaken to help the PFC and ISC determine, from time to time, appropriate asset allocation ranges. The aim of these is to ensure that the Fund's assets are prudently spread across different asset types and markets, whilst maintaining the required level of expected return. The asset allocation will be formally reviewed following the triennial valuation, and at other times as required.

D.8.4. The Fund will normally hold a large proportion of its assets in equities, which although they don't match the liabilities, are expected to give a long term return in excess of gilts and so will help recover the deficit and keep future contributions low. There is a risk associated with this view and so the Fund also invests in a range of diversified assets and is looking to build up a level of protection against high inflation (which along with interest rates is the biggest risk in relation to the deficit increasing).

D.8.5. The performance of the Fund's Custodian and associated activities of the Investment Managers will be reviewed annually. The aim of this is to;

- Gain feedback on the quality of services from the existing providers and comparisons with alternative providers.
- Provide transparency and openness with regard to the investment operations of the Fund and the related fees and costs.

E. Responsible Investment Policy

E.1 Responsible Investment – Position, Definition and Beliefs

E.1.1 The Fund is a long-term investor, with a commitment to responsible investment (RI). The Fund defines "responsible investment" as the "integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices.

E.1.2 The Fund recognises that effective management of ESG issues can enhance long-term financial performance of investments, and therefore ESG factors should be a feature of investment analysis and management. This aligns with the best interests of the Fund's beneficiaries and is consistent with fiduciary duty.

E.1.3 With regard to RI, the Fund is mindful of recent Law Commission recommendations on pension trustees' duties when setting an investment strategy which state that:

E.1.3.1 Trustees should take into account factors which are financially material to the performance of an investment. Where trustees think ethical or environmental, social or governance (ESG) issues are financially material they should take them into account.

E.1.3.2 Whilst the pursuit of a financial return should be the predominant concern of pension trustees, the law is sufficiently flexible to allow other, subordinate, concerns to be taken into account. The law permits trustees to make investment decisions that are based on non-financial factors, provided that:

(a) they have good reason to think that scheme members share the concern; and

(b) the decision does not involve a risk of significant financial detriment to the fund.

E.2 Scope

E.2.1 This RI Policy covers the Fund's activities as an asset owner, specifically the decisions and activities that we undertake as we manage the Fund's assets and liabilities.

E.2.2 The Fund's assets are managed by third-party investment managers. Monitoring how the investment managers are meeting the Fund's expectations set out in this policy is therefore a major part of how we meet our objectives in this area.

E.3 Governance of the RI Policy

E.3.1 The Fund's PFC is responsible for the development, implementation and monitoring of this policy.

E.3.2 The PFC is also responsible for reviewing and, if necessary, updating this policy on an annual basis.

E.3.3 The PFC has delegated responsibility for monitoring the Fund's investment managers to the Fund's ISC. The ISC is responsible for monitoring the RI activities of the Fund's investment managers and for reporting on the Fund's RI activities to members.

E.3.4 RI reporting will focus on areas such as the development of the Fund's manager monitoring activities, including their voting and engagement activities.

E.4 Engagement – encouraging ESG best practice

E.4.1 The Fund's objective in addressing RI and related issues is to use its influence to encourage ESG best practice by its investment managers. All managers have statements which detail the principles by which they invest in and engage with companies.

E.4.2 The Fund supports the UK Stewardship Code and expects the Fund's investment managers to comply with the UK Stewardship Code. In Appendix D, the Fund has issued a Statement of Commitment to the UK Stewardship Code highlighting how the Fund is discharging its stewardship responsibilities.

E.4.3 The Fund will exercise its ownership responsibilities by:

- Ensuring that all investment management agreements clearly set out the Fund's expectations regarding the consideration of ESG issues.
  - Managers should have a clear process for integrating ESG considerations into investment decision-making processes
  - Managers will be expected to adhere to all relevant stewardship guidelines (e.g. the UK Stewardship Code) on a comply or explain basis

- Monitoring the Fund's investment managers annually to determine the extent to which our expectations are being met.
  - Where portfolio companies fail to meet certain minimum ESG standards, investment managers must explain what steps are being taken to bring them up to the minimum level.
  - Managers will report regularly (at least annually) and in detail to the ISC on how they are meeting or addressing the Fund's ESG requirements.

E.5 Collaborative engagement

E.6.1 At times the Fund finds it more effective to work in collaboration with other investors to achieve its aims. For example, the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) This initiative enables the Fund to work with other investors to understand the impacts of ESG considerations on financial performance.

E.6 Corporate Governance and Proxy Voting

E.6.1. The Fund has used best practice standards to develop a view on the most important high-level governance issues. With respect to investments in the UK, we expect the managers to have due regard to the UK Corporate Governance Code. With respect to overseas investments, we expect the managers to have due regard to relevant recognised standards, including the ICGN's [International Corporate Governance Network] Global Governance Principles and Securities Lending Code of Best Practice as well as the OECD [Organisation for Economic Co-operation and Development] Corporate Governance Guidelines.

E.6.2 These principles are as follows:

- **Effective Boards:** An effective board of directors is essential to the long-term success of a company. The board provides strategic guidance to as well as oversight of the executive directors on behalf of shareholders. The board should also consider the interests of company stakeholders including employees, suppliers, customers, the environment and society. To do this requires sufficient independence from the executives as well as the right mix of skills, competence and experience.

- **Accountability & Risk Management:** The board must at all times be conscious of its accountability to shareholders. It is responsible for determining the nature and extent of any significant risks taken on by the company in the pursuit of its strategic objectives. Risk management should be dynamic and comprehensive, considering operational, reputational and ESG risks in addition to financial risks.

- **Shareholder Rights:** Shareholders should be encouraged to participate in supporting good governance – voting rights should be equal across all shareholders; the exercise of voting rights should not be subject to unnecessary hurdles; directors should engage shareholders to explain voting issues where necessary; shareholders should have a say on major decisions (e.g. approving executive remuneration and major share issuance, nominating and appointing directors and external auditors etc.)

- **Shareholder responsibilities:** Shareholders should remain conscious of their duties to beneficiaries at all times including when considering corporate governance and other ESG issues. This can be achieved by considering ESG issues when assessing the risk of portfolio companies; exercising voting rights actively and intelligently and by collaborating with other investors. Beneficial owners should also aim to integrate ESG criteria into investment management mandates where appropriate.

- **Remuneration:** Remuneration policies should reinforce (rather than undermine) company culture. The board should use remuneration policies to align the interests of executives and shareholders, incentivising behaviour that encourages long-term financial health and promotes sound risk management. Significant aspects of remuneration policy should be

developed through formal and transparent processes and be adequately disclosed to and approved by shareholders.

- **Transparency:** The board should ensure that shareholders receive accurate, relevant and timely information regarding financial, strategic, operational, and ESG issues. Accounting, governance, remuneration and wider corporate responsibility policies should be clearly disclosed and come with a statement of support by the board.

- **Stock lending:** Prior to engaging in a programme of stock lending beneficial owners should consider the risks inherent in this activity.

E.6.3 The Fund's investment managers exercise voting rights and undertake engagement in accordance with their own corporate governance policies, including escalation procedures to protect investment value. Each manager's policy is expected to be provided to the Fund and is reviewed by the ISC as part of the Fund's manager monitoring processes.

E.6.4 The Fund expects its investment managers to demonstrate adherence to the above principles in the proxy voting decisions undertaken in relation to the Fund's assets. The PFC will capture the extent to which this has happened through the Fund's manager monitoring process.

E.6.5 The Fund expects that its delegated investment managers will:

- Vote all shares (for listed equity assets) without exception unless a valid reason is provided as to why not (such as share blocking)
- Not undertake stock-lending to any third party without the prior agreement of the Fund.

E.7 Manager Monitoring

E.7.1 Manager monitoring is a key element of the Fund's RI strategy. The PFC monitors the progress of its investment managers regarding the integration of ESG issues into their investment decision-making processes.

E.7.2 The Fund's monitoring process will look for evidence of positive momentum towards its ESG expectations by:

- Developing a formal but straightforward system of monitoring our investment managers based on the Fund's ESG expectations
- Using this system to keep track of progress
- Using information obtained from this monitoring process to demonstrate progress to the Fund's members via reporting on the Fund's website

E.7.3 The Fund's manager monitoring process for the integration of ESG covers all asset classes.

E.8 Negative screening/investment exclusions

E.8.1 The Fund adopts the view that it should seek out investment opportunities on the basis that they meet the needs of its long-term investment strategy and the nature of its liabilities.

E.8.2 In line with this policy and the Fund's commitments to responsible investment, the Fund recognises that it must do this whilst considering ESG issues whenever they are relevant.

E.8.3 The Fund has adopted a policy of engagement rather than exclusion.

E.8.4 The PFC will continue to review the Fund's position on exclusions on an annual basis.

E.9 Compliance with the Myners Principles

E.9.1 In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the Fund's compliance with the Myners principles is set out in Appendix E.

Appendix A - Fund Managers and Mandates – July 2015

Target Asset Allocation and Fund Specific Benchmarks July 2015

The table below shows the Fund's asset allocation together with the specific benchmarks (indices) as at July 2015 against which to measure investment performance.

