Cumbria County Council

Cumbria Local Government Pension Scheme

Annual Report and Accounts 2011/12

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1 Chairman's Introduction

1.1 Overview of the current position

It is my pleasure to introduce the Cumbria Local Government Pension Scheme (LGPS) Annual Report for 2011/12, on behalf of the Cumbria Pensions Committee. 2011/12 has been a busy year for Cumbria LGPS - as the summary of key activities in section 4 of this report indicates - however the focus has remained on delivering the target investment returns, securing an enhanced administration service for our members and rationalising costs.

It has been another turbulent year in the financial markets, with continued concern over the global economy combined with the European debt crisis dominating investment markets. Equities have struggled to make positive returns while investors, seeking a safe haven from the market turmoil, pushed non-euro government bonds to record high prices.

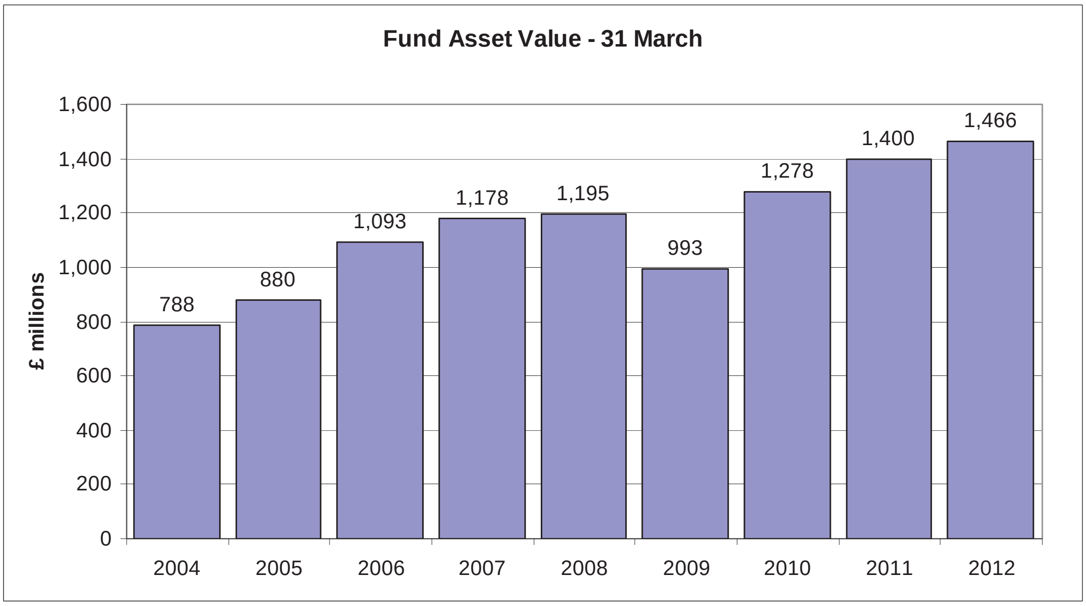
Against this background of market volatility Cumbria LGPS has achieved an increase in Scheme value of £66.491m from £1,399.927m (31/03/11) to £1,466.418m (31/03/12).

Although the Scheme underperformed its benchmark in 2011/12 (receiving an investment return of +5.3% against it's benchmark of +6.5%), it is pleasing to note that the scheme's return for 2011/12 was significantly above the LGPS average return of +2.6% (measured by the WM Company) resulting in the Scheme being ranked in the top quartile at 13th out of 100 in the WM Universe as at 31st March 2012. This is largely attributable to Cumbria LGPS's strategy of holding a higher than average allocation of bonds (33% compared with an LGPS average of 18%).

Pension schemes are by their nature long term investment vehicles and, looking at the medium to longer term, whilst the Scheme has marginally underperformed against its own benchmark (by 0.3% per year over the last five years and by 0.1% per year over the last ten years) this performance ranks it 39th out of 100 Local Government Schemes in the country.

1.2 Scheme Funding Level

The changes in the Fund's asset value over the past nine years are shown in the chart below.

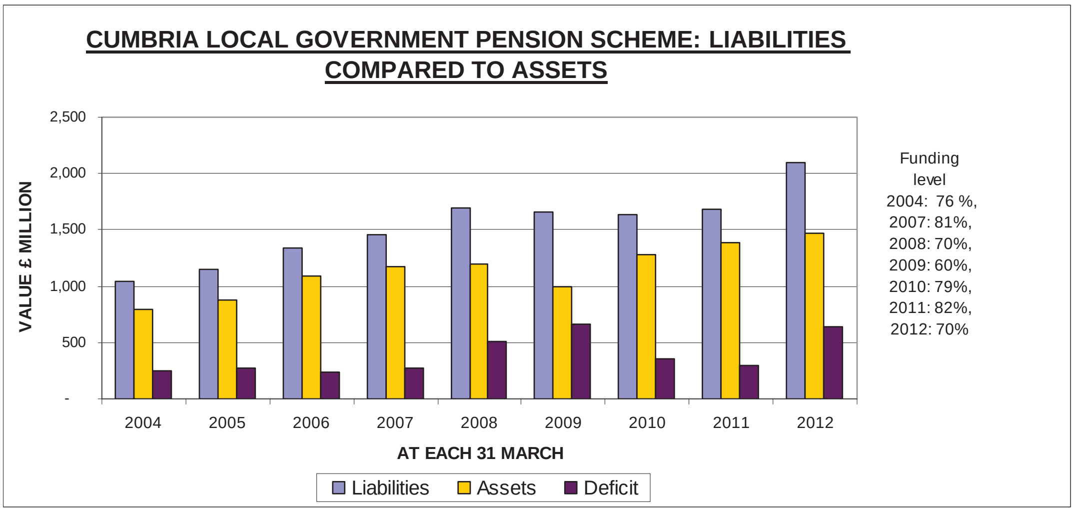


A key objective of the Scheme is to become fully funded, at a sustainable cost, and Cumbria LGPS continues to work closely with Mercers Consulting (the Scheme's Actuaries) to meet this objective. While the Scheme's performance is credible given market conditions and when compared to our peers, the increase in the Scheme's assets has to be set alongside increasing liabilities.

In line with regulations, Cumbria LGPS's actuary undertakes a triennial valuation of the Scheme, measuring the gap between the Scheme's assets and its' liabilities (i.e. the Schemes deficit). At the last triennial Actuarial Valuation (31 March 2010) this showed that the funding level had fallen slightly from 81% in March 2007 to 79% at 31 March 2010. The next triennial valuation will take place as at 31 March 2013 and Officers and the Committee will continue to work closely with the Scheme's actuary over the coming months to establish reasonable actuarial assumptions upon which to achieve the objective of full funding at a sustainable cost.

In between full triennial valuations constant high level monitoring of the funding position of Cumbria LGPS is undertaken. The interim valuation as at 31 March 2012 assessed that the funding level of the Scheme had dropped to 70% - an indication of the impact on the Scheme of the ongoing difficult and uncertain state of the global markets and, in particular, the impact on the Scheme liabilities of exceptionally low bond yields. These results are comparable to expectations across LGPS as a whole. External factors are expected to continue to have an impact on the Scheme funding level up to the 2013 triennial valuation.

The table below clearly show the effect that, among other things, the record prices in the bond markets and increasing pensioner longevity is having on the Schemes liabilities. Over the last nine years, with the exception of 2009 when the banking crisis affected all fund values, asset values have continued to rise steadily. However, this growth has been outstripped by the increase in liabilities thus leading to an overall increase in the Schemes' deficit.



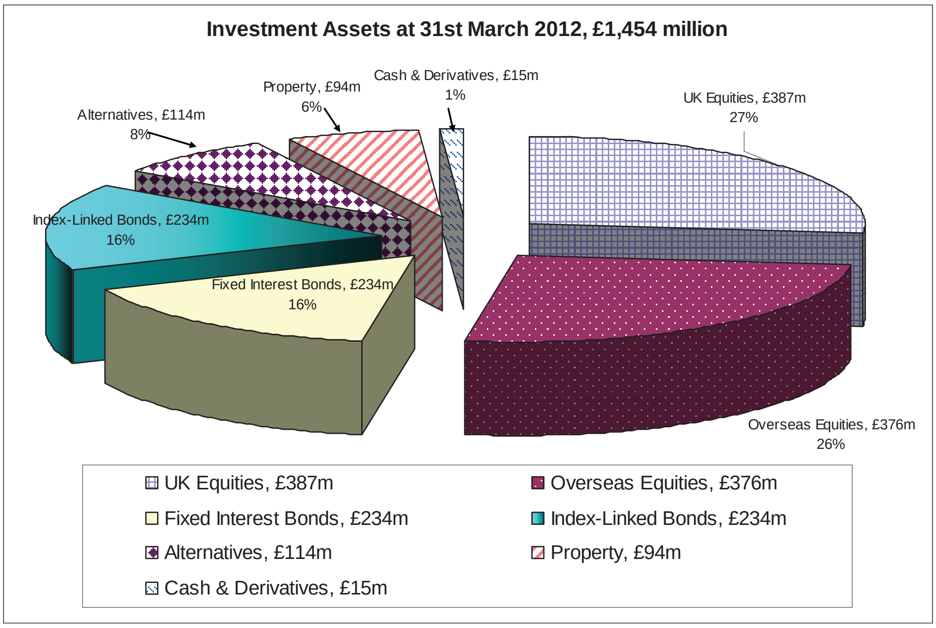
1.3 Investment Management - Asset Allocation

The Pension Committee is charged with the responsibility for the governance and stewardship of the Scheme. The Scheme has a prudent, risk averse strategy, which is kept continually under review through an annual evaluation of the Funding Strategy.

A more in depth review is undertaken by the Scheme every three to seven years. The investment strategy (including the core investment objectives and asset allocations) must be capable of being flexible enough to meet prevailing market conditions. Therefore to ensure the current strategy is fit for purpose under the current and future market conditions the strategy was stress tested under different market scenarios.

The conclusion of the review undertaken throughout 2011/12 determined that the high level strategic asset allocation to bonds and growth assets (bonds 33% and growth assets 67%) is still appropriate. However it was agreed that protecting downside losses was more important than chasing upside gains and a number of changes within the asset allocations in the growth element of the portfolio were agreed.

Work on implementing these changes has commenced and will continue throughout 2012/13. The following table shows the distribution of the total investment assets held by the investment managers across all the asset classes at the year end.



In addition to the more traditional asset classes the CLGPS has a 9% holding of mixed assets that are grouped together under the heading alternatives. This covers a broad range of products - mainly to describe holdings in financial assets such as commodities, private equity, hedge funds, venture capital, debt and other return-seeking derivative funds.

1.4 Investment Management - Asset Performance

The Pension Committee take an active role in monitoring fund manager performance, and are keen to obtain the best possible performance from every manager. Performance of all managers is scrutinised quarterly by the Committee, in addition in depth monitoring is also undertaken by officers and the Fund's Independent Advisors during the intervening period as required.

Each active Investment Manager / Asset class has both a benchmark return i.e. a comparison to a relevant market index and a target return i.e. benchmark plus an outperformance measure.

Performance against benchmark

Over the one year period to 31 March 2012, all active managers underperformed their benchmarks with the exception of the Alternatives manager.

However, over the rolling three year period, the individual manager's performance in relation to benchmarks is marginally better with the Alternatives portfolio and UK Property portfolio achieving a return above benchmark.

The passive portfolio matched benchmark returns over the three year period and during the one year period to 31 March 2012 slightly exceeded the benchmark.

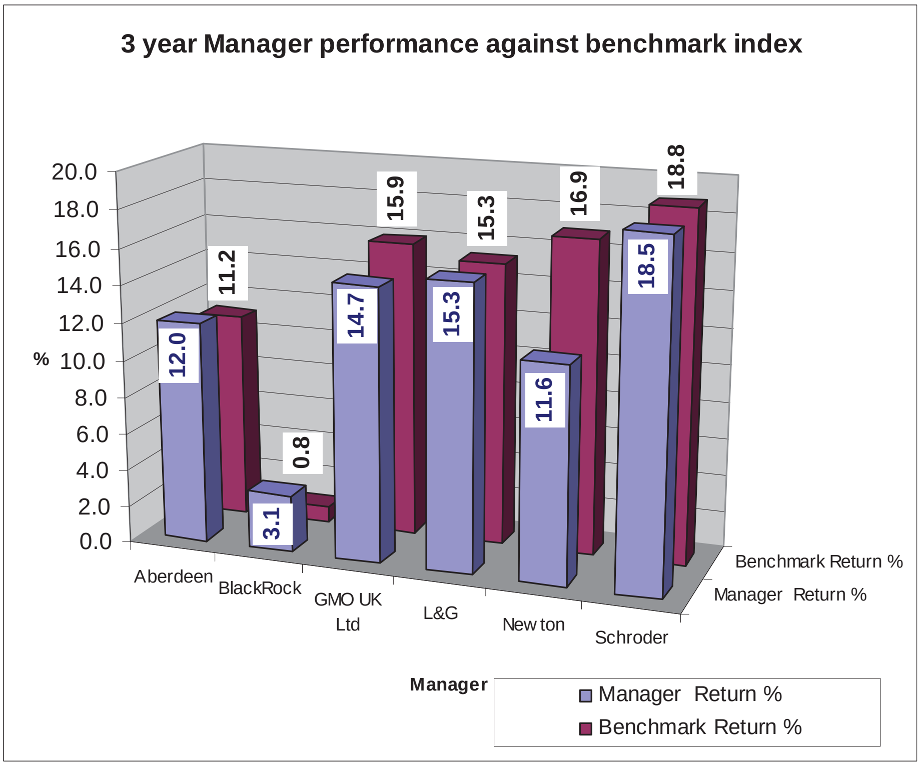
Performance against target

Only the property portfolio achieved its target over a rolling three year period to 31 March 2012.

As a result of underperformance since inception the funds' previous bond mandate was terminated in April 2011. The Bonds have been transferred to our Passive Manager, until a new bond manager is appointed in 2012/13. In May 2012, with a view to facilitating changes to the investment strategy and in light of recent performance issues, the Committee terminated the mandate with one of the funds Overseas Equities Managers and the assets are in the process of being transferred to our passive manager, until the final details of the new Global Equities mandates can be finalised and procured.

All performance results are shown in the following table, as annualised figures.

Summary of Fund Performance as at 31 March 2012



Results for individual managers are reviewed over a number of years, so that one year's figures do not carry undue weight.

1.5 Pensions Administration

In February 2011 after an extensive procurement process the Fund opted to enter into a shared service arrangement with Your Pension Service (YPS - operated by Lancashire County Council) for the provision of its pension administration services. This arrangement continues to be very positive and as such significant improvements have been made in most areas during 2011/12. We are continuing to work together to build on the achievements realised to date thereby ensuring that members receive a high quality service.

A core focus has been on extending access to the administration team: be that face to face, electronically or over the phone. Clear and concise member communication and access to information will be of ever more importance as we move towards the major changes affecting members and their choices regarding future pensions planning e.g. auto enrolment and the introduction of the 2014 Scheme.

1.6 Looking Ahead

Looking forwards we face challenging times in the coming years both in terms of administration and fund management including:

- additional work arising from the proposed changes to the scheme benefits structure, currently being consulted upon nationally;
- working with scheme employers and employees in readiness for the introduction of “auto enrolment”;
- preparation for the Triennial Actuarial Valuation due 31st March 2013; and
- completing changes to the Scheme’s asset allocations agreed as part of the 2011/12 Investment Strategy Review.

The economic outlook remains a significant concern - the UK economy is particularly sensitive to world wide political and economic events. However, while we cannot predict future outcomes I am confident that the refreshed investment strategy leaves us in a good position to deal with such short term fluctuations and I am confident that the scheme is in a strong position to deliver the changes that will be required throughout 2012/13 and on into the future in a timely and efficient manner.

The Committee’s thanks go to the staff in the Resources Directorate, the Pension Investments Team and the Administration provider’s staff, for their work during the year in supporting the management and beneficiaries of the Scheme.

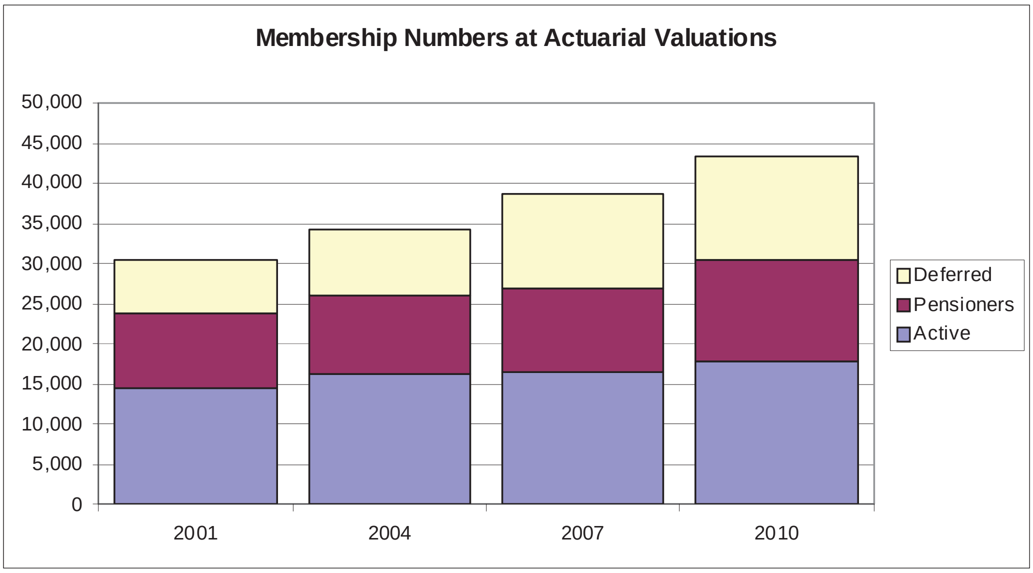
Finally I would like to thank my fellow Committee Members for their contributions during 2011/12. Special thanks go to Cllr Ian Stewart who stepped down from the Committee in March 2012 following 3 years dedicated service to the Cumbria Pension Scheme and its members.

