

# PENSION FUND COMMITTEE



**Date: Thursday, 28 July 2016**

**Democratic and Members' Services**  
Quentin Baker  
LGSS Director: Law and 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. **Pension Fund Annual Report and Statement of Accounts 2015-16** 5 - 112
3. **WM Annual Performance Review to 31 March 2016** 113 - 136
4. **Exclusion of Press and Public**

*To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraphs 1 & 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)*

5. **Annual Review of the Fund's Investment Managers**
  - Information relating to the financial or business affairs of any

particular person (including the authority holding that information);

**6. Investment Manager Fee Review**

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

**7. Custodian Monitoring Report**

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

**8. DATE OF NEXT MEETING: 20th October 2016 (10am)**

**9. FURTHER SCHEDULED MEETINGS: 8th December 2016 (10am),  
23rd March 2017 (10am)**

The Pension Fund Committee comprises the following members:

Councillor Roger Hickford (Chairman) Councillor Maurice Leeke (Vice-Chairman)

Mr Gareth Deeble Councillor Andrew Fraser Mr Matthew Pink Councillor David Seaton and Mr John Walker Councillor Peter Ashcroft Councillor Noel Kavanagh Councillor Gail Kenney and Councillor Joshua Schumann

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

Clerk Name: Dawn Cave

Clerk Telephone: 01223 699178

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

The County Council is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as

Twitter and Facebook) to communicate with people about what is happening, as it happens. These arrangements operate in accordance with a protocol agreed by the Chairman of the Council and political Group Leaders which can be accessed via the following link or made available on request: <http://tinyurl.com/ccc-film-record>.

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

The Council does not guarantee the provision of car parking on the Shire Hall site and you will need to use nearby public car parks <http://tinyurl.com/ccc-carpark> or public transport



**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Fund Committee**

**28 July 2016**

**Report by: HEAD OF PENSIONS**

<b>Subject:</b>	<b>Pension Fund Annual Report and Statement of Accounts 2015-16.</b>
<b>Purpose of the Report</b>	To present the Draft Annual Report and Statement of Accounts of the Pension Fund for the 2015-16 financial year.
<b>Recommendations</b>	That the Committee: <ol style="list-style-type: none"> <li>1. Approves the Draft Annual Report and note the Statement of Accounts of the Pension Fund for the 2015-16 financial year.</li> <li>2. Approves that the Chairman or Vice Chairman agree with Officers any immaterial amendments to the Annual Report arising from final External Auditor review comments.</li> </ol>
<b>Enquiries to:</b>	Paul Tysoe, Tel - 01604 368671 Email: <a href="mailto:phtysoe@northamptonshire.gov.uk">phtysoe@northamptonshire.gov.uk</a>

**1. Background**

- 1.1 The Pension Fund’s Statement of Accounts (SOA) form part of the County Council’s Statement of Accounts. These 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 The Fund’s Annual Report and SOA have been subject to audit fieldwork by the County Council’s external auditor. Whilst BDO perform a full audit of the SOA, their work on the Annual Report is limited to a review to ensure compliance with guidance and consistency with the SOA. BDO’s initial findings are noted in paragraph, 3 below.
- 1.3 The annual accounts are a true and view of the financial activities of the Fund for the financial year 1 April 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 financial statements for Local Government Pension Scheme funds. There has been no material change to this pro forma in completing the 2015-16 Statement of Accounts.
- 1.7 The CIPFA template has been used as a framework for the Pension Fund Accounts to ensure that the reporting meets the requirements of the Code and is compliant with International Financial Reporting Standards (IFRS).
- 1.8 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. The Annual Report together with the Statement of Accounts will be presented to the Pension Fund Committee in October 2016.

## **2. Summary of Report**

- 2.1 This section discusses the movement between March 2015 and March 2016 in the Statement of Accounts, covering both financial and service activity variances. The Fund Account and the Net Asset Statement provide a summary of the key financial aspects with the notes to the accounts providing more depth and non financial activities to add perspective and comparative balances. See appendix 1.
- 2.2 There are two aspects to Pension Accounting statements, being the Fund "member" activity and secondly Investments, combined they form the Pension Fund Account. The 2016 financial year shows a surplus on member activity of £29.9m, offset by negative 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.
- 2.3 When comparing the Fund Account for the year to 31 March 2015 to the year to 31 March 2016 there is a negative swing of £233m in total, mainly reflecting the change in investment activity between the two financial years. The one year investment return as at March 2015 was a positive 12.2% showing a market net return of £252m, whilst the comparative return figure for March 2016 was a negative 1.9% return showing a market reduction of £60m, a combined swing of £281m. This included a reduction in investment income of £4.1m following changes of Fund manager during the financial year. 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%. Please note Investment performance is discussed further within the annual report. (Pages 36-37 in the Annual Report).
- 2.4 On the membership side income has increased, reflecting valuation increases on employer rates, pay rises for members, boosted by increases in membership of nearly 1,400. The most significant swing relates to payments on account of leavers, where in 2014-15 Probation Services transferred out to Greater Manchester (£33m).
- 2.5 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 membership (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.

- 2.6 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.
- 2.7 Membership activity shows an increase of 1,399 active members, 511 pensioners and 2,634 deferred members.

### 3. Findings and Feedback from External Audit Fieldwork.

- 3.1 BDO have commenced their audit fieldwork of the Pension Fund Statement of Accounts but have not yet concluded their work.
- 3.2 There are some outstanding items of audit field work to be undertaken, mainly detailed testing on Funding Account items on contributions and benefits.
- 3.3 In addition BDO have not yet concluded on the valuation of £43m of the investment in Cambridge & Counties Bank prepared by of the third party valuer.
- 3.4 **Prior year recommendations** confirmation that prior year recommendations have been met has not yet been received, due to the ongoing audit work, nor have BDO have drafted their formal audit findings for the current year in the ISA260 “Those charged with Governance document”.
- 3.5 As a result of initial feedback from BDO and our own internal review the changes below are proposed to the Statement of Accounts:

3.5.1 Note 8 - Transfers In From Other Pension Funds. Separation of the value of Group Transfers in the 2015-16.

As shown in the draft:

2014-15 £000		2015-16 £000
2,866	Individual transfers	8,735
<u>2,866</u>		<u>8,735</u>

Revised:

2014-15 £000		2015-16 £000
-	Group transfers	5,773
2,866	Individual transfers	2,962
<u>2,866</u>		<u>8,735</u>

3.5.2 Note 15(c) – Add an additional table of investments which represent more than 5% of the net assets of any class or type of security. The format of this note has yet to be agreed with BDO.

3.6 The Final version of the Annual Report and Statement of Accounts will be presented to the October Pension Committee meeting cycle.

#### 4. Recommendations

4.1 That the Pension Committee:

1. Approve the Annual Report and note the Statement of Accounts of the Pension Fund for the 2015-16 financial year.
2. Approve that the Chairman or Vice Chairman agrees with Officers any immaterial amendments to the Annual Report arising from final External Auditor review comments.

#### 5. Relevant Pension Fund Objectives

Perspective	Outcome
<p><b>Funding and Investment</b></p>	<ul style="list-style-type: none"> <li>• Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.</li> <li>• Maintain accurate records and ensure data is protected and used for authorised purposes only.</li> <li>• Deliver consistent plain English communications to Stakeholders.</li> <li>• Ensure cash flows in to and out of the Fund are timely and of the correct amount.</li> <li>• 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.</li> <li>• Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.</li> <li>• Maximise investment returns over the long term within agreed risk tolerances.</li> <li>• Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.</li> </ul>

#### 6. Finance & Resources Implications

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

#### 7. Risk Implications

a) Risk(s) associated with the proposal



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

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

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

## **8. Communication Implications**

- 8.1 The Regulations determine that the accounts and other related documents have to be made available for public inspection. They will be available for public inspection between 1 July and 30 July 2016 inclusive. Officers will be required to deal with enquiries from the public during this period of time.
- 8.2 The statutory date for publication of the final set of Accounts is the end of September, and in accordance with recognised practice, the Council considers its Statement of Accounts to be published from the date that a final certified copy is made available via the Council's website.

## **9. Legal Implications**

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

## **10. Consultation with Key Advisors**

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

## **11. Alternative Options Considered**

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

## **12. Background Papers**

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

## **13. Appendices**

- 12.1 Appendix 1 – Annual Report (draft) and Statement of Accounts 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. 11 July 2016.
Has this report been cleared by the Section 151 Officer / Director of Finance?	Sarah Heywood 13 July.
Has the Chairman of the Pension Fund Board been consulted?	Cllr Hickford. 12 July 2016.
Has this report been cleared by Legal Services?	L Gould 18 July 2016.

***Annual Report and  
Statement of Accounts  
2015-16***

## Contents

	<b>Page</b>
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	31
Scheme administration report	43
Actuarial report on funds	46
Governance policy and compliance statement	51
Pensions administration strategy	53
Funding strategy statement	54
Statement of investment principles	55
Communication policy statement	56
Any other appropriate material	57
Auditor's report	58
Fund account, net assets statement and notes	60
	<b>Appendices</b>
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 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 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 March 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 59 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 return of -1.9% for the year, under performing the Fund's benchmark return (0.2%) and the average Local Authority Pension Fund (0.2%). (*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 to date 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.

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

## Active Employers (243)

**Scheduled Bodies**

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

<b>Head of Pensions</b>	Mark Whitby
<b>Investment &amp; Fund Accounting Manager</b>	Paul Tysoe
<b>Operations Manager</b>	Akhtar Pepper
<b>Employer and Systems Team Manager</b>	Cory Blose
<b>Fund Financial Managers</b>	Richard Perry (Investment) Tracy Pegram (Investment) Ben Barlow (Fund)
<b>Governance &amp; Regulations Manager</b>	Joanne Walton
<b>Investment Advisers</b>	Mercer Investment Consulting Belvedere 12 Booth Street Manchester M2 4AW
<b>Investment Managers</b>	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

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

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

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

Paul Tysoe,  
Investment and Fund Accounting Manager  
[phtysoe@northamptonshire.gov.uk](mailto:phtysoe@northamptonshire.gov.uk)  
Tel: 01604 368671

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

Mark Whitby,  
Head of Pensions, LGSS  
[MWhitby@northamptonshire.gov.uk](mailto:MWhitby@northamptonshire.gov.uk)  
Tel: 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 Board 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 eleven investment mandates with ten 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 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	2015-16 Final Outturn	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast
	£000	£000	£000	£000	£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
<b>Total Income</b>	<b>116,700</b>	<b>127,578</b>	<b>116,452</b>	<b>115,687</b>	<b>119,378</b>
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)
	<b>(103,500)</b>	<b>(97,689)</b>	<b>(98,154)</b>	<b>(99,891)</b>	<b>(101,675)</b>
	<b>13,200</b>	<b>29,889</b>	<b>18,298</b>	<b>15,796</b>	<b>17,703</b>
<b>Management Expenses</b>	<b>(8,370)</b>	<b>(8,770)</b>	<b>(7,855)</b>	<b>(7,894)</b>	<b>(8,045)</b>
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
<b>Net return on investments</b>	<b>167,000</b>	<b>(28,546)</b>	<b>101,000</b>	<b>106,000</b>	<b>101,000</b>
<b>Net increase/(decrease) in the net assets available for benefits during the year</b>	<b>171,830</b>	<b>(7,427)</b>	<b>111,443</b>	<b>113,902</b>	<b>110,658</b>

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

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 19<sup>th</sup> day of the month following deduction.

	<b>Total Paid in 2015-16 £</b>	<b>Total Paid On Time £</b>	<b>% Paid On Time</b>	<b>Total Paid Late £</b>	<b>% Paid Late</b>
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%
<b>Total</b>	<b>102,753,968</b>	<b>96,047,622</b>	<b>93.4%</b>	<b>6,706,346</b>	<b>6.53%</b>

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.

	<b>2015-16 Estimated Outturn</b>	<b>2015-16 Final Outturn</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flows</b>		
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)
<b>Net increase /(decrease) in the net assets available for benefits during the year</b>	<b>171,830</b>	<b>(7,427)</b>
<b>Assets held</b>		
Fixed interest 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
<b>Net investment assets</b>	<b>2,544,423</b>	<b>2,243,611</b>

- 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
<b>Total</b>		<b>94</b>	<b>£422.23</b>
Death	Recovered	9	£8,608.20
	Requested	12	£6,674.84
	Written off	159	£12,257.87
<b>Total</b>		<b>180</b>	<b>£27,540.91</b>
Cessation of Eligibility (Child Pension)	Recovered	0	0
	Requested	1	£597.62
	Written Off	1	£32.34
<b>Total</b>		<b>2</b>	<b>£629.96</b>
<b>Total Overpayments</b>		<b>276</b>	<b>£28,593.10</b>

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
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	1400	1161	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	1099	1070	95%	97%
Acknowledge death of active/deferred/pensioner member	5	796	791	100%	99%
Change of address	2	1543	1488	100%	96%
Expression of Wish form received	2	1248	1244	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.



Administrative costs per member excluding investment management expenses were £22.62 compared to a benchmark cost for other LGPS funds of £20.75 (source: CIPFA Benchmarking Club 2014 Final Report). Please see below table for breakdown.

	Cambridgeshire Pension Fund	Benchmark
Unit costs per member excluding investment management expenses	£2,379,000 / 73,802 = £32.23	£20.75 £TO BE CONFIRMED CIPFA Benchmarking average 2013-14(49 LGPS Funds)
Unit costs per member including investment manager expenses	£8,770,000 / 73,802 = £118.83 per scheme member	N/A

### Key staffing indicators

In 2015-16, the average staff to member ratio was one full time member of staff to 2,693 members and the number of cases per full time member of staff was ●.

### 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
<b>Total</b>	<b>56,943</b>	<b>60,042</b>	<b>65,738</b>	<b>69,258</b>	<b>73,802</b>

### Age Profile of Fund membership at 31 March 2016

Age Band Years	Member Type			Total
	Actives	Deferred	Pensioners*	
<20	363	110	89	562
20 - 24	1432	974	11	2,417
25 - 29	1826	2270	2	4,098
30 - 34	2409	3020	9	5,438
35 - 39	3012	3359	13	6,384
40 - 44	4202	4630	28	8,860
45 - 49	4725	5516	78	10,319
50 - 54	4170	5438	154	9,762
55 - 59	2986	4053	944	7,983
60 - 64	1312	1330	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
<b>Total</b>	<b>26,744</b>	<b>30,889</b>	<b>16,169</b>	<b>73,802</b>

(\* 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
Cambridge City Primary Care Trust	-	1,160	1,160
Cambridge LIVE	52	133	185

	<b>Employee(£000)</b>	<b>Employer(£000)</b>	<b>Total(£000)</b>
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
Dell (Sir Harry Smith)	3	9	12
Dell Corporation Ltd	-	1	1

	<b>Employee(£000)</b>	<b>Employer(£000)</b>	<b>Total(£000)</b>
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
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

	<b>Employee(£000)</b>	<b>Employer(£000)</b>	<b>Total(£000)</b>
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
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

	<b>Employee(£000)</b>	<b>Employer(£000)</b>	<b>Total(£000)</b>
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
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

	Employee(£000)	Employer(£000)	Total(£000)
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
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

	Employee(£000)	Employer(£000)	Total(£000)
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)
<b>Fund Account Contributions</b>	<b>26,996</b>	<b>91,847</b>	<b>118,843</b>
* 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;
- relevant investment limits are not exceeded;
- Investments and investment arrangements are regularly monitored and reviewed;
- has an appropriate Statement of Investment Principles;
- understands its powers to borrow; 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.