UK Equity		**21.0%**	
State Street	11.0%*		FTSE All-Share index
Schroder	10.0%*		Composite benchmark
Global Equity		**43.5%**	
State Street	11.5%		FTSE All World
JO Hambro	12.5%		MSCI AC WI NR Index
Dodge & Cox	12.5%		MSCI World
Skagen	7.0%		MSCI Emerging Markets Index
Bonds and Fixed Income		**14.5%**	
Schroder	12.0%*		Composite benchmark
M&G	2.5%		3 month Libor +4%
Property		**11.0%**	
Schroder	11.0%		IPD UK PPF All Balanced Funds
Private Equity		**5.0%**	
Adams Street	2.0%		MSCI World
HarbourVest	2.0%		MSCI World
Cambridge and Counties Bank	1.0%		MSCI World
Infrastructure		**5.0%**	
UBS	**		MSCI World
Equitix	**		MSCI World
Partners Group	**		MSCI World
		100.0%	

*Provisional. The ISC to determine whether 5% is allocated to UK Index-Linked bonds.

Appendix B – Performance Targets

The Managers appointed to the Scheme and their individual performance targets over the benchmark indices above [over a rolling three-year program] are:

	Asset class	**Performance Target above benchmark**
Schroder Multi Asset	Multi Asset	1.00%
Schroder Property	Property	0.75%
JO Hambro	Global Equities	3.00%
Dodge & Cox	Global Equities	3.00%
Skagen EM Equity	Emerging Markets Equities	2.00%
State Street UK Equity	Passive UK Equities	n/a
State Street Global Equity	Passive Global Equities	n/a
M&G Loans	Loans	0.00%
Private Equity	Private Equity	3.00%
Infrastructure	Infrastructure	n/a
Total Fund – the overall performance target is calculated taking into account the weightings for each manager		1.10%

Appendix C - Key Risks and Controls

Risk	Summary of Controls	Risk Index 1:Low...5:High
KEY RISKS AND CONTROLS		
Inappropriate long-term investment strategy.	• Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities.	3
Inappropriate investment decisions are made due to inaccurate or unreliable data, insufficiently trained or competent members to make decisions or inappropriate advice.	• Performance measurement is produced by the Fund's external providers and reviewed by Officers. • Market data, such as the performance record of alternative Fund Managers is sourced by the investment consultants from their proprietary database. • Members participate in a Skills & Knowledge programme that is refreshed regularly. • Only reputable professional advisers are employed following a rigorous procurement process.	3
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	• Only anticipate long-term return on a relatively prudent basis to reduce the risk of under-performing. • Analyse progress at three yearly valuations for all employers. • Inter-valuation monitoring of investment performance.	5
Fall in risk-free returns on government bonds, leading to a rise in the value placed on liabilities.	• Inter-valuation monitoring of investment performance. • Asset Allocation reviews	3
Active investment manager under performance relative to benchmark over the medium term.	• Quarterly monitoring of market performance and active managers' performance relative to their benchmark and longer term objectives.	3
Pay and price inflation significantly more than anticipated.	• The focus of the actuarial valuation process is on the real return on assets, net of price and pay increases. • Inter valuation monitoring provides early warning. • Some investment in index-linked bonds helps to mitigate this risk.	3

Appendix D - Statement of Commitment to the UK Stewardship Code

The Cambridgeshire Local Government Pension Scheme (the "Fund") believes that good stewardship can enhance long-term portfolio performance, and is therefore in the best interests of the Fund's beneficiaries and aligned with fiduciary duty. Therefore, the Fund supports the principles of the UK Stewardship Code (the "Code").

The Fund believes that Environmental, Social and Corporate Governance ("ESG") issues can affect the performance of investment portfolios and are therefore considered as part of the Fund's investment process.

Principle	Evidence of compliance
Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities	The Fund has given its managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations relating to the Fund's investments. This policy is outlined in the Fund's Responsible Investment Policy in section D.3 of the SIP, which is publicly available and is reviewed on an annual basis. The Fund supports the UK Stewardship Code and expects the Fund's investment managers to comply with the UK Stewardship Code. The Fund monitors the investment managers in this regard on an annual basis.
Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed	The Fund encourages the investment managers to adopt effective policies addressing potential conflicts of interest with regards to stewardship activities. The Fund monitors the investment managers in this regard. The Funds' overriding obligation is to act in the best financial interests of the members. Our policy of constructive engagement with companies is consistent with the Funds' fiduciary responsibilities.
Principle 3 – Institutional investors should monitor their investee companies	The Fund has delegated responsibility of the management of its equity holdings to investment managers and monitoring investee companies is part of this responsibility. The Fund encourages investment managers to monitor companies, intervene where necessary and report back regularly on activity undertaken. The Fund undertakes regular monitoring of the activities of the investment managers.

Principle	Evidence of compliance
Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their Stewardship activities	Responsibility for stewardship activities is delegated to the Fund's investment managers. As highlighted above, responsibility for day-to-day interaction with companies is delegated, including the escalation of engagement when necessary and the Fund monitors the investment managers in this regard. We expect the approach to engagement on our behalf to be value orientated and focussed on long term profitability. We expect the Fund's investment managers to disclose their guidelines for such activities in their own statements of commitment to the Code.
Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate	The Fund is willing to work collaboratively with other investors, where appropriate, to enhance the influence that it has on individual companies. The Fund is a member of the Local Authority Pension Fund Forum ("LAPFF"), which engages with companies over ESG issues on behalf of its members.
Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activity	The Fund's investment managers exercise voting rights and undertake engagement in accordance with their own corporate governance policies, including escalation procedures to protect investment value. Each manager's policy is expected to be provided to the Fund and is reviewed as part of the Fund's manager monitoring processes. The Fund expects its delegated investment managers to vote on all shares held (without exception unless a valid reason is provided as to why not (such as share blocking)). Reporting on voting and engagement activities is provided to the Fund on a regular basis and the Fund monitors the investment managers in this regard.
Principle 7 – Institutional investors should report periodically on their stewardship and voting activities	The Fund expects the investment managers to report regularly on their stewardship and voting activities. In addition, the Fund encourages the investment managers to consider and report the impact of engagement activity. The Fund reports annually on stewardship activity through a specific section on Responsible Investment in the Funds' annual report and accounts.

Appendix E - Compliance with the Principles of Good Investment Practice ("the Myners Principles")

The Myners Principles are a set of principles for good investment governance, originally created in 2001 and subsequently updated in 2008. Local government pension funds are required to produce a statement in their annual report regarding compliance with these Principles on a 'comply or explain' basis. The Myners Principles are:

Principle	Evidence of compliance
Effective Decision Making Administering authorities should ensure that: • Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and • Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	The Pension Fund Committee meets on a quarterly basis and is the main committee for the Fund addressing strategic and policy matters. The Pension Fund Committee is supported by the Investment Sub Committee - formed to specifically implement Investment and funding strategy. They consider the Fund's strategic asset allocation following the results of the triennial actuarial valuation. The Investment Sub Committee has appointed suitably qualified investment managers to manage the investments of the Fund on their behalf. The Fund takes advice from its appointed professional investment consultants who attend the quarterly Investment Sub Committee meetings. This is in addition to the advice received from the Fund's actuary. A formal training programme, in accordance with the requirements of the CIPFA Knowledge and Skills Framework, has been implemented to support informed decision making. Compliance with the Fund's Skills and Knowledge Framework is reported in the Business Plan when appropriate.

Principle	Evidence of compliance
Clear Objectives • An overall investment objective(s) should be set for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers through employer contributions, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.	The overall Fund objective is directly linked to the risks and returns outlined in the Actuary's report, with the expected return on investments contained within the Statement of Investment Principles. The Fund's strategic asset allocation is specifically designed to achieve the Fund objective. Specific asset allocation weightings are detailed in the Statement of Investment Principles. In determining the Fund's asset allocation, the Pension Fund Committee and Investment Sub Committee consider all asset classes in terms of their suitability and diversification benefits.
Risk and Liabilities • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	The overall risk for any pension scheme is that its assets will be insufficient to meet its liabilities. The risk is negligible for Local Authority Funds as these are assessed on an actuarial basis every 3 years (Fund Valuation) and contribution rates are adjusted to ensure solvency. The Funding Strategy Statement specifically addresses employer issues. The Fund is subject to actuarial review every three years. The Fund's position is based on the market values of the assets at the time of the review. The Fund's actuary calculates the contributions required from employing authorities to ensure the solvency of the Fund. The Fund is managed in a way that is designed to control and mitigate against specific investment risk. Further Asset Liability Studies will be undertaken to help the Pension Fund Committee and Investment Sub Committee determine, from time to time, appropriate asset allocation ranges. The aim of these is to ensure that the Fund's assets are prudently spread across different asset types and markets. As the Fund's liabilities are based in sterling, the majority of the Fund's assets