Cllr. Melvyn Worth
Chairman
July 2012

2 Scheme Membership

The County Council administers the Cumbria Local Government Pension Scheme on behalf of 105 employers including other local authorities, further and higher education colleges and 'Admitted Bodies' (of which there are 46). Admitted bodies are organisations that have entered into an admission agreement with the County Council to participate in the Pension Scheme such as charities and other non-profit making organisations.

At the 31st March 2012 the Cumbria Local Government Pension Scheme had over 16,500 active members, just under 13,200 pensioners and dependants receiving benefits, and just under 16,000 preserved pensions. Of the 105 employer bodies in the Cumbria scheme 22 have no active members. A full list of the scheduled and admitted bodies currently in the Scheme is shown in Section 7 note 25 later in this report. The membership numbers at the time of each triennial valuation of the Scheme have increased as follows:



2.1 Benefits of Scheme Membership

The Local Government Pension Scheme is a valuable benefit for staff. It is a final salary pension scheme where the pension is based on the final years' pensionable pay and length of scheme membership. The scheme is contracted out of the State Second Pension and must, in general, provide benefits at least as good as most members would have received had they been members of the State Second Pension. The scheme provides a comprehensive range of guaranteed benefits* which include:

- A tax-free lump sum on retirement;
- A pension at retirement age that is uplifted in line with inflation once in payment;
- The ability to increase the pension by paying extra contributions;
- Ill health retirement at any age, subject to medical approval;
- Death benefits - lump sum life cover of three years' pay and dependants pensions.

* The above is a summary, intended only to give an outline of the scheme. Please see the 'Joining the Scheme' pages on the Your Pension Service website (www.yourpensionservice.org.uk) for further details. Alternatively you can contact Your Pension Service by post at: Your Pension Service, PO Box 100, County Hall, Preston PR1 0LD, or telephone them on: 01772 530530.

2.2 Cost of Scheme Membership

In the scheme there are different employee contribution rates for different pay bands. The rates are tiered according to whole time equivalent pay grouped in seven band ranges. The lowest contribution rate of 5.5% applies to salaries below £12,900 and the highest rate of 7.5% applies to salaries above £81,100.

The scheme employer pays the balance of the cost of providing the scheme's benefits after taking into account investment returns. Every three years an independent actuary calculates the Schemes funding position and therefore how much the employer has to contribute to the scheme. The Cumbria scheme currently employs Mercer Human Resource Consulting as scheme actuary.

Revised Employers' contribution rates were implemented on 1 April 2011 following the triennial Actuarial Valuation which was carried out as at 31st March 2010. The required Scheme composite employer contribution rate is 18.4% of pensionable pay. Individual employer rates vary from 7.9% to 48.2% dependent on their individual circumstances and member liability profiles.

2.3 Alternatives to Membership

Under the provisions of the Social Security Act 1986, all employees are entitled to make alternative arrangements for their retirement, within rules laid down by the government.

3 Fund Management

The Cumbria LGPS collects contributions from the scheme employers and employees. Seven external fund managers are employed by the Scheme to invest these funds. The current mandates with managers cover investments in UK equities, overseas equities, index-linked securities, fixed interest securities, managed funds (in particular unit and investment trusts), direct property, alternatives, cash and other assets as determined from time to time by the Pensions Committee. The return of the Scheme is to be achieved by the investment managers without exposing the Fund to excessive risk and with regard to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The Pension Committee monitors fund managers' performance at its quarterly meetings. The Committee changed its practices this year to a more focused approach. Managers are thus now required to present as a matter of course only once per annum and then on an ad hoc basis if their performance is below expectations and requires more in-depth consideration.

3.1 Investing Fund Money

The investment weighting to the different asset classes is decided through the Investment Strategy. During 2012 a detailed review of the strategy has been undertaken.

The review concluded that, while at a high level the strategic asset allocation between bonds and growth assets is considered still to be appropriate, it was advantageous to change large elements of the growth portfolio. These changes are designed to "make these assets work harder while reducing risk".

It is envisaged that the final strategic allocation should be able to flex sufficiently to cope with the most likely economic conditions in the forthcoming years. While the strategy and fund performance will be continually monitored changes to assets classifications are expensive and time consuming and should therefore not be undertaken frequently. Therefore it is not envisaged that a further fundamental review on this scale will be undertaken for several years.

The Cumbria Scheme has a diversified portfolio. This spreads the risk associated with any particular form of investment whilst facilitating the growth potential of the Scheme. The investment risks are spread further as a result of employing different active fund managers and also by using passive managed funds. The detailed selection and timing of investment purchases and sales is delegated to the Fund Managers to complete within the boundaries as laid down in their individual Investment Manager Agreements.

Investment management fees are based on the value of funds under the management of each manager as set out in individual agreements, and as growth in the portfolio would lead to an increase in fee, this provides an element of performance incentive. The agreements also include the individual active managers' investment performance targets.

3.2 Management Arrangements

For details of the management arrangements of the scheme please see section 5.2.3 of this report.

4 Performance of the Scheme

4.1 During the year to 31st March 2012 the Cumbria LGPS value increased by £66.491m from £1,399.927m (31/03/11) to £1,466.418m (31/03/12). The best performing assets over the year were bonds, in particular UK corporate bonds and index-linked bonds which made strong gains of 12% and 18% respectively. In contrast, the value of UK equity increased by only 1.4% (FTSE All Share) and global equities increased by 0.5% (FTSE World).

4.2 The LGPS average scheme investment return for 2011/12 was 2.6% (measured by the WM Company). Cumbria ranked in the top quartile at 13th out of 100, with the Cumbria LGPS's return at 5.3% being significantly above the average. This out performance is set in the context of volatility across world financial markets during the period. This return, in the main, is attributed to the scheme's primary asset allocation between bonds (33%) and growth assets (equities, property, alternatives etc) (66%).

The Cumbria LGPS has an asset allocation to bonds which is higher than the average for LGPS (Cumbria's 33%; the average LGPS 18%). This strategic asset allocation has been a major contributing factor to the Scheme's increase in value during 2011/12.

4.3 The Scheme's three-year return underperformed the Scheme benchmark by 0.3% (per year). Over the longer term of ten years the Scheme return was behind the benchmark showing a marginal underperformance of 0.1% per year.

4.4 Pension schemes are by their nature, long term investment vehicles and when considering fund performance the focus is on the longer term. While disappointing in absolute terms, recent returns must be seen in the context of the prevailing market volatility throughout the period and also viewed in comparison to the Scheme's peers.

4.5 The table below shows that, while the Scheme has marginally unperformed against its specific investment return benchmark, Cumbria LGPS performance over the mid (5 years) to longer term (10 years) ranks within the top 40% of Local Government Schemes in the country.

	One year to 31 March 2012	Three years to 31 March 2012	Five years to 31 March 2012	Ten years to 31 March 2012
Fund Return	5.3%	13.4%	3.7%	5.7%
Cumbria's own benchmark	6.5%	13.7%	4.0%	5.8%
WM local authority universe return average	2.6%	14.5%	3.2%	5.7%
Ranking 1 to 100 in local authority universe	13th	80th	36th	39th

4.6 The Cumbria LGPS's Business Plan 2011/12 included investment performance targets such as those outlined above and administrative performance targets. The broad aim of the administrative targets were to; improve customer service through development of the shared service with YPS (Your Pension Service) which commenced in February 2011, and to deliver material cost savings across a range of contracts through which professional services are provided to the Scheme.

4.7 Significant improvements have been made in many areas. This has placed the Scheme on a stable platform which will help to ensure it is best placed to help deliver all the changes that will be required throughout 2012/13.

4.8 The key activities undertaken in 2011/12 are as follows:

- completed an in-depth review of the Scheme's Investment Strategy and core objectives. The implementation of the changes in asset allocation is ongoing and will be progressed throughout 2012/13.
- in accordance with the long term liability matching strategy completed the transition of £79.9m of fixed interest gilts to index-linked gilts.
- through a shared procurement exercise with Lancashire LGPS and Merseyside LGPS re-tendered the provision of actuarial services achieving both service enhancements and cost savings.
- terminated the relationship with the previous corporate bond manager. The assets were smoothly and efficiently transitioned to the Schemes' passive manager whilst a procurement process is undertaken to appoint a new manager. This procurement process is at the final selection stage and is due to be completed in August 2012. This transition was deferred for a short while so as to enable time to reconsider the mandate previously chosen i.e. "Buy and Hold". When considered in parallel with the full strategy review this was still deemed to be the most appropriate bond strategy.
- monitored and reviewed both the performance of the Scheme as a whole and the individual Investment Managers.
- published the Pension Scheme Annual Report and Accounts 2010/11 in accordance with the new IFRS regulations. This activity involved a substantial revision to help improve the readability to our members and interested parties.
- held seven pensions surgeries at six locations throughout the county, seeing over 600 scheme members.
- managed the introduction to the Cumbria LGPS of eighteen new academies as individual employers.
- successfully managed the additional workload resulting from the unprecedented workforce restructuring undertaken by many of the scheme's larger employers.

- despite the exceptional workloads, all primary performance targets were achieved by YPS.

4.9 Looking forward 2012/13 is forecast to be a busy year for Local Government Pension Schemes as they respond to changes in benefits structures that are being finalised nationally. This will involve the need for preparatory work as the changes will impact on several different aspects of the Scheme. The Cumbrian LGPS will also undertake the following:-

- facilitate the additional workloads resulting from the proposed changes to the scheme benefits structure that are currently being consulted upon nationally.
- prepare and consult with scheme employers and employees in readiness for the introduction of “auto enrolment”.
- prepare for the Triennial Actuarial Valuation due 31st March 2013.
- complete changes to the Scheme’s asset allocations agreed through the 2011/12 Investment Strategy Review. This will include procurement to appoint a new corporate bond manager, new equities managers and infrastructure managers.

4.10 Details of fund managers’ performance for the year to 31st March 2012 are as follows (returns are shown gross of fees):

Some of the Cumbria LGPS property portfolio

39-45 High Street, Hornchurch

Heathfield Road, Ayr (B&Q)

79-82 Queen Street, Exeter

Manager	Asset Class	Portfolio %	Benchmark Return %	Excess Return %
Aberdeen Property Investors	Property	6.5	6.6	(0.1)
BlackRock	Alternatives	2.5	0.9	1.6
GMO UK Ltd - International Equity	Overseas equities	(2.8)	(2.5)	(0.3)
Newton Investment Management	Global equities	(3.9)	0.4	(4.3)
Schroders Investment Management	UK equities	(2.4)	1.4	(3.8)

Source: WM Company

4.11 Legal and General currently manage approximately 48% of the schemes assets on a passive basis, the mandate being to match various indices. Their investment funds have shown small additional returns above the indices over the year to 31st March 2012.

> “When it comes to the future, there are three kinds of people: those who let it happen, those who make it happen, and those who wonder what happened."
>
> John M. Richardson, Jr

5 Governance

5.1.1 The Annual Report

The Local Government Pension Scheme (Administration) Regulations 2008 require administering authorities to prepare a document known as the “the Pension Fund Annual Report”.

This report must contain information about the scheme on the following:

- the management and financial performance during the year of each of the pension Schemes’ maintained by the authority;
- the investment policy for each of those Schemes, and a review of their performance during the year;
- a report of the arrangements made during the year for the administration of each of those funds;
- a statement by the actuary of the level of funding disclosed by that valuation;
- the current version of the governance compliance statement;
- the fund account and net asset statement with supporting notes and disclosures, prepared in accordance with proper practice;
- the extent to which the authority has achieved any levels of performance set out in the pension administration strategy;
- the funding strategy statement;
- the statement of investment principles; and
- statements of policy concerning communications with members and employing authorities.

5.1.2 The Scheme and Benefits available

The Local Government Pension Scheme is a statutory scheme, established by an Act of Parliament and governed by regulations made under the Superannuation Act 1972. The Local Government Pension Scheme (Administration) Regulations 2008 came into force on 1st April 2008.

Membership of the LGPS is open to all employees of local authorities except teachers, fire-fighters and police, who have their own separate schemes. Plus other admitted bodies. Details of scheme membership are set out in section 2 of this report.

5.1.3 The Regulations relating to the Scheme’s Assets

The regulations relating to the management and investment of the Scheme’s assets are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.
Under these regulations, we have to consider the different types of investments and their suitability, and to report regularly on all transactions. We must also get proper advice on investment matters.

The Pension Act 1995 applies to occupational pension schemes, from 6 April 1997. The local authority scheme, while described as an occupational pension scheme, is required to meet further standards. Local authorities are expected to follow examples of good practice, in particular to do with releasing information to pension scheme members.

5.1.4 Regulation Changes

The following key changes to regulations (both to LGPS specific regulations and the wider pension's regulations) were announced in / and or impacted on 2011/12:

5.1.4.1 Change to index used to calculate LGPS increase in benefit (RPI to CPI)

One major change announced by the new government during 2010 was the change to the index used to increase pensions in payment and deferred pension benefits. Historically the Retail Prices Index (RPI) was used to calculate the increase in benefit but from April 2011 this was amended to the Consumer Prices Index (CPI). The main difference between the two indices is that CPI has historically increased more slowly and therefore, if this trend continues, it will result in lower costs to the pensions fund than would be realised had RPI continued to be used.

5.1.4.2 Separate Pension Fund Bank Account

In accordance with a change in Regulation the Cumbria LGPS established its own bank account in February 2011. This will provide additional assurance that there is a distinct separation of funds between Cumbria County Council and the Cumbria LGPS and help to demonstrate a clear and transparent process for all financial transactions.

5.1.4.3 State Pension Age

State pension age is the earliest age you can receive the state basic pension. State pension age is currently age 65 for men. State pension age for women is currently being increased to be equalised with that for men.

The Government has announced that it will speed up the pace of State pension age equalisation for women, so that women's State pension age will reach 65 by November 2018.

The State pension age will then increase to 66 for both men and women from December 2018 to April 2020. Under current legislation the State pension age is due to rise further to 68 between 2034 and 2046.

5.1.4.4 Default retirement age

The Government has confirmed that it will remove the default retirement age so that people have more choice when to stop working. Currently the default retirement age enables employers to make staff retire at 65 regardless of their ability or desire to continue working. The Government has phased out the default retirement age between 6 April and 1 October 2011.

The Local Government Pension Scheme (LGPS) already allows eligible employees to be in the scheme up to age 75. If eligible employees carry on working after age 65 they will continue to pay into the scheme, building up further benefits. If they draw their pension after age 65, it will be paid at an increased rate to reflect the fact that it will be paid for a shorter time. LGPS pension has to be paid by an individual's 75th birthday.

5.1.4.5 Restricting tax relief on pension contributions

The Government has announced that from 6 April 2011 it will restrict the amount of tax relief available on pension contributions by reducing the amount the value of an individual's pension savings can increase by in any one year before they become liable to a tax charge. This is called the annual allowance. For the tax year 2011/12, the annual allowance will reduce from £255,000 to £50,000. Individuals will only be subject to an annual allowance tax charge if the value of their pension savings in a tax year increases by more than £50,000. However, there will be a three year carry forward rule that allows individuals to carry forward unused annual allowance from the last three tax years. This means that if the value of an individual's pension savings increases by more than £50,000 in a tax year they may not be liable to the annual allowance tax charge.

5.1.5 Proposed changes to LGPS in 2014

On 31st March 2012 the Local Government Association (LGA) and trade unions announced the outcome of their negotiations on new LGPS proposals (for England and Wales) to take effect from 1st April 2014.
In July 2012 these proposals were communicated to scheme members, employers, funds and other scheme interests. Unions consulted their members over these proposals and the LGA consulted employers. Government confirmed that a favourable outcome of these consultations would enable them to move directly to a statutory consultation later in the Autumn to implement these proposals.

The main provisions of the proposed LGPS 2014 are as follows:

- A Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor (the current scheme is a final salary scheme).
- The accrual rate would be 1/49th (the current scheme is 1/60th).
- There would be no normal scheme pension age; instead each member's Normal Pension Age (NPA) would be their State Pension Age (the current scheme has an NPA of 65).
- Average member contributions to the scheme would be 6.5% (same as the current scheme) with the rate determined on actual pay (the current scheme determines part-time contribution rates on full time equivalent pay).
- While there would be no change to average member contributions, the lowest paid would pay the same or less and the highest paid would pay higher contributions on a more progressive scale after tax relief.
- Members who have already or are considering opting out of the scheme could instead elect to pay half contributions for half the pension, while still retaining the full value of other benefits. This is known as the 50/50 option (the current scheme has no such flexible option).
- For current scheme members, benefits for service prior to 1st April are protected, including remaining 'Rule of 85' protection. Protected past service continues to be based on final salary and current NPA.
- Where scheme members are outsourced they will be able to stay in the scheme on first and subsequent transfers (currently this is a choice for the new employer).

5.2 Governance Arrangements within the Cumbria LGPS

Governance in the public service context is the leadership, direction and control of public service organisations to ensure they achieve their agreed aims and objectives, and in doing so serve the public's best interests. Good governance matters as it leads to good management, good performance and good stewardship of public money as well as being a legal requirement.

The management arrangements of the Cumbria Local Government Pension Scheme have three elements: Cumbria Pensions Committee, Cumbria Pensions Forum, Advisers and Officers.

To ensure good governance of the scheme the policy framework and all aspects of management of the Scheme are set out in the various Fund Policy Statements.