As the performance and therefore relative value of each investment asset class will vary over time, the Pension Fund Committee have 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 a 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 benchmark (%)
<b>UK Equity</b>	<b>21.0</b>		
Schroders – Multi Asset	10.0	Composite benchmark	1

State Street	11.0	FTSE All-Share index	n/a
<b>Global Equity</b>	<b>43.5</b>		
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
<b>Bonds</b>	<b>14.5</b>		
Schroders	12.0	Composite benchmark	1
M&G	2.5	3m Libor +4%	n/a
<b>Private Equity</b>	<b>5.0</b>		
Adams Street	2.0	MSCI World	n/a
HarbourVest	2.0	MSCI World	n/a
Cambridge and Counties Bank	1.0	MSCI World	n/a
<b>Infrastructure</b>	<b>5.0</b>		
Equitix	No split calculated	MSCI World	n/a
Partners Group		MSCI World	n/a
UBS		MSCI World	n/a
<b>Property</b>	<b>11.0</b>		
Schroders	11.0	IPD UK All Balanced Property Fund Index	0.75
<b>Total</b>	<b>100.0</b>		<b>+1.1*</b>

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

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

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

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.

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

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

The values of actual manager allocations, the percentage of the Fund and variance from the target asset allocation at 31 March 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
-	-	-	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
<b>2,267.8</b>	<b>100.0</b>		<b>Total</b>		<b>2,243.6</b>	<b>100.0</b>	

\* 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
<b>2015-2016</b>	<b>1 year</b>	(1.9)	0.2	0.6	1.9	0.2
<b>2013-2016</b>	<b>3 years</b>	5.8	6.8	0.7	2.7	6.4
<b>2011-2016</b>	<b>5 years</b>	6.8	7.3	1.7	1.7	7.1
<b>2006-2016</b>	<b>10 years</b>	4.9	5.8	2.4	2.3	5.6

(Source: WM).

## Investment Manager Performance for periods ending 2015-16

Asset Class /Manager	1 Year (%)			3 Years (% pa)			10 Years (% pa)		
	Return	Benchmark	Variance	Return	Benchmark	Variance	Return	Benchmark	Variance
<b>UK Equity</b>									
Schroders – Multi Asset <sup>1</sup>	(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
<b>Global Equity</b>									
Dodge & Cox <sup>2</sup>	(5.7)	(0.3)	(5.4)	n/a	n/a	n/a	n/a	n/a	n/a
JO Hambro <sup>2</sup>	(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 <sup>1</sup>	(2.6)	(1.4)	(1.2)	4.5	3.1	1.4	n/a	n/a	n/a
<b>Fixed Income</b>									
Schroders Bonds & Index-linked <sup>3</sup>	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
<b>Property</b>									
Schroders – Property	9.9	10.8	(0.9)	11.7	13.2	(1.5)	2.8	3.3	(0.5)

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

<sup>2</sup> 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.

<sup>3</sup> 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.

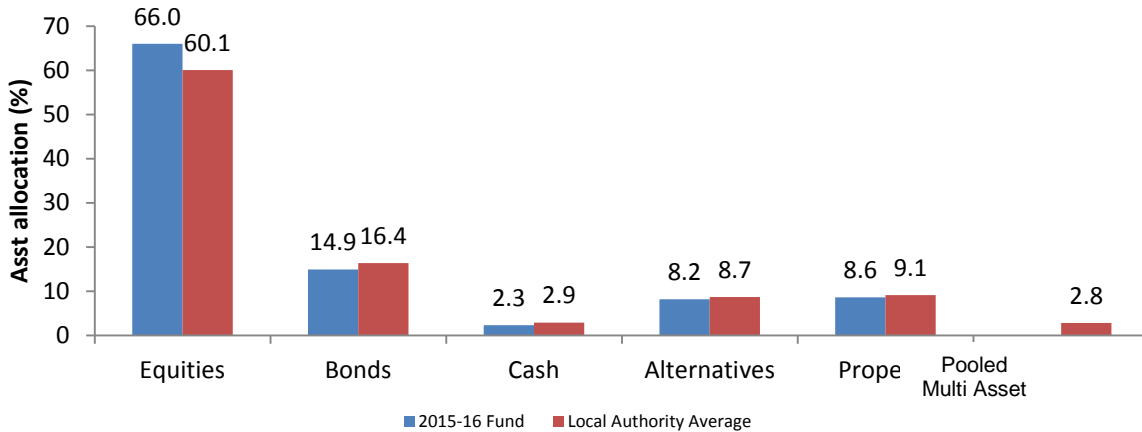
n/a = Not invested for the full period therefore no meaningful performance measure is available.

### 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.

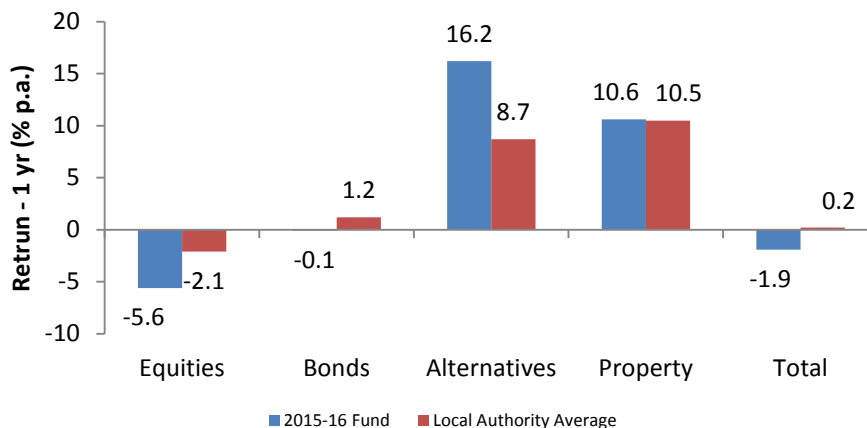
The Fund participates in the WM Company’s benchmarking of Local Authority investment performance, which provides useful information on how well the Fund has performed in comparison with other Local Authorities.

#### Asset Mix Compared to the Local Authority Universe



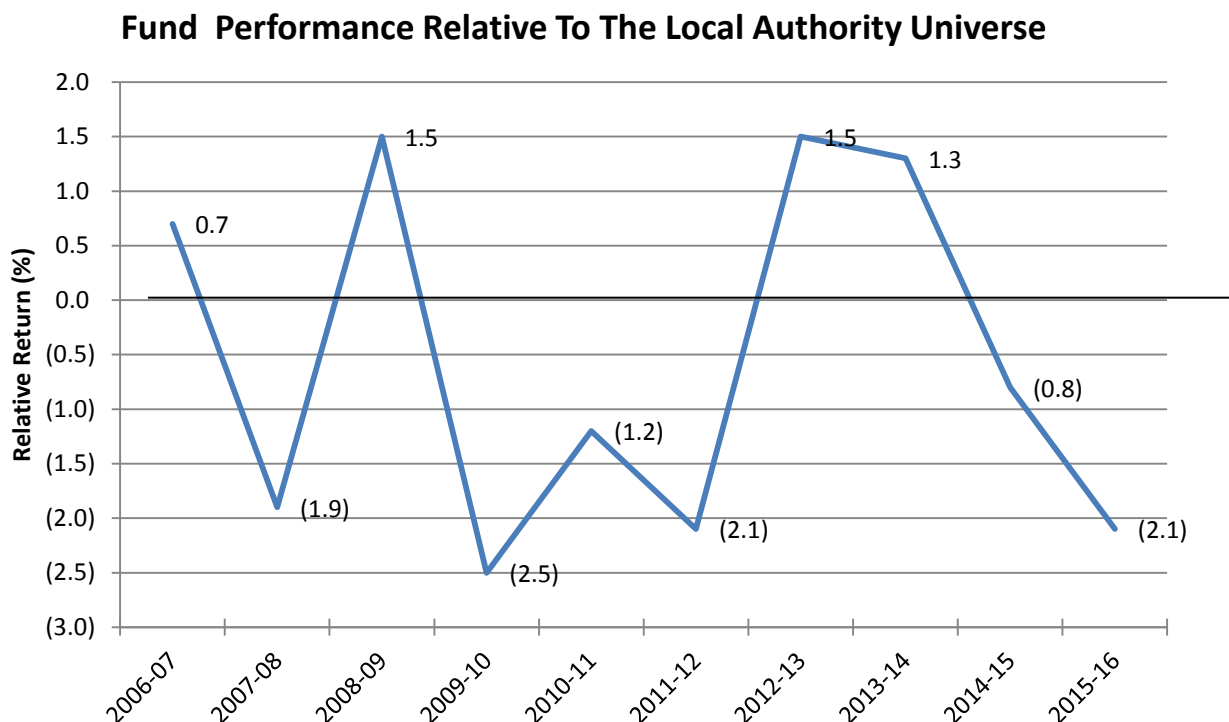
The graph shows that the Fund’s asset mix is broadly comparable with the Local Authority Average, the main variances indicating the Fund’s preference for equities.

#### Investment Return Compared to Local Authority Universe 1 year return annualised



Year	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
<b>Annual Return (%)</b>										
<b>Total Fund</b>	7.8	(4.7)	(18.8)	31.9	6.9	0.5	15.4	7.8	12.2	(1.9)
<b>LA Universe</b>	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 the UK Stewardship Code. The Fund has produced a Statement of Commitment to the UK Stewardship Code highlighting how the Fund is discharging its stewardship responsibilities which can be found in Appendix D of the Statement of Investment Principles.



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;
- manage 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**

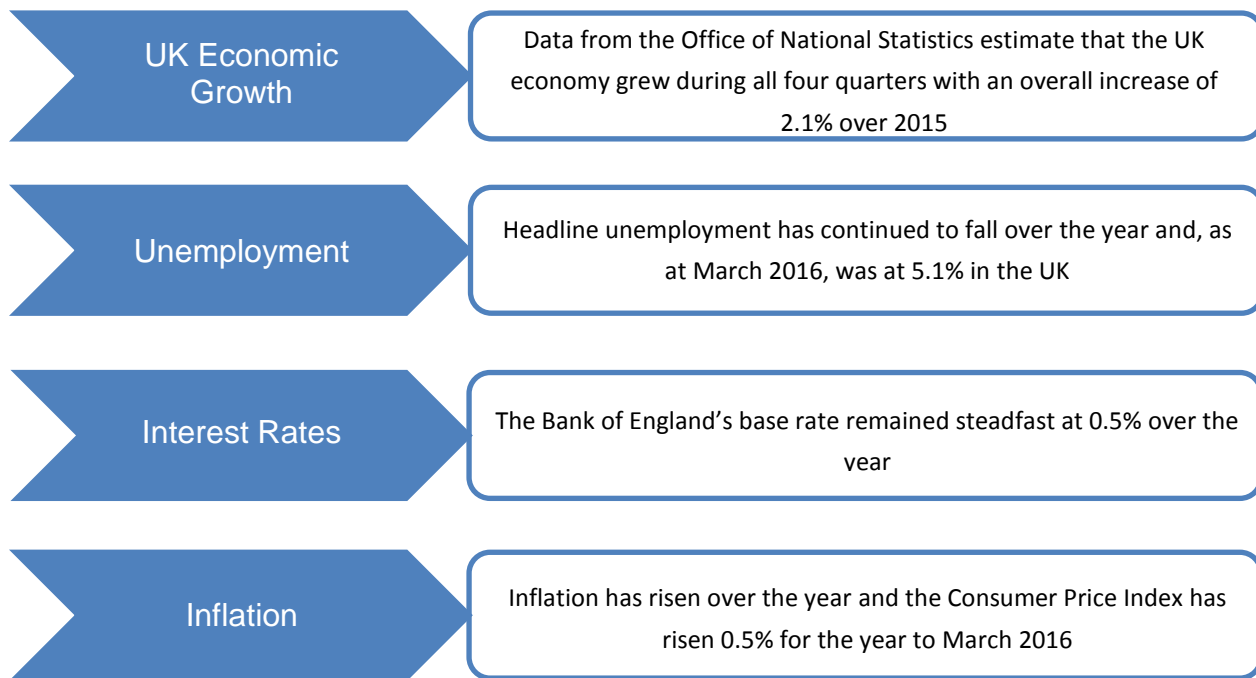
Overall the year to 31 March 2016 was difficult for pension schemes as bonds increased in value whilst growth assets, particularly equities, fell. As a result the funding level of the Fund is likely to have decreased due to the value of the liabilities increasing and assets decreasing.

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, whilst 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 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 Schrodgers 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 through LGSS Pensions. LGSS Pensions is a joint partnership between Cambridgeshire County Council and Northamptonshire County Council, to deliver pension's administration to each Council's respective Pension Funds. The main objective of LGSS Pensions is to deliver cost savings to both Funds through efficient converged processes, sharing of resources and economies of scale. LGSS delivers pensions services to 46,884 Active members, 56,272 Deferred members and 31,034 pensioner members.

As a result of this shared service between the Funds, all processes within each respective fund were converged and streamlined to improve efficiency and cost effectiveness. As a result, LGSS Pensions has become more efficient and established itself as a Centre of Excellence for pension's administration, a founding principal of LGSS.

### **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 to 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 statements and 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 in 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.

During 2015-2016, South Cambridgeshire District Council and Cambridge City Council began to use i-Connect from 1<sup>st</sup> 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 which will cover a large proportion of our employers and this 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 IDRPs 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 IDRPs relating to an administering authority decision arose, but remained outstanding at 31 March 2016.

- Two Stage 2 IDRPs 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 been 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 and 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 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
<b>Total</b>	<b>11</b>

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

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

All members have equal voting rights.

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

The following table shows the attendance of committee members at both the Pension Fund Committee and Investment Sub-Committee meetings during 2015-16.

		<b>Attendance at Pension Fund Committee Meetings</b>	<b>Attendance at Investment Sub-Committee Meetings</b>
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:

<b>Representing</b>	<b>No.</b>
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.

		<b>Attendance at Local Pension Board Meetings</b>
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:

<b>Service Standard</b>	<b>Target (working days)</b>
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 employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

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

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

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 C 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 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 review 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 B 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 ranging from 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
<b>Total</b>	<b>243</b>	<b>58</b>	<b>301</b>

The following table shows an analysis of the Fund's assets at 31 March 2015 by asset class, based upon manager mandates.