Principle	Evidence of compliance
	are likely to be sterling denominated. The asset allocation will be formally reviewed following the triennial valuation, and at other times as required. The Fund will normally hold a large proportion of its assets in equities, which are considered to be the most appropriate match with the Fund's liabilities. Over the long term, they should provide a hedge against inflation and grow in line with the underlying economy. To minimise the risks associated with this policy, a broadly based portfolio of stocks is held, spread across different countries and different industrial sectors.
Performance Assessment • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. • Administering Authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme members.	The Fund monitors manager performance, through quarterly performance monitoring from WM Company (the Fund's performance reporter) and meeting with managers at quarterly Investment Sub Committee and interim manager review meetings to discuss performance relative to their benchmark and longer term objectives. Additionally WM Company and the Fund's Investment Consultant, Mercer Limited, report on Fund performance annually at the Pension Fund Committee and Investment Sub Committee. There is a regular review (at least biennially) of the effective working of the Pension Fund Committee and Investment Sub Committee, the results of which are reported back to the Pension Fund Committee.
Responsible Ownership Administering authorities should: • adopt, or ensure their investment managers adopt the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents • include a statement of their policy on responsible ownership in the Statement of Investment Principles	The Fund has a clear policy regarding Responsible Investment (section D of this document) and will exercise its ownership responsibilities by: Ensuring that all investment management agreements clearly set out the Fund's expectations regarding the consideration of ESG issues. Monitoring the Fund's investment managers annually to determine the extent to which our expectations are being met. The Fund's investment managers exercise voting rights and undertake engagement in accordance with their own corporate governance policies, including escalation procedures to protect investment value. Each manager's

Principle	Evidence of compliance
• report periodically to scheme members on the discharge of such responsibilities.	policy is expected to be provided to the Fund and is reviewed by the ISC as part of the Fund's manager monitoring processes.
Transparency and Reporting Administering Authorities should: • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. • Provide regular communication to scheme members in the form they consider most appropriate.	The following documents are published on the Pension Fund's website: Pension Fund Annual Report and Statement of Accounts Statement of Investment Principles Governance Policy & Compliance Statement Funding Strategy Statement Administration Strategy Communications Strategy Cash Management Strategy Administering Authority Discretions Actuary Valuation Report Pension Fund Committee and Investment Sub Committee Agendas and Minutes are available on the Cambridgeshire County Council's website.

Cambridgeshire Pension Fund Northamptonshire Pension Fund

CAMBRIDGESHIRE PENSION FUND & NORTHAMPTONSHIRE PENSION FUND

JOINT ADMINISTRATION STRATEGY & JOINT COMMUNICATION STRATEGY

January 2015

LGSS

Contents Page

1. Introduction	2
2. Administration Strategy	2
3. Further information	10
4. Appendices	11
Appendix A – Key performance standards	11
Appendix B – Whole Fund administration performance standards	13
Appendix C – Scheme employer performance standards	14
Appendix D – LGSS Pensions Service performance standards	16
Appendix E – Communications Strategy	2

1. Introduction

This document incorporates the joint Administration and Communication Strategies of Cambridgeshire Local Government Pension Fund and Northamptonshire Local Government Pension Fund, managed by Cambridgeshire County Council and Northamptonshire County Council respectively (the Administering Authorities). The administration of these Funds is carried out by LGSS, the shared service partnership between Cambridgeshire County Council and Northamptonshire County Council.

Together the two Funds have around 400 scheme employers with contributing members and a total membership of over 119,000 scheme members.

2. Administration Strategy

The Local Government Pension Scheme (LGPS) represents a significant benefit to scheme members. Much of the success in promoting the scheme amongst scheme members and ensuring a high quality service delivery depends upon the relationship between the administering authority and scheme employers in the day to day administration of the scheme. Good quality administration can also help in the overall promotion of the scheme and remind or alert employees to the value of the LGPS, thereby helping with recruitment, retention and motivation of employees.

Development of an administration strategy, as allowed for by the regulations governing the LGPS, 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.

This Administration Strategy has been developed following consultation with scheme employers in the Cambridgeshire and Northamptonshire Pension Funds.

The aim of this strategy statement is to set out the quality and performance standards expected of Cambridgeshire County Council and Northamptonshire County Council in their roles of administering authority and scheme employer, as well as all other scheme employers within the Funds. It seeks to promote good working relationships, improve efficiency and enforce quality amongst the scheme employers and the administering authority.

The efficient delivery of the benefits of the LGPS is dependent on sound administrative procedures being in place between a number of interested parties, including the administering authorities and scheme employers. This Strategy Statement sets out the expected levels of performance of the administering authorities and their scheme employers, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

This Administration Strategy is effective from the 1st April 2015. It will be reviewed annually to ensure the strategic objectives remain relevant.

A separate Business Plan including actions in relation to administration matters is published and reviewed annually. This outlines how the Funds intend to deliver this strategy, including how the Funds achieve their objectives, the measurements in place to monitor success and a timetable of events.

Regulatory framework

This document has been produced in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013. The Regulations provide that administering authorities may prepare, maintain and publish a written statement setting out their policy concerning administration matters, and the administering authority and its scheme employers must then have regard to that strategy when carrying out their functions.

The Regulations state that the strategy may include some of these areas:

- procedures for liaison and communication with its scheme employers;
- levels of performance which the administering authority and its scheme employers are expected to achieve in carrying out their Scheme functions such as:
    - the setting of performance targets;
    - the making of agreements about levels of performance and associated matters;
    - the use of such other means as the administering authority considers appropriate;
- procedures which aim to secure that the administering authority and its scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- procedures for improving the communication by the administering authority and its scheme employers to each other of information relating to those functions;
- the circumstances in which the administering authority may consider giving written notice to any of its scheme employers with regard to recovering additional costs on account of that scheme employer's unsatisfactory performance in carrying out its Scheme functions;
- the publication by the administering authority of annual reports dealing with:
    - the extent to which that authority and its scheme employers have achieved the levels of performance;
    - such other matters arising from its pension administration strategy as it considers appropriate; and
- such other matters as appear to the administering authority, after consulting its scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

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

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

additional costs, together with the basis on which the amount has been calculated and the provisions of the Administration Strategy relevant to the decision.

Therefore, this Administration Strategy of the Cambridgeshire Pension Fund and Northamptonshire Pension Fund sets out the information as required by the Regulations mentioned above.

Current trends

This Administration Strategy is produced during a considerable period of change. Key issues currently around are:

- major changes impacting the LGPS and other public sector schemes which provide significant communication challenges;
- ongoing conversion of schools to academies which requires a considerable amount of employer liaison;
- increased governance and regulatory requirements to ensure the LGPS offers value for money;
- scheme employers outsourcing activity in a variety of ways which requires a considerable amount of employer liaison and also impacts the number of people eligible to be members of the LGPS;
- changes to scheme membership which will accelerate the maturity point of the LGPS (the point where annual expenditure exceeds annual income); and
- increasing awareness of the value of the LGPS among the membership and the consequent demands for relevant information.

Key objectives

The administration of Cambridgeshire Pension Fund and Northamptonshire Pension Fund will be delivered in line with these objectives. We aim to:

- provide a high quality, friendly and informative administration service to the Funds' stakeholders;
- administer the Funds in a cost effective and efficient manner utilising technology;
- ensure the Funds and their stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds;
- put in place standards for the Funds and their scheme employers and ensure these standards are monitored and developed as necessary;
- ensure the Funds and their stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment;
- ensure benefits are paid to, and income collected from, the right people at the right time in the right amount;

- maintain accurate records and ensure data is protected and has authorised use only; and
- understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.

Measurements are in place to determine if these objectives are being met which are published in the Administration Section of the Funds' Business Plans.

*References to the Funds refer to the staff employed by the Administering Authority to carry out the administration of the Funds.

Delivering the objectives

Method of delivery

There are a number of options to administering the Funds, including in-house administration, and third party administration.

The Funds' administration benefits from the efficiencies of joint delivery whilst retaining control within the two administering authorities in order to meet the objectives outlined above, e.g. in relation to a quality service and accurate record keeping. The Funds will be proactive in setting strategies to which the LGSS services should adhere, including this Administration Strategy.

At the time of writing, LGSS provides administration services to the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund, though it is envisaged further LGPS Funds will join LGSS in the future, which will benefit the Funds through increased efficiencies, particularly sharing of development costs between greater numbers of Funds. At that point LGSS will encourage those Funds to adopt this Administration Strategy so as to maximise the efficiency opportunities.

Procedures for liaison and communication with employers and other stakeholders

The delivery of a high quality administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the level of service in line with the Funds' objectives as well as ensuring that statutory requirements are met.

Agreements will be made with the Funds' key stakeholders so that service standards are explicit. Key stakeholders are:

- Scheme employers and their payroll and other providers;
- AVC providers;
- Fund Actuaries; and
- Approved Independent Registered Medical Practitioners

In particular, each administering authority relies on its scheme employers in providing them with the appropriate information to maintain accurate records and pay accurate benefits. The Funds acknowledge that this is a partnership arrangement:

- Each Fund is committed to providing a service in line with the objectives outlined above. This will include:

  - providing a named contact (and deputy) at the Fund for all employer communications and queries;
  - providing clear instructions and forms/interfaces to allow seamless transfer of information by employers;
  - aim to provide information and services within the performance standards outlined in this Strategy;
  - ensure all information provided is correct by having appropriate quality review in place; and
  - be helpful and courteous when dealing with all employers.