The purpose of each is summarised as follows:

- **Governance Policy Statement** (see section 7.3) – sets out the roles and responsibilities, describes risk management, and reports compliance against a set of best practice principles.
- **Administration Strategy & Communications Policy** (see section 7.5) – details the formal arrangements for pensions and benefits administration for the Scheme, and the communications with members, employers and pensioners.

- **Statement of Investment Principles** (see section 7.4) – details how the Scheme's assets are invested, the fund managers and benchmarks, and the Scheme's compliance with Myners Principles.
- **Cash Investment Policy** (see section 8.1) – the management of the pension Schemes cash, bank account and investment of surplus cash.
- **Funding Strategy Statement** (see section 7.1) – identifies how the Scheme's pension liabilities will be funded in the longer term and addresses solvency issues.
- **Admissions and Termination Policy** (see section 8.2) – details the policy on employer admissions and the methodology that will be used to calculate termination payments and policies applied on cessation from the Scheme.

5.2.1 Cumbria Pensions Committee

The local government pension scheme, unlike private pension schemes, does not have trustees. The elected members who represent Cumbria County Council and the District Councils and form the Cumbria Pensions Committee perform duties that are similar to those of private trustees. The County Council has the ultimate responsibility for administration of benefits under the scheme.

National guidance from the Local Authorities (Functions and Responsibilities) Regulations 2000 make it clear that "functions relating to local government pensions etc." are not executive functions. The Cumbria Pensions Committee acts as the County Council (rather than as part of the Executive) and is, therefore, not subject to scrutiny and call in of its individual decisions.

The committee has 10 members (8 County Councillors, 1 District Councillor and one non-voting employee representative) and normally meets five times a year; although special meetings can be called if the need arises.

Advice is given by Cumbria County Council's Corporate Director - Resources, the Council's finance team and by two independent advisers; Mr Tim Gardener and Mr Alistair Sutherland. The current advisers are appointed for their complementary knowledge and experience of both investments and wider pensions issues.

Advice is also provided by the scheme actuary Mercers, DLA Piper as legal advisors to the Scheme, and by other experts where appropriate, e.g. for investment management services, specialist tax advice, etc.

For further details of Management arrangements see section 3.2 of this report.

5.2.1.1 Cumbria Pensions Committee Training 2011/12

Myners Principles Effective Decision Making states 'Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest'.

The Pension Committee have their skills and experience developed through training events, external seminars and fund manager visits on a regular basis.

The Knowledge and Skills Framework (KSF) has been produced by CIPFA to assist in the improvement of governance arrangements of the LGPS. It is intended to improve the ability of elected representatives and paid employees to manage the scheme. In April 2011 a self assessment questionnaire was sent to Members to allow them to ascertain the areas they required further training. In light of the responses and the work schedule a series of targeted briefing sessions was arranged for all Members. An outline training plan designed to cover the Knowledge and Skills Framework is produced as part of the Annual Business Plan.

The formal training undertaken by Members and officers during the 2011/12 financial year has included:

September 2011

- Trustee Training event hosted by a fund manager.
- In-house training on financial markets and the aspects of active and passive management.

October 2011
- Local Government Pension Investment Forum.
- In-house training on Actuarial Methods, Financial Procurement & Contracts.

November 2011
- In-house training on the Role and Responsibilities of Audit.

February 2012
- Mercers training on the Investment Strategy Reviews.

March 2012
- Trustee Training event hosted by a fund manager.

5.2.2 Cumbria Pensions Forum

The Cumbria Pensions Forum has been set up to seek the views of the representative bodies, employees and pensioners and discuss items of common interest in relation to pensions. After reviewing questionnaire feedback from Forum members the Committee took the decision to extend the membership of the Forum from June 2012 to all employer bodies within the Schemes.

The Forum meets annually:
2012/13 meeting date – 5th October 2012
2011/12 meeting date – 14th October 2011
2010/11 meeting date – 12th November 2010

5.2.3 Details of the Fund's Management Arrangements

Administering Authority : Cumbria County Council
This is the body responsible for administering the Cumbria Local Government Pension Scheme fund on behalf of its members (who may be drawn from a number of employers).

Pensions Committee
Details of the membership of the Committee are set out below. For further details of the role of the Pensions Committee, please see section 5.2.1.

Pensions Committee Members 2011/12

County Council Elected Members
Mr MH Worth (Chair)
Mr NH Marriner (Vice Chair)
Mr J Airey
Mr A L Barry
Mr SB Collins
Mr DS Fairbairn
Mr D Roberts
Mr DE Southward
Mr I Stewart

District Council Elected Member
Ms G Troughton

Trades Union Non Voting Member Ms J Trueick

Independent Advisers
Mr TJA Gardener, Global Head of Consultant Relations, AXA Investment Managers
Mr AJ Sutherland, Consulting Director, Deloitte

Other Management Arrangements:

Fund Managers
Aberdeen Property Investment Management
BlackRock Investment Management
GMO UK Limited
Insight Investments (to April 2011)
Legal and General Investment Management
Newton Investment Management Limited (to May 2012)
Schroder Investment Management

Custodian
State Street Bank and Trust Company

Actuary
Mr J Livesey FIA, Mercer

Bankers
National Westminster Bank PLC

Auditor
The Audit Commission

Legal Advisers
Cumbria County Council Legal Services
DLA Piper UK LLP

Performance Monitoring
State Street Investment Analytics (WM Company)

Corporate Director of Resources
Mrs PD Wood, Corporate Director of Resources, Cumbria County Council

6 Financial Statements

The Statement of Accounts for the Cumbria Local Government Pension Scheme is presented in its entirety and separately from the General Fund in the Cumbria County Council's Accounts, in keeping with its significance and the fact that, although the County Council is the administering authority, the Scheme covers both County Council employees and those of other scheduled, resolution and admitted bodies. These Accounts (financial statements and certain sections) are summarised to form part of Cumbria County Council's Annual Accounts.

The Accounts for the Cumbria Local Government Pension Scheme (LGPS) summarise the Scheme's transactions for the financial year 2011/12 financial year and the position at the year-end date, 31st March 2012. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

They do not take account of obligations to pay pensions, lump sums or other benefits which fall due after the financial year end. IAS26 'Retirement Benefit Plans' requires the actuarial present value of promised retirement benefits to be disclosed and this information can be found in Note 23 'Actuarial Position of the Fund'.

6.1 The Financial Statements

Pension Fund Account for the year ended 31st March 2012

	Notes	2010/11		2011/12	
		£000's	£000's	£000's	£000's
Dealings with members, employers and others directly involved in the fund					
Contributions	3		85,211		69,709
Transfers in from other pension funds	4		5,553		5,572
			90,764		**75,281**
Benefits	5		(62,695)		(73,332)
Payments to and on account of leavers	6		(5,122)		(4,586)
Administrative expenses	7		(1,352)		(1,204)
			(69,169)		**(79,122)**
Net additions / (deductions) from dealing with members			21,595		(3,841)
Returns on investments					
Investment Income		25,638		27,289	
Taxes on Income		(348)		(416)	
Net investment income	8	25,290		26,873	
Profit and losses on disposal of investments and changes in the market value of investments	10(d)	77,537		46,744	
Investment management expenses	9	(2,915)		(3,285)	
Net return on investments			**99,912**		**70,332**
Net increase in the net assets available for benefits during the year			**121,507**		**66,491**
Net assets at the start of the year			**1,278,420**		**1,399,927**
Net assets at the end of the year			**1,399,927**		**1,466,418**

Net Asset Statement as at 31 March 2012

	Notes	31 March 2011	31 March 2012
		£000's	£000's
Investment Assets		1,381,026	1,454,106
Investment liabilities		(3,763)	(285)
Total net investments	10	**1,377,263**	**1,453,821**
Long term assets	12a	3,009	2,651
Current assets	12b	25,177	15,021
Long term liabilities	13a	(446)	(424)
Current liabilities	13b	(5,076)	(4,651)
Net assets of the Fund available to fund benefits at the period end		**1,399,927**	**1,466,418**

6.2 Notes to the Financial Statements

Note 1 (a) Description of the Fund

The Purpose of the Scheme is:-

- to pay out monies in respect of scheme benefits (pensions), transfer values, cost, charges and expenses, as defined in the Local Government Pension Scheme Regulations 2008 (as amended) and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended);
- to receive monies in respect of contributions, transfer values and investment income, and
- to invest all receipts and, whilst balancing both risk and return, consistently out perform against the Scheme's benchmark over the longer term.

Through strategic investment of the Schemes' assets the aims of the Cumbria Local Government Pension Scheme are:-

- to enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies;
- to manage employers' liabilities effectively;
- to ensure that sufficient resources are available to meet all liabilities as they fall due;
- to maximise the returns from investments within reasonable risk parameters, and
- to close the scheme deficit by 2032.

Scheme membership is open to:-

- all local government employees within the County who are not covered by alternative pension arrangements (the main categories of employees covered by alternative arrangements are teachers, Fire Service uniformed personnel and police officers).
- membership is also open to other eligible employees of employer members of the scheme (usually this includes employers to whom contracts have been awarded for the provision of services).

All local government employees (except casual workers) are automatically entered into the scheme. Employees may opt out at any point in time if they so choose.

Membership of the scheme at 31st March 2012 was made up as follows:

Contributors/Actives:	**16,500**
Pensioners:	**13,200**
Deferred Pensioners:	**16,000**
TOTAL	**45,700**

At 31st March 2012 there are 105 (2010/11: 86) employer bodies in the Cumbria LGPS (for the full list see note 25).

Note 1 (b) Activity and Performance during 2011/12

See Section 4 of this report.

Note 1 (c) Changes to Comparatives Headings

The following adjustments have been made to comparative figures shown in the Pension Fund Account and the Net Asset Statement to reflect their categorisation in these statements in accordance with the refreshed format of the 2011/12 statements:

2010/11 Heading :	2010/11 £000	2011/12 Heading:	2010/11 £000 restated
Other Income - Interest on Internal Cash	19	Investment income - bank interest	22
Investment income - Cash deposit	3		
	22		
Other payments - Bad debts written off	(3)	Administrative Expenses	1,352
Administrative Expenses	1,251	Investment Management Expenses	2,915
Investment Management Expenses	3,019		4,267
	4,267		
Investment Debtors	6,880	Long-term Assets	3,009
Debtors	19,637	Current Assets	25,177
Cash at bank	1,669		28,186
	28,186		
Investment Creditors	(3,343)	Long-term liabilities	(446)
Creditors	(2,179)	Current liabilities	(5,076)
	(5,522)		(5,522)
Investment Assets:			
Pooled Investment Unit Trusts - Quoted	30,026	Pooled Investment Unit Trusts - Quoted	43,463
Pooled Investment Managed Funds - Property	8,548	Pooled Property Funds - Unquoted	8,548
Pooled Investment Managed Funds - Other	110,487	Pooled Other Managed Funds - Unquoted	97,050
	149,061		149,061
Unquoted Investments:		Note 14(a) Unquoted Investments:	
Pooled Investment Managed Funds	119,035	Pooled Investments Other Managed Funds	105,598

Note 2 Summary of Significant Accounting Policies

There have been no changes to accounting policies in 2011/12.

Fund account – revenue recognition

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

Extra contributions from employers are accounted for in line with the agreement under which they are paid or, if there is no agreement, when we receive them. Where an employer leaves the scheme, any contribution required on closure is accrued for in the year of departure. (See note 3 for further details).

2.2. 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 Scheme during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 4 and 6).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see 2.14) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 4).

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

2.3. Investment income (note 8)

a) 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.

b) 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 asset.

c) 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 asset.

d) Property-related income: consists primarily of rental income. This is recognised on an accruals basis.

e) Movements 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. (See note 10(d)).

Fund account – expense items

2.4. Benefits payable (note 5)
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.

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

Irrecoverable tax is accounted for as a Scheme expense as it arises, and is shown on the Fund Account as 'Taxes on income'.

2.6. Administrative expenses (note 7)
All administrative expenses are accounted for on an accruals basis. All staff costs of the County Council's pensions team are charged direct to the Scheme. Management, accommodation and other overheads are apportioned to the Scheme in accordance with Council policy.

2.7. Investment management expenses (note 9)
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 Scheme has negotiated with two of its Investment Managers that an element of their fee will be performance related. Neither achieved the required outperformance during the year and as such none has been paid in 2011/12.
The cost of obtaining investment advice from external consultants is included in investment management charges.

Net assets statement

2.8. 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 Scheme 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 Scheme.
The independent custodian, State Street Bank and Trust, values the assets other than direct property and unquoted investments. This is done on a daily basis by a series of data quality verifications. All discrepancies outside a tolerance level (zero tolerance for equities and 5% tolerance for bonds) are researched with a secondary source and resolved. This additional scrutiny provides an extra level of independence. The values on investments as shown in the net assets statement have been determined as follows:

a) 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.

b) Fixed interest securities: Fixed interest securities are recorded at net market value based on their current yields.

c) 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 Scheme expects to receive on wind-up, less estimated realisation costs. There is one such investment at 31st March 2012 valued at £0.894m, (see note 14 'Unquoted investments').
- Directly held investments include investment 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 of 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. (See note 14).
- Investments in private equity funds and unquoted limited partnerships are valued based on the Scheme's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association. (See note 14).

d) Limited partnerships: Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

e) Pooled investment vehicles: Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31st March. Unquoted investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. For further information on Pooled investment vehicles see note 10(a).

f) Freehold and leasehold properties: The properties are valued at open market value at 31st March 2012 by an independent valuer, CB Richard Ellis, Chartered Surveyors, 77 Grosvenor Street, London, in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (6th edition). The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's-length terms. For further information on Investment Properties see note 10(b).

g) Loans and receivables: these are non-derivative financial assets which have fixed or determinable payments and are not quoted in an active market. Financial Assets represented by loans and receivables are carried in the Balance Sheet at amortised cost basis i.e. principal amount adjusted for any interest payable / receivable at the year end date.

2.9. 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. State Street Bank and Trust value all overseas securities and foreign currency balances outstanding at year end in local currency then convert to sterling using the WM Reuters 4pm exchange rates at 31st March.

2.10. Derivatives

The Scheme uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Scheme does not hold derivatives for speculative purposes.

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. The contracts are valued using the WM/Reuters 4pm closing spot/forward rates. Derivatives are covered in more detail in note 10(c).

2.11. 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.

2.12. Financial liabilities

The Scheme 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 Scheme 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 Scheme.

2.13. Actuarial present value of promised retirement benefits

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

As permitted under IAS 26, the Scheme has opted to disclose the actuarial present value of promise retirement benefits by way of a note to the net assets statement (see note 23).

2.14. Additional voluntary contributions
Cumbria LGPS provides an additional voluntary contributions (AVC) scheme for its members. The Scheme currently has two appointed AVC providers: Standard Life and Scottish Widows. The previous AVC scheme on offer to employees was operated by Equitable Life Assurance Society but in December 2000 it stopped accepting new business.

Employees / contributors AVCs are paid over to one of the two providers by the Schemes employers. These contributions are specifically for the purpose of 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 (see note 15).

Note 3 Contributions

Benefits (see Note 5) are funded by contributions and investment earnings. Contributions are made by active members of the Scheme in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007. Employers' contribution rates are based on triennial actuarial funding valuations (see note 23).

Contribution rates are as follows:

- Employees - range from 5.5% to 7.5% of pensionable pay dependent on the full-time salary of the member.
- Employers - range from 7.9% to 48.2% of pensionable pay. Individual employer rates are set by the actuary on a three-yearly cycle, taking into account the employer's own attributes and particular circumstances; this includes the maturity profile of the membership, if the Admission is open or closed to new members, and the maximum deficit recovery period as determined by the Scheme Actuary in relation to the employer's covenant and membership profile.

The following table analyses the amount of total contributions receivable in the year, by category and by employer type:

By Category	2010/11 £'000	2011/12 £'000
Employer contributions to the fund	67,684	53,682
Employee contributions to the fund	17,527	16,027
	85,211	**69,709**
By Employer Type	**2010/11 £'000**	**2011/12 £'000**
Scheduled bodies	65,218	63,485
Admitted bodies	19,993	6,224
	85,211	**69,709**

Included in the scheduled bodies figure in the above table are administering authority contributions of £38.701m (£40.678m 2010/11).

The employer contributions to the Scheme were unusually large for 2010/11. This was due to two large capital payments from employers on exit from the Scheme:

Capita (an admitted body) - exited the Scheme as their contract for the provision of services to the public sector in Cumbria came to an end and therefore eligibility to be members of the Cumbria LGPS ceased. An estimated capital payment of £10.211m was recognised in 2010/11 to offset their expected deficit at that time. On the provision of final membership data the final deficit was calculated at £9.160m and payment was received in full during 2011/12.

Cumbria Magistrates Courts (a scheduled body) - income of £3.285m from the Ministry of Justice was recognised in 2010/11. This relates to the transfer of the duties for the Magistrates Courts from Local Government to central government. The Ministry of Justice are paying annual instalments of £0.328m until 2020 to disburse this liability (see note 12). As this transfer of responsibility affected many schemes within the LGPS the basis of this termination was agreed nationally.

In addition to normal contributions and capital payments from employers exiting the scheme the contributions figure also includes the costs of pension strain arising from non ill-health early retirements and, where applicable, ill-health early retirements:

Non ill-health early retirements: Employers can make lump sum contributions toward pension strain costs or pay an additional employer contribution rate (as calculated by the actuary). These contributions are recognised in line with the agreement with the employer if there is no agreement, when the Scheme receives them.

Cumbria County Council is the only scheme employer who, in agreement with the Actuary, opted, from 1st April 2011, to make an additional employer contribution. The Scheme is at no disadvantage from this practice as the rate as determined by the Actuary includes an element for interest. The additional employer contribution from the County Council is to be used to offset the one-off costs of workforce restructuring to be undertaken in response to reductions in annual budgets. It is anticipated that this period of workforce reduction and restructuring will continue in the medium term. The additional contribution from Cumbria County Council will fund an allowance of up to £8m for non ill-health early retirements.