	UK £m	Non UK £m	Global £m	Total £m
Equities	510,870	82,602	903,162	<b>1,496,634</b>
Bonds	122,416	53,501	157,388	<b>333,305</b>
Property - direct holdings	-	-	-	-
Alternatives	68,378	36,804	307,322	<b>412,504</b>
Cash and cash equivalents	1,168	-	-	<b>1,168</b>
Other	-	-	-	-
<b>Total</b>	<b>702,832</b>	<b>172,907</b>	<b>1,367,872</b>	<b>2,243,611</b>

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

	UK £000	Non UK £000	Global £000	Total £000
Equities	13,517	-	4,813	<b>18,330</b>
Bonds	35	2,004	4,320	<b>6,359</b>
Property - direct holdings	-	-	-	-
Alternatives	1,137	1,142	4,173	<b>6,452</b>
Cash and cash equivalents	333	-	-	<b>333</b>
Other	125	-	-	<b>125</b>
<b>Total</b>	<b>15,147</b>	<b>3,146</b>	<b>13,306</b>	<b>31,599</b>

Left intentionally blank for Auditors report

Left intentionally blank for Auditors report

# 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
	<b>Dealings with members, employers and others directly involved in the fund:</b>		
<b>109,103</b>	Contributions	7	<b>118,843</b>
<b>2,866</b>	Transfers in from other pension funds	8	<b>8,735</b>
<b>111,969</b>			<b>127,578</b>
<b>(91,901)</b>	Benefits	9	<b>(92,374)</b>
<b>(36,845)</b>	Payments to and on account of leavers	10	<b>(5,315)</b>
<b>(128,746)</b>			<b>(97,689)</b>
<b>(16,777)</b>			<b>29,889</b>
<b>(9,898)</b>	<b>Management Expenses</b>	<b>11</b>	<b>(8,770)</b>
	<b>Returns on investments:</b>		
<b>35,712</b>	Investment income	12	<b>31,599</b>
<b>(1,176)</b>	Taxes on income	13	<b>(31)</b>
<b>218,316</b>	Profit and losses on disposal of investments and changes in the market value of investments	15a	<b>(60,114)</b>
<b>252,852</b>	<b>Net returns on investments</b>		<b>(28,546)</b>
<b>226,177</b>	<b>Net increase/(decrease) in the net assets available for benefits during the year</b>		<b>(7,427)</b>

31-Mar-15 £000		Notes	31-Mar-16 £000
2,219,621	Investment assets	15	2,212,688
48,731	Cash deposits	15	31,929
<b>2,268,352</b>			<b>2,244,617</b>
(594)	Investment liabilities	15	(1,006)
16,055	Current assets	21	43,765
1,896	Non-current assets	22	2,528
(1,991)	Current liabilities	23	(13,613)
<b>15,366</b>			<b>31,674</b>
<b>2,283,718</b>	<b>Net assets of the fund available to fund benefits at the period end</b>		<b>2,276,291</b>
<b>2,057,541</b>	<b>Opening net assets as at 1 April</b>		<b>2,283,718</b>
226,177	Net increase/(decrease) in the net assets available for benefits during the year		(7,427)
<b>2,283,718</b>	<b>Closing net assets as at 31 March</b>		<b>2,276,291</b>



# 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 60 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.

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.

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:

<b>Cambridgeshire Fund</b>	<b>31-Mar-16</b>	<b>31-Mar-15</b>
<b>Number of employers with active members</b>	243	219
<b>Number of employees in scheme:</b>		
County council	11,166	10,824
Other employers	15,578	14,521
<b>Total</b>	<b>26,744</b>	<b>25,345</b>
<b>Number of Pensioners:</b>		
County council	7,676	7,529
Other employers	8,493	8,129
<b>Total</b>	<b>16,169</b>	<b>15,658</b>
<b>Deferred pensioners:</b>		
County council	15,456	14,097
Other employers	15,433	14,158
<b>Total</b>	<b>30,889</b>	<b>28,255</b>
<b>Total members</b>	<b>73,802</b>	<b>69,258</b>

## Funding

Benefits are funded by contributions and investment earnings, currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2016. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. 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 amount set for each employer as part of the triennial funding valuation.

## Benefits

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

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

## Career Average Revalued Earnings (CARE)

## NOTES TO THE PENSION FUND ACCOUNTS

---

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49<sup>th</sup>. 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](http://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.

### 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.

### *ii) Dividend income*

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

### *iii) Distributions from pooled funds*

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

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

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

### *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.

## **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

## NOTES TO THE PENSION FUND ACCOUNTS

---

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

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

- JO Hambro Capital Management – Global Equities
- 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.

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 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.
- 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**

## NOTES TO THE PENSION FUND ACCOUNTS

---

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.

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. 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).

#### **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 18. 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
<b>Actuarial present value of promised retirement benefits</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £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.
<b>Private equity and infrastructure</b>	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 investments in the financial statements are £177.9m. There is a risk that this investment may be under- or overstated in the accounts.
<b>Cambridge and Counties Bank</b>	Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. For prudence, the Pension Fund's investment is valued 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.

### 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.

### 7. CONTRIBUTIONS RECEIVABLE

#### By category

2014-15 Restated £000		2015-16 £000
87,393	Employers' contributions	91,847
21,710	Employees' contributions	26,996
<b>109,103</b>		<b>118,843</b>

The analysis of contributions by category for 2014-15 have been restated to properly reflect employers' 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	8,273
<b>109,103</b>		<b>118,843</b>

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

2014-15 £000		2015-16 £000
2,866	Individual transfers	8,735
<b>2,866</b>		<b>8,735</b>

Transfers in from other pension funds are contingent on positive transfer elections from new employees with previous pension rights available to transfer.

## 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
<b>91,901</b>		<b>92,374</b>

### 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
<b>91,901</b>		<b>92,374</b>

The commutation and lump sum retirement benefits value is dependent on volumes of retirements and the specific commutation decisions of retirees. The value is expected to reduce year on year, even if commutation trends remain constant, as the amount of post 31 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.

## NOTES TO THE PENSION FUND ACCOUNTS

### 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
<b>36,845</b>		<b>5,315</b>

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

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
<b>9,898</b>		<b>8,770</b>

### 12. INVESTMENT INCOME

2014-15 £000		2015-16 £000
-	Fixed interest 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
<b>35,712</b>		<b>31,599</b>

### 13. TAXES ON INCOME

2014-15 £000		2015-16 £000
1,176	Withholding tax - equities	31
<b>1,176</b>		<b>31</b>

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 pooled fund accounts for any taxes and these are reflected in the valuation of the pooled fund.

### 14. INVESTMENT EXPENSES

2014-15 £000		2015-16 £000
6,688	Management fees	5,971
510	Investment support costs	419
<b>7,198</b>		<b>6,390</b>

Performance related fees in 2015-16 were £2.7m (2014-15: £4.1m).

### 15. INVESTMENTS

2014-15 £000		2015-16 £000
	<b>Investment assets</b>	
-	Fixed Interest 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
<b>2,268,352</b>	<b>Total investment assets</b>	<b>2,244,617</b>
	<b>Investment liabilities</b>	
	Derivative contracts:	
(393)	• Futures	-
(157)	• Forward currency contracts	-
(44)	Amounts payable for purchases	(1,006)
<b>(594)</b>	<b>Total investment liabilities</b>	<b>(1,006)</b>
<b>2,267,758</b>	<b>Net investment assets</b>	<b>2,243,611</b>

## NOTES TO THE PENSION FUND ACCOUNTS

### 15(a). Reconciliation of movements in investments and derivatives

	Market value 1-Apr-15	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-16
	£000	£000	£000	£000	£000
<b>Fixed Interest Securities</b>	-	59,954	-	1,362	<b>61,316</b>
<b>Equities</b>	<b>843,577</b>	574,854	(1,125,479)	(25,968)	<b>266,984</b>
<b>Pooled investments</b>	<b>1,044,265</b>	615,001	(86,712)	(85,414)	<b>1,487,140</b>
<b>Pooled property investments</b>	<b>162,593</b>	19,910	(4,054)	8,631	<b>187,080</b>
<b>Private equity/infrastructure</b>	<b>165,436</b>	28,120	(26,594)	40,391	<b>207,353</b>
	<b>2,215,871</b>	1,297,839	(1,242,839)	(60,998)	<b>2,209,873</b>
<b>Derivative contracts:</b>					
• <b>Futures</b>	(7)	2	(88)	93	-
• <b>Forward Currency Contracts</b>	(157)	2,592	(2,291)	(144)	-
	<b>2,215,707</b>	1,300,433	(1,245,218)	(61,049)	<b>2,209,873</b>
<b>Other investment balances:</b>	<b>52,051</b>			935	<b>33,738</b>
• <b>Cash deposits</b>	48,731			1,097	<b>31,929</b>
• <b>Amount receivable for sales</b>	88			-	<b>235</b>
• <b>Investment income due</b>	3,276			-	<b>2,580</b>
• <b>Spot FX Contracts</b>	-			(162)	-
• <b>Amounts payable for purchases of investments</b>	(44)			-	<b>(1,006)</b>
<b>Net investment assets</b>	<b>2,267,758</b>			<b>(60,125)</b>	<b>2,243,611</b>

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.

	Market value 1-Apr-14	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-15
	£000	£000	£000	£000	£000
<b>Equities</b>	745,800	236,732	(221,233)	82,278	<b>843,577</b>
Pooled investments	955,205	25,227	(25,513)	89,346	<b>1,044,265</b>
Pooled property investments	146,164	9,916	(15,565)	22,078	<b>162,593</b>
Private equity/infrastructure	138,312	17,565	(20,003)	29,562	<b>165,436</b>
	<b>1,985,481</b>	<b>289,440</b>	<b>(282,314)</b>	<b>223,264</b>	<b>2,215,871</b>
<b>Derivative contracts:</b>					
• Futures	199	27	(4,276)	4,043	(7)
• Forward Currency Contracts	(107)	2,470	(2,522)	2	(157)
	<b>1,985,573</b>	<b>291,937</b>	<b>(289,112)</b>	<b>227,309</b>	<b>2,215,707</b>
<b>Other investment balances:</b>	<b>47,607</b>			(8,993)	<b>52,051</b>
• Cash deposits	47,259				<b>48,731</b>
• Amount receivable for sales	2,090				<b>88</b>
• Investment income due	3,462				<b>3,276</b>
• Amounts payable for purchases of investments	(5,204)				<b>(44)</b>
<b>Net investment assets</b>	<b>2,033,180</b>			<b>218,316</b>	<b>2,267,758</b>

## NOTES TO THE PENSION FUND ACCOUNTS

### 15(b). Analysis of Investments

2014-15 £000		2015-16 £000
	<b>Fixed Interest Securities</b>	
	<b>UK</b>	
-	Index Linked	61,316
-		61,316
	<b>Equities</b>	
	<b>UK</b>	
364,898	Quoted	259,287
	<b>Overseas</b>	
478,679	Quoted	7,697
843,577		266,984
	<b>Pooled funds – additional analysis</b>	
	<b>UK</b>	
122,420	Fixed income	60,920
567,016	Equity	544,320
	<b>Overseas</b>	
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	<b>Total investment assets</b>	2,244,617
	<b>Investment liabilities</b>	
(550)	Derivatives	-
(44)	Amounts payable for purchases	(1,006)
(594)	<b>Total investment liabilities</b>	(1,006)
2,267,758	<b>Net investment assets</b>	2,243,611

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

Market value 31-Mar-15			Market value 31-Mar-16	
£000	%		£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	17,749	0.8
327	0.0	Cash with custodian	2,523	0.1
<b>2,267,758</b>	<b>100.0</b>		<b>2,243,611</b>	<b>100.0</b>

All the above companies are registered in the United Kingdom.

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

Security	Market value	% of total	Market value	% of total
	31-Mar-15 £000	fund %	31-Mar-16 £000	fund %
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	-	-	329,995	14.7
MPF All World Equity Index Sub-Fund	320,365	14.1	318,655	14.2
Schroders International Selection Fund – Strategic Bond	161,958	7.1	253,038	11.3
MPF UK Equity Index Sub-Fund	215,022	9.5	207,099	9.2
Schroders Unit Trusts Institutional Sterling Broad Market Bond X Accumulation	122,420	5.4	60,920	2.7

## 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 securities 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.



## NOTES TO THE PENSION FUND ACCOUNTS

### 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

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic exposure £000	Market value 31 Mar-15 £000	Economic exposure £000	Market value 31-Mar-16 £000
<b>Assets</b>					
UK Equity	Less than 1 year	-	-	-	-
Overseas Equity	Less than 1 year	-	-	-	-
Overseas Cash	Less than 1 year	(18,077)	386	-	-
Futures					
<b>Total assets</b>		<b>(18,077)</b>	<b>386</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>					
UK Equity	Less than 1 year	-	-	-	-
Overseas Equity	Less than 1 year	-	-	-	-
Overseas Cash	Less than 1 year	(2)	(393)	-	-
Futures					
<b>Total Liabilities</b>		<b>(2)</b>	<b>(393)</b>	<b>-</b>	<b>-</b>
<b>Net Futures</b>		<b>(18,079)</b>	<b>(7)</b>	<b>-</b>	<b>-</b>

### 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				-	-
	<b>Prior year comparative</b>					
	Open forward currency contracts at 31 March 2015				-	(157)
	Net forward currency contracts at 31 March 2015				-	(157)

## 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.

Designated as fair value through profit and loss £000	31-Mar-15			31-Mar-16	
	Loans and receivables £000	Financial liabilities at amortised cost £000		Designated as fair value through profit and loss £000	Loans and receivables £000
			<b>Financial assets:</b>		
-	-	-	- Fixed interest 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	-	-
3,364	48,731	-	- Cash	-	31,929
-	-	-	- Other investment balances	2,815	-
-	-	-	- Receivables	-	-
<b>2,219,621</b>	<b>48,731</b>	<b>-</b>		<b>2,212,688</b>	<b>31,929</b>
			<b>Financial liabilities:</b>		
-	-	(550)	- Derivative contracts	-	-
-	-	(44)	- Payables	-	(1,006)
-	-	<b>(594)</b>		<b>-</b>	<b>(1,006)</b>
<b>2,219,621</b>	<b>48,731</b>	<b>(594)</b>		<b>2,212,688</b>	<b>31,929</b>

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

31-Mar-15 Fair value £000		31-Mar-16 Fair value £000
<b>223,264</b>	<b>Financial assets:</b>	
<b>(8,993)</b>	- Fair value through profit and loss	<b>(60,999)</b>
	- Loans and receivables	<b>1,098</b>
	<b>Financial liabilities:</b>	
-	- Fair Value through profit and loss	<b>(51)</b>
-	- Loans and Receivables	<b>(162)</b>
<b>4,045</b>	- Financial liabilities measured at amortised cost	<b>-</b>
<b>218,316</b>	<b>Total gains / (losses)</b>	<b>(60,114)</b>

### 17c. Valuation Of Financial Instruments Carried At Fair Value

## NOTES TO THE PENSION FUND ACCOUNTS

---

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

### Level 1

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

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

### Level 2

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

### Level 3

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

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

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

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	1,125,863	753,307	333,518	2,212,688
Loans and receivables	31,929	-	-	31,929
<b>Total financial assets</b>	<b>1,157,792</b>	<b>753,307</b>	<b>333,518</b>	<b>2,244,617</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(1,006)	-	-	(1,006)
<b>Total financial liabilities</b>	<b>(1,006)</b>	<b>-</b>	<b>-</b>	<b>(1,006)</b>
<b>Net financial assets</b>	<b>1,156,786</b>	<b>753,307</b>	<b>333,518</b>	<b>2,243,611</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	1,140,664	761,572	317,385	2,219,621
Loans and receivables	47,232	1,499	-	48,731
<b>Total financial assets</b>	<b>1,187,896</b>	<b>763,071</b>	<b>317,385</b>	<b>2,268,352</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(594)	-	-	(594)
<b>Total financial liabilities</b>	<b>(594)</b>	<b>-</b>	<b>-</b>	<b>(594)</b>
<b>Net financial assets</b>	<b>1,187,302</b>	<b>763,071</b>	<b>317,385</b>	<b>2,267,758</b>

## 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

## NOTES TO THE PENSION FUND ACCOUNTS

---

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.