- In return, the employers within each Fund are expected to:
  - provide a named contact (and deputy) at the employer for all Fund communications and queries. Where multiple contacts are provided (for different duties) name one person who is ultimately responsible for ensuring the employer carries out their roles and responsibilities;
  - provide information to the Fund as outlined in instructions using the Fund's approved forms and/or interfaces;
  - aim to provide information within the performance standards outlined in this Strategy;
  - ensure all information provided is correct by having appropriate quality review in place;
  - be helpful and courteous when dealing with the Fund; and
  - provide feedback to the Fund on an ad-hoc basis, at performance review meetings or as part of consultations, e.g. around how services are delivered or about changes to the funding strategy.

Full details of the procedures for liaison and communication between the Funds and their stakeholders are included within the Funds' Communication Strategy – see Appendix E. .

Performance standards

The LGPS prescribes that certain decisions be taken by either the administering authority or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet the Funds' administration objectives as outlined above, and also to comply with overriding disclosure requirements, the Funds must ensure that appropriate standards are in place and being measured. These standards fall into two distinct areas; quality and timeliness.

Quality

The Funds will ensure that all functions/tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with relevant regulations including the Local Government Pension Scheme Regulations, Pensions Acts, etc;

- aiming to achieve the Funds' agreed objectives and compliance with all Fund agreed strategies, policies and procedural guides;
- ensuring appropriate checking of work by an appropriately qualified member of staff, in particular calculations of benefits; and
- all payments information provided to be authorised by an agreed signatory and other designated duties to be carried out in line with internal Schemes of Delegation.

Timeliness
Overriding legislation dictates minimum timescales that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. The scheme itself sets out a number of requirements for the administering authority or scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. Locally agreed performance standards have been agreed which cover all aspects of the administration of the scheme, where appropriate going beyond the overriding legislative requirements. Standards for the Funds are set out in Appendix B. Headline standards for scheme employers are set out in Appendix C.

Procedures for ensuring compliance with statutory requirements and measuring levels of performance
Various means will be employed, as determined from time to time, to assist in monitoring compliance with this Administration Strategy. More detailed methods may be included in the individual employer SLA.

Methods may include:

Audit
The Funds will be subject to regular audits of their processes and internal controls. Fund auditors may require employer auditors to carry out relevant checks e.g. of employee contribution collection.

Performance monitoring
The Funds will monitor their timeliness performance against specific tasks as outlined in Appendix D. In addition, they may monitor employers against the employer requirements outlined in Appendix C and Service Level Agreements.

The Funds will monitor performance regularly by benchmarking with other administering authorities by using the CIPFA Pensions Benchmarking Club.

The Funds may also put in place other measurements to determine how, or if, they are achieving the objectives of this Administration Strategy.

Employer liaison
Employer liaison will take place as follows:

- key performance information will be shared annually with each scheme employer;

- the opportunity for a biennial review meeting between a representative of the administering authority and the scheme employer to monitor and review performance against targets, the quality of information exchange and ensure compliance with statutory obligations and review the SLA for the period until the next review meeting;
- where an employer is not delivering in accordance with an SLA a performance improvement plan will be agreed with appropriate liaison arrangements. This may be initiated outside of the biennial reviews where necessary;
- the administering authority will run seminars and training sessions;
- Employer Pension Forums will be held, at least on an annual basis; and
- the administering authority will ensure an employer liaison helpdesk is available from 9 am to 5 pm during normal working days to answer one-off queries by telephone or email. The helpdesk may be available outside these hours.

Improving administration

Using the means mentioned above, the Funds will monitor progress against this Administration Strategy. This information will from time to time be reported to the respective Funds' Pension Fund Board where any ongoing action will be agreed. In addition, key performance indicators relating to the Funds' performance will be reported in their respective Annual Report and Accounts.

Circumstances where the administering authority may levy costs associated with the scheme employer's poor performance

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from a scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that scheme employer. Where an administering authority wishes to recover any such additional costs they must give written notice stating:-

- the reasons in their opinion that the scheme employer's poor performance contributed to the additional cost;
- the amount of the additional cost incurred;
- the basis on how the additional cost was calculated; and
- the provisions of the pension administration strategy relevant to the decision to give notice.

In instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pensions Regulator, Pensions Ombudsman or other regulatory body, these costs will be recoverable immediately.

Circumstances where costs might be recovered

It is not the policy of either Cambridgeshire Pension Fund or Northamptonshire Pension Fund to move immediately to recovering additional costs incurred in the administration of the LGPS as a direct result of the poor performance of the administering authority, any scheme employer or third party service provider. Instead, the Funds will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance, provide the necessary training and development and put in place an improvement plan to improve the level of service delivery into the future.

Where persistent failure occurs and the improvement plan is not followed by a scheme employer additional administration costs will be recovered. In particular, this will only be pursued where the Fund has carried out the following steps:

- written to the scheme employer, setting out area(s) of poor performance;
- met with the scheme employer to discuss area(s) of poor performance, and how these can be addressed, and agreed an improvement plan, but no or little improvement has been demonstrated; and
- the appropriate Pension Fund Board has agreed to reclaim administration costs following a report to them on the circumstances. Before making a decision the Pension Fund Board shall offer the employer the opportunity to make representations in person to the Board, or in writing if the employer so chooses, and to facilitate this will provide 21 days before the meeting a copy of the report to be considered by the Board.

The circumstances where this might be necessary are:

- persistent failure to provide relevant information to the administering authority, scheme member or other interested party in accordance with specified performance targets (either as a result of timeliness of delivery or quality of information);
- failure to pass relevant information to the scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets;
- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales;

Where the respective Pension Fund Board agrees costs should be reclaimed, the following sets out the steps the Fund will take in dealing with poor performance by a scheme employer:

- issue formal written notice, where no improvement is demonstrated by the scheme employer/failure to take agreed action by the scheme employer, setting out the area(s) of poor performance that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed;
- clearly set out the calculations of any loss resulting to the Fund or administering authority, or additional cost, taking account of time and resources in resolving the specific area of poor performance, including any fines levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body resulting from the employer's poor performance; and
- make a claim against the scheme employer, setting out reasons for doing so, in accordance with the Regulations.

3. Further information

If you would like more information about the Scheme please contact us at the address below.

LGSS Pensions Service
PO Box 202
John Dryden House
8-10 The Lakes
Northampton
NN4 7YD

01604 366537

pensions@northamptonshire.gov.uk

http://pensions.northamptonshire.gov.uk
http://pensions.cambridgeshire.gov.uk

4. Appendices

Appendix A – Key performance standards

The following are the key performance indicators which will be published annually by LGSS Pensions. These key indicators also appear in the relevant Appendix B, C or D below, depending on whether they represent the performance of the whole Fund, the scheme employer only or the administering authority only.

Function / Task	Indicator	Target
Notify leavers of deferred benefit entitlements	Deferred award letter sent within 40 working days of last day of employment.	90%
Payment of retirement benefits from active employment	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%
Award dependant benefits	Issue award within 5 working days of receiving all necessary information.	95%
Arrange for the correct deduction of employee and employer contributions and pay contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority	Number of months in the year where contributions were in the Pension Fund by the 19th calendar day of month after deduction and statement/schedule was received by the same date as payment	100%
Provide LGSS Pension Service with accurate year end information in prescribed format	Accurate year end information to be provided for all Scheme members by 30 April following contribution year end	100%
Provide LGSS Pensions Service with all necessary information regarding new starters and hours/weeks per year variations in a format acceptable to Administering Authority	Accurate information provided within 10 working days of the relevant calendar month end or within 30 days of commencement/change if earlier where employer automatic enrolment duties apply	95%

Function / Task	Indicator	Target
Notify the employer and scheme members of changes to the scheme rules	Within one month of the LGSS Pensions Services being informed of the change	95%
Issue annual benefit statements to active members as at 31 March each year	By the following 31 August (pending timely receipt of satisfactory year end data from the scheme employer)	100%
Provide a maximum of one estimate of benefits to active members per year on request	Estimate in agreed format provided within 10 working days from receipt of all information	90%
Provide transfer-in quote to scheme member	Letter issued within 10 working days of receipt of all appropriate information	95%

Appendix B – Whole Fund administration performance standards

The following are key indicators where the target can only be achieved by the administering authority and scheme employers both delivering high levels of administration.

Function / Task	Indicator	Target
Notify leavers of deferred benefit entitlements	Deferred award letter sent within 40 working days of last day of employment.	90%
Payment of retirement benefits from active employment	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%

Appendix C – Scheme employer performance standards

The following are the performance targets that the scheme employer will be expected to meet.