Ill-health early retirements: Cumbria County Council also has a voluntary arrangement whereby part of the actuarial strain of ill-health retirements is paid immediately. Details of this and all other Cumbria LGPS employer's policies are contained in the full Actuarial Valuation Report as at 31st March 2010, available on the County Council's website, at **www.cumbria.gov.uk/finance.**

Note 4 Transfers in from other pensions

Transfers in to the scheme have been made by individual members, where they decide to bring pensions benefits accrued from previous employment into their LGPS pension.

	2010/11 £'000	2011/12 £'000
Individual transfers	5,553	5,572
	5,553	**5,572**

Note 5 Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service. Members have access to one or both of the two schemes depending upon their employment i.e. whether their employment was pre and / or post 1st April 2008. Details of the main benefits of membership of these schemes are summarised in the following table:

	Service Pre 1 April 2008	Service Post 1 April 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Each year worked is worth 3/80 x final pensionable 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.

The table following analyses the amount of total benefits paid in the year, by category and by employer type:

By Category	**2010/11 £'000**	**2011/12 £'000**
Net pensions paid	46,673	51,415
Net lump sum on retirement	14,011	20,103
Net lump sum on death	2,011	1,814
	62,695	**73,332**
By Employer Type	**2010/11 £'000**	**2011/12 £'000**
Scheduled bodies	58,044	68,534
Admitted bodies	4,651	4,798
	62,695	**73,332**

Included in the scheduled bodies figure in the above table are administering authority benefits of £41.753m (£33.042m 2010/11).

The unusually large value of lump sum payments in 2011/12 reflects the amount of restructuring taking place currently as most Scheme employers within the LGPS seek to address reducing funding. Most employers within the Scheme have chosen to offer voluntary redundancy programmes, which by their nature tend to appeal to individuals whom are aged over 55 and are therefore entitled to access their pension. As such this has resulted in much higher than usual volumes of early retirements. It is anticipated that this trend may continue for the next couple of years.

Note 6 Payment on Account of Leavers

	2010/11 £'000	2011/12 £'000
Refund of contributions	4	5
Individual transfers to other Schemes	5,118	4,581
	5,122	**4,586**

Note 7 Administrative Expenses

Officers employed by the County Council support the administration of the Scheme. Employee time spent working on the Scheme and their associated costs e.g. office space and information technology are charged to the Scheme. In addition the cost of maintaining the employee and employer contribution records, paying benefits and provision of other pensions administration services, provided by YPS, are charged to the Scheme. This is in accordance with the government regulations on the management of local government pension schemes. Further details of administrative expenses are as follows:

	2010/11 £'000	2011/12 £'000
Employee costs	323	294
Support services, including Pensions Administration	859	807
Printing and publications	4	1
Pension fund committee	7	2
External audit fees	45	37
Internal audit fees	10	10
Actuarial fees	104	53
	1,352	**1,204**

Investment management expenses are shown separately from Scheme administration in the Fund Account and are analysed in Note 9. Material variations on administrative spend between years include:-

- Employee costs were higher in 2010/11 due to the one-off project implementation costs incurred in the transfer of the pension's administration services and complementary streamlined in-house processes. The transfer of administration services to YPS in February 2011 (a shared service with Lancashire County Council) has resulted in ongoing savings in pension administration costs and given improved reporting and additional functionality.

- Pensions Administration costs were reduced in 2011/12 on the transfer of administration provision to YPS.
- Printing Costs - the change in provider also enabled the reduction in printing costs by the greater use of electronic payment methods and website usage through further joint-working on information production.
- Actuarial fees for 2010/11 were higher as the triennial valuation was undertaken in 2010/11.

Note 8 Net Investment Income

Accruals are made for dividends receivable, interest receivable, and the recoverable tax on dividends. The investment income of £26.873m (2010/11: £25.290m), net of £0.416m (2010/11: £0.3m) irrecoverable tax on dividends, and including stock lending income of £0.087m (2010/11: £0.055m), can be analysed as follows:

	2010/11 £'000	2011/12 £'000
Interest from fixed interest securities	6,313	1,144
UK dividends	4,870	7,140
Overseas dividends	8,221	8,943
Distributions from pooled investment vehicles	371	3,385
Net rental income from investment properties (see note 10(b))	5,493	6,239
Bank Interest	22	22
	25,290	**26,873**

The Scheme's Investment Strategy is undergoing a full review and in order to gain more stable returns from fixed interest securities, the Scheme will be appointing a new corporate bond manager in 2012/13. The marked decrease in interest from fixed interest securities in 2011/12 was a result of the fixed interest bond mandate being transferred in June 2011 into pooled investment vehicles with the Scheme's passive manager. The interest from the underlying investments of an index-tracking fund is reinvested and benefits the valuation of the funds, rather than income returns.

Equity markets dividend payments can fluctuate greatly between years but in times of market volatility, such as has been experienced over the last 18 months, the fund managers tend to favour safer "value" companies that offer more stable dividend income. This was demonstrated by the increase in the returns earned from dividends during 2011/12.

Note 9 Investment Management Expenses

	2010/11 £'000	2011/12 £'000
Fund management fees	2,668	3,038
Custody fees	148	121
Performance monitoring service	27	31
Investment consultancy fees	72	95
	2,915	**3,285**

Investment Manager fees are higher in 2011/12 than in 2010/11 as the Scheme had benefited from a period of a negotiated reduced manager fee due to previous underperformance, this ceased in March 2011 and fees have now reverted to more average levels.

Note 10 Investment Assets

		31 March 2011			31 March 2012		
		UK	Overseas	Total	UK	Overseas	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Investment Assets							
Equities							
Equities - quoted		188,123	318,686	**506,809**	182,391	304,596	**486,987**
Equities - unquoted		707	-	**707**	894	-	**894**
		188,830	318,686	**507,516**	183,285	304,596	**487,881**
Fixed interest securities							
Public Sector/Government - quoted		62,682	-	**62,682**	-	-	**-**
Corporate bonds - quoted		53,810	8,970	**62,780**	-	-	**-**
Corporate bonds - unquoted		-	2,144	**2,144**	-	-	**-**
		116,492	11,114	**127,606**	-	-	**-**
Pooled investment vehicles							
Pooled investments - quoted		26,083	17,380	**43,463**	17,444	18,503	**35,947**
Pooled investments - unquoted		578,635	27,100	**605,735**	742,326	79,380	**821,706**
	10(a)	604,718	44,480	**649,198**	759,770	97,883	**857,653**
Investment properties							
Freehold		71,300	-	**71,300**	74,575	-	**74,575**
Long leasehold		12,985	-	**12,985**	19,050	-	**19,050**
Short leasehold		-		**-**	-		**-**
	10(b)	84,285	-	**84,285**	93,625	-	**93,625**
Derivative contracts	10(c)	631	-	**631**	2,999	-	**2,999**
Cash Deposits		7,705	4,085	**11,790**	8,611	3,337	**11,948**
		1,002,661	378,365	**1,381,026**	1,048,290	405,816	**1,454,106**
Investment liabilities							
Derivative contracts	10(c)	(3,763)	-	**(3,763)**	(285)	-	(285)
Total Net Investments		998,898	378,365	**1,377,263**	1,048,005	405,816	**1,453,821**

No fixed interest securities were held at 31st March 2012 as the fixed interest bond mandate with the previous manager was discontinued in June 2011, as part of the strategy review. The holdings were transferred into pooled investments while a full procurement process can be undertaken to appoint a new manager expected to be completed in July 2012.

Note 10(a) details the pooled investments including index-tracking funds, unit trusts and alternatives funds.

Note 10(b) details the Scheme's property portfolio.

Note 10(c) details the derivative contracts above; these are forward foreign exchange contracts held at 31st March, shown as assets where there is a gain and liabilities where there is a loss on the individual contracts at 31st March.

Note 10(a) Pooled Investment Vehicles

The Schemes largest holding is the unitised insurance policies with Legal and General totalling £709.8m, shown in the following table categorised into the underlying asset types. These unitised, index-tracking funds are used as an efficient low-risk method of investing in the asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity.

The investment managers may also choose to invest in managed funds such as unit trusts as a preferred method of investing in smaller asset classes or less easily accessed markets.

Pooled Investment Vehicles

	2010/11 £'000	2011/12 £'000
Unitised insurance policies - unquoted		
UK equities	157,026	185,890
Overseas equities	27,100	55,023
UK public sector bonds	24,248	0
UK corporate bonds	139,038	234,510
UK index-linked securities	152,725	234,361
	500,137	**709,784**
Unit trusts		
UK - quoted	26,083	17,444
Overseas - quoted	17,380	15,961
	43,463	**33,405**
Other Managed funds		
Pooled property REIT's - quoted	0	2,542
Pooled property funds - unquoted	8,548	10,734
Other managed funds - unquoted	97,050	101,188
	105,598	**114,464**
Total	**649,198**	**857,653**

Corporate bond securities have increased at 31st March 2012, as the fixed interest bond mandate was discontinued in June 2011 and the holdings transferred into pooled investments while a full procurement process is undertaken to appoint a new manager. As part of the Strategy Review the Scheme also took the opportunity, offered through advantageous pricing differentials, to move all its fixed interest gilts into index-linked gilts thereby removing the Scheme's interest rate exposure in this area.

Note 10(b) Investment Properties

The Scheme invests in direct property holdings for rental income and capital growth, and to maximise diversification thereby reducing the risk across the investment portfolio. At 31st March 2012 the portfolio valued at £93.625m included 27 properties ranging from £1.150m to £7.450m each. These properties cover a mix of sectors such as offices, industrial, high street retail units and retail warehouses, and are also geographically spread across England and Scotland; the intention of this spread is to mitigate risk by enhancing the diversification within this asset class.

'Net rental income from investment property' has been accounted for in the Fund Account under 'Net Investment Income' and is analysed as follows:

	2010/11 £'000	2011/12 £'000
Rental income from investment property	5,720	6,471
Direct operating expenses arising from investment property	(227)	(232)
	5,493	**6,239**

The improved rental income between years reflects inflationary rent uplifts and an increase in the occupancy of properties rented.

There are no restrictions on the Scheme's ability to realise the value inherent in its investment property or on the Scheme's right to the remittance of income and the proceeds of disposal. The properties are held directly and the Scheme is entitled to all income and capital proceeds. The Scheme has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance such properties. The Scheme has one property under offer at the year-end as a future purchase, but there is no contractual obligation to purchase at that date.

The following table summarises the movement in the fair value of investment properties over the year:

	2010/11 £'000	2011/12 £'000
Balance at the start of the year	**74,075**	**84,285**
Additions:		
Purchases	11,236	15,472
Subsequent expenditure	179	1,038
Disposals	(5,013)	(6,624)
Net gains/(losses) from fair value adjustments	3,808	(546)
Balance at the end of the year	**84,285**	**93,625**

Note 10(c) Derivates

One way for pension Schemes to reduce the volatility from their foreign currency exposures is to convert these exposures back to the domestic currency – this process is known as currency hedging. It is common for investors in LGPS to hedge 50% of their foreign currency exposure to mitigate the effect any adverse currency movements would have at the time of the realisation of the investment.

The Cumbria LGPS has 50% of the investments denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay program. The purpose is to reduce the Scheme's exposure to the fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This is carried out using derivatives called forward foreign exchange contracts.

The Scheme holds 98 individual open forward foreign exchange contracts, which can be summarised as follows:

Currency Bought		Currency Sold		2011/12	
Currency	Local Value 000's	Currency	Local Value 000's	Unrealised Gain Sterling £'000	Unrealised Loss Sterling £'000
Settlement within one month					
AUD	4,211	USD	(4,468)		(71)
GBP	57	SGD	(114)	0	
GBP	2,008	USD	(3,172)	23	
HKD	69,365	USD	(8,944)		(6)
SEK	21,639	USD	(3,246)	8	
SGD	10,562	USD	(8,406)		(4)
USD	800	CAD	(798)	1	
USD	1,587	CHF	(1,447)		(9)
USD	150	DKK	(845)		(1)
USD	12,783	EUR	(9,655)		(47)
USD	7,956	JPY	(625,619)	221	
USD	1,445	NOK	(8,222)	3	
Settlement one to six months					
GBP	56,723	EUR	(67,891)	76	
GBP	24,085	JPY	(3,136,034)	201	
GBP	170,810	USD	(269,079)	2,314	
USD	3,677	AUD	(3,482)	76	
USD	3,576	BRL	(6,511)	76	
USD	3,328	EUR	(2,586)		(74)
USD	4,021	GBP	(2,591)		(73)
				2,999	**(285)**
Net forward currency contracts at 31 March 2012				**2,714**	

Note 10(d) Profit and Loses on disposal of investments and changes in the Market value of Investments

During the financial year the following purchases and sales of investments were made. Purchases and sales also include transfers of investments, and cash transfers from and to the Administering Authority.

The table below reconciles the movements in investments and derivatives ('Total net investments') for the current year:

2011/12:

Asset Class	Value at 1 April 2011 £'000	Purchases at Cost and Derivative Payments £'000	Sales Proceeds and Derivative Receipts £'000	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Value at 31 March 2012 £'000
Fixed interest securities	127,606	84	(130,417)	2,815	(88)	0
Equities						
UK equities	188,830	36,969	(31,018)	(1,391)	(10,105)	183,285
Overseas equities	318,686	142,258	(137,211)	4,899	(24,036)	304,596
	507,516	179,227	(168,229)	3,508	(34,141)	487,881
Pooled investment vehicles	500,137	277,746	(142,200)	30,595	43,506	709,784
Unit Trusts	43,463	8,505	(14,467)	294	(4,390)	33,405
Managed funds	105,598	48,676	(41,593)	1,894	(111)	114,464
Property (See Note 10b)	84,285	16,510	(6,624)	1,884	(2,430)	93,625
Derivatives (forward foreign exchange contracts)	(3,132)	26,466	(24,028)	(99)	3,507	2,714
	1,365,473	**557,214**	**(527,558)**	**40,891**	**5,853**	**1,441,873**
Cash	11,790					11,948
Total Net Investments	**1,377,263**					**1,453,821**

Analysis of gains/(losses) for the year	**2011/12 £'000**
Realised - Profit and losses on disposal of investments	40,891
Unrealised - Changes in the market value of investments	5,853
	46,744

The following table reconciles the movements in investments and derivatives for the previous year:

2010/11:

Asset Class	Value at 1 April 2010 £'000	Purchases at Cost and Derivative Payments £'000	Sales Proceeds and Derivative Receipts £'000	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Value at 31 March 2011 £'000
Fixed interest securities	117,698	256,418	(247,944)	1,623	(189)	127,606
Equities						
UK equities	171,495	32,470	(29,219)	6,318	7,766	188,830
Overseas equities	291,943	147,388	(138,089)	14,917	2,527	318,686
	463,438	179,858	(167,308)	21,235	10,293	507,516
Pooled investment vehicles	458,885	93,611	(86,402)	25,074	8,969	500,137
Unit Trusts	25,588	17,875	-	-	-	43,463
Managed funds	110,026	116,177	(122,809)	6,375	(4,171)	105,598
Property	74,075	11,415	(5,013)	288	3,520	84,285
Derivatives (forward foreign exchange contracts)	3,464	851	(11,967)	13,278	(8,758)	(3,132)
	1,253,174	**676,205**	**(641,443)**	**67,873**	**9,664**	**1,365,473**
Cash	14,736					11,790
Total Net Investments	**1,267,910**					**1,377,263**

Analysis of gain/(loss) for the year	**2010/11 £'000**
Realised - Profit and losses on disposal of investments	67,873
Unrealised - Changes in the market value of investments	9,664
	77,537

Direct transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and any other trading fees. Transaction costs incurred during the year amounted to £0.293m, which is 0.03% of the purchases and sales proceeds (for comparison the costs in 2010/11 were £0.346m, 0.03% of trades).

In addition to the direct transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles i.e. the difference between the offered selling price and the purchase price for investments. As is general convention managers do not separately report to the Scheme the make up of indirect costs.

Note 10(e) Investments Analysed by Fund Manager

Manager	Asset Class	31 March 2011		31 March 2012	
		£'000	%	£'000	%
Legal & General Policy No. 1	Equities and bonds	347,412	25.2%	475,423	32.7%
Legal & General Policy No. 2	Index-linked bonds	152,725	11.1%	234,361	16.1%
GMO UK	Overseas equities	185,350	13.5%	180,136	12.4%
Schroders Investment Management	UK equities	182,962	13.3%	179,076	12.3%
Newton Investment Management	Global equities	170,288	12.4%	162,456	11.2%
BlackRock	Alternatives	121,389	8.8%	124,121	8.5%
Aberdeen Property Investors	Direct property	88,398	6.4%	95,924	6.6%
Legal & General Passive Currency	Currency overlay	(1,399)	-0.1%	2,324	0.2%
Insight Investments	Bonds	130,138	9.4%	0	0.0%
Total Net Investments		**1,377,263**	**100.0%**	**1,453,821**	**100.0%**

Note 10(f) Investments representing more than 5% of the Net Assets of the Scheme

It is a requirement of the Pensions SORP and the CIPFA Code of Practice on Local Authority Accounting to declare if an investment accounts for more than 5% of the Fund. The only occurrences of this within the Cumbria Scheme are the two unitised insurance policies held with Legal and General. These unitised, index-tracking funds are used as an efficient low-risk method of investing in the underlying asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity and as such are easily and readily convertible if required. The value of these investments was temporarily increased during 2011/12 when the assets of the terminated Corporate Bond mandate were transferred into them. This is a temporary measure while a procurement process is undertaken to secure a new manager and is deemed to be the most efficient and lowest risk option available.