### **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 are reasonably possible for the 2015/16 reporting period.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	11.07
Overseas equities	13.30
Global pooled equities	10.80
Pooled 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.

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 March 2016 £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
Pooled 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
<b>Total Assets<sup>1</sup></b>	<b>2,243,611</b>	<b>7.29</b>	<b>2,407,170</b>	<b>2,080,052</b>

<sup>1</sup>The percentage change for Total Assets includes the impact of correlation across asset classes.

Asset Type	Value as at 31 March 2015 £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
<b>Total Assets</b>	<b>2,267,758</b>	<b>6.60</b>	<b>2,417,430</b>	<b>2,118,086</b>

## NOTES TO THE PENSION FUND ACCOUNTS

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.

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:

As at 31-Mar-15 £000	Asset Type	As at 31-Mar-16 £000
48,731	Cash and cash equivalents	31,929
4,033	Cash balances	28,243
336,207	Fixed interest securities	333,137
<b>388,971</b>	<b>Total</b>	<b>393,299</b>

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
Fixed interest securities	333,137	3,331	336,458	329,796
<b>Total change in assets available</b>	<b>393,299</b>	<b>3,331</b>	<b>396,630</b>	<b>389,968</b>

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	336,569
<b>Total change in assets available</b>	<b>388,971</b>	<b>3,362</b>	<b>385,609</b>	<b>389,333</b>

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
Fixed interest securities	35	-	35	35
<b>Total</b>	<b>184</b>		<b>185</b>	<b>183</b>

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	-	-	-	-
<b>Total</b>	<b>102</b>	<b>1</b>	<b>103</b>	<b>101</b>

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

### Currency risk

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



## 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
<b>Total</b>	<b>889,598</b>	<b>53,465</b>	<b>943,062</b>	<b>836,132</b>

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
<b>Total</b>	<b>833,507</b>	<b>45,009</b>	<b>878,516</b>	<b>788,498</b>

### b) Credit risk

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

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

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

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

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

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 £28.2m (31 March 2015: £4.03m). This was held with the following institution:-

	Rating	Balances as at 31 March 2016 £000	Balances as at 31 March 2015 £000
Bank deposit account: Barclays Bank	A	28,243	4,033
<b>Total</b>		<b>28,243</b>	<b>4,033</b>

### c) Liquidity risk

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

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 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.

## NOTES TO THE PENSION FUND ACCOUNTS

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

At the 2013 actuarial valuation, the Fund was assessed as 72.4% funded (72.9% at the March 2010 valuation). This corresponded to a deficit of £728m (2010 valuation: £555m) at that time. The common contribution rate (i.e. the rate which all employers in the Fund pay) is:

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

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 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.

Assumption	Description	31-Mar-13	
		Nominal	Real
Price Inflation (CPI)/ Pension increases		2.5%	-
Pay increases	CPI plus 1.8% p.a.	4.3%	1.8%
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.6% p.a.	4.6%	2.1%

### 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

## NOTES TO THE PENSION FUND ACCOUNTS

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.

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)	<b>Net liability</b>	(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
	<b>Debtors:</b>	
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

## 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 2015, 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 2016 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
<b>1,991</b>		<b>13,613</b>

## 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
<b>7,933</b>		<b>7,645</b>

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.

## 25. AGENCY SERVICES

31-Mar-15 £000		31-Mar-16 £000
237	Unfunded pensions	81
<b>237</b>		<b>81</b>

## NOTES TO THE PENSION FUND ACCOUNTS

---

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.

### 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).

#### 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.

#### 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.

### 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

---

### ACCRUAL

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

### ACTUARIAL BASIS

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

### ACTUARY

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

### ADMITTED BODIES

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

### ALL SHARE INDEX

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

### AT BEST

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

### AUTHORISED UNIT TRUSTS

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

### AVAILABLE FOR SALE FINANCIAL ASSETS

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

### BENEFICIAL OWNER

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

### BID PRICE

The price at which securities are purchased by market makers.

### BOND

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

### **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.

## **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.

## **LOAN STOCK**

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

## **NOTES TO THE PENSION FUND ACCOUNTS**

---

### **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.

### **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





**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Fund Committee**

**28 July 2016**

**Report by: HEAD OF PENSIONS**

<b>Subject:</b>	<b>WM Annual Performance Review to 31 March 2016</b>
<b>Purpose of the Report</b>	To review the investment market environment and the performance of the Fund's investments for the year to 31 March 2016 relative to its LGPS peers.
<b>Recommendations</b>	That the Committee notes the Annual Performance and Benchmarking Review.
<b>Enquiries to:</b>	Paul Tysoe, Tel - 01604 368671 Email: <a href="mailto:phtysoe@northamptonshire.gov.uk">phtysoe@northamptonshire.gov.uk</a>

**1 Background**

- 1.1 The Cambridgeshire Pension Fund (the "Fund") has engaged WM State Street Global Services ("State Street") to provide performance reporting for the Fund's investments. State Street provides quarterly reports for review at the meetings of the Investment Sub Committee.
- 1.2 This report considers the annual comparison of the Cambridgeshire Fund with the Local Authority Universe, over the period from 1 April 2015 to the 31 March 2016.
- 1.3 It should be noted that from April 2016 State Street have ceased to provide performance reporting of the Local Authority Universe, but have offered to transfer the history and rights for this service to another provider should all Local Government Pension Funds authorise their data transfer to the new provider. In early July 2016 PIRC Ltd announced that they will be providing an alternative peer group analysis that will initially replace the State Street universe reporting.
- 1.4 The Cambridgeshire Fund has engaged Mercer Consulting Ltd to provide the quarterly performance reporting for the Fund, at similar terms to the WM arrangements. The duration and nature of this arrangement will be reviewed following the effective implementation of Asset Pooling anticipated in April 2018.

- 1.5 The Committee are requested to note that the universe is not a league table, where the highest return is the sole measure of success. Rather the comparative value is to learn and consider the potential benefits of other Funds performance and strategy plans.
- 1.6 Benchmarking against peers provides useful perception on the progress of Cambridgeshire Fund investments, asset allocation options and a view on the quality of Fund Managers and strategy.

## **2 2015-16 Annual Review**

- 2.1 The Annual Review is attached as an Appendix to this paper.
- 2.3 Investment performance highlights for the financial year to March 2016 are:-
  - 2.3.1. Over the one year view the Fund Return of -1.9% underperformed the Local Authority universe of 0.2%. This underperformance was attributable to asset allocation (-0.2%) and stock selection (-2.0%). Performance of the Fund was below average when compared to the universe.
  - 2.3.2. A longer term perspective shows underperformance against the Local Authority universe over three (-0.6%) and five year periods (-0.5%). Both durations produced below average performance when compared to the universe.
  - 2.3.3. Relative to other Funds Cambridgeshire has underperformed in all asset classes except alternatives and property in the latest year. Compared to others the Fund has performed well in UK equities alternatives but less well in non-UK equities, bonds and property over the medium term.
  - 2.3.4. Comparing the Local Authority Universe asset allocation, the Cambridgeshire Fund holds a significantly higher equity allocation, broadly equal weighted allocations in other alternatives such as Private Equity and Hedge Funds, in property and cash, but a lower allocations to bonds.

## **3 Recommendation**

- 3.1 That the Committee notes the Annual Performance and Benchmarking Review.

#### 4 Relevant Pension Fund Objectives

Perspective	Outcome
<b>Funding and Investment</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.</li> <li>• 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</li> <li>• Maximise investment returns over the long term within agreed risk tolerances.</li> </ul>

#### 5 Finance & Resources Implications

5.1 There are no financial or resource implications at this time that require consideration.

#### 6 Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
None, this report is for noting.		Green

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

Risk	Risk Rating
The Pension Committee are not clear on the performance of the Fund's investments.	Amber

## **7 Communication Implications**

7.1 Not applicable

## **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 Advisers**

9.1 The report was produced utilising information and advice provided by WM State Street Global Services and the Fund's investment managers.

## **10 Alternative Options Considered**

10.1 Not applicable.

## **11 Background Papers**

11.1 None.

## **12 Appendices**

12.1 Appendix 1 – WM State Street Global Services Cambridgeshire Pension Fund Annual Review.

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 the Head of Pensions?	Mark Whitby. 11 July 2016.
Has this report been cleared by the Section 151 Officer / Director of Finance?	Sarah Heywood 13 July 2016.
Has the Chairman of the Pension Fund Committee been consulted?	Cllr Hickford. 12 July 2016.
Has this report been cleared by Legal Services?	Laurie Gould 18 July 2016.

# Performance Analysis Service

**CAMBRIDGESHIRE COUNTY COUNCIL -  
TOTAL COMBINED  
ANNUAL PERFORMANCE REVIEW**

PERIODS TO END MARCH 2016

Produced 13 June 2016

# Contents

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED  
Benchmark - LOCAL AUTHORITY UNIVERSE

Periods to end March 2016  
Pound Sterling

	<b>Page</b>
Market Background	2
Fund Structure and Benchmarks	3
Performance Summary	4 - 5
Detailed Analysis of the Latest Period Performance	6
Long Term Performance Analysis	7
Long Term Asset Allocation	8 - 9
Long Term Stock Selection	10
Long Term Performance	11
Rolling Years with Relative Risk	12
Summary of Manager Performance	13 - 14
Asset Mix and Returns	15
Summary of Long Term Returns	16

# UK Local Authority Fund Industry Results 2015/2016

PERFORMANCE SERVICES | MARKET ENVIRONMENT

## Local Authority Performance Overview

The average local authority pension fund return was just positive in 2015/16, the return being less than the income generated.

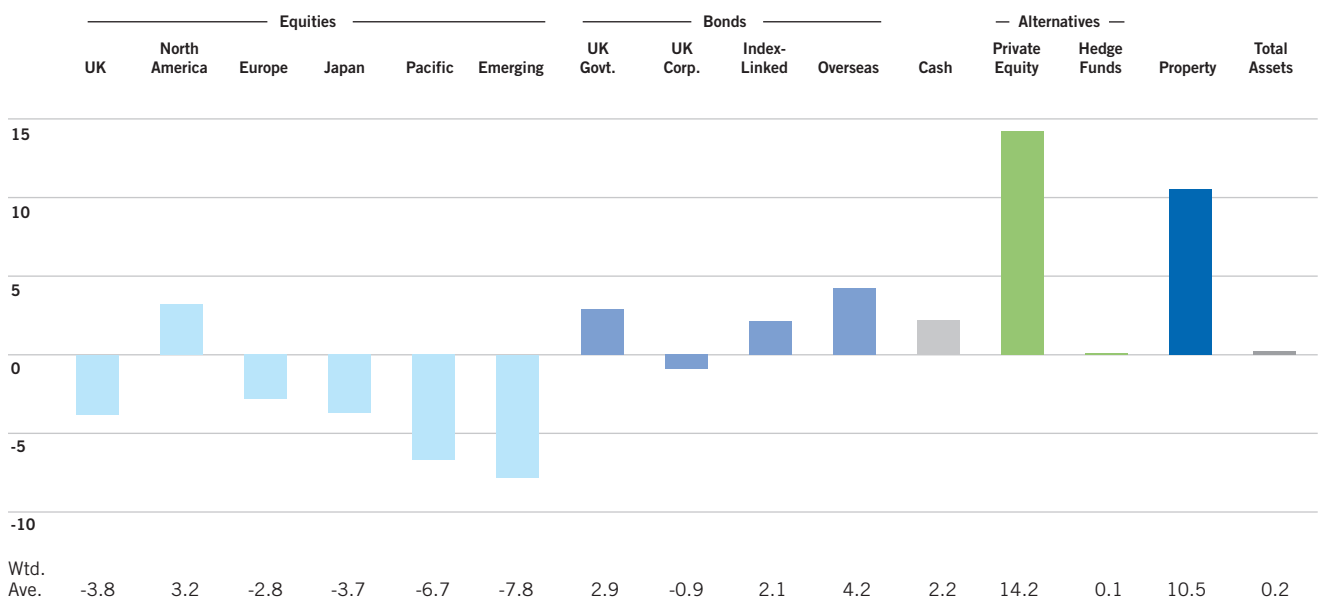
All equity markets, with the exception of North America, produced negative returns over the year. In spite of a surprise outright majority being returned in May's general election, domestic equities lost ground in the early part of the period. After rebounding to some extent in the December quarter, they ended the period down 4%, reflecting the high exposure to oil majors and commodities, which continued to suffer as oil prices fell.

In sterling terms, North America was the strongest performing of the major overseas markets returning 3%. In contrast, the poorest performing areas were the emerging and lesser Asia Pacific markets which gave up between 7 and 8%. Elsewhere, Europe lost 3% and Japan 4%. Currency had a major influence on international equity returns with the weakness of sterling insulating UK investors against much lower base currency returns.

After the double-digit returns of the previous year, bond performance was much more subdued with an aggregate return in low single figures. Yields fell at the outset of the year and by Christmas, returns were looking quite negative. Central government comments and risk version generally in the closing quarter however saw yields pick up. Long dated bonds produced the best of the returns whilst corporate issues were marginally down over the period. Index-Linked gilts returned 2% and overseas bonds 4%.

Alternative investments in aggregate enjoyed a good year, however fortune was mixed. Private equity returned 14%, whilst hedge fund performance was flat. Pooled multi-asset (diversified growth) investments had a disappointing year, returning -3%. Property continued its strong run, returning 11%.