Function/Task	Indicator	Target
Confirm nominated representatives	Representative confirmed within 30 working days of employer joining und or change to nominated representative	100%
Arrange for the correct deduction of employee and employer contributions and pay contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority	Number of months in the year where contributions were in the Pension Fund by the 19th calendar day of month after deduction and statement/schedule was received by the same date as payment	100%
Upon receipt of a notification from an Additional Voluntary Contribution (AVC) provider of an employee's election to pay, vary the amount or cease AVCs (or Shared Cost AVCs where applicable), to apply the notification accordingly and where applicable deduct from a member's pay the contributions as instructed by the AVC provider	Within 1 month of receipt of notification from the AVC provider	100%
Pay over to the specified AVC provider contributions deducted from a member's pay	Within 7 days of deduction from pay	100%
Upon receipt of a notification from the LGSS Pensions Service of an employee's election to pay Additional Pension Contributions (to buy additional pension), to apply the notification accordingly and where applicable deduct from a member's pay and pay over to the LGSS Pensions Service, the contributions as instructed by LGSS Pensions Service	Within 1 month of notification from LGSS Pensions Service	100%
Provide LGSS Pension Service with accurate year end information in prescribed format	Accurate year end information to be provided for all Scheme members by 30 April following	100%

Function/Task	Indicator	Target
	contribution year end	
Respond to enquiries from LGSS Pensions Service in respect of retirements, estimates or any other query identified as urgent	Response received within 5 working days from receipt of enquiry.	100%
Respond to enquires from the LGSS Pensions Service in respect of those queries deemed as non urgent	Response received within 10 working days from receipt of enquiry.	95%
Provide new employees with scheme information	Within the automatic enrolment joining window.	100%
Determine appropriate rate of employee contributions for new scheme members in the LGPS	Decisions made by time of first salary payment.	100%
Provide LGSS Pensions Service with all necessary information regarding new starters and hours/weeks per year variations in a format acceptable to Administering Authority	Accurate information provided within 10 working days of the relevant calendar month end or within 30 days of commencement/change if earlier where employer automatic enrolment duties apply	95%
Determine reason for leaving and Final/Cumulative Pensionable Pay, issue leavers certificate to LGSS Pensions Services for leavers NOT entitled to immediate payment of pension	Certificate received within 15 working days of date of leaving	95%
Determine reason for leaving and Final/Cumulative Pensionable Pay, issue retirement pack to member and leavers certificate to LGSS Pensions Service for retirees entitled to immediate payment of pension	Certificate received at least 10 working days before date of leaving.	95%
Must have published Employer Discretions, accessible by all employees and copy provided to LGSS Pensions Service	Discretions published and provided to LGSS Pensions Service within 30 days of approval	100%
Discretions must be reviewed and amended as necessary	Any amendments to discretion must be confirmed in writing within 30 days from change	100%

Appendix D – LGSS Pensions Service performance standards

The following are the headline performance targets that LGSS Pensions Service will be expected to meet.

Function / Task	Indicator	Target
LIAISON AND COMMUNICATION		
Confirm nominated employer liaison officer	10 working days of employer joining fund or change to nominated officer	100%
Publish and keep under review the administration strategy	Within three months of decision to develop an administration strategy or one month of any changes being agreed with scheme employers	100%
Keep up to date the employer website, including procedural guides, scheme guide and all other documents and forms	20 working days from date of change/amendment	100%
Formulate and publish policies in relation to all areas where the Administering Authority may exercise a discretion within the scheme	Within 30 working days of policy being agreed by the Pension Fund Board	100%
Organise bespoke training sessions for Scheme employers, subject to fair use of training resource	Training date agreed with employer within one month of request	100%
Notify the employer and scheme members of changes to the scheme rules	Within one month of the LGSS Pensions Services being informed of the change	95%
Notify the employer of any issues relating to its poor performance (including arranging meeting if required)	Within 20 working days of performance issue becoming apparent	90%
Notify the employer of decisions to recover additional costs associated with their poor performance (including any interest that may be due)	Within 10 working days of the decision of the Pension Fund Board	100%
Issue annual benefit statements to active members as at 31 March each year	By the following 31 August (pending timely receipt of satisfactory year end data from the scheme employer)	100%

Function / Task	Indicator	Target
Issue annual benefit statements to deferred benefit members as at 31 March each year for those which we have an up to date address	By the following 30 June	100%
FUND ADMINISTRATION		
Issue formal valuation results (including individual employer details)	20 working days from receipt of results from Fund Actuary (but in any event no later than 31 March following the valuation date)	100%
Carry out cessation valuation exercise on cessation of admission agreements or employer ceasing participation in the Cambridgeshire Pension Fund or Northamptonshire Pension Fund	Initiated within 40 days with Fund Actuary plus results issued to employer within 2 months of clean data	100%
Publish, and keep under review, the Administering Authority's governance policy statement	Within 30 working days of policy being agreed by the relevant Pension Fund Board	100%
Publish and keep under review the Pension Fund's funding strategy statement	To be reviewed at each triennial valuation, following consultation with scheme employers and the Fund's Actuary. Revised statement to be issued with the final valuation report	100%
Publish the Pension Fund annual report and any report from the auditor	By 31 August following the year end	100%
Provide an FRS17/IAS19 report to employers for their chosen accounting date	Within one month of the 31 March, 31 July or 31 August accounting date, providing employer has returned required data to LGSS Pensions Service by the 1st of the month in which the accounting date falls	100%
SCHEME ADMINISTRATION		
Provide transfer-in quote to scheme member	Letter issued within 10 working days of receipt of all appropriate information	95%

Function / Task	Indicator	Target
Confirm transfer-in payment and service credited to scheme member	Letter issued within 10 working days of receipt of transfer payment by Pension Fund (or receipt of all information needed to complete calculations if later)	90%
Notify the employer of scheme member's election to pay or cease paying additional pension contributions (to buy additional pension) and other contracts, including all required information to enable deductions to commence or finish	Email sent within 5 working days of receipt of election from scheme member	95%
Calculate revised cost of additional regular/additional pension contributions, and notify scheme member	Letter sent within 10 working days of receipt of revised factors from DCLG	90%
Provide requested estimates of benefits to employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency	Estimate in agreed format provided within 10 working days from receipt of all information	90%
Provide a maximum of one estimate of benefits to employees per year on request	Estimate in agreed format provided within 10 working days from receipt of all information	90%
Provide a maximum of one cash equivalent transfer value (CETV) to employees per year on request	Provided within 10 working days from receipt of all information	90%
Provide a divorce quotation to employees on request	Provided within 10 working days from receipt of all information	90%
Notify leavers of deferred benefit entitlements or concurrent amalgamation	Notification issued within 15 working days of receiving all necessary information.	90%
Notify employees retiring from active membership of benefits award	Issue award within 5 working days after payable date or date of receiving all necessary information if later.	95%
Payment of ongoing pension (not including the first pension payment)	Eligible payments made on the publicised payment date.	100%

Function / Task	Indicator	Target
Acknowledge death of active/deferred/pensioner member	Letter issued within 5 working days following notification of death	100%
Award dependant benefits	Issue award within 5 working days of receiving all necessary information.	95%
Provide responses to other enquiries from scheme members, scheme employers, personal representatives, dependants and other authorised persons	Full response within 5 working days from receipt of all information needed to respond to enquiry	90%
Where a full response will not be available within the published service standards send an acknowledgement and provide the expected timescale	Acknowledgement within 5 working days from receipt of initial enquiry	100%
Appoint stage 2 “adjudicator” for the purposes of the pension dispute process and notify all scheme employers of the appointment	Within 30 working days following the resignation of the current “adjudicator”	100%
Process all stage 2 pension dispute applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.	100%
Publish and keep under review the Pension Fund policy on the abatement of pension on re-employment	Notify scheme members and scheme employers within one month of any changes or revisions to the policy	100%

Appendix E – Communications Strategy

Cambridgeshire Pension Fund **Northamptonshire** Pension Fund

CAMBRIDGESHIRE PENSION FUND & NORTHAMPTONSHIRE PENSION FUND

JOINT COMMUNICATION STRATEGY

LGSS

Contents

Page

1. Introduction 2

2. Communication Strategy 6

3. Further Information 17

1. Introduction

This is the joint Communications Strategy for the Cambridgeshire Local Government Pension Fund and the Northamptonshire Local Government Pension Fund managed by Cambridgeshire County Council and Northamptonshire County Council respectively (the Administering Authorities). The administration of these Funds is carried out by the LGSS Pensions Service, which incorporates administration for both the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund.

Together the Funds have around 400 employers with contributing members and a total membership of over 119,000 scheme members. These members are split into the following categories and with the following approximate numbers of members in each category:

Category	Cambridgeshire Pension Fund	Northamptonshire Pension Fund
Active scheme members	24,854	18,334
Deferred scheme members	25,793	20,887
Pensioner members	14,991	14,155

This document outlines our strategic approach to communications and is effective from 1 November 2014. It will be reviewed annually to ensure the key objectives remain relevant.

2. Communication Strategy

Regulatory framework

This Statement has been produced in accordance with Regulation 61 of the Local Government Pension Scheme Regulations 2013. The Regulation requires Administering Authorities to:

- Prepare, maintain and publish a written Statement setting out their policy concerning communications with:
  - Scheme members (active, deferred, retired and dependant)
  - representatives of scheme members
  - prospective scheme members
  - scheme employers
- Set out their policy on:
  - the provision of information and publicity about the Scheme
  - the format, frequency and method of distributing such information or publicity
  - the promotion of the Scheme to prospective scheme members and their employers.
- Keep the Statement under review and make such revisions as are appropriate following a material change in the policy on any of the matters included. If revisions are made, a revised statement must be published.

Key objectives

The communications of Cambridgeshire Pension Fund and Northamptonshire Pension Fund will be delivered in line with these objectives. We aim to:

- Provide clear information about the Scheme, including changes to the Scheme, to educate and engage with scheme members so that they can make informed decisions about their membership, contributions and benefits
- Deliver a clear and consistent message, that is engaging, factual and presented in plain language
- Promote the Scheme as a valuable benefit
- Seek and review regular feedback from all stakeholders about communications and shape future communications appropriately
- Look for efficiencies in delivering communications including through greater use of technology and partnership working

Measurements are in place to determine if these objectives are being met – see 'Implementation of Communication Key Objectives'.