Holding	31 March 2012 £'000	% of Total Fund
Policy 1 Legal and General UK Equity Index	185,890	12.8%
Policy 1 Legal and General AAA Over 15yr Index	119,327	8.2%
Policy 1 Legal and General Investment Grade Corporate Bond All Stocks Index	115,183	7.9%
Policy 1 Legal and General North America Index	21,779	1.5%
Policy 1 Legal and General Other Pacific Basin Index	8,925	0.6%
Policy 1 Legal and General Europe(Ex UK)Equity Index	15,338	1.1%
Policy 1 Legal and General Japan Index	8,981	0.6%
	475,423	32.7%
Policy 2 Legal and General Over 5 Yr Index-Linked Gilts Index	234,361	16.1%
	709,784	**48.8%**

Note 11 Financial Instruments

Accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses, including fair gains and losses, are recognised. Investment property is not a financial instrument and as such does not feature in any but the first of the following tables. The following table analyses the fair value amounts of financial assets and liabilities by category, and the net gains and losses. No financial assets were reclassified during the accounting period.

The Net Assets of the Scheme can be classified as Financial Instruments and Investment Property as follows:

	31 March 2011 £'000	31 March 2012 £'000
Financial Instruments	1,297,490	1,366,753
Statutory debts / liabilities & provisions	18,152	6,040
Investment Property	84,285	93,625
Net Assets of the Fund	**1,399,927**	**1,466,418**

	31 March 2011				31 March 2012			
	Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total	Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CLASSIFICATION								
Financial Assets								
Investments								
Equities	507,516			507,516	487,881			487,881
Fixed interest securities	127,606	-	-	127,606	-	-	-	-
Pooled investment vehicles	649,198	-	-	649,198	857,653	-	-	857,653
Derivative contracts	631	-	-	631	2,999	-	-	2,999
Cash deposits	-	13,459	-	13,459	-	17,121	-	17,121
Current & long-term assets	-	7,418	-	7,418	-	5,487	-	5,487
	1,284,951	**20,877**	**-**	**1,305,828**	**1,348,533**	**22,608**	**-**	**1,371,141**
Financial Liabilities								
Derivative contracts	(3,763)	-	-	(3,763)	(285)	-	-	(285)
Current/long-term liabilities	-	-	(4,575)	(4,575)	-	-	(4,103)	(4,103)
Total Financial Instruments	**1,281,188**	**20,877**	**(4,575)**	**1,297,490**	**1,348,248**	**22,608**	**(4,103)**	**1,366,753**
ANALYSIS OF NET GAINS AND LOSSES FOR YEAR ENDED 31st MARCH								
Financial Assets	77,492	-	-	77,492	47,575	-	-	47,575
Financial Liabilities	(3,763)	-	-	(3,763)	(285)	-	-	(285)
Total Net Gains/Losses				73,729				47,290

The table following summarises the carrying values (book cost) of the financial assets and liabilities by class of instrument compared with the fair values (market value).

31 March 2011			31 March 2012	
Carrying Value (Book Cost)	Fair Value		Carrying Value (Book Cost)	Fair Value
£'000	£'000		£'000	£'000
		Financial Assets		
1,043,566	1,284,951	Fair Value through profit and loss	1,100,005	1,348,533
20,877	20,877	Loans and receivables	22,608	22,608
1,064,443	**1,305,828**	**Total Financial Assets**	**1,122,613**	**1,371,141**
		Financial Liabilities		
-	(3,763)	Fair Value through profit and loss	-	(285)
(4,575)	(4,575)	Financial Liabilities at amortised cost	(4,103)	(4,103)
(4,575)	**(8,338)**	**Total Financial Liabilities**	**(4,103)**	**(4,388)**
1,059,868	**1,297,490**	**Total Financial Instruments**	**1,118,510**	**1,366,753**

Note 11(a) Valuation of Financial Instruments carried at Fair Value

To show the liquidity of the assets the Scheme holds, under IFRS the valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. This is aimed at showing how much can be easily liquidated and thereby readily made available as cash if required with level 1 representing the most liquid and level 3 the most illiquid. This illiquidity / valuation subjectivity carries with it an element of risk for which investors expect to be rewarded with higher expected investment returns.

As the Scheme is in deficit it needs to generate excess returns at an acceptable level of risk. To do this the Scheme diversifies across asset classes but it also makes use of its strong covenant as a Pension Scheme that is not expected to mature for many years to come. As such it can take advantage of the returns offered for investing in more illiquid asset classes such as private equity and infrastructure. Thus the liquidity or how easily a financial asset can be quantified at a point in time does not automatically equate to the value of it to the Scheme, merely how readily it can be realised as cash if required.

Level 1 – 39% of the Schemes Holding in Financial Instruments

These are considered the most reliably quantifiable and easily liquidated i.e. converted into cash, assets, carrying the lowest valuation and liquidity risk.

Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, valued using bid prices where available. These can be freely traded in active markets and are mainly quoted equity shares, fixed interest bonds, cash, and also include quoted unit trusts.

Level 2 – 59% of the Schemes Holding in Financial Instruments

While these assets are not usually convertible into cash immediately they are still considered to be relatively liquid with easily verified and relatively certain asset pricing of the underlying stocks if not the pooled fund itself.

Quoted market prices are not available. Valuation techniques are used to determine fair value. The techniques use inputs that are based significantly on observable market data.

This includes pooled funds where the underlying assets are quoted assets such as equity and fixed interest bonds. Though the funds themselves are not traded on active markets, they have pre-set, often weekly trading dates, such that liquidation is relatively easy with a short lead-in time.

Level 3 – 2% of the Schemes Holding in Financial Instruments

For many of these assets prices are not readily quantifiable and they often prove to be the most illiquid. As such they hold both the highest liquidity and valuation risk.

Quoted market prices are not available. Valuation techniques are used to determine fair value. At least one input that has a significant effect on the valuation is not based on observable market data.

Such instruments include unquoted equity investments, private equity and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. These estimation techniques are referred to in Note 2 paragraph 2.8(c). The investment may be tied in for some time (in particular with private equity) and withdrawal would take longer than levels 1 or 2. The values of hedge funds are based on the net asset value provided by the fund manager. Assurances are gained from the fact that valuations are audited for each investment manager by their respective auditors and reported to us as clients.

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

VALUATION CLASSIFICATION LEVEL	31 March 2011				31 March 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FINANCIAL INSTRUMENT CLASSIFICATION								
Financial Assets								
Investments								
Equities	506,809	-	707	507,516	486,987	-	894	487,881
Fixed interest securities	125,462	2,144	-	127,606	-	-	-	-
Pooled investment vehicles	43,463	589,240	16,495	649,198	35,947	798,223	23,483	857,653
Derivative contracts	-	631	-	631	-	2,999	-	2,999
Cash deposits	13,459	-	-	13,459	17,121	-	-	17,121
Current & long-term assets	-	7,418	-	7,418	-	5,487	-	5,487
	689,193	**599,433**	**17,202**	**1,305,828**	**540,055**	**806,709**	**24,377**	**1,371,141**
Financial Liabilities								
Derivative contracts	-	(3,763)	-	(3,763)	-	(285)	-	(285)
Current & long term liabilities	-	(4,575)	-	(4,575)	-	(4,103)	-	(4,103)
Total Financial Instruments	**689,193**	**591,095**	**17,202**	**1,297,490**	**540,055**	**802,321**	**24,377**	**1,366,753**
Percentage of Financial Instruments	53.1%	45.6%	1.3%	100.0%	39.5%	58.7%	1.8%	100.0%

The movement between level one and level two categories between years reflects the temporary arrangement whereby the corporate bond mandate is being held in a pooled vehicle within the Legal and General passive portfolio. As detailed above, because all the underlying assets are identifiable, easily quantified and the pooled fund is tradable at relatively short notice the minimal increase in risk is considered acceptable. It is anticipated that levels will revert back to 2010/11 percentages during 2012/13 on finalisation of the ongoing procurement exercise for a new corporate bond manager.

Note 12(a) Long Term Assets

Revenue transactions are recorded on a system of receipts and payments. Capital and income accruals (debtors) have been introduced in respect of major items of income due but not received at 31st March. The following table shows those expected to be realised more than twelve months from the Net Assets Statement date.

	31 March 2011 £'000	31 March 2012 £'000
Long Term Debtors		
Long term debtors - contributions	52	23
Long term debtors - employer exit	2,957	2,628
Total Long Term Assets	**3,009**	**2,651**
Debtors relating to (per IFRS headings):		
Central Government bodies	2,957	2,628
Other entities and individuals	52	23
Total Long Term Assets	**3,009**	**2,651**

'Long-term debtors – employer exit' is the debt due from the Ministry of Justice in transferring the Cumbria Magistrates Courts to central government, and as these payments will be received in ten annual instalments which began in April 2011, the next instalment of £0.328m is shown within 'Employer exit from the scheme due < 1 year' (see note 12(b)) and the remainder of £2.628m shown above as 'Long Term Debtors – Employer exit' (see also note 3).

Note 12(b) Current Assets

Revenue transactions are recorded on a system of receipts and payments. Capital and income accruals (debtors) have been introduced in respect of major items of income due but not received at 31st March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2011 £'000	31 March 2012 £'000
Cash balances	**1,669**	**5,173**
Current Debtors		
Securities sold awaiting settlement	1,644	1,884
Investment income accrued	4,310	2,256
Property debtors	926	841
Contributions due	5,080	3,754
Employer exit from scheme due < 1 year	10,689	328
Miscellaneous	859	785
Total Current Debtors	**23,508**	**9,848**
Total Current Assets	**25,177**	**15,021**
Current Debtors relating to (per IFRS headings):		
Central Government bodies	658	625
Other local authorities	4,814	3,037
Other entities and individuals	18,036	6,186
Total Current Debtors	**23,508**	**9,848**

Debtors were unusually large for 2010/11 due to the exit last year from the scheme of Capita, an admission body, and the associated capital payment to offset their estimated deficit of £10.211m was shown within ‘Employer exit from the scheme due < 1 year’. The actual debt was fully discharged during 2011/12 (see note 3).

Note 13(a) Long Term Liabilities

Payments during the year have been converted to an expenditure basis by the introduction of capital and expense accruals (creditors), to record significant amounts owed at 31st March. The following table shows those expected to be realised more than twelve months from the Net Assets Statement date.

	31 March 2011 £'000	31 March 2012 £'000
Long term Creditors		
Interest provision on long-term debt	446	424
Total Long term Liabilities	**446**	**424**
Long Term Creditors relating to (per IFRS headings):		
Other entities and individuals	446	424
Total Long term Liabilities	**446**	**424**

Note 13(b) Current Term Liabilities

Payments during the year have been converted to an expenditure basis by the introduction of capital and expense accruals (creditors), to record significant amounts owed at 31st March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2011 £'000	31 March 2012 £'000
Current Creditors		
Securities purchased awaiting settlement	1,422	748
Property creditors	1,921	2,042
Investment Managers fees	845	800
Tax payable	490	526
Interest provision on long-term debt	11	22
Miscellaneous	387	513
Total Current Liabilities	**5,076**	**4,651**
Current Creditors relating to (per IFRS headings):		
Central government bodies	490	535
Other local authorities	167	416
Other entities and individuals	4,419	3,700
Total Current Liabilities	**5,076**	**4,651**

Note 14 Nature and Extent of Risks Arising from Financial Instruments

The Pension Scheme maintains positions in a variety of financial instruments including bank deposits, equity instruments, fixed interest securities and derivatives. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk. These risks are a function of investing and cannot be completely avoided. They are however closely monitored and where possible appropriate mitigation methods are used to limit the Scheme's exposure.

Overall Procedures for Managing Risk

The principal powers under which an LGPS invests are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and require an Administering Authority to invest any pension scheme money that is not needed immediately to make payments from the Pension Scheme. These regulations require the Pension Scheme to formulate a policy for the investment of its fund money.

With regards to investing, the Administering Authority's risk management procedures focus on the unpredictability of financial markets and implementing restrictions on managers and diversification across the portfolio to minimise these risks.

The Pension Scheme annually reviews its Statement of Investment Principles and corresponding Investment Strategy which set out the Pension Scheme's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

The Statement of Investment Principles and the Cash Investment Policy can both be found in the Scheme Policy Document published on-line at: www.cumbria.gov.uk/finance.

During 2011/12 the Administering Authority performed a more fundamental review of the Investment Strategy. Pension scheme investing must be undertaken with a view to the longer term time horizon. Switching asset allocations is both expensive and time consuming and it is crucial that the strategic asset allocations of a scheme are reviewed annually but only changed fundamentally over a longer time period. Detailed review of the Schemes' strategic asset allocations should therefore only be undertaken every 3-7 years. Completion and implementation of the outcomes of this review are expected to be finalised during 2012/13, when the associated funding policy statements will be revised and updated.

Investment performance by external Investment Managers is reported to the Pensions Committee quarterly. Performance of the Pension Scheme investments managed by external Investment Managers is compared to both benchmark and target returns. Also reported to the Committee is not only the individual managers' performance but also total performance of the Fund against its bespoke benchmark return.

As a further control, a substantial amount of due diligence is performed at the appointment stage by independent investment consultants to ascertain managers' risk control, audit and monitoring procedures.

Liquidity Risk

Liquidity Risk is the risk that the Pension Scheme will not be able to meet its financial obligations when they fall due.

The main risk for the Pension Scheme is not having funds available to meet commitments to make pension payments to members as they fall due. The Administering Authority with the Actuary frequently review the overall cash flow position of the Scheme to ensure its obligations can be suitably covered.

As part of both the triennial valuation and the annual investment review, Scheme membership and likely maturity profiles are reviewed. Currently the scheme is cash positive (i.e. it collects more in annual receipts than it requires to fulfil all obligations).

However, due to the high number of members entering retirement during 2011/12, the Scheme experienced a cash deficit of £3.841m. This amount was met from cash reserves and there was no requirement to liquidate assets ahead of previous plans.

It is expected that the Scheme will remain cash positive for the next 20 years to come. However in light of further anticipated reductions in local government budgets and workforce numbers and the possible further reductions in active members due to the proposed increase in employee contributions when the new scheme comes into effect in 2014, this will be kept under active review.

Note 11(a) explains the Scheme holds a large value of very liquid securities which could be promptly realised if required. As at 31st March 2012 the value of assets which could be converted to cash within three months, without significant loss to the Scheme, is £1,336.889m, i.e. 91% of net assets (31st March 2011 £1,272.870m 91%). The value of the illiquid assets was £129.529m which represented 9% of net assets (31st March 2011 £127.057m, 9%).

External Investment Managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions. The Pension Scheme's investments are largely made up of listed securities on major stock exchanges and are therefore considered readily realisable.

A maturity analysis for investment liabilities (all of which are derivatives) is shown in note 10(c). The current liabilities of the Scheme (see note 13(b)) are all due within 12 months from the Net Asset Statement date. The long term liabilities of the Scheme (see note 13(a)) consist of the interest provision on the long term debtor – employer exit. This is being unwound as follows:

Maturity Risk - Long term liabilities	On 31 March 2011 £'000	On 31 March 2012 £'000
Due 1 to 2 years	22	32
Due 2 to 5 years	126	155
Due 5 to 10 years	298	237
Total Long term liabilities	**446**	**424**

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price.

The Pension Scheme is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Scheme's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term.

In order to manage market value risk, the Pension Scheme has set restrictions on the type of investment it can hold, subject to investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Details can be found in the Pension Scheme's Statement of Investment Principles. The Pension Scheme has adopted a specific benchmark and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Pension Scheme. This allocation is designed to diversify the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic regions within each asset class.

Market risk is also managed by constructing a diversified portfolio across multiple Investment Managers and regularly reviewing the Investment Strategy and performance of the Pension Scheme. On a daily basis, Investment Managers will manage risk in line with policies and procedures put in place in the Investment Manager Mandates and ensure that the agreed limit on maximum exposure to any issuer or class is not breached.

To increase diversification across the Scheme and thereby further reduce the Schemes' overall market risk the recent Investment Strategy Review has introduced some new asset classes (e.g. infrastructure) in which the Scheme will shortly be investing in.

Market Risk – Sensitivity Analysis
The Pension Scheme's funding position is sensitive to changes in equities (which affect the net assets available to fund benefits) and bond yields (which affect the value placed on the Pension Scheme's liabilities). Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities are expected to display greater potential volatility than bonds as an example. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This volatility can be applied to the investment assets of the Scheme at the period end in the following table to show the potential increase and decrease of value.

	2011/12 £'000	% Change	Value on Increase	Value on Decrease
UK Equities	386,619	15.2%	445,385	327,853
Overseas Equities	375,580	14.2%	428,912	322,248
Bonds	234,510	6.8%	250,457	218,563
Index Linked Gilts	234,361	7.6%	252,172	216,550
Alternatives	114,464	6.8%	122,248	106,680
Property	93,625	6.2%	99,430	87,820
Cash	11,948	0.1%	11,960	11,936
	1,451,107		**1,610,564**	**1,291,650**

Foreign Exchange Risk
The Pension Scheme holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. At 31st March 2012, the Pension Scheme had overseas investments (excluding forward foreign exchange contract) of £402.479m and £3.337m cash denominated in currencies other than sterling. The impact of a 5% movement in the value of foreign currencies against sterling would be to increase (or decrease) the fund value by approximately £20.291m, or 1% of the Scheme's total value.

Foreign Exchange – Derivative Contracts
One way for pension schemes to reduce the volatility from their foreign currency exposures is to convert these exposures back to the domestic currency – this process is known as currency hedging. It is common for LGPS to hedge 50% of their foreign currency exposure to minimise potential losses due to adverse currency movements between the purchase and sale of an asset.