### 2015/2016 Returns (%)



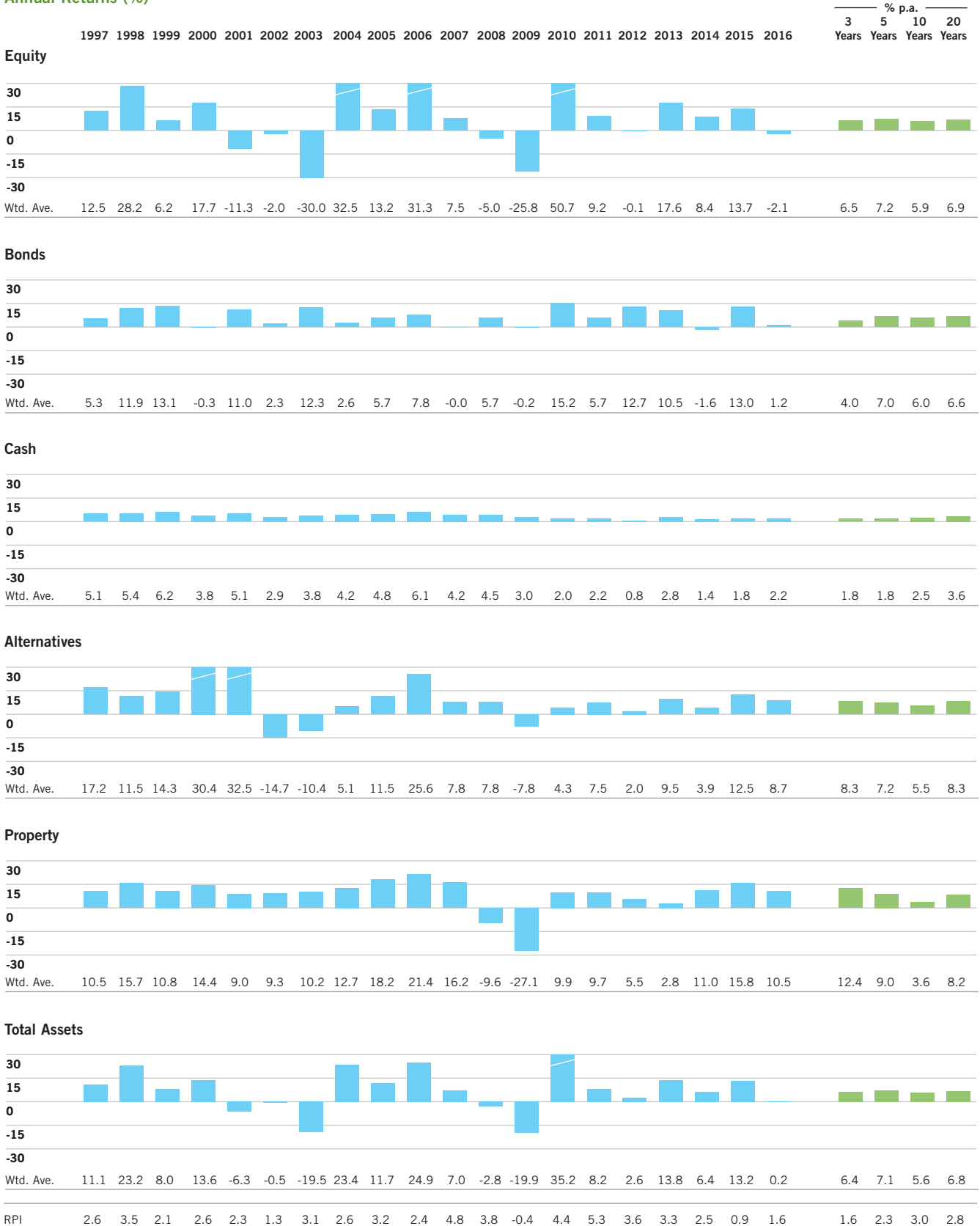
Source: State Street Global Services Performance Services, 2016.

Past performance is not a reliable indicator of future results.

**LONGER TERM PERFORMANCE**

The flat return in the latest year subdues the medium term returns; 6% p.a. over three years and 7% p.a. over five years. The ten- and twenty-year returns remain well ahead of inflation.

**Annual Returns (%)\***

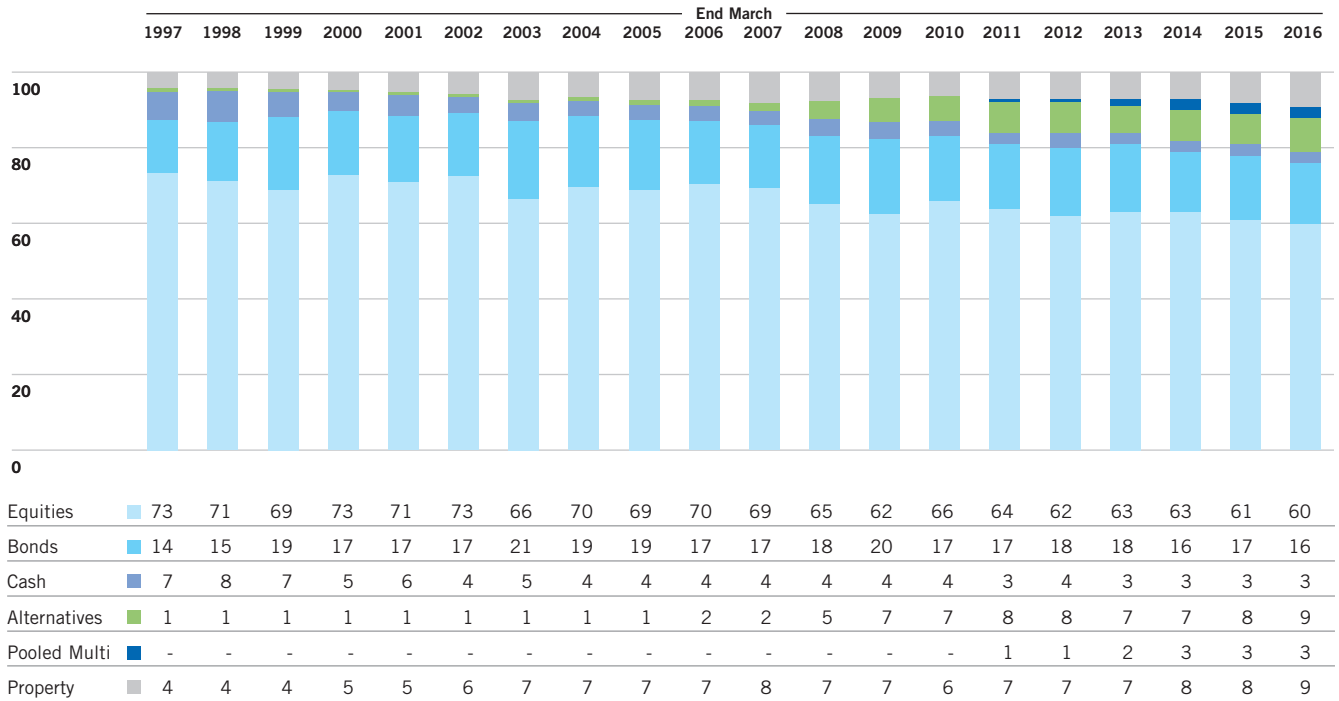


\* Source: State Street Global Services Performance Services, 2016.

Past performance is not a reliable indicator of future results.



Longer Term Asset Allocation (%)\*



LONG-TERM ASSET ALLOCATION

The average asset allocation looks broadly unchanged over the last five years. Within the asset categories however, there has been some more significant shifts — the UK equity weighting is now less than 40% of the total equity weighting and many funds are now investing through global pooled vehicles. Within bonds, the average fund now has most of the UK exposure within corporate rather than government issues whilst within alternatives, we have seen investments in active currency and GTAA almost disappear whilst pooled multi-asset (diversified growth) now commands 3% of the total Universe.

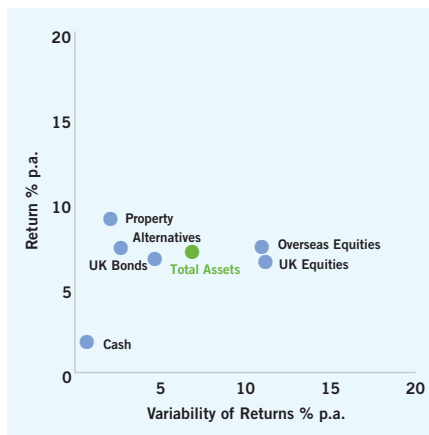
RISK AND RETURN

The charts below show the relationship between the absolute level of return achieved and the risk taken in obtaining that return for the main asset classes. In theory, the more risk that is taken the more return could be expected to be delivered.

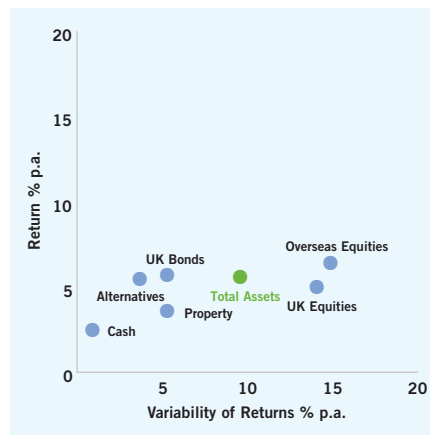
Over all periods, returns for the pattern looks quite distorted with broadly similar returns from all major asset classes.

Long Term Risk and Return\*

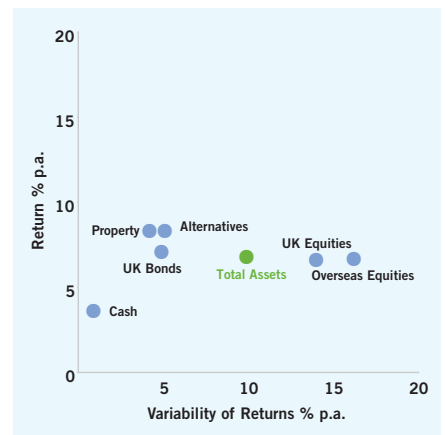
Last 5 Years



Last 10 Years



Last 20 Years



\* Source: State Street Global Services Performance Services, 2016.

Past performance is not a reliable indicator of future results.

## Asset Class Performance\*

	% of Asset Class		% p.a. Return			
	At end 2014/15	At end 2015/16	3 Yrs	5 Yrs	10 Yrs	20 Yrs
<b>Equities</b>	<b>100</b>	<b>100</b>				
UK Equities	34.5	33.3	4.4	6.5	5.0	6.6
Overseas Equities	54.1	54.1	7.4	7.4	6.4	6.7
North America	13.3	13.4	12.9	12.6	7.9	7.5
Continental Europe	10.3	9.6	6.7	5.9	5.3	7.8
Japan	4.7	4.2	7.2	7.6	2.1	2.1
Pacific ex Japan	4.5	4.1	0.2	3.0	8.4	6.3
Emerging Markets	6.1	5.9	-0.2	0.2	5.5	-
Global ex UK	15.2	16.8	9.8	9.4	-	-
Global inc UK	11.4	12.6	8.1	8.0	-	-
<b>Bonds</b>	<b>100</b>	<b>100</b>				
UK	54.1	52.3	4.0	6.7	5.7	7.1
Index-Linked	24.4	25.2	5.5	9.3	7.7	7.9
Overseas Bonds	13.6	13.3	2.0	4.6	5.3	5.1
Pooled	7.8	9.1	2.6	4.5	-	-
<b>Alternatives</b>	<b>100</b>	<b>100</b>				
Private Equity	54.5	53.8	11.7	10.4	9.5	-
Hedge Funds	27.4	25.1	4.0	3.8	3.1	-
Other Alternatives	18.1	21.1	4.8	3.6	0.7	-

\* Source: State Street Global Services Performance Services, 2016.

Past performance is not a reliable indicator of future results.

©2016 State Street Global Services Performance Services (GS Performance Services) a STATE STREET BUSINESS. No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without GS Performance Services prior written consent.

While all reasonable efforts have been made to ensure the accuracy of the information contained in this document, there is no warranty, express or implied, as to its accuracy or completeness. Any opinions expressed in this document are subject to change without notice. This document is for general information purposes only. State Street Corporation and its affiliates (including the GS Performance Services division) accept no responsibility for any loss arising from any action taken or not taken by anyone using this material.

All statistics quoted are sourced by the GS Performance Services division unless otherwise stated.

## STATE STREET GLOBAL SERVICES

State Street Global Services is the investment servicing business of State Street Corporation (NYSE: STT), one of the world's leading providers of financial services to institutional investors.

[statestreetglobalservices.com](http://statestreetglobalservices.com)

### Structure

The Cambridgeshire County Council Pension Fund has a multi-manager structure. This report only looks at the performance of the Total Fund relative to the Local Authority peer group.

### Benchmark

The Fund's performance has been analysed relative to the Local Authority Universe. This Universe is representative of the UK Local Authority peer group.

*©2016 State Street Global Services – Performance Services, a STATE STREET BUSINESS. No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without State Street Global Services – Performance Services' prior written consent. While all reasonable efforts have been made to ensure the accuracy of the information contained in this document, there is no warranty, express or implied, as to its accuracy or completeness. Any opinions expressed in this document are subject to change without notice. This document is for general information purposes only. State Street Corporation and its affiliates (including the State Street Global Services – Performance Services division) accept no responsibility for any loss arising from any action taken or not taken by anyone using this material. All statistics quoted are sourced by the State Street Global Services – Performance Services division unless otherwise stated.*

**SSGS - Performance Services Contact: Gary MacLennan**

Direct Telephone: (0131) 315 5368 E-mail: [gmaclelland@statestreet.com](mailto:gmaclelland@statestreet.com)

# Performance Summary

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2016

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

Category - TOTAL ASSETS

This page summarises the overall value and performance of the Fund.

## Fund Value

Values (GBP)'000	Mandate	Value at 31/03/2015	Transactions	Capital Gain / loss	Income	Value at 31/03/2016	% Fund
SCHRODERS	Multi Asset	716,979	-218,913	-36,711	12,989	461,355	21
DODGE & COX	Eq Gbl	0	345,393	-15,398	0	329,995	15
STATE STREET	Eq Gbl	320,516	0	-1,710	0	318,807	14
JO HAMBROCAP	Eq Gbl	0	292,722	-39,684	2,375	253,038	11
SSGA	Multi Asset	215,392	0	-8,108	0	207,283	9
SCHRODERS	Prop & Cash	179,253	4,509	13,082	4,629	196,845	9
INT MGD	Venture Cap	155,442	17,627	22,411	0	195,480	9
SCHRODERS	Bd & I/L	0	120,200	2,266	0	122,466	5
SKAGEN	Eq Emer Mkt	91,586	0	-8,281	0	83,305	4
M & G	Bd Gbl	51,829	2,004	-332	2,048	53,501	2
PARTNERS	Infra	10,536	4,207	3,146	0	17,889	1
NEWTON	Eq Gbl	283,473	-283,473	0	0	0	0
AMUNDI	Eq Europe	241,101	-243,918	2,817	842	0	0
NT TRAN	Trans	0	-1,472	1,472	0	0	0
<b>Total Fund</b>		<b>2,266,106</b>	<b>38,886</b>	<b>-65,030</b>	<b>22,882</b>	<b>2,239,963</b>	<b>100</b>

The table shows the value of each Portfolio at the start and end of the period.

The change in value over the period is a combination of the net money flows into or out of each Portfolio and any gain or loss on the capital value of the investments.