Stakeholders of the Fund

There are several categories of stakeholder as detailed below.

- Active Scheme members
- Prospective Scheme members
- Deferred Scheme members
- Retired and Dependant Scheme members
- Scheme Employers
- Fund staff
- Pension Fund Committee
- External bodies
    - Trades Unions
    - Her Majesty's Revenue & Customs (HMRC)
    - Department for Communities and Local Government (DCLG)
    - The Pensions Regulator
    - National Fraud Initiative
    - Audit Commission

Brand Identity

The Funds recognise that our visual identification is one of our most powerful assets. It tells people who we are and influences how they remember and relate to us. Our branding increases our reputation whilst uniting us visually. When branding our communications it is important that:

- We have individual Fund identities that are distinct from each other and the County Council/LGSS identities.
- The look and feel of a communication should be identical where possible, but with separate Fund branding – e.g. newsletters should be identical where possible but would clearly display separate Fund branding on the front cover and only refer to the relevant Fund throughout the text.
- If it is unreasonable to produce different materials (e.g. cost difference, logistical challenges, etc) a joint brand is to be considered.
- Both Pension Fund Boards will be required to sign off high-level branding decisions.
- The brand will need to be adaptable to other funds that may become part of LGSS in the future

Confidentiality

The fund is registered under the Data Protection Act 1998 as part of Cambridgeshire County Council and Northamptonshire County Council. Information will be shared between Cambridgeshire County Council and Northamptonshire County Council for the purposes of pensions administration. Information regarding scheme members and organisations is treated with respect by all our staff.

Disclosure

Each Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC providers.

Equality

Our communications are tailored to the individual needs of our stakeholders. We will make every effort to provide communications to our stakeholders in their preferred language or format on request.

Freedom of information

This Communications Strategy identifies the classes of information that each Fund publishes or intends to publish in compliance with the Freedom of Information Act. Anyone has a right under the Freedom of Information Act to request any information held by the Fund which is not already made available. Requests should be made in writing to the Head of Pensions at the address at the end of this document.

A fee may be charged and the Funds reserves the right to refuse a request if the cost of providing the information is disproportionately high; if following prompting the request is unclear; and when the requests are vexatious or repeated.

Implementation of Communication Key Objectives

This table sets out the implementation of the delivery of the Funds key communication objectives.

The agreed objectives with measures for success that form the 'Communication Strategy' are:

Objective	Measures of success	Review process
Provide clear information about the Scheme, including changes to the Scheme, to educate and engage with scheme members so that they can make informed decisions about their benefits	Communication includes information and changes to the scheme that supports all stakeholder understanding	Surveys and polls (on websites and by post). Focus groups.
	Communication is delivered via the most appropriate media to the audience	Surveys and polls on websites. Focus groups. Monitor hits on website.
	Effective promotion of new media or change of processes to all stakeholders	Use appropriate media to convey relevant messages.
	Feedback from all stakeholders that they have understood the communication enough to make an informed decision	Surveys and polls on websites. Focus groups. Monitor incoming telephone call and email volumes.
Deliver a clear and consistent message, that is engaging, factual and presented in plain language	An effective implementation of the Communications Timetable to all audiences that is understood and timely.	Monitor enquiries from Stakeholders as to when events will take place. (Reduced enquiries mean effective delivery).
	Feedback from all audiences on the quality and language used in the communication sent.	Surveys and polls on websites. Focus groups.

	Feedback on the simplicity, relevance and impact of the communication sent.	Surveys and polls on websites. Focus groups.
Promote the Scheme as a valuable benefit	Identify trends in opt outs. Communication to opt outs includes positive messaging and invites feedback. Positive feedback from all stakeholders All communications promote the scheme as a valuable benefit in a way that it understood by the audience	Monitor opt out rates and reasons, to identify trends. Surveys and polls on websites. Review scheme communications for effectiveness. Online rating of document usefulness.
Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately	The Communications Strategy is reviewed and adapted where appropriate, as a result of feedback from stakeholders	Regular feedback is actively sought by the most appropriate media Processes are reviewed and adapted where appropriate to ensure the effective delivery of communication to all stakeholders
Look for efficiencies in delivering communications through greater use of technology and partnership working	Appropriate media is used for all stakeholders while balancing cost efficiency Reduction in costs on printing through larger print runs covering both authorities Reduction in postage costs All processes that support the	Compare previous communication costs (postage, print and design) with new costs and seek continual improvements. Year on year comparisons. Continual review of processes and communications.

	communication delivery are efficient More efficient communications through sharing of knowledge, resources and practice through regional communication working parties	Year or year comparisons of cost and quality

Methods of Communication and Key Messages/Objectives for Stakeholders

The Funds aim to use the most appropriate method of communication when dealing with stakeholders. This may involve more than one communication method. We have recently obtained two new and improved ways of communicating with our stakeholders:

The Pensions Website

In 2012 the LGSS Pensions Service implemented a new website:

- http://pensions.cambridgeshire.gov.uk
- http://pensions.northamptonshire.gov.uk

Both domain names lead to the same site, which has joint Fund branding ensuring the identity of each Fund is respected.

Whilst the Funds aim to use the most appropriate communication medium for the audience receiving the information we hope that our website will be the first port of call for all stakeholders where appropriate. For the immediate future the Funds will continue to use paper based communications as our main means of communicating with our stakeholders, for example by sending letters and paper copies of Newsletters and Annual Benefit Statements. However, we are committed to using technology to enhance our service and reduce costs, where appropriate, and will therefore continue to explore and develop the use of electronic communications through our website, emails and Self Service.

Self Service

Member and Employer Self Service is an internet based application that allows the individual access to information held by the Pensions Service.

Employer Self Service has been implemented and employers are now able to update their member's records and carry out benefit calculations.

Access to Member Self Service has been offered to the active membership of each Fund. It gives the individual controlled access to their own details, allowing them to update their personal information and carry out benefit calculations.

One of the many benefits of self service for both scheme employers and scheme members is the increased communication and engagement it allows – whilst in its infancy now this is an avenue we will be exploring more thoroughly in the future.

Table Showing our Methods of Communication and Key Message/Objective for Stakeholders

The table below shows the Funds main methods of communicating with the different stakeholder groups, other than the 'usual' day to day communications, plus the key messages and objectives we hope to achieve:

Stakeholder	Communication	Key message/Objective
Active Scheme members	Annual Newsletter Annual Benefit Statements Calculations and costings (e.g. estimates) 'Short guide to LGPS' 'Full guide to LGPS' Website (in particular 'Latest News' page) Member Self Service External training sessions as requested by employer LGSS Welcome Events LGSS training events Roadshows	Key Messages: • Your pension is a valuable benefit • You need to make sure you're saving enough for retirement Objectives: • To improve understanding of how the LGPS works • To inform scheme members of their rights and benefits • For queries and complaints to be reduced • To make pensions information more readily available
Scheme employers	Pension Bulletins Ad hoc email alerts Biannual forums Website (in particular 'Latest News' page) Seminars/workshops Bespoke ad hoc training	Key Messages: • You need to be aware of your responsibilities regarding the LGPS • The Fund is a valuable benefit for scheme members and is a good tool for retention of staff Objectives: • To increase understanding of how the Fund works and the effects on

	sessions Welcome/Joiner information	scheme members of any legislation changes • To improve relationships • Continue to improve the accuracy of data being provided to us • To make pensions information more readily available
Prospective Scheme members **And Opt-Outs**	Information on website Scheme Information Leaflets LGSS Welcome Event LGSS training events	Key Messages: • The pension benefits are a valuable part of your reward package • The LGPS is still one of the best pension arrangements available Objectives: • To improve take up of the LGPS • To decrease opt out rate and increase understanding of contribution flexibility i.e. 50/50 option • To increase understanding of how the Scheme works and what benefits are provided • To make pensions information more readily available
Deferred Scheme members	Annual Benefit Statements Calculations and costings (e.g. estimates)	Key Messages: • It is important to keep in touch with the LGSS Pensions Service e.g. provide us with address changes

	Scheme Information Leaflets Retirement Packs Website	• The LGPS is still a valuable part of your retirement package Objective: • To improve understanding of how the LGPS works • To make pensions information more readily available
Retired/Dependant Scheme members	Annual Newsletter Payslips (when criteria is met) P60 Lifetime Allowance Calculations and costings (e.g. estimates)	Key Messages: • It is important to keep in touch with the LGSS Pensions Service e.g. provide us with address changes • The LGPS is still a valuable part of your retirement package Objectives: • To improve understanding of how the LGPS works • To make pensions information more readily available
Fund staff	Monthly service meetings Team meetings Ad hoc meetings Consultations 1:1 / Appraisals Training & Development	Objectives: • To ensure staff are kept up to date with important information regarding the Service, the Employing Authority and the wider world of pensions as a whole • For staff to feel a fully integrated member of the team • For management to feedback to staff regarding their individual progress

		• To give staff a chance to feedback their views and suggestions
Pension Fund Boards and Investment Sub Committees	Committee Papers Presentations Consultations Agendas Minutes	Objectives: • To update on the implementation of a policy • To monitor success against the agreed measures
External authorities • **Trade Unions** • **Her Majesty's Revenue & Customs (HMRC)** • **Department for Communities and Local Government (DCLG)** • **Pensions Regulator** • **Audit Commission**	Response to enquiries and consultations. Response to changes in legislation.	Objectives: • To response to enquiries/statutory requirements.