The Cumbria Scheme has 50% of the investments denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay program. The purpose is to reduce the Scheme's exposure to the fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This is carried out using derivatives called forward foreign exchange contracts.

As at 31st March 2012, the Scheme had 98 open forward foreign exchange contracts. These are over-the-counter contracts, the Scheme held no exchange traded derivatives (see Note 10(c) for an analysis of these contracts).

Credit Risk
Credit Risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into. In essence the Scheme's entire investment portfolio is exposed to some form of credit risk. 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 values of the Scheme's financial assets and liabilities. In addition to this, 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. The Scheme has had no experience of default or uncollectable deposits over recent years.

The Pension Scheme reviews its exposure to credit and counterparty risk through its external Investment Managers by the review of the Managers annual internal control reports to ensure that Managers exercise reasonable care and due diligence in its activities on behalf of the Pension Scheme.

All derivative transactions incorporate a degree of credit risk. The longer the term of a transaction, the greater the potential for change in market value, and the greater the credit risk. In relation to forward currency contracts and the stock lending programme there are two elements to this: counterparty risk and settlement risk.

The Scheme's cash holdings as at 31st March 2012 were £5.173m (2010/11: £1.669m) within current assets (see note 12(b)) and £11.948m (2010/11: £11.790m) within investments (see note 10). In addition to this the scheme held £12.114m (2010/11: £19.513m) of Money Market Funds. The credit ratings of the accounts in which these amounts were held were as follows:

Summary	Rating	Balances as at 31 March 2011 £000	Balances as at 31 March 2012 £000
Money market funds			
BlackRock Institutional Sterling Cash	AAA	13,437	11,210
Insight Institutional Sterling Cash	AAA	4,875	-
Schroder Offshore Cash Guernsey	AAA	1,201	904
Bank deposit accounts			
National Westminster Bank	A	1,669	5,173
Bank current accounts			
State Street Bank & Trust	A+	7,676	9,649
HSBC	AA	4,114	2,299
		32,972	29,235

Counterparty risk

The principal mitigation of the counterparty risk on a foreign currency trade is the rigour of the counterparty selection and monitoring process. Trades are only executed with approved counterparties, who have satisfied requirements in terms of market capability and credit standing. The list of potential counterparties is subject to approval and monitoring by the managers' as part of their oversight of risks. Subject to overriding requirements for best execution, they will assess and choose the preferred counterparty from the list for any particular trade against the following criteria:

- previous dealing experience of the counterparty,
- level of confidence in the counterparty's ability to absorb a trade of that size, based on ongoing research into the capabilities of the main counterparty banks,
- the bank's position in the market for sourcing PFI, corporate, utility and other non-government sources of inflation-linked debt.

Neither the investment manager nor any of its related companies would act as counterparty.

As part of the managers credit and counterparty risk framework, the creditworthiness of all counterparties is reviewed on a regular basis. In addition, more formal review takes place via quarterly meetings which can be convened at very short notice to meet any particular demands (as was the case, for example, in the Lehman crisis, when it met daily).

Settlement risk

If the counterparty fails on the settlement date itself, and more specifically if it fails after the Scheme has delivered payment but before the counterparty has delivered its payment then there would be a small time-limited risk of payment versus non-payment. This occurs when a party faces possible loss between the time a settlement payment is made and a payment is received on the same business day. This risk is more frequent in exchange of different currencies. The manager applies operational settlement netting, thus allowing clients to reduce their settlement exposures by having smaller amounts due to or from them.

There is no movement of principal capital, the credit exposure to either party is represented by the profit or loss on the positions at that point in time i.e. £2.714m gain at 31st March 2012.

As currency movements can be quite volatile positions can change from day to day quite significantly. It is difficult to approximate the size of the risk using historical currency movements, as these cannot be relied upon as a guide to future movements.

Interest rate risk

The Scheme 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 Scheme's direct exposure to interest rate movements as at 31st March 2012 and 31st March 2011 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2010/11 £'000	2011/12 £'000
Fixed interest securities (including pooled investments)	443,617	468,871
Cash and cash equivalents	13,459	17,121
	457,076	**485,992**

Unquoted Investments

The Scheme holds significant amounts of unquoted securities. This is mainly due to the fact that the unitised insurance policy held by the passive manager, Legal and General, is invested in unquoted, unitised, index-tracking funds, used as an efficient low risk method of investing in the asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as bonds and equity. The investment managers may also choose to invest in unquoted investments, mainly as managed funds as a preferred method of investing in smaller asset classes or less easily accessed markets.

Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31st March. Unquoted investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. The valuations are audited for each investment manager by their respective auditors and reported to the Scheme as clients. The unquoted investments held at 31st March 2012 are as follows:

Asset Class	2010/11 £'000	2011/12 £'000	Manager	Holding Details
Equities				
UK	707	894	Schroders	Northern Investors, a holding in a venture capital fund (remnants of investments made in 1984-1990) which is illiquid due to there being no market for exit, held on a care and maintenance basis until wind-up.
Pooled investment vehicles				
Unitised insurance policies	500,137	709,784	Legal and General	Index tracking funds.
Other managed funds	105,598	111,922	Blackrock	Alternative funds - overseas property, hedge funds, private equity, commodities. A mix of in-house funds and funds external to BlackRock.
Fixed interest securities				
Corporate Bonds	2,144	-	Blackrock	A bond issued by Credit Suisse Bank to Blackrock to give a return on the bond derived from a basket of commodities in China.
	608,586	**822,600**		

Note 15 Additional Voluntary Contributions

The Scheme operates an additional voluntary contribution scheme. Employees are allowed to pay voluntary contributions to one of two independent AVC scheme providers. To comply with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) the transactions are treated separately to the Schemes' accounts and therefore do not form part of these accounts.

The two providers offered are Standard Life and Scottish Widows. The Scheme gives no guarantee of investment performance of the providers and makes no contribution to the employees' funds. The previous scheme on offer to employees was the Equitable Life Assurance Society but in December 2000 it stopped accepting new business. The values of the two schemes for Cumbria LGPS, along with the value of Equitable Life, are shown below:

	2010/11 £'000	2011/12 £'000
Standard Life	995	889
Scottish Widows	1,190	1,061
Equitable Life	1,285	1,028
Total AVCs	**3,470**	**2,978**

AVC contributions of £0.131m were paid directly from employees pay to the providers during the year (2010/11: £0.154m).

Members have the option of contributing to the various Schemes offered by their chosen provider. The purpose of contributions paid by a member is the securing of a pension at retirement, usually by buying an annuity or transferring the investment into the main Scheme assets under Regulation 66 of the Local Government Pension Scheme Regulations 1997. The investment could be realisable earlier in the event of a member's death before retirement.

Note 16 Related Party Transactions

In day-to-day operations the scheme has many transactions with Cumbria County Council as the administering authority of the scheme, including the pension contributions as an employer, payments on the scheme's behalf for manager fees and administration, and recharges for services provided. There are no material transactions in respect of related parties requiring separate reporting. The Scheme does not invest for example in schemes of economic regeneration sponsored by any of the employing bodies including Cumbria County Council.

There are normal transactions with all the employers who have members in the scheme, who may be regarded as related parties, predominantly relating to employee and employer contributions. These transactions are reported as part of the income and expenditure statements.

Executive Board Members and senior employees of all Employer organisations within the Cumbria Local Government Pension Scheme (LGPS) were asked to complete a declaration on related parties, in addition to all members of the Cumbria Pensions Committee. An examination of the returns for 2011/12 reveals that there were no material transactions between the members/officers and their families affecting involvement with the Pension Scheme. Each member of the Pension Committee formally considers conflicts of interest at each meeting and the outcome is declared in the public minutes. Any transactions as have been identified are either non-material or are associated with the normal activities of the individuals in question.

Related parties returns are sent to all employer organisations, and the aim is for receipt of returns to cover 85% of the active membership. This target has been exceeded in 2011/12.

The Scheme does not employ any staff directly. Cumbria County Council employs the staff involved in providing the duties of the administering authority (excluding the pensions administration services which is provided by ‘YPS’) for the Scheme. Disclosures of the remuneration awarded to key management personnel is therefore included in the officers’ remuneration disclosure in the notes to the Cumbria County Council Annual Financial Report 2011/12 (see note 17 to those statements). Employee costs of the Scheme (note 7) include £15k (2010/11 £16k) of costs relating to key management personnel remuneration. These costs are charged to the Scheme on the basis of time spent undertaking work relating to the Scheme.

Note 17 Contingent Liabilities and Contractual Commitments

There are no outstanding capital commitments at 31st March 2012.

Note 18 Contingent Assets

Tax Reclaims

Cumbria Pension Scheme has potential claims against HM Revenue and Customs and some European countries for tax withheld on foreign income dividends. A leading professional services firm, acting on behalf of the Cumbria Scheme, has continued to pursue these claims during 2011/12. The estimated value of claims still outstanding is £3.107m.

These claims are made on the basis that within the European Union all member states should enjoy the same status. In respect of tax, resident investors should not be treated differently from non-residents. Recent court cases, notably Manninen and Fokus, EU Commission v Germany, Santander, and EU Commission v Portugal have added to the strength of the argument. Whilst it is prudent for the Cumbria Scheme not to make any assumptions, the Netherland settlement received in 2009 and the Norwegian settlement received in 2010 lend some optimism as to the success of recovering additional income for the Scheme.

Further claims have been registered in the High Court for potential tax recovery from HMRC in respect of manufactured dividends on equity stock lent out through the stock lending programme. The claim to date has a value in excess of £0.450m, although no accrual was put in the accounts as the outcome is uncertain.

The fees incurred to date for all the above tax claims regardless of the outcome total £0.337m, and have been charged as expenditure to the fund account in the appropriate accounting period.

Class actions

Where shareholder value has been eroded by wrongful action by company directors, sometimes it is possible for monies to be recovered via the courts by a shareholder class action against the company or its directors. The Scheme has retained Institutional Shareholder Services to monitor these class actions. The Scheme will seek to recover any significant monies due where the probability of success is believed to outweigh the additional cost of doing so.

Note 19 Impairment Losses

All outstanding debts for non-recovery of pension overpayments and all other debts raised during 2011/12 are considered to be recoverable with no impairment.

There were no impairments of investments during 2011/12.

Financial assets that are past due as at 31st March but not impaired:

The Scheme generally allows a payment period of 30 days. Included within current debtors (see note 12(b)) are £0.109m of debtors aged between two and six months (£0.060m 2010/11). Debtors aged greater than six months are fully provided for; these totalled £0.017m as at 31st March 2012 (£0.140m 2010/11).

Note 20 Stock Lending

Stock lending is the loan of specific securities from one investor to another that entitles the lender to continue receiving income generated by the stock plus an additional payment by the borrower. Exposure to risk is reduced by the borrower providing high quality collateral (cash, securities or gilts). A programme began during 2005 through the custodian, State Street Bank and Trust, to earn additional income for the scheme from stock lending. The limit on amounts to be loaned was increased to £50m during 2011/12.

Securities on loan at the 31st March 2012 of £25.302m (2010/11: £21.123m) are included in the net asset statement to reflect the scheme's continuing economic interest in the securities, and consist of £18.886m UK equities and £6.416m overseas equities (2010/11: £16.692m UK Treasury Gilts, £2.798m UK equities, and £1.634m overseas equities). The related collateral totalled £26.660m (2010/11: £21.798m), consisting of £25.040m overseas bonds, £1.202m gilts, and £0.418m UK equities (2010/11: £13.893m overseas bonds, £6.906m gilts and £0.999m UK equities).

For the year to 31st March 2012, the scheme earned income of £0.087m (2010/11 £0.055m) through stock lending of the various assets (as detailed in Note 8).

Note 21 Post Balance Sheet Events

The management of the global equity portfolio with Newton Investment Management Ltd was discontinued in April 2012. The assets will be held on a passive basis while a full procurement process is undertaken to appoint a new manager.

Note 22 Critical Judgements in applying Accounting Policies and the use of Estimates and Uncertainties

In applying the policies, the Scheme has had to make certain judgements about complex transactions, or those involving uncertainty. Those with most significant effect are:

- the Scheme will continue in operational existence for the foreseeable future as a going concern;
- No investments are impaired (further detail on the investment strategy and approach to managing risk in Note 14).

Any judgements made in relation to specific assets and liabilities, in addition to information stated in the relevant notes, can also be found in Note 2: Summary of Significant Accounting Policies.

Compliance with IFRS requires the assumptions and uncertainties contained within figures in the accounts and the use of estimates to be explained. Pension Fund Accounts contain estimated figures, taking into account historical experience, current trends and other relevant factors, as detailed in the following table:

Item	Uncertainties	Effect if actual differs from assumptions
Market Value of Investments	Valuations depend on market forces impacting the current price of stocks, shares and other investment instruments. Investments have been valued at the IFRS accepted method of 'Fair Value' since 2008/09, this being the 'bid price' where possible.	For every 1% increase in market value, the value of the Scheme will increase by approx £14m, with a decrease having the opposite effect.
Pensions Liability	Assumptions such as mortality expectations, future inflation, returns on investments, and rate of pay increases.	The effects on the funding level of changes in the individual assumptions can be measured, but interact in complex ways. For instance, a 1 year increase in life expectancy would result in a 2% decrease in Funding Level to 77%. The Actuarial Valuation at March 2010 contains further information.
Long-term Debt	Income received in instalments over many years is time discounted to reflect the time value of money.	A discount rate of 3.5% was used, with every 1% reduction reducing the income recognised.
Bad Debt Provision	Assumptions about ability of debtor to pay and likelihood of debt recovery.	Less income is recovered than predicted. Alternatively, debt can be recovered after being written off.

Note 23 Actuarial Position of the Fund

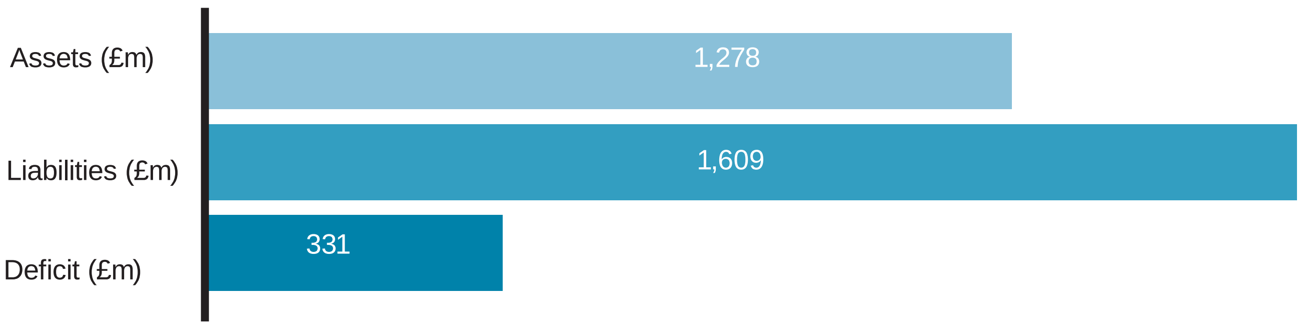
Below is shown a statement from the Scheme Actuary as required by the Local Government Pension Scheme (Administration Regulations) 2008. This statement shows both the actuarial valuation result and the actuarial value of the Scheme's past service liabilities calculated in a manner consistent with International Accounting Standard 19 (IAS 19). The statement also complies with the requirements of IAS 26. The full Actuarial Valuation Report as at 31st March 2010 is available on the County Council's website, at **www.cumbria.gov.uk/finance.**

Cumbria Local Government Pension Scheme Accounts for the year ended 31st March 2012 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Cumbria Local Government Pension Scheme was carried out as at 31st March 2010 to determine the contribution rates with effect from 1st April 2011 to 31st March 2014.

On the basis of the assumptions adopted, the Fund's assets of £1,278m represented 79% of the Fund's past service liabilities of £1,609m (the "Funding Target") at the valuation date 31st March 2010.



The valuation also showed that a common rate of contribution of 12.5% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 5.9% of pensionable pay for 22 years. This would imply an average employer contribution rate of 18.4% of pensionable pay in total.

Further details regarding the results of the valuation are contained in our formal report on the actuarial valuation dated 31st March 2011.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers. Where indicated in our formal report on the actuarial valuation, the employer's certified contribution rate includes some allowance for non-ill health early retirement costs.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate) - pre retirement - post retirement	 6.5% per annum 5.5% per annum	 6.75% per annum 6.75% per annum
Rate of pay increases	4.75% per annum*	4.75% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.0% per annum	3.0% per annum

The assets were assessed at market value.
The next triennial actuarial valuation of the Fund is due as at 31st March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1st April 2014.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions:

	31st March 2011	31st March 2012
Rate of return on investments (discount rate)	5.5% per annum	4.9% per annum
Rate of pay increases*	4.65% per annum	4.25% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.9% per annum	2.5% per annum

* a corresponding allowance to that made in the actuarial valuation has been made for short-term public sector pay restraint.

We have also used methodology in connection with ill-health and death benefits which is consistent with IAS 19. Demographic assumptions are the same as those used for funding purposes.

On this basis, the present value of the Fund's promised retirement benefits as at 31st March 2011 and 31st March 2012 were £1,809m and £1,961m respectively. During the year, corporate bond yields reduced significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.9% p.a. versus 5.5% p.a.), and in addition there was a reduction in inflation expectations (from 2.9% p.a. to 2.5% p.a.). The net effect of these changes is an increase in the Fund's liabilities for the purposes of IAS26 of about £67m.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited June 2012

At the 2010 valuation the Actuary proposed an alternative method of allocating the proportion of the employer contribution rate attributable to deficit or past service recovery. Cumbria County Council and eleven other employers (comprising 70% of the Scheme membership) have adopted this alternative approach to the employer contributions from 1st April 2011 and as such are paying a lump sum employer contribution, in addition to a fixed rate.

The reason for this more prudent approach is that it prevents contributions falling due to reductions in staff payrolls throughout the three years between valuations. If this were to occur it would have an adverse impact on the required employer contribution rate at the next valuation.

Note 24 Accounting Standards issued not yet adopted

The Scheme is required to disclose information relating to the impact of Accounting Standards that have been issued but have not yet been adopted. There has been no such change in accounting standards issued which impact on 2011/12.

Note 25 Participating Employers of the Scheme

As at 31st March 2012 the scheduled and admitted bodies within the Cumbria Local Government Pension Scheme were:

Employers of the Scheme as at 31 March 2012 (total 105)

Scheme Employers:
Cumbria County Council
District Councils (6)
Allerdale Borough Council
Barrow Borough Council
Carlisle City Council
Copeland Borough Council
Eden District Council
South Lakeland District Council
Scheduled Bodies (41)
Appleby Grammar Academy **(New)**
Arnside National CofE Academy **(New)**
Barrow Sixth Form College
Broughton Primary Academy **(New)**
Burton Morewood Primary Academy **(New)**
Caldew Academy **(New)**
Carlisle College
Cartmel Priory Academy **(New)**
Castle Carrock Academy **(New)**
Cleator Moor Town Council
Cockermouth Town Council
Cumbria Police Authority
Cumbria Probation Service
Cumbria Waste Management
Dallam Academy **(New)**
Dearham Primary Academy **(New)**
Eaglesfield Paddle Academy **(New)**
Furness Academy
Furness College
Great Corby Academy **(New)**
Kendal College Further Educ
Kendal Town Council
Keswick Academy **(New)**
Keswick Town Council
Kirkby Kendal Academy **(New)**
Kirkby Stephen Academy **(New)**
Lake District National Park Authority
Lakes College (West Cumbria)
Maryport Town Council **(New)**
Queen Elizabeth Academy
Queen Elizabeth Grammar Academy **(New)**
Queen Katherine Academy **(New)**
Richard Rose Academies
Seaton Academy
Settlebeck High Academy **(New)**
South Lakeland Housing **(Left)**
Trinity Academy **(New)**
Valuation Tribunal Service
West Lakes Academy
Wigton Town Council
William Howard Academy **(New)**
Scheduled Bodies No Actives (11)
Brampton Parish Council
Charlotte Mason College
Cumbria Institute of the Arts
Cumbria Primary Teacher Training

Scheduled Bodies No Actives continued
Dept Constit Affairs (Cumbria Magistrates)
Health Authority
Millom Town Council
Port of Workington
Practical Alternatives to Custody (Ltd)
Ulverston Town Council
Water Authority
Admitted Bodies (35)
Agilisys
Amey Infrastructure Services **(Leaving)**
Attendo Monitoring (Mobile Response)
Barrow & District Soc for Blind
Barrow Citizens Advice
Bulloughs Cleaning Services Ltd
Carlisle Leisure Allerdale
Carlisle Leisure Ltd
Commission for Social Care Inspection
Creative Management Services Ltd
Cumbria Cerebral Palsy
Cumbria Deaf Association
Cumbria Tourism
Eden Housing Association
FOCSA Services
Glenmore Trust
Graham Asset Management
Harraby Community Centre
Higham Hall
Home Group (Copeland)
Kendal Brewery Arts Centre Trust Ltd
Kendal Citizens Advice
Longtown Memorial Hall Community Centre
Mellors Catering Services
Morton Community Centre
North Country Leisure (Copeland)
Oaklea Trust
Riverside Housing
Soundwave
South Lakeland Leisure
South Lakes Housing **(New)**
TADEA
Tullie House Trust **(New)**
West House
Wigton Joint Burial Committee
Admitted Bodies No Actives (11)
Botcherby Community Centre **(Closing)**
Cumbria Training Partnership
Currock Community Centre **(Closing)**
Direct Training Services
Egremont & District Pool Trust
Henry Lonsdale Trust
Lake District Cheshire Homes
Lakeland Arts Trust
NRCS Ltd (Neighbourhood Revitalisation)
Project Homeless
Troutbeck Bridge Swim Pool Ltd

7 Regulatory Statements

Contents

Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended)) requires that administering authorities must obtain:
(a) an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2010 and in every third year afterwards;
(b) a report by an actuary in respect of the valuation; and
(c) a rates and adjustments certificate prepared by an actuary.

There is a statutory requirement (Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended)) for administering authorities to prepare, maintain and publish a Funding Strategy Statement as part of the three-yearly actuarial valuation process. The statement has been prepared in consultation with scheme employers and with advice from the actuary in light of the results from the 2010 Actuarial Valuation.

There is a statutory requirement (Local Government Pension Scheme Regulations 1997, Regulation 73A as amended by SI 2007 no.1561) for administering authorities to prepare and publish a Governance Policy Statement and to report the extent of compliance against a set of best practice principles to be published by Communities and Local Government.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended) require Cumbria County Council, as administering authority for the Cumbria Pension Fund, to prepare, maintain and publish a written statement of the principles governing decisions about investments. In response to the Treasury Report Updating the Myners Principles: A Response to Consultation (October 2008), all LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation.

These principles have been adopted by Communities and Local Government within the LGPS (Management and Investment of Funds) Regulations 2009, and require authorities to use a “comply or explain” approach to be reported within the Statement of Investment Principles.

7.5 Administration and Communications Policy 87

This policy statement is required by the provisions of Regulation 67 of the Local Government Pension Scheme (Administration) Regulations 2008. The provision requires us to:
“….prepare, maintain and publish a written statement setting out their policy concerning communications with:
(a) members.
(b) representatives of members.
(c) prospective members.
(d) employing authorities.”

In addition it specifies that the statement must include information relating to:
“(a) the provision of information and publicity about the Scheme to members, representatives of members and employing authorities;
(b) the format, frequency and method of distributing such information or publicity; and
(c) the promotion of the Scheme to prospective members and their employing authorities.”

7.6 Statement of Responsibilities 89

This is a signed statement by the Acting Assistant Director - Finance setting out the respective responsibilities of the Authority and the Chief Financial Officer (Acting Assistant Director - Finance) for the accounts and certifying that the accounts comply with requirements and ‘present a true and fair view’ of the Council’s financial position as at 31 March 2012.

7.7 Auditor’s Opinion 90

This report is required under Part II of the Audit Commission Act 1998 and is made solely to the members of Cumbria County Council. The report sets out the respective responsibilities of the Assistant Director – Finance and the Auditor. It also sets out the scope of the audit of the financial statements and includes the Auditor’s opinion on the pension fund’s accounting statements and the annual report.

7.1 Actuarial Certificate

MERCER

Rates and Adjustments Certificate issued in accordance with Regulation 36 of the Administration Regulations

Name of Fund: Cumbria Local Government Pension Scheme

Primary Contribution Requirements

I hereby certify that, in my opinion, the common rate of employers' contributions payable in each year of the period of three years beginning 1 April 2011 should be at the rate of 12.5 per cent of Pensionable Pay.

I hereby certify that, in my opinion, the amount of the employers' contributions payable in each year of the period of three years beginning with 1 April 2011, as set out above, should be individually adjusted as set out in the attached schedule.

Contributions will be payable monthly in arrears with each payment normally being due by the 19th of the following month. Pensionable Pay is pay as determined under the LGPS regulations for the calculation of employee contributions.

Further Adjustments

For employers where no allowance for non ill-health early retirement costs is included in the valuation a further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. In addition, there will be an individual adjustment for each ill-health early retirement from Cumbria County Council during that three year period. These individual adjustments will be calculated in accordance with methods agreed from time to time between the Fund's actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer. Additional contributions may be paid if requested by the employer concerned.

The contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party.

In cases where an element of an existing Scheme employer's deficit is transferred to a new employer on its inception, the Scheme employer's deficit recovery contributions, as shown on the schedule to this Certificate in Appendix I, may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary and as agreed with the Administering Authority.

Regulation 36(8)

For Cumbria County Council I have shown on the attached Schedule the allowance made for non-ill health early retirements over the period of three years beginning 1 April 2011 taken into account when setting this employer's contribution rate.

No allowance for non-ill health early retirements has been made in determining the results of the valuation for other employers, on the basis that the costs arising will be met by additional contributions.

Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

Signature:	
Name:	John Livesey
Date of signing:	31 March 2011
Qualification:	Fellow of the Institute and Faculty of Actuaries

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Consulting - Outsourcing - Investments

Schedule to the Rates and Adjustment Certificate dated 31 March 2011

Employers	2011/12		2012/13		2013/14		Non-ill health early retirement allowance included for the 3 years 2011/14
	Individual Adjustment	Total Contribution Rate	Individual Adjustment	Total Contribution Rate	Individual Adjustment	Total Contribution Rate	Amount £
Agilisys	1.5%	14.0%	1.5%	14.0%	1.5%	14.0%	
Allerdale Borough Council	9.8%	22.3%	9.8%	22.3%	9.8%	22.3%	
Amey Construction	2.6%	15.1%	2.6%	15.1%	2.6%	15.1%	
Attendo Monitoring Ltd	15.3%	27.8%	15.3%	27.8%	15.3%	27.8%	
Barrow and District Society for the Blind	4.9% plus £5,300	17.4% plus £5,300	4.9% plus £5,600	17.4% plus £5,600	4.9% plus £5,800	17.4% plus £5,800	
Barrow Borough Council	£941,000	12.5% plus £941,000	£986,000	12.5% plus £986,000	£1,033,000	12.5% plus £1,033,000	
Barrow Citizens Advice Bureau	12.9%	25.4%	12.9%	25.4%	12.9%	25.4%	
Barrow Sixth Form College	3.8%	16.3%	3.8%	16.3%	3.8%	16.3%	
Brampton Parish Council	n/a	£540	n/a	£540	n/a	£540	
Bulloughs Cleaning Services Police	4.4%	16.9%	4.4%	16.9%	4.4%	16.9%	
Care Quality Commission	4.5% plus £80,000	17.0% plus £80,000	4.5% plus £84,000	17.0% plus £84,000	4.5% plus £88,000	17.0% plus £88,000	
Carlisle City Council	-0.7% plus £1,003,000	11.8% plus £1,003,000	-0.7% plus £1,051,000	11.8% plus £1,051,000	-0.7% plus £1,101,000	11.8% plus £1,101,000	
Carlisle College	4.4%	16.9%	4.4%	16.9%	4.4%	16.9%	
Carlisle Housing	6.0%	18.5%	6.0%	18.5%	6.0%	18.5%	
Carlisle Leisure	-0.6%	11.9%	-0.6%	11.9%	-0.6%	11.9%	
Carlisle Leisure Allerdale	2.7%	15.2%	2.7%	15.2%	2.7%	15.2%	
Cleator Moor Town Council	-4.6%	7.9%	-4.6%	7.9%	-4.6%	7.9%	
Cockermouth Town Council	-0.3%	12.2%	-0.3%	12.2%	-0.3%	12.2%	
Copeland Borough Council	7.6%	20.1%	7.6%	20.1%	7.6%	20.1%	
Cumbria Cerebral Palsy	10.4%	22.9%	10.4%	22.9%	10.4%	22.9%	
Cumbria County Council (excluding schools)	0.4% plus £7,587,000	12.9% plus £7,587,000	0.4% plus £7,947,000	12.9% plus £7,947,000	0.4% plus £8,325,000	12.9% plus £8,325,000	£8,000,000
Cumbria County Council schools	6.5%	19.0%	6.5%	19.0%	6.5%	19.0%	
Cumbria Deaf Association	5.8%	18.3%	5.8%	18.3%	5.8%	18.3%	
Cumbria Local Valuation Panel	-3.1% plus £7,000	9.4% plus £7,000	-3.1% plus £7,000	9.4% plus £7,000	-3.1% plus £7,000	9.4% plus £8,000	
Cumbria Police Authority	-1.4% plus £728,000	11.1% plus £728,000	-1.4% plus £763,000	11.1% plus £763,000	-1.4% plus £799,000	11.1% plus £799,000	

Employers	2011/12		2012/13		2013/14		Non-ill health early retirement allowance included for the 3 years 2011/14
	Individual Adjustment	Total Contribution Rate	Individual Adjustment	Total Contribution Rate	Individual Adjustment	Total Contribution Rate	Amount £
Cumbria Probation Service	7.2%	19.7%	7.2%	19.7%	7.2%	19.7%	
Cumbria Sea Fisheries Committee	5.9%	18.4%	5.9%	18.4%	5.9%	18.4%	
Cumbria Tourist Board	4.9% plus £35,000	17.4% plus £35,000	4.9% plus £37,000	17.4% plus £37,000	4.9% plus £38,000	17.4% plus £38,000	
Cumbria Training Partnership	3.3%	15.8%	3.3%	15.8%	3.3%	15.8%	
Cumbria Waste Management	32.3%	44.8%	32.3%	44.8%	32.3%	44.8%	
Currock Community Centre	-12.5%	0.0%	-12.5%	0.0%	-12.5%	0.0%	
Eden District Council	5.7%	18.2%	5.7%	18.2%	5.7%	18.2%	
Eden Housing Association	4.4%	16.9%	4.4%	16.9%	4.4%	16.9%	
Egremont & District Pool Trust	9.3%	21.8%	9.3%	21.8%	9.3%	21.8%	
FOCSA Services (UK) Ltd	24.8%	37.3%	24.8%	37.3%	24.8%	37.3%	
Furness Academy	6.9%	19.4%	6.9%	19.4%	6.9%	19.4%	
Furness College	2.0%	14.5%	2.0%	14.5%	2.0%	14.5%	
Glenmore Trust	22.8%	35.3%	22.8%	35.3%	22.8%	35.3%	
Graham Asset Management	4.9%	17.4%	4.9%	17.4%	4.9%	17.4%	
Harraby Community Centre	9.1%	21.6%	9.1%	21.6%	9.1%	21.6%	
Higham Hall College	2.5%	15.0%	2.5%	15.0%	2.5%	15.0%	
Home Group Ltd (Copeland Homes)	-1.0%	11.5%	-1.0%	11.5%	-1.0%	11.5%	
Kendal Brewery Arts Centre Trust Limited	5.1% plus £11,500	17.6% plus £11,500	5.1% plus £12,000	17.6% plus £12,000	5.1% plus £12,600	17.6% plus £12,600	
Kendal Citizens Advice Bureau	5.9% plus £6,000	18.4% plus £6,000	5.9% plus £6,000	18.4% plus £6,000	5.9% plus £7,000	18.4% plus £7,000	
Kendal College	2.0%	14.5%	2.0%	14.5%	2.0%	14.5%	
Kendal Town Council	-1.0%	11.5%	-1.0%	11.5%	-1.0%	11.5%	
Keswick Town Council	2.9%	15.4%	2.9%	15.4%	2.9%	15.4%	
Lake District National Park Authority	5.6%	18.1%	5.6%	18.1%	5.6%	18.1%	
Lakes College West Cumbria	2.5%	15.0%	2.5%	15.0%	2.5%	15.0%	
Longtown Community Centre	7.6%	20.1%	7.6%	20.1%	7.6%	20.1%	
Maryport Town Council	-2.0%	10.5%	-2.0%	10.5%	-2.0%	10.5%	
Mellors Police Catering Services	12.0%	24.5%	12.0%	24.5%	12.0%	24.5%	
Morton Community Centre	-0.4%	12.1%	-0.4%	12.1%	-0.4%	12.1%	
North Country Leisure	-3.5%	9.0%	-3.5%	9.0%	-3.5%	9.0%	
Oaklea Trust	35.7%	48.2%	35.7%	48.2%	35.7%	48.2%	
Richard Rose Academy	5.6%	18.1%	5.6%	18.1%	5.6%	18.1%	
Soundwave	2.6%	15.1%	2.6%	15.1%	2.6%	15.1%	

Employers	2011/12 Individual Adjustment	2011/12 Total Contribution Rate	2012/13 Individual Adjustment	2012/13 Total Contribution Rate	2013/14 Individual Adjustment	2013/14 Total Contribution Rate	Non-ill health early retirement allowance included for the 3 years 2011/14 Amount £
South Lakeland District Council	0.6% plus £772,000	13.1% plus £772,000	0.6% plus £923,000	13.1% plus £923,000	0.6% plus £1,076,000	13.1% plus £1,076,000	
South Lakeland Leisure	-1.0%	11.5%	-1.0%	11.5%	-1.0%	11.5%	
South Lakes Housing Association	0.6% plus £237,000	13.1% plus £237,000	0.6% plus £222,000	13.1% plus £222,000	0.6% plus £233,000	13.1% plus £233,000	
TADEA	-3.8%	8.7%	-3.8%	8.7%	-3.8%	8.7%	
Tullie House Museum and Art Gallery Trust	1.4%	13.9%	1.4%	13.9%	1.4%	13.9%	
West House	0.4%	12.9%	0.4%	12.9%	0.4%	12.9%	
West Lakes Academy	6.5%	19.0%	6.5%	19.0%	6.5%	19.0%	
Wigton Joint Burial Committee	1.1%	13.6%	1.1%	13.6%	1.1%	13.6%	
Wigton Town Council	2.6%	15.1%	2.6%	15.1%	2.6%	15.1%	

Former Employers	Proportion of Pension Increases to be Recharged %
Charlotte Mason College	100
Project Homeless (Cumbria) Limited	100
Workington Port Health Authority	100
Lake District Cheshire Homes	100
National Water Authority	100

Notes:

The total contributions payable by each employer will be subject to a minimum of zero.

In cases where an element of an existing Scheme employer's deficit is transferred to a new employer on its inception, the Scheme employer's deficit recovery contributions shown on this certificate may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary.