# Performance Summary

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2016

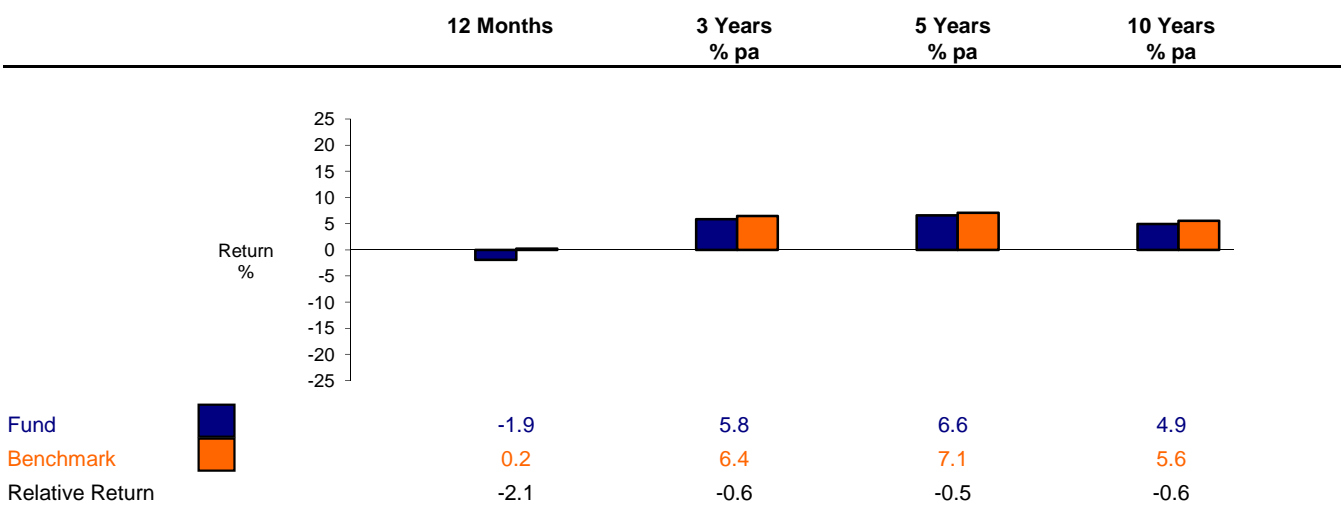
Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

Category - TOTAL ASSETS

This page summarises the overall value and performance of the Fund.

## Fund Returns



The graphs show the performance of the Fund and Benchmark over the latest period and longer term.

The relative return is the degree by which the Fund has out or underperformed the Benchmark over these periods

# = Data not available for the full period

# Detailed Analysis of the Latest Period Performance

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

31/03/2015 to 31/03/2016

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

## Category - TOTAL ASSETS

This page analyses in detail the Fund performance over the latest period.

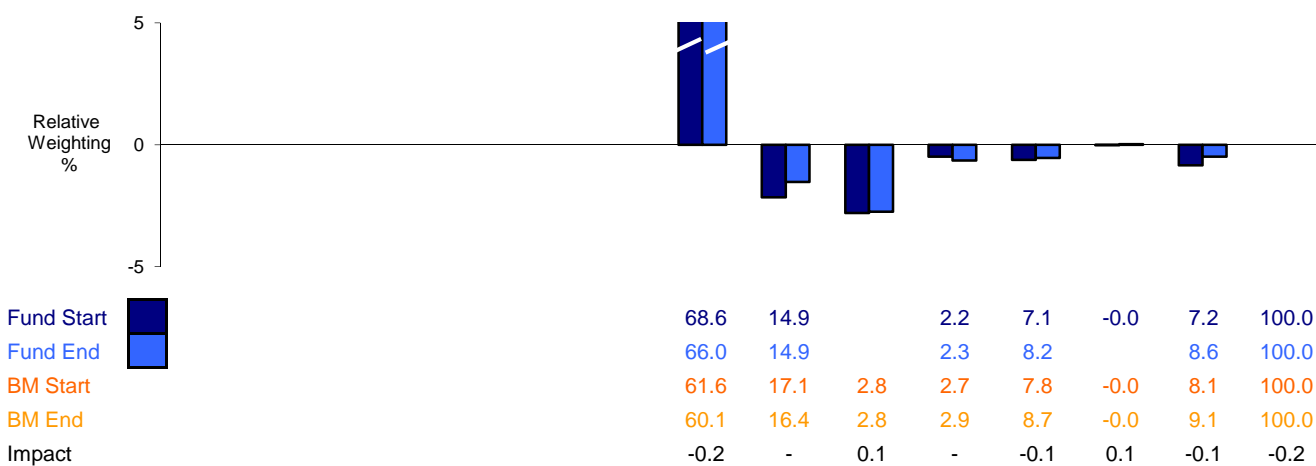
### Summary

Fund Return	-1.9
Benchmark Return	0.2
Relative Performance	-2.1
<b>attributable to:</b>	
Asset Allocation	-0.2
Stock Selection	-2.0

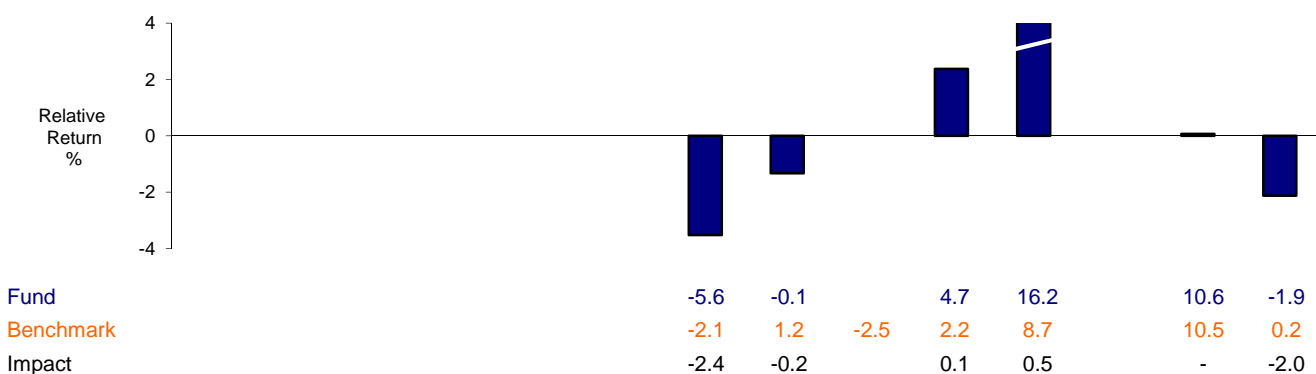
The relative performance can be attributed to the effects of stock selection and asset allocation as detailed below:

	Total Equity	Bonds + IL	Multi Asset	Cash	Alternatives	Curr Instr	Property	Total Fund
--	--------------	------------	-------------	------	--------------	------------	----------	------------

### Asset Allocation



### Stock Selection



An asset allocation decision will have a positive impact if a Fund is invested more heavily than its Benchmark in an area that has performed well.

Conversely, a positive benefit would be derived from having a relatively low exposure to an area that has performed poorly.

Stock selection will have a positive impact if the Fund has outperformed the Benchmark in a particular area.

The impact of both asset allocation and stock selection is weighted by the level of investment in the area.

# not invested in this area for the entire period

- indicates a value less than 0.05 and greater than -0.05

# Long Term Performance Analysis

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2016

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

Category - TOTAL ASSETS

This page looks in more detail at the long term performance, plotting it relative to the Benchmark (with rankings).

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3yrs % pa	5yrs % pa	10yrs % pa
<b>Fund Returns</b>													
Relative Return %													
Fund	7.8	-4.7	-18.8	31.9	6.9	0.5	15.4	7.8	12.2	-1.9	5.8	6.6	4.9
Benchmark	7.0	-2.8	-19.9	35.2	8.2	2.6	13.8	6.4	13.2	0.2	6.4	7.1	5.6
Relative	0.7	-1.9	1.5	-2.5	-1.2	-2.1	1.4	1.3	-0.8	-2.1	-0.6	-0.5	-0.6
Ranking	(28)	(71)	(35)	(79)	(80)	(92)	(15)	(26)	(69)	(87)	(69)	(70)	(73)

The relative performance can be attributed to the effects of asset allocation and stock selection as detailed below:

<b>Asset Allocation</b>													
Impact %													
Impact	0.3	-0.6	0.1	0.4	-	-0.3	0.5	0.3	0.2	-0.2	0.1	0.1	0.1
<b>Stock Selection</b>													
Impact %													
Impact	0.5	-1.3	1.3	-2.8	-1.2	-1.8	0.9	1.0	-1.0	-2.0	-0.7	-0.6	-0.7

An asset allocation decision will be positive if a Fund is invested more heavily than its Benchmark in an area that has performed well.

Conversely a positive benefit would be derived from investing less heavily in an area that has performed poorly.

Stock selection will be positive if the Fund has outperformed the Benchmark in a particular area.

The impact of both asset allocation and stock selection is weighted by the level of investment in the area.

# not invested in this area for the entire period

- indicates a value less than 0.05 and greater than -0.05

# Long Term Asset Allocation

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2016

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

This page looks in more detail at asset allocation decisions, plotting the Fund's exposure at the end of each period relative to the Benchmark and detailing the impact on the total fund performance.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3yrs % pa	5yrs % pa	10yrs % pa
<b>TOTAL EQUITIES</b>													
Fund	70.4	64.9	62.5	68.1	68.4	65.6	68.6	67.5	68.6	66.0			
Benchmark	69.4	65.0	62.4	65.9	64.2	62.4	63.0	62.6	61.5	60.1			
Impact	0.1	-	-	0.2	0.1	-0.1	0.2	0.1	-	-0.2	-	-	-
<b>TOTAL BONDS PLUS INDEX-LINKED</b>													
Fund	11.4	13.6	17.2	15.0	14.9	15.5	14.8	16.0	14.9	14.9			
Benchmark	16.7	18.1	20.0	17.3	17.1	18.0	17.6	16.5	17.1	16.4			
Impact	0.2	-0.4	-1.0	0.5	-	-0.3	0.1	0.2	-	-	0.1	-	-0.1
<b>TOTAL POOLED MULTI ASSET</b>													
Fund													
Benchmark		0.1	0.1	0.0	0.5	1.0	2.0	2.8	2.8	2.8			
Impact					-	-	0.1	0.1	0.1	0.1	0.1	0.1	-
<b>TOTAL CASH</b>													
Fund	3.7	5.6	5.5	3.6	3.3	4.6	2.8	2.8	2.2	2.3			
Benchmark	3.5	4.4	4.3	4.0	3.3	3.5	3.2	3.0	2.7	2.9			
Impact	-	0.1	0.4	-0.2	-	-	-	0.1	-	-	-	-	-
<b>ALTERNATIVES</b>													
Fund	1.9	4.0	5.3	4.6	5.2	5.7	6.7	6.4	7.1	8.2			
Benchmark	2.3	5.0	6.6	6.6	8.5	7.7	7.5	7.5	7.9	8.7			
Impact	-	-0.1	-0.1	0.4	-	-	-	-	-	-0.1	-	-	-
<b>CURRENCY INSTRUMENTS</b>													
Fund	-0.0	0.0	0.0	0.1	-0.0	-0.0	0.0	-0.0	-0.0				
Benchmark	0.2	-0.0	-0.0	0.0	0.1	0.1	-0.0	0.0	-0.0	-0.0			
Impact	-0.3	0.2	1.1	-	-0.1	-	0.1	-0.2	-	0.1	-	-	0.1

For each area of investment the final weighting for the Fund and the Benchmark is shown and the difference plotted.

The impact will be positive when the Fund is overweight in an area that has outperformed or vice versa.

- indicates a value less than 0.05 and greater than -0.05



# Long Term Asset Allocation

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2016

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

This page looks in more detail at asset allocation decisions, plotting the Fund's exposure at the end of each period relative to the Benchmark and detailing the impact on the total fund performance.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3yrs % pa	5yrs % pa	10yrs % pa
<b>TOTAL PROPERTY</b>													
Relative Weight %													
Fund	12.7	12.0	9.5	8.5	8.3	8.6	7.1	7.3	7.2	8.6			
Benchmark	8.0	7.4	6.7	6.1	6.8	7.3	6.8	7.5	8.1	9.1			
Impact	0.2	-0.3	-0.3	-0.5	0.1	0.1	-0.1	-	-	-0.1	-	-	-0.1

For each area of investment the final weighting for the Fund and the Benchmark is shown and the difference plotted.

The impact will be positive when the Fund is overweight in an area that has outperformed or vice versa.

- indicates a value less than 0.05 and greater than -0.05

# Long Term Stock Selection

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2016

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

This page looks in more detail at the impact of stock selection, plotting the return in each area relative to the Benchmark and detailing the impact on the total fund performance.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3yrs % pa	5yrs % pa	10yrs % pa
<b>TOTAL EQUITIES</b>													
Relative Return %													
Fund	7.2	-7.4	-25.2	48.0	6.7	-2.0	20.0	9.4	12.8	-5.6	5.2	6.5	4.9
Benchmark	7.5	-5.0	-25.8	50.7	9.2	-0.1	17.6	8.4	13.7	-2.1	6.5	7.2	5.9
Ranking	(57)	(80)	(40)	(75)	(95)	(92)	(9)	(37)	(67)	(98)	(85)	(76)	(80)
Impact	-0.4	-1.7	0.4	-1.2	-1.5	-1.2	1.3	0.6	-0.6	-2.4	-0.8	-0.4	-0.7
<b>TOTAL BONDS PLUS INDEX-LINKED</b>													
Relative Return %													
Fund	-0.7 #	5.8	4.1	8.9	5.0	8.1	7.9	2.2	5.5	-0.1	2.5	4.7	
Benchmark	-0.5 #	5.7	-0.2	15.2	5.7	12.7	10.5	-1.6	13.0	1.2	4.0	7.0	
Ranking		(46)	(27)	(86)	(77)	(87)	(83)	(9)	(89)	(81)	(79)	(86)	
Impact	-	-	0.8	-0.9	-0.1	-0.7	-0.4	0.6	-1.1	-0.2	-0.2	-0.3	-0.2
<b>TOTAL CASH</b>													
Relative Return %													
Fund	3.1	-6.1	-3.5	-1.5	14.4	1.6	0.8	-7.0	8.8	4.7	1.9	1.6	1.3
Benchmark	4.2	4.5	3.0	2.0	2.2	0.8	2.8	1.4	1.8	2.2	1.8	1.8	2.5
Ranking	(71)	(95)	(89)	(83)	(7)	(25)	(50)	(94)	(11)	(8)	(21)	(30)	(78)
Impact	0.3	-0.7	-0.5	-0.1	0.4	-	-0.1	-0.1	0.2	0.1	-	-	-
<b>ALTERNATIVES</b>													
Relative Return %													
Fund	16.3	27.2	6.3	6.3	7.5	5.1	16.7	3.8	19.1	16.2	12.8	12.0	12.2
Benchmark	7.8	7.8	-7.8	4.3	7.5	2.0	9.5	3.9	12.5	8.7	8.3	7.2	5.5
Ranking	(24)	(13)	(13)	(46)	(39)	(26)	(10)	(53)	(10)	(10)	(8)	(5)	(3)
Impact	0.1	0.4	0.7	0.1	-	0.2	0.4	-	0.4	0.5	0.3	0.3	0.3
<b>TOTAL PROPERTY</b>													
Relative Return %													
Fund	21.6	-5.3	-27.9	-0.5	9.4	3.8	-1.7	10.2	16.2	10.6	12.3	7.6	2.7
Benchmark	16.2	-9.6	-27.1	9.9	9.7	5.5	2.8	11.0	15.8	10.5	12.4	9.0	3.6
Ranking	(4)	(13)	(41)	(92)	(34)	(78)	(82)	(64)	(48)	(55)	(56)	(75)	(67)
Impact	0.6	0.6	-0.2	-0.8	-	-0.1	-0.4	-0.1	-	-	-	-0.1	-

For each area of investment the return for the Fund and the Benchmark is shown and the relative return plotted.

The impact of stock selection is the relative return weighted by the level of investment in the area.