Communication Timetable

MONTH	ACTIVITY							
	Active Scheme members	**Scheme employers**	**Prospective Scheme members**	**Opt - outs**	**Deferred Scheme members**	**Retired Scheme members**	**Dependant Scheme members**	**Fund staff**
JAN								Monthly team meeting Service meeting
FEB								Monthly team meeting Service meeting
MAR						Newsletter incorporatin g Pensions Increase notification, plus pay dates and other relevant information to be sent out with payslip.	Newsletter incorporating Pensions Increase notification, plus pay dates and other relevant information to be sent out with payslip.	Monthly team meeting Service meeting
APR						Payslip	Payslip	Monthly team meeting

								Service meeting
MAY					Annual Benefit Statements - LGPS & Councillors	LTA% on payslip.	LTA% on payslip.	Monthly team meeting Service meeting
JUN	Fire Annual Benefit Statements*							Monthly team meeting Service meeting
JUL	Police Annual Benefit Statements*							Monthly team meeting Service meeting
AUG	Annual Benefit Statements - LGPS and Councillors							Monthly team meeting Service meeting
SEPT								Monthly team meeting Service meeting
OCT								Monthly team meeting Service meeting

NOV								Monthly team meeting Service meeting
DEC	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts Monthly team meeting Service meeting
Ad hoc Comms	LGSS Training Days Website	Procedures training – road shows. Pension Bulletins Website Valuation Report (every 3 yrs)	LGSS Welcome Events Posters Website	Website	Website	Website	Annual review of entitlement – May/June. Website	Regional Pension Officer Groups Website Pension Managers Annual Conference Pension Committee Valuation Report (every 3 yrs) CLASS User Group/AGM

* Must be an active scheme member as at 31st March in the financial year that the statement relates.

3. Further information

If you have any enquiries in relation to this Communications Strategy please do not hesitate to contact us.

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CAMBRIDGESHIRE PENSION FUND

LGSS

Pension Fund Board

Date: 25 January 2017

Report by: Head of Pensions

Subject:	**LGSS Pensions Service Administration Performance Report**
Purpose of the Report	To present the Administration Performance Report to the Pension Fund Board
Recommendations	**The Pension Fund Board are asked to note the Administration Performance Report**
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

1.1 One of the core functions of the Pension Fund Board (the Local Pension Board) is to ensure the effective and efficient governance and administration of the Scheme. This report demonstrates a number of key areas of administration performance for consideration by the Pension Fund Board.

2. Administration Reporting

2.1 Receipt of Employee and Employer Contributions

2.1.1 The following table shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late (after the 19th of the month following deduction) for the period 1 December 2015 to 30 November 2016.

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
December 2015	98.9	1.1	98.0	2.0
January 2016	97.3	2.7	98.9	1.1
February 2016	98.9	1.1	98	2.0
March 2016	97.6	2.4	97.3	2.7
April 2016	96.3	3.7	94.5	5.5
May 2016	97.0	3.0	95.3	4.7

June 2016	97.2	2.8	96.9	3.1
July 2016	97.2	2.8	99.1	0.9
August 2016	96.6	3.4	95.9	4.1
September 2016	97.1	2.9	97.3	2.7
October 2016	97.4	2.6	96.7	3.3
November 2016	98.0	2.0	96.8	3.2
Average for period	**97.5**	**2.5**	**97.1**	**2.9**

2.1.2 For August there were 2 employers who had not made a payment by 19 September and 10 employers who made a late payment equating to £35,461.54 which is approximately 0.35% of the total amount of contributions due for the month.

2.1.3 The 12 employers collectively have 37 employees contributing to the Local Government Pension Scheme. The 2 employers that have not made payment did also not submit a payment schedule and therefore a monetary amount was not available and not included in the figure in 2.1.2.

2.1.4 For September 1 employer failed to make a payment by 19 October and 3 employers made late payments equating to £47,367.89. Which is approximately 0.47% of the total amount of contributions due to the Fund.. The employer has 35 active employees contributing to the Local Government Pension Scheme.

2.1.5 For October 7 employers paid contributions late equating to £2,597.46 which is approximately 0.01% of the expected amount of contributions due. These employers collectively have 7 active members contributing to the Local Government Pension Scheme. Two of the late payments were made by employers who had previously been reported to the Pensions Regulator within the last 6 months and were therefore automatically reported again as per the Payment of Employee and Employer Pension Contributions Policy.

2.1.6 For November, 2 employers failed to make payment and 2 employers made late payments equating to £6,718.87, which is approximately 0.03% of the total contributions due for the month. The employers collectively have 5 active members contributing to the Local Government Pension Scheme. Two of the late payments were made by employers who had previously been reported to the Pensions Regulator in October due to previous late payments and were therefore automatically reported again as per the Payment of Employee and Employer Pension Contributions Policy. One employer made two late payments within the period and is being closely monitored.

2.1.7 Persistent late payments and submission of accompanying payment schedules are monitored closely and officers work in close liaison with scheme employers and third party payroll providers to resolve issues. The Payment of Employee and Employer Contributions Policy came into force on 1 April 2016 to ensure scheme employers are aware of the consequences of not meeting their statutory obligations and are aware in advance of the ramifications of persistent non-compliance.

2.1.8 Full details of the employers that have been reported to the Pensions Regulator can be found in **Appendix 1** of this report (private appendix).

2.2 Overpayments of Pension

2.2.1 The table below shows all the overpayments of pension that have occurred, split by categories of explanation, during the period 1 September 2016 to 31 December 2016.

Overpayment Type	Action	Amount	Total
Retirement	Written off	£0	£0
	Recovery	£0	
Death of a Pensioner/Dependant	Written off	£6,853.83 (76 Cases)	£33,028.26 (95 Cases)
	Recovery	£26,174.43 (19 Cases)	

2.2.2 During the period 1 September 2016 to 31 December 2016, 95 scheme members passed away and the date of notification to the Fund resulted in an overpayment of the late member's pension. Of the overpayments, 76 were automatically written off as the value of the overpayment was less than £250. The remaining 19 cases are currently being pursued for recovery of the overpayment.

2.2.3 One high value case equating to £13,659.83 was the result of a spouse not notifying the service of her late husband's death. The sister of the deceased noticed that the widow had not been dealing with the deceased's affairs and advised LGSS Pensions in June 2016 that the member had died in June 2015.Unfortunately there were delays in obtaining an overpayment value from LGSS Payroll which was finally received in December 2016.An invoice has now been raised to recover the full amount.

2.2.4 In this period, £8,026.82 has been recovered for the 2015-16 financial year and £4,431.95 has been recovered to date for the current financial year across all overpayment types.

2.3 Key Performance Indicators – LGSS Pensions Service

2.3.1 The Pension Committee has agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions Service.

2.3.2 The performance against the key performance indicators for the period 1 September 2016 to 31 December 2016.

KPI	Target	September	October	November	December
Notify leavers of deferred benefit entitlement. (Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information).	**90%**	97%	97%	96%	96%

Payment of retirement benefits from active employment. (Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later).	**95%**	100%	100%	100%	99%
Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	**95%**	90%	85%	86%	86%
Provide a maximum of one estimate of benefits to employees per year on request. (Estimate in agreed format provided within 10 working days from receipt of all information).	**90%**	85%	74%	87%	90%
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	**95%**	94%	97%	90%	89%
Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	**95%**	60%	100%	100%	100%
Notify the employer and scheme members of changes to the scheme rules. (Within one month of the LGSS Pensions Service being informed of the change).	**95%**	100%	100%	100%	100%
Issue annual benefit statements to active members as at 31 March each year. (By the following 31 August - pending timely receipt of satisfactory year end data from the scheme employer).	**100%**	100%	N/A	N/A	N/A

2.3.3 The full analysis of data for the September, October, November and December statistics along with explanations on the lower than expected performance can be found in **Appendix 2** of this report.

2.4 Key Performance Indicators – Scheme Employer Performance

2.4.1 The following key performance indicators, as agreed by the Pension Committee, are based on the performance of the scheme's employers for the period 1 September 2016 to 31 December 2016 are detailed in the table below.

KPI	Target	September	October	November
Arrange for the correct deduction of employee and employer contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.	**100%**	97.1%	97.4%	98.0%
Provide LGSS Pensions Service with accurate year end information in the prescribed format.	**100%**	N/A	N/A	N/A

2.4.2 Employer performance continues to be managed by officers of the Fund and progress continues to be made. Close liaison with employers in regards to the timely submission of both payments and schedules in order for them to meet statutory compliance.

2.4.3 The relationship between size of employer and whether the employer met the key performance indicators (KPIs) for scheme employer performance is detailed in **Appendix 3** of this report.

3. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. *Objective 1*
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. *Objective 2*
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. *Objective 3*
Continually monitor and measure clearly articulated objectives through business planning *Objective 4*
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. *Objective 8*
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. *Objective 10*

4. Finance & Resources Implications

4.1 The financial and resource implications are set out in the Business Plan.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with managing the administration performance of the scheme.	Key areas of control to be reported to the Pension Committee and Pension Fund Board are highlighted in the Fund's Business Plan.	Green

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

Risk	Risk Rating
If the Fund does not monitor and report administration standards the Fund will not demonstrate that it has appropriate control over the management of its core functions.	Amber

6. Communication Implications

Direct Communications	The Fund publishes its performance against the key performance indicators in the regular reports to the Pension Committee and Pension Fund Board and in the Fund's Annual Report.

7. Legal Implications

7.1 Not applicable

8. Consultation with Key Advisers

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

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 13 January 2017

Appendix 2 – Pensions Service KPI analysis for September, October, November and December 2016.

September 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	393	382	11	97%		
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	130	130	0	100%		
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	40	36	4	90%		Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of SLA target due to high volumes of work, staff changes, payroll checking and payroll testing.

Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	67	57	10	85%		Cases outside of SLA target due to high volumes of actual retirement work during August and September, staffing issues and payroll project. Statutory.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	16	15	1	94%		Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of SLA target due to high volumes of work, staff changes, payroll checking and payroll testing.
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	5	3	2	60%		Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of SLA target due to high volumes of work, staff changes, payroll checking and payroll testing.

October 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	335	326	9	97%		
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	110	110	0	100%		
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	39	33	6	85%		Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of SLA target due to high volumes of work, staff changes, payroll checking and payroll testing.

Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	164	122	42	74%		Cases outside of SLA target due to a backlog of checking resulting from high volumes of actual retirement work during August and September, staffing issues and payroll project
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	29	28	1	97%		
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	5	5	0	100%		

November 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	435	419	16	96%		
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	78	78	0	100%		
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	41	36	5	86%		Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of SLA target due to staff changes, payroll checking and payroll testing.

Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	115	102	13	87%		Cases outside of SLA target due to reduction in staffing levels and development of new team members.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	22	20	2	90%		Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of SLA target due to staff changes, payroll checking and payroll testing.
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	20	20	0	100%		

December 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	374	360	14	96%		
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	89	88	1	99%		
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	26	22	4	86%		Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of SLA target due to staff changes, payroll checking and payroll testing.

Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	102	92	10	90%		
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	18	16	2	89%		Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of SLA target due to staff changes, payroll checking and payroll testing.
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	14	14	0	100%		

Green:

- **Equal to or above SLA target.**

Amber:

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

Red:

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

Appendix 3 – Largest employers in the Fund and performance on the payment of contributions, the submission of payment schedules and the submission of year end information.

Late Payments

Employer	Actives	Payroll	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
A	3893	In house	-1	2	3	-1	-1	-2	-2	0	-4	0	-2	-2
B	1614	In house	-3	-4	-3	-3	0	-1	-2	0	0	1	-1	-3
C	1377	In house	-1	0	0	-1	0	0	-2	0	0	-20	0	-1
D	951	In house	-1	0	0	-1	0	0	-2	0	0	0	0	-1
E	907	In house	-3	-4	-2	-1	-4	-1	5	-4	-16	-24	0	-3
F	580	Outsourced	-1	0	0	-1	0	0	-2	0	0	-3	0	-1
G	410	Outsourced	-1	0	0	-2	-4	0	1	-4	-7	0	1	-1
H	391	Outsourced	-1	0	-1	-2	0	-2	-2	-5	4	-4	-1	-2
I	362	In house	-4	0	3	-4	-2	-3	-5	-8	3	-7	-1	-4
J	280	In house	-1	-1	0	-1	0	0	-2	0	0	0	0	-1
K	244	Outsourced	-19	-32	-21	-19	-19	-20	-19	-19	-21	0	-19	-19
L	240	In house	-1	-4	0	-1	-1	0	-2	-1	0	-3	0	-1
M	213	In house	-19	-19	-21	-19	-19	-20	-19	-19	-21	-6	-19	-19
N	169	In house	-1	0	-1	-1	-1	0	-2	0	0	0	0	-4
O	163	In house	-19	-19	-21	-19	-19	-20	-19	-19	-21	-3	-19	-19
P	146	Outsourced	-18	-19	-18	-18	-12	-20	-18	-18	-18	-18	-19	-18
Q	144	Outsourced	-18	-19	-18	-18	-18	-20	-18	-18	-18	-18	-19	-18
R	140	In house	-1	-1	-1	-1	-1	0	-2	-1	-1	-3	-2	-3
S	139	In house	-18	-19	-18	-18	-18	-20	-18	-18	-18	-18	-19	-18
T	135	Outsourced	-19	-19	-21	-19	-19	-20	-19	-19	-21	-19	-19	-19

Minus denotes early payments and plus denotes late, highlighted are the payments that fell outside of desired acceptance.

Late Payment Schedules

Employer	Actives	Payroll	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
A	3893	In house	53	22	0	-1	-1	-1	-2	0	-1	1	0	-1
B	1614	In house	-4	-3	-3	-2	-2	0	-2	17	-2	-3	-5	-2
C	1377	In house	-36	-32	-32	-30	-28	-29	-31	-32	-31	-31	-30	-32
D	951	In house	-32	-29	-26	-32	-13	-27	-27	-29	-31	-31	-30	-31
E	907	In house	-10	-5	-1	-4	-1	-7	8	-11	-4	-10	8	-10
F	580	Outsourced	2	0	-1	2	-4	4	2	-1	-1	-5	-2	9
G	410	Outsourced	16	-15	-17	-25	3	174	143	113	82	51	21	9
H	391	Outsourced	-10	-7	-7	-4	-5	-9	8	-6	-8	14	-8	-10
I	362	In house	-18	-27	-1	-16	-13	-13	-18	-20	-17	-13	-16	-18
J	280	In house	-33	-34	-31	-32	-29	-28	-32	-29	-31	-32	-29	-32
K	244	Outsourced	-23	-28	-18	-21	-13	-14	-24	-22	-20	-2	-21	-24
L	240	In house	-3	-7	-3	-3	-5	-4	-5	-6	-3	-6	-2	-8
M	213	In house	-17	-12	17	-17	-13	-14	-17	-15	-21	-19	-16	-15
N	169	In house	23	0	-24	-12	-17	-13	-17	-13	-18	8	-22	-24
O	163	In house	-19	-32	-22	-19	-20	-20	-19	-18	-25	-20	-20	-24
P	146	Outsourced	-18	-13	-18	-3	-20	-15	-17	-14	-4	-13	-19	-22
Q	144	Outsourced	-18	-13	-18	-3	-20	-15	-17	-14	-4	-13	-19	-22
R	140	In house	-17	-28	-16	11	-12	-14	-26	-21	-24	-20	-22	-26
S	139	In house	-18	-13	-18	-3	-20	-15	-17	-14	-4	-13	-19	-22
T	135	Outsourced	-19	-28	-21	-22	-20	-15	-19	-18	-22	-20	-20	-25

Minus denotes early payments and plus denotes late, highlighted are the schedules that fell outside of desired acceptance.

Late year-end submissions

Employer	Actives	Payroll	Comments
B	1614	In house	The first submission was rejected due to some missing data, employer was extremely co-operative and the correct data submitted 13 May 2016.
R	140	In house	Employer had issues with their payroll data so an extension was agreed to 4 May 2016.
T	135	Outsourced	The first submission was rejected due to the pay reference numbers being incorrect. Resubmitted 9 May 2016.

CAMBRIDGESHIRE LOCAL PENSION BOARD AGENDA PLAN

Cambridgeshire County Council

Notes

Items shown in bold have or will be considered by the Pension Committee.

Draft reports are due with the Democratic Services Officer by 10.00 a.m. seven clear working days before the meeting.
The agenda dispatch date is five clear working days before the meeting.

Committee date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
23/03/17	1. Minutes 25/01/17	D Snowdon		
	2. Administration Report (includes Employers, Admissions and Cessations Report, Business Plan Update and Governance and Legislation Report	J Walton		
	3. Pension Committee Minutes.	J Walton		
	4. Asset Pooling	M Whitby		
21/07/17	1. Minutes 23/03/17	D Snowdon		
	2. Administration Report (includes Employers, Admissions and Cessations Report, Business Plan Update and Governance and Legislation Report	J Walton		
	3. Pension Committee Minutes.	J Walton		
	4. Asset Pooling	M Whitby		
27/10/17	1. Minutes 21/07/17	D Snowdon		

Committee date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
	2. Administration Report (includes Employers, Admissions and Cessations Report, Business Plan Update and Governance and Legislation Report	Walton		
	3. Pension Committee Minutes.	J Walton		
	4. Asset Pooling	M Whitby		
16/02/18	1. Minutes 27/10/17	D Snowdon		
	2. Administration Report (includes Employers, Admissions and Cessations Report, Business Plan Update and Governance and Legislation Report	J Walton		
	3. Pension Committee Minutes.	J Walton		
	4. Asset Pooling	M Whitby		
20/04/18	1. Minutes 16/02/18	D Snowdon		
	2. Administration Report (includes Employers, Admissions and Cessations Report, Business Plan Update and Governance and Legislation Report	J Walton		
	3. Pension Committee Minutes.	J Walton		
	4. Asset Pooling	M Whitby		