The admission of Cumbria Vision Renaissance terminates on 31 March 2011. A termination assessment is therefore required in respect of this employer and any additional contributions required will be notified separately.

The Administering Authority will monitor the additional liabilities arising in respect of non-ill health early retirements actually occurring over the three years beginning 1 April 2011 for each employer where an allowance is shown above. Where the total additional liabilities for an employer exceed the allowance set out above, the employer will be required to pay additional capital contributions to meet the additional liabilities.

7.2 Funding Strategy Statement
(as approved March 2011)

There is a statutory requirement for administering authorities to prepare and publish a Funding Strategy Statement as part of the three-yearly actuarial valuation process. The statement has been prepared in consultation with scheme employers and with advice from the actuary in light of the results from the 2010 Actuarial Valuation. The full Statement is shown below.

This Statement has been prepared by Cumbria County Council (the Administering Authority) to set out the Scheme strategy for the Cumbria Local Government Pension Scheme ("the Scheme"), in accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) and the guidance papers issued in March 2004 and November 2004 by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

7.2.1 Introduction

The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) ("the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement. The key requirements for preparing the FSS can be summarised as follows:

After consultation with all relevant interested parties involved with the Fund the Administering Authority will prepare and publish their funding strategy;

In preparing the FSS, the administering authority must have regard to:-

- the guidance issued by CIPFA for this purpose; and
- the Statement of Investment Principles (SIP) for the Fund published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended);

The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit final salary scheme under which the benefits are specified in the governing legislation (the Local Government Pension Scheme (Benefits, membership and contributions) Regulations 2007 (as amended). The required levels of employee contributions are also specified in the Regulations.

Employer contributions are determined in accordance with the Regulations (principally Administration Regulation 36) which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate. Contributions to the Fund should be set so as to "secure its solvency", whilst the actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

7.2.2 Purpose of the FSS in policy terms

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. 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.

The intention is for this strategy to be 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.

7.2.3 Aims and purpose of the Pension Fund

The aims of the Fund are to:

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies;
- manage employers' liabilities effectively;
- ensure that sufficient resources are available to meet all liabilities as they fall due, and
- maximise the returns from investments within reasonable risk parameters.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses, as defined in the Local Government Pension Scheme Regulations 2008 (as amended) and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

7.2.4 Responsibilities of the key parties

The Administering Authority should:

- collect employer and employee contributions;
- invest surplus monies in accordance with the Regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the Fund's actuary;
- prepare and maintain an FSS and a SIP, both after due consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding and amend the FSS/SIP as and when appropriate.

The Individual Employer should:

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, and
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS;
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters, and
- advise on funding strategy, the preparation of the FSS, and the interrelationship between the FSS and the SIP.

7.2.5 Solvency Issues and Target Funding Levels

7.2.5.1 The funding objective

To meet the requirements of the Regulations the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing basis including allowance for projected final pay.

7.2.5.2 Determination of the funding target and recovery period

The principal method and assumptions to be used in the calculation of the funding target are set out in the Appendix.

Underlying these assumptions are the following two tenets:

- that the Scheme is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer (or employer grouping), following a principle of no cross-subsidy between the various employers in the Scheme. In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates:

- The fund will operate a default deficit recovery period of 19 years. However, in order to allow some flexibility for employers to maintain their current contribution rates, employers will normally have some limited options to extend the deficit recovery period. Nevertheless, in current circumstances, as a general rule, the Fund does not believe it appropriate for contribution reductions to apply where substantial deficits apply. As a result, all employers in deficit will be required to adopt a deficit recovery period in line with the default period (or shorter) before any reduction in overall contributions will be allowed.
- A maximum deficit recovery period of 25 years will apply in any event.
- Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted.
- Where increases in employer contribution rates are required from 1 April 2011, following completion of the 2010 actuarial valuation, the increase from the rates of contribution payable in the year 2010/11 may be implemented in steps, over a maximum period of 3 years.
- Where agreed by the Administering Authority, an employer may allocate a specific reserve to cover estimated early retirement costs over the three years commencing 1 April 2011. In such cases the amount of that reserve will be taken into account in determining the employer's contribution rate from 1 April 2011. The payment of additional contributions in respect of early retirements will be required once the specific reserve has been used up.
- On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. Details of the approach to be adopted for such an assessment on termination are set out in the separate Admission and Termination Policy document.

In determining the above objectives the Administering Authority has had regard to:

- the responses made to the consultation with employers on the FSS principles;
- relevant guidance issued by the CIPFA Pensions Panel;
- the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose,
- the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

7.2.5.3 Deficit recovery plan

If the assets of the scheme relating to an employer are less than the funding target at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall.

Additional contributions will be expressed as lump sum £ amounts.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- the size of the funding shortfall;
- the business plans of the employer;
- the assessment of the financial covenant of the employer;
- any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

7.2.5.4 The normal cost of the scheme (future service contribution rate)

In addition to any contributions required to rectify a shortfall of assets below the funding target contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the "normal cost"). The method and assumptions for assessing these contributions are also set out in the Appendix.

7.2.6 Link to investment policy set out in the Statement of Investment Principles

The results of the 2010 valuation show the accrued liabilities to be 79% covered by the current assets, with the funding deficit of 21% being covered by future deficit contributions due from participating employers.

In assessing the value of the Fund's liabilities above, allowance has been made for asset out-performance as described in Section 5, taking into account the investment strategy adopted by the Fund, as set out in the Statement of Investment Principles (SIP).

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts.

Investment of the Fund's assets in line with the least risk portfolio would minimise fluctuations in the Fund's ongoing funding level between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to make any allowance for outperformance of the Fund investments. On this basis of assessment, the assessed value of the Fund's liabilities at the 2010 valuation would have been significantly higher, by approximately 32% and the declared funding level would be correspondingly reduced to approximately 60%.

Departure from a least risk investment strategy, in particular to include equity investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The Statement of Investment Principles is published in the Cumbria LGPS Annual Report and Accounts, and is available on-line at **www.cumbria.gov.uk/Finance.**

The funding strategy adopted for the 2010 valuation is based on an assumed asset out-performance of 2% in respect of liabilities pre-retirement, and 1% in respect of post-retirement liabilities. Based on the liability profile of the Fund at the valuation, this equates to an overall long-term asset out-performance allowance to keep pace with the liabilities of 1.4% p.a. The Administering Authority believes that this is a reasonable and prudent allowance for asset out-performance, based on the investment strategy adopted as set out in the SIP.

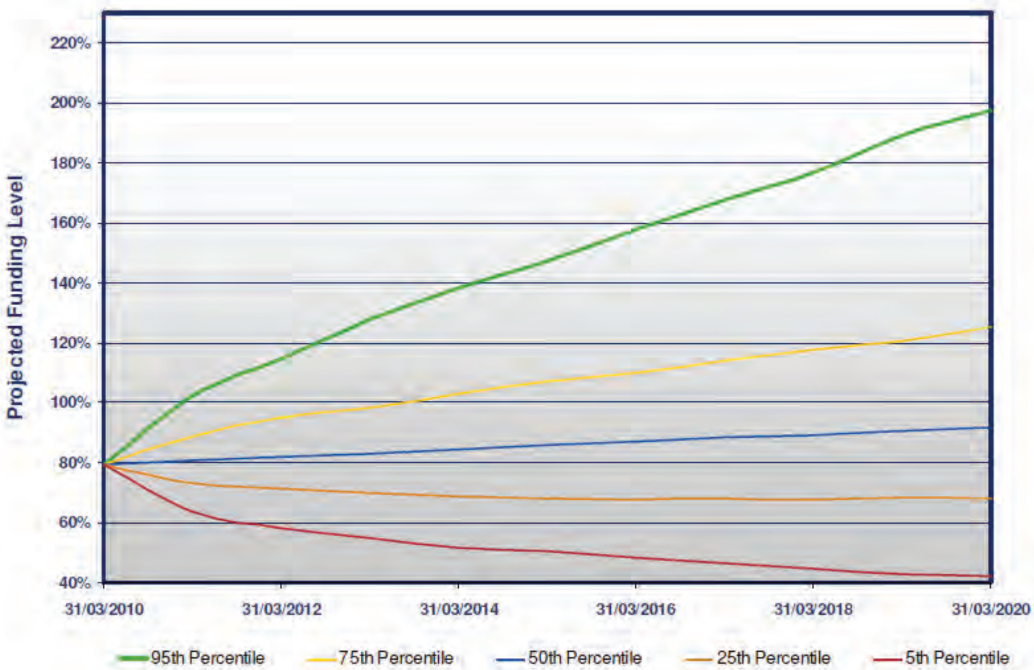
7.2.7 Identification of risks and counter-measures

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report.

When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the Fund's funding is the investment risk inherent in the predominantly equity-based strategy, so that actual asset out-performance between successive valuations could diverge significantly from the overall 1.4% per annum currently required on the basis of the 2007 valuation assumptions.

The chart below shows a "funnel of doubt" funding level graph, which illustrates the range and uncertainty in the future progression of the funding level, relative to the funding target adopted at the valuation. Using a simplified model, the chart shows the probability of exceeding a certain funding level over a 10 year period from the valuation date. For example, the top line shows the 95th percentile level (i.e. there is a 5% chance of the funding level at each point in time being better than the funding level shown, and a 95% chance of the funding level being lower).



The CIPFA guide identifies the following key risks:

Financial

- Investment markets fail to perform in line with expectations;
- Market yields move at variance with assumptions;
- Investment Fund Managers fail to achieve performance targets over the longer term;
- Asset re-allocations in volatile markets may lock in past losses;
- Pay and price inflation significantly more or less than anticipated;
- Effect of possible increase in employer's contribution rate on service delivery and admitted/ scheduled bodies.

Demographic

- Longevity horizon continues to expand;
- Deteriorating pattern of early retirements.

Regulatory

- Changes to Regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees;
- Changes to national pension requirements and/or HMRC rules.

Governance

- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements);
- Administering Authority not advised of an employer closing to new entrants;
- An employer ceasing to exist with insufficient funding or adequacy of a bond;

7.2.8 Monitoring and Review

The Administering Authority has taken advice from the actuary in preparing this Statement, and has also consulted with the Fund's participating employers.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of then current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example:

- if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- if there have been significant changes to the Fund membership, or LGPS benefits
- if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- if there have been any significant special contributions paid into the Fund.

7.2.9 Method used in calculating the funding target and recovery plan

The actuarial method to be used in the calculation of the funding target and recovery plan is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted (the Attained Age method), which makes advance allowance for the anticipated future ageing and decline of the current closed membership group.

7.2.10 Financial assumptions used in calculating the funding target and recovery plan

7.2.10.1 Investment return (discount rate)

A yield based on market returns on UK Government gilt stocks and other instruments which reflect a market consistent discount rate for the profile and duration of the Scheme's accrued liabilities, plus an Asset Out-performance Assumption ("AOA") of 2% p.a. for the period pre-retirement and 1% p.a. post-retirement.

The asset out-performance assumptions represent the allowance made, in calculating the funding target, for the long term additional investment performance on the assets of the Fund relative to the yields available on long dated gilt stocks as at the valuation date. The allowance for this out-performance is based on the liability profile of the Scheme, with a higher assumption in respect of the "pre-retirement" (i.e. active and deferred pensioner) liabilities than for the "post-retirement" (i.e. pensioner) liabilities. This approach thereby allows for a gradual shift in the overall equity/bond weighting of the Fund as the liability profile of the membership matures over time.

7.2.10.2 Individual Employers

Having determined the AOAs as above for the Fund overall, it is important to consider how the financial assumptions in particular impact on individual participating employers. As employers in the Fund will have different mixes of active, deferred and pensioner members, adopting a different pre/post retirement investment return approach is equivalent to hypothecating a different equity/bond mix investment strategy for each employer. Such an approach would be inconsistent with the Fund practice, as set out in the FSS, of allocating investment performance pro rata across all employers based on a "mirror image" investment strategy to the whole Fund. In completing the calculations for individual employers therefore, a single, composite, pre and post retirement asset out-performance assumption of 1.4% p.a. has been calculated which, for the Fund as a whole, gives the same value of the funding target as the separate pre and post retirement AOAs.

7.2.10.3 Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, subject to the following adjustments:

- An allowance for supply/demand distortions in the bond markets at the valuation date, and
- The change in future pension increases (and increases to deferred pensions) under the LGPS to be in line with Consumer Price Inflation (CPI) in place of Retail Price Inflation (RPI) as announced in the Chancellor's budget of 22 June 2010
- The overall reduction to RPI inflation at the valuation date is 0.8% p.a.

7.2.10.4 Salary increases

The assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.75% p.a. over the inflation assumption as described above. This includes allowance for promotional increases.

7.2.10.5 Pension increases

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

7.2.10.6 Mortality

The mortality assumptions have been updated since the 2007 actuarial valuation in the light of an investigation carried out by the Fund's actuaries. For the 2010 actuarial valuation the mortality assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the characteristics of the scheme's membership. Future improvements are assumed to be in line with the CMI projections model, with longer term improvements being set at 1% p.a.

Members who retire on the grounds of ill heath are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 3 years older.

7.2.10.7 Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1p.a. of pension given up.

7.2.10.8 Other Demographics

Following an analysis of scheme experience carried out by the Actuary, the ill health and proportions married assumptions have been modified from the 2007 valuation. Other assumptions are as per the 2007 valuation.

7.2.11 Method and assumptions used in calculating the cost of future accrual

The cost of future accrual (normal cost) will be calculated using the same actuarial method and assumptions as used to calculate the funding target except that the financial assumptions adopted will be as described below.

The financial assumptions for assessing the future service contribution rate should take account of the following points:

- contributions will be invested in market conditions applying at future dates, which are unknown at the effective date of the valuation, and which are not directly linked to market conditions at the valuation date; and
- the future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 3.75% per annum, with a long term average assumption for price inflation of 3.0% per annum. These two assumptions give rise to an overall discount rate of 6.75% p.a.

Adopting this approach the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the "Common Rate" of contributions. In market conditions at the effective date of the 2010 valuation this approach gives rise to a somewhat more optimistic stance in relation to the cost of accrual of future benefits compared to the market related basis used for the assessment of the funding target.

At each valuation the cost of the benefits accrued since the previous valuation will become a past service liability. At that time any mismatch against gilt yields and the asset out-performance assumptions used for the funding target is fully taken into account in assessing the funding position.

7.2.12 Summary of key whole Fund assumptions used for calculating funding target, recovery plan and cost of future accrual (the “normal cost”) for the 2010 actuarial valuation

Long-term gilt yields	
Fixed interest Index linked Implied RPI price inflation Inflation adjustment Long term CPI inflation	4.5% p.a. 0.7% p.a. 3.8% p.a. 0.8% p.a. 3.0% p.a.
Past service funding target and recovery plan financial assumptions	
Investment return pre-retirement Investment return post-retirement Salary increases Pension increases	6.5% p.a. 5.5% p.a. 4.75% p.a. 3.0% p.a.
Future service accrual financial assumptions	
Investment return Salary increases Pension increases	6.75% p.a. 4.75% p.a. 3.0% p.a.

Demographic assumptions

The mortality tables adopted for this valuation are as follows:

	Table	Adjustment
Males normal health pensioners	S1PMA CMI_2009_M [1%]	101%
Female normal health pensioners	S1PFA CMI_2009_F [1%]	94%
Males ill health pensioners	As for male normal health pensioners +3 years	
Female ill health pensioners	As for female normal health pensioners +3 years	
Male dependants	S1PMA CMI_2009_M [1%]	118%
Female dependants	S1DFA CMI_2009_F [1%]	103%
Male future dependants	S1PMA CMI_2009_M [1%]	105%
Female future dependants	S1DFA CMI_2009_F [1%]	99%

Other demographic assumptions are noted below:

Withdrawal	As for 2007 valuation
Other demographics	Based on LG scheme specific experience.

7.3 Governance Policy Statement
(as approved May 2012)

This current version of the Governance Policy Statement was presented to the Pensions Committee for approval at the Pensions Committee held on 29 May 2012.

7.3.1 Terms of Reference of the Pensions Committee

National guidance from the Local Authorities (Functions and Responsibilities) Regulations 2000 make it clear that “functions relating to local government pensions etc.” are not executive functions. The Cumbria Pensions Committee acts as the County Council (rather than as part of the Executive) and is, therefore, not subject to scrutiny and call in of its individual decisions.

The committee has 10 members (8 County Councillors, 1 District Councillor and one non-voting employee representative).

Advice is given by Cumbria County Council’s Corporate Director - Resources, the Council’s finance team and by two independent advisers. The current advisers are appointed for their knowledge of investments and of pension funds; one adviser being primarily an investment specialist, the other complementing these investment skills with actuarial knowledge of the liability profile of the Fund.

Services are also provided by the scheme actuary Mercers, and by other consultants for investment management services.

The formal Terms of Reference of the Pensions Committee are as follows:-

(a) to exercise the Council’s responsibility as administering authority for the management of Cumbria Local Government Pension Scheme (the “Pension Fund”).

(b) to appoint the Investment Manager(s) for the Pension Fund.

(c) to approve advice to the Investment Managers on future policy for the investment of the Pension Fund.

(d) to submit the Accounts to the Audit and Assurance Committee for approval.

(e) to communicate with the other employers of the Scheme.

(f) to submit update reports to the Council on the state of the Fund and investment activities following meetings of the Committee.

(g) to invite appropriate professional representation as required, affecting the general management of the scheme.

The Pensions Committee will meet at least four times a year to consider the investment activities of the appointed fund managers and other matters relating to the management of the local government pension scheme. The Committee will also review the annual and longer-term investment performance of the scheme.

All meetings have proper agendas, records and minutes. The