# not invested in this area for the entire period

- indicates a value less than 0.05 and greater than -0.05

# Long Term Performance

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

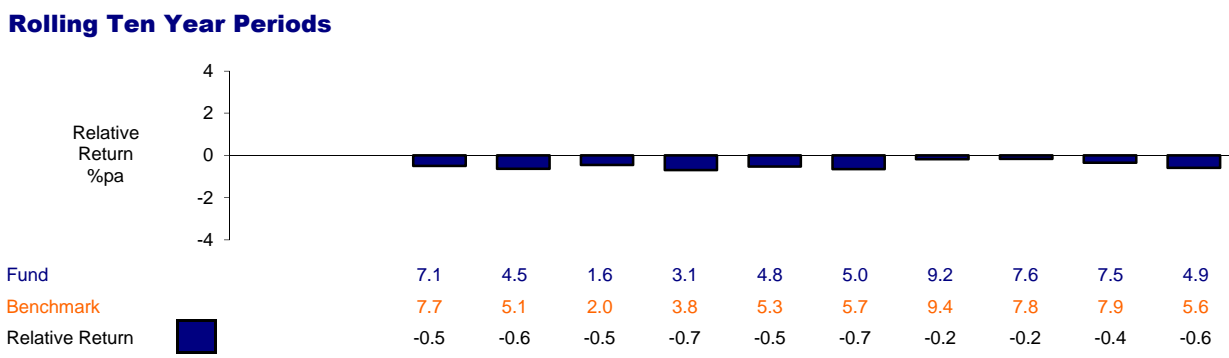
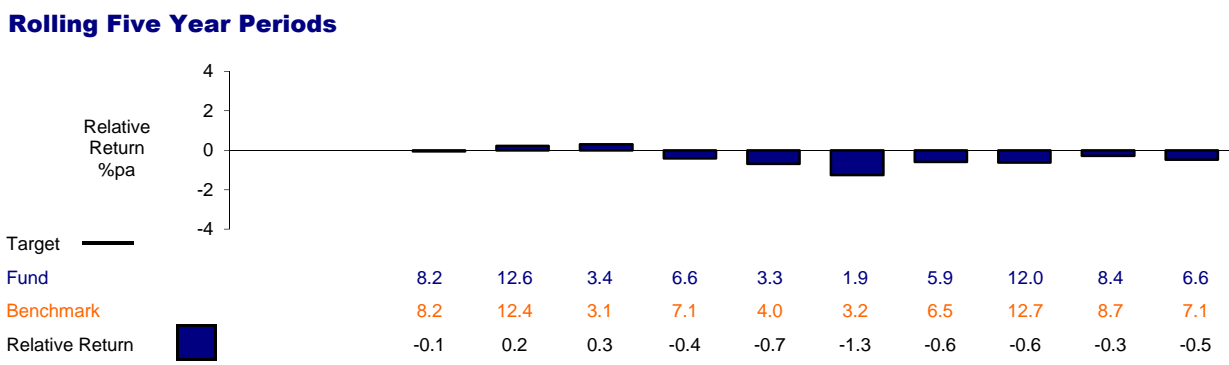
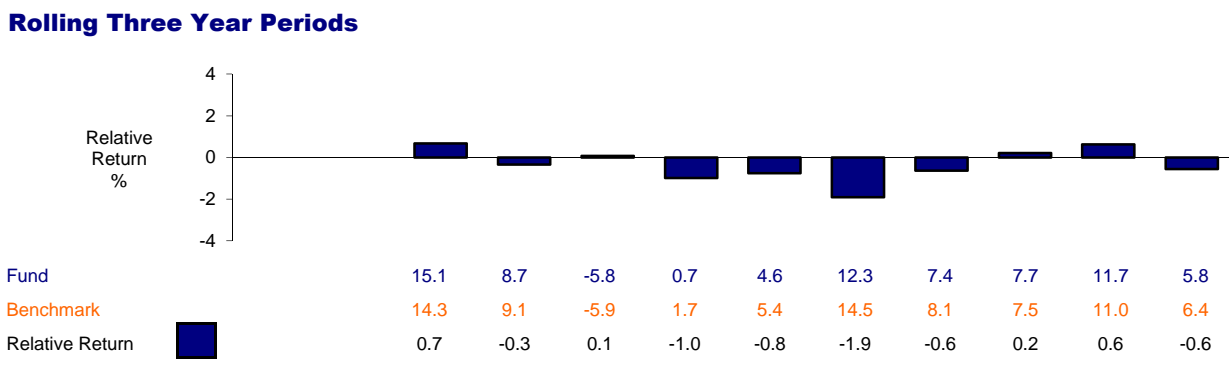
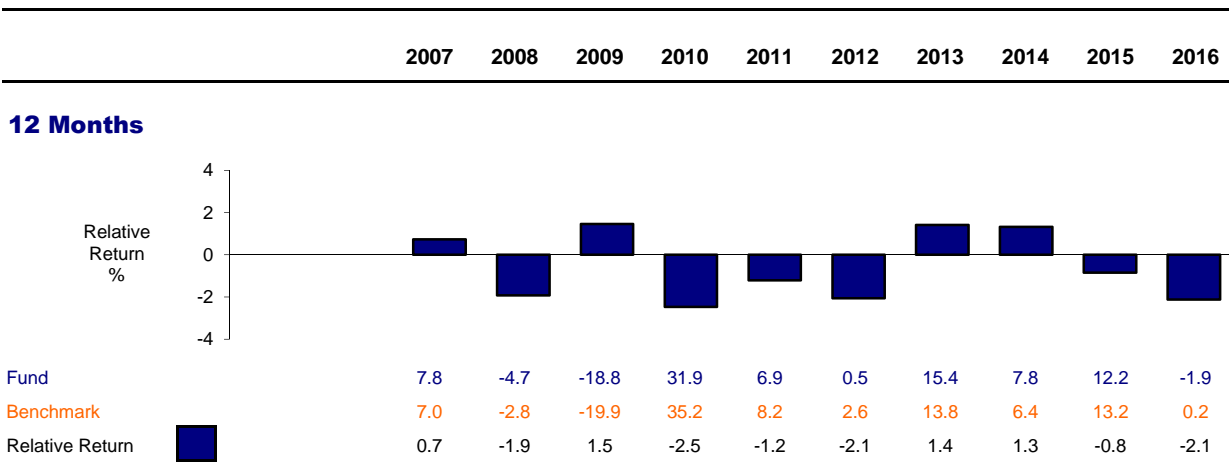
Periods to end March 2016

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

Category - TOTAL ASSETS

This page details the longer term performance of the Fund, plotting it relative to the Benchmark set.



The relative return is the degree of out or underperformance of the Benchmark over these periods.

A target is the degree by which the manager is expected to outperform the Benchmark.

# not invested in this area for the entire period

# Rolling Years with Relative Risk

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2016

Benchmark - LOCAL AUTHORITY UNIVERSE

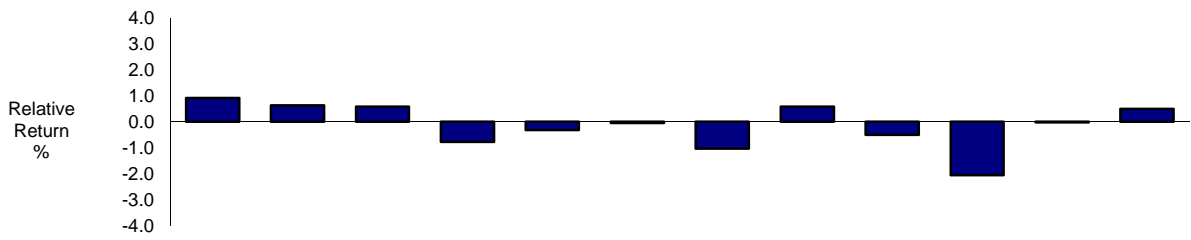
Pound Sterling

Category - TOTAL ASSETS

This page details the longer term performance of the Fund, plotting it relative to the Benchmark set.

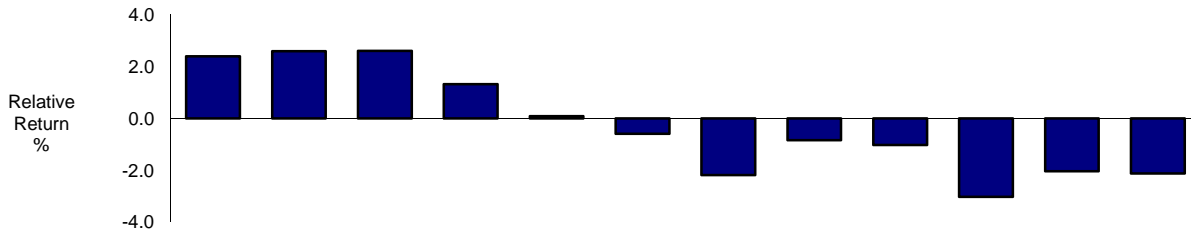
	2013			2014				2015				2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	1895.2	1899.8	1952.6	2028.3	2052.0	2090.1	2127.3	2170.2	2266.1	2202.2	2078.1	2172.8
Net Investment	11.4	-0.3	2.5	28.7	14.2	6.1	5.2	-29.6	10.7	-1.8	7.6	22.4
Capital Gain/Loss	-6.8	53.1	73.1	-5.0	23.9	31.0	37.7	125.6	-74.5	-122.4	87.2	44.7
Final	1899.8	1952.6	2028.3	2052.0	2090.1	2127.3	2170.2	2266.1	2202.2	2078.1	2172.8	2240.0
Income	9.0	7.5	8.0	8.1	9.8	7.8	7.7	5.7	7.6	5.4	3.7	6.2
Proportion Of Total Fund (%)	100	100	100	100	100	100	100	100	100	100	100	100

## Quarterly Returns



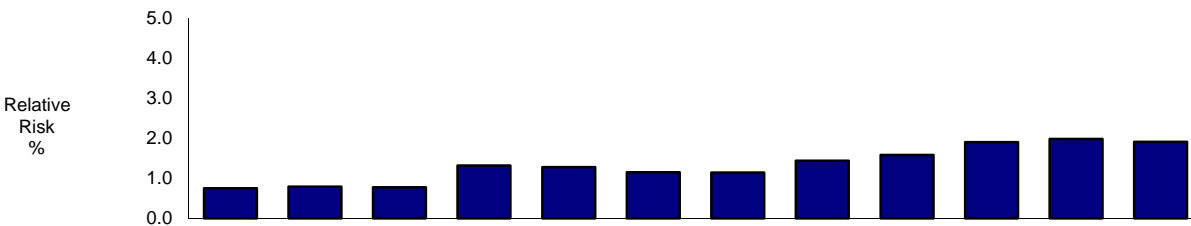
Fund	0.1	3.2	4.2	0.1	1.6	1.9	2.1	6.1	-3.0	-5.3	4.4	2.3
Benchmark	-0.8	2.6	3.6	0.9	2.0	1.9	3.2	5.5	-2.5	-3.3	4.4	1.8
Relative Return	0.9	0.6	0.6	-0.8	-0.3	-0.0	-1.0	0.6	-0.5	-2.1	-0.0	0.5

## Annualised Rolling 1 Year Returns



Fund	17.8	17.2	17.9	7.8	9.4	8.0	5.9	12.2	7.1	-0.4	1.7	-1.9
Benchmark	15.1	14.2	14.9	6.4	9.3	8.6	8.2	13.2	8.2	2.7	3.9	0.2
Relative Return	2.4	2.6	2.6	1.3	0.1	-0.6	-2.2	-0.8	-1.0	-3.0	-2.0	-2.1

## Rolling 1 Year Risk



Relative Risk	0.7	0.8	0.8	1.3	1.3	1.1	1.1	1.4	1.6	1.9	2.0	1.9
Information Ratio	3.2	3.3	3.4	1.0	0.1	-0.5	-1.9	-0.6	-0.6	-1.6	-1.0	-1.1

The relative return is the degree of out or underperformance of the Benchmark over these periods.

Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.

Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

# Summary of Manager Performance

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

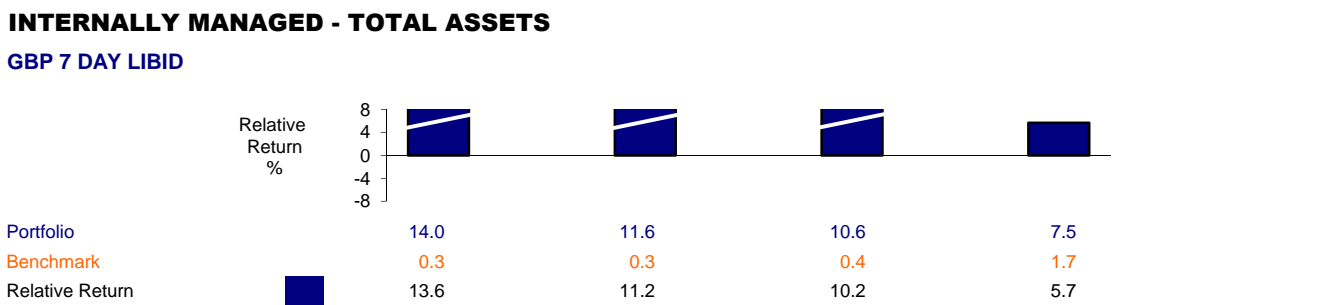
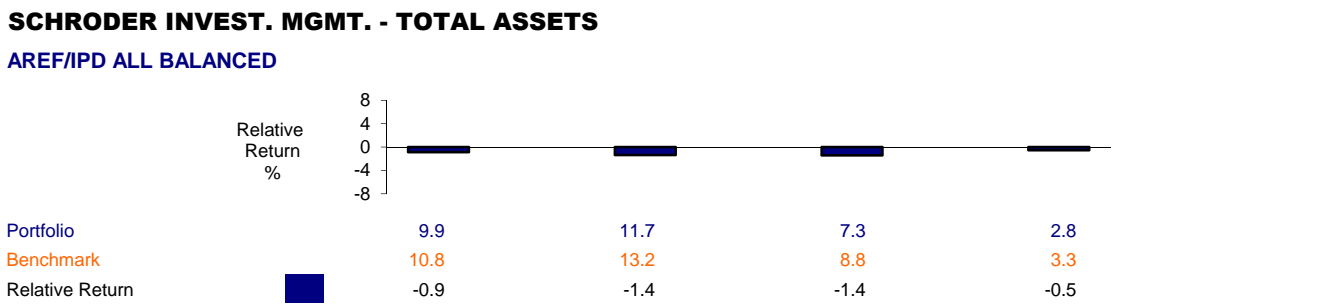
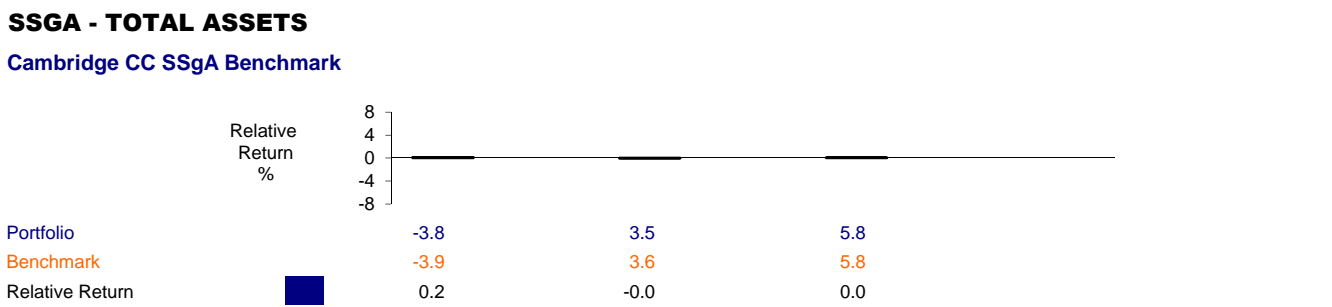
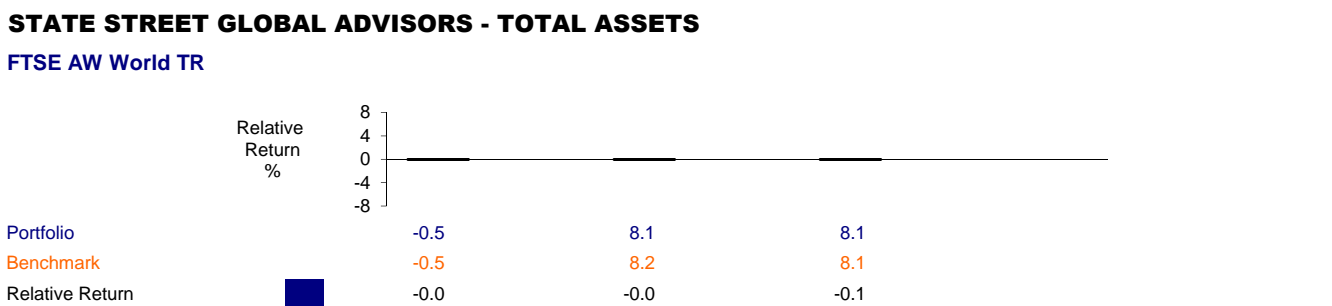
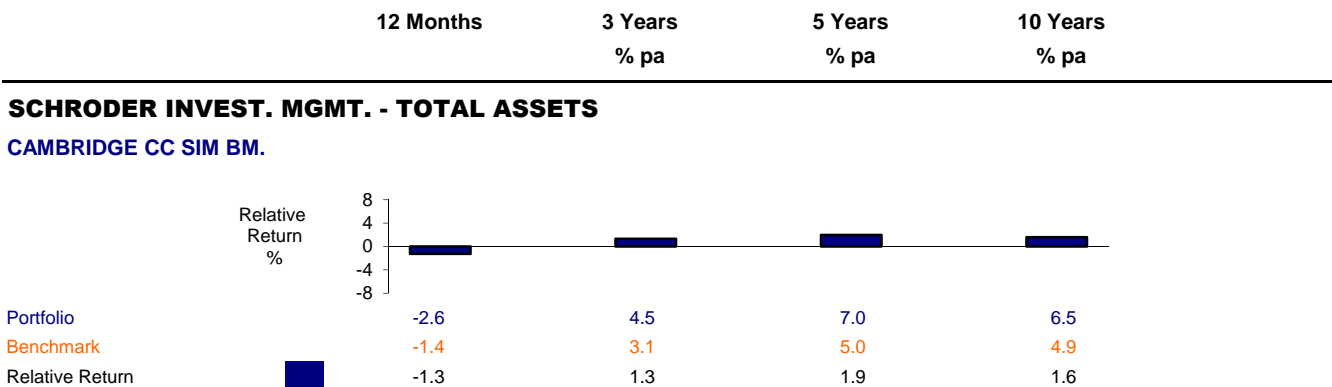
Periods to end March 2016

Benchmark - CCC STRATEGIC BENCHMARK.

Pound Sterling

Category - TOTAL ASSETS

This page summarises the performance of each investment manager plotting the return achieved relative to the Benchmark.



The graphs show the performance of each manager relative to their Benchmark.

The relative return is the degree of out or underperformance of the Benchmark over these periods.

# not invested in this area for the entire period

# Summary of Manager Performance

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2016

Benchmark - CCC STRATEGIC BENCHMARK.

Pound Sterling

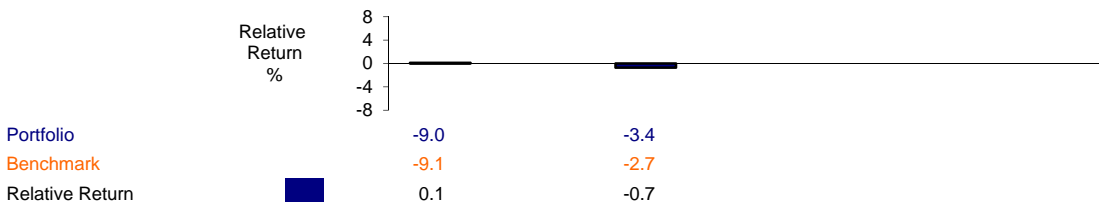
Category - TOTAL ASSETS

This page summarises the performance of each investment manager plotting the return achieved relative to the Benchmark.

	12 Months	3 Years % pa	5 Years % pa	10 Years % pa
--	-----------	-----------------	-----------------	------------------

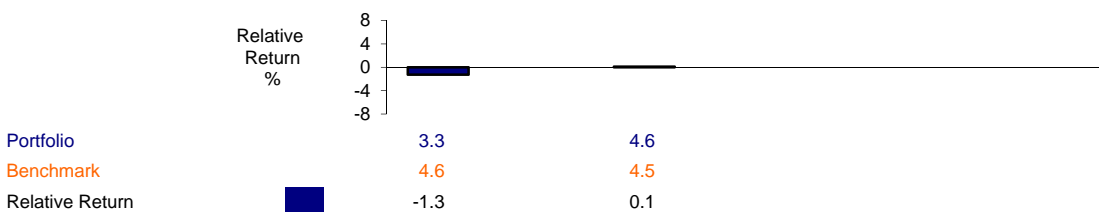
## SKAGEN - TOTAL ASSETS

MSCI EM (EMERGING MARKETS) NDR



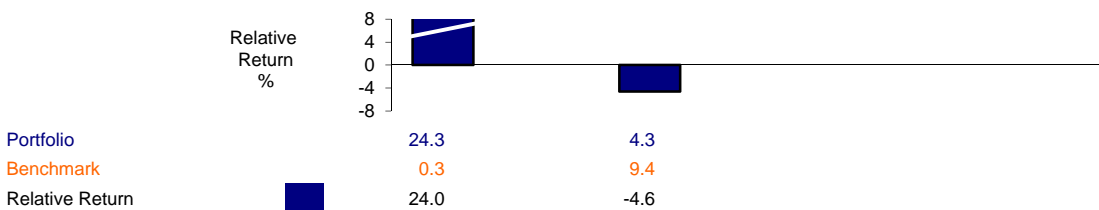
## M & G - TOTAL ASSETS

GBP 3 MONTH LIBOR +4%



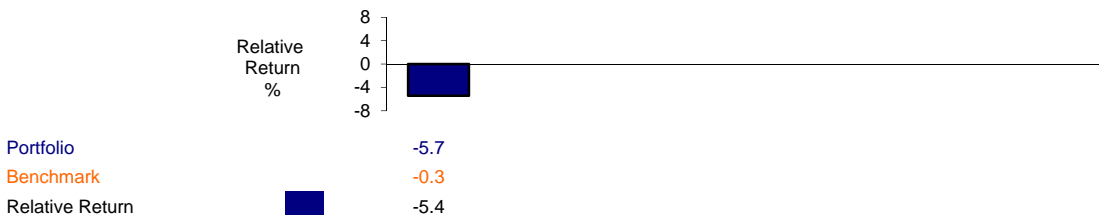
## PARTNERS GROUP - TOTAL ASSETS

MSCI WORLD GDR



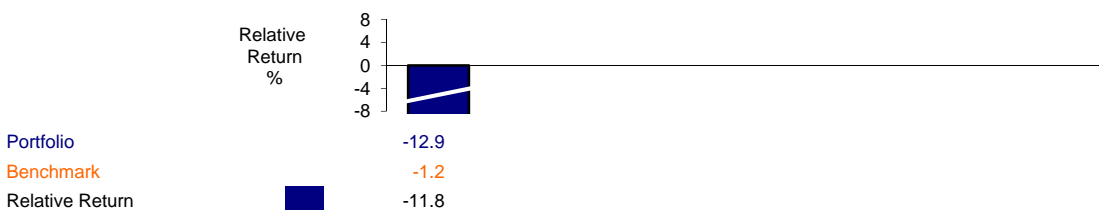
## DODGE & COX - TOTAL ASSETS

MSCI WORLD NDR



## J O HAMBRO - TOTAL ASSETS

MSCI AC WORLD NDR



The graphs show the performance of each manager relative to their Benchmark.

The relative return is the degree of out or underperformance of the Benchmark over these periods.

# not invested in this area for the entire period

# Asset Mix and Returns

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

31/03/2015 to 31/03/2016

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

This page provides the underlying detail for the fund over the latest period.

All values are shown in GBP'000s	Asset Allocation						Stock Selection			
	31/03/2015		Purchases	Sales	Gain/ Loss Income		31/03/2016		Return	B'M
	Value	%			Value	%				
TOTAL EQUITIES	1,553,672	69	1,360,478	1,331,234	-103,516	16,163	1,479,400	66	-5.6	
U.K. EQUITIES	594,122	26	70,993	138,787	-39,778	13,275	486,550	22	-5.1	
OVERSEAS EQUITIES	639,034	28	17,398	557,003	-8,418	513	91,010	4	-4.3	
GLOBAL POOLED INC UK	320,516	14	1,272,088	635,445	-55,320	2,375	901,839	40	-6.8	
TOTAL BONDS PLUS INDEX-LINKED	337,558	15	125,001	126,663	-2,540	2,048	333,356	15	-0.1	
U.K. BONDS	285,729	13	62,897	126,663	-3,692		218,271	10	-1.2	
U.K. INDEX - LINKED			60,100		1,484		61,584	3	2.5 #	
POOLED BONDS	51,829	2	2,004		-332	2,048	53,501	2	3.3	
TOTAL CASH	49,604	2	2,732,053	2,732,785	2,220	81	51,092	2	4.7	
ALTERNATIVES	161,678	7	20,493	24,235	25,567		183,503	8	16.2	
TOTAL PRIVATE EQUITY	114,713	5	12,072	20,895	17,960		123,850	6	16.6	
TOTAL INFRASTRUCTURE	46,965	2	8,421	3,340	7,607		59,653	3	14.9	
CURRENCY INSTRUMENTS	-157	0	90,724	90,757	190				n/a	
TOTAL PROPERTY	163,751	7	90,624	74,812	13,049	4,591	192,612	9	10.6	
U.K. PROPERTY	160,292	7	90,624	74,425	13,663	4,099	190,154	8	10.9	
OVERSEAS PROPERTY	3,459	0		387	-614	492	2,458	0	-3.5	
<b>TOTAL ASSETS</b>	<b>2,266,106</b>	<b>100</b>	<b>4,419,373</b>	<b>4,380,487</b>	<b>-65,030</b>	<b>22,882</b>	<b>2,239,963</b>	<b>100</b>	<b>-1.9</b>	

The change in Fund value over the period is a combination of the net money flows into or out of the Fund and any gain or loss on the capital value of the investments.

# not invested in this area for the entire period

# Summary of Long Term Returns

CAMBRIDGESHIRE COUNTY COUNCIL - TOTAL COMBINED

Periods to end March 2016

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

This page summarises the long term returns at asset class level  
A ranking against the peer group is shown in brackets.

Return %	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3yrs % pa	5yrs % pa	10yrs % pa
<i>Total Equity</i>	7.2 (57)	-7.4 (80)	-25.2 (40)	48.0 (75)	6.7 (95)	-2.0 (92)	20.0 (9)	9.4 (37)	12.8 (67)	-5.6 (98)	5.2 (85)	6.5 (76)	4.9 (80)
<i>UK Equities</i>	9.7 (82)	-11.9 (87)	-26.9 (17)	56.7 (8)	5.7 (96)	2.2 (46)	22.2 (6)	12.8 (23)	6.4 (63)	-5.1 (82)	4.4 (41)	7.3 (25)	5.2 (40)
<i>O/S Equities</i>	4.5 (29)	-3.2 (79)	-23.5 (68)	39.0 (96)	8.9 (43)	-8.9 (97)	18.7 (24)	6.6 (52)	16.2 (81)	-4.3 (89)	5.8 (76)	5.1 (91)	4.2 (95)
<i>Global Eq</i>			-0.4 #		3.5 #	-0.2 (56)	16.9 (51)	6.6 (80)	19.0 (38)	-6.8 (97)	5.7 (89)	6.7 (85)	
<i>Bonds + IL</i>	-0.7 #	5.8 (46)	4.1 (27)	8.9 (86)	5.0 (77)	8.1 (87)	7.9 (83)	2.2 (9)	5.5 (89)	-0.1 (81)	2.5 (79)	4.7 (86)	
<i>Total Bonds</i>	-0.2 (60)	4.9 (32)	5.5 (29)	9.5 (84)	4.7 (77)	6.1 (89)	7.3 (84)	2.5 (11)	5.7 (90)	-1.2 (94)	2.3 (84)	4.0 (88)	4.4 (86)
<i>UK Bonds</i>	0.4 (62)	4.1 (25)	3.5 (18)	9.9 (83)	4.7 (87)	6.1 (93)	7.3 (81)	2.5 (16)	5.7 (90)	-1.2 (95)	2.3 (89)	4.0 (93)	4.3 (91)
<i>UK IL</i>	2.0 (92)	11.8 (80)	-3.5 (77)	6.4 (98)	6.3 (82)	19.2 (70)	11.1 (60)	-3.3 #		2.5 #			
<i>Pooled Bonds</i>						0.7 #	6.5 (63)	6.1 (23)	4.6 (36)	3.3 (10)	4.6 (25)		
<i>Cash</i>	3.1 (71)	-6.1 (95)	-3.5 (89)	-1.5 (83)	14.4 (7)	1.6 (25)	0.8 (50)	-7.0 (94)	8.8 (11)	4.7 (8)	1.9 (21)	1.6 (30)	1.3 (78)
<i>Alternatives</i>	16.3 (24)	27.2 (13)	6.3 (13)	6.3 (46)	7.5 (39)	5.1 (26)	16.7 (10)	3.8 (53)	19.1 (10)	16.2 (10)	12.8 (8)	12.0 (5)	12.2 (3)
<i>Property</i>	21.6 (4)	-5.3 (13)	-27.9 (41)	-0.5 (92)	9.4 (34)	3.8 (78)	-1.7 (82)	10.2 (64)	16.2 (48)	10.6 (55)	12.3 (56)	7.6 (75)	2.7 (67)
<i>Total Assets</i>	7.8 (28)	-4.7 (71)	-18.8 (35)	31.9 (79)	6.9 (80)	0.5 (92)	15.4 (15)	7.8 (26)	12.2 (69)	-1.9 (87)	5.8 (69)	6.6 (70)	4.9 (73)

# not invested in this area for the entire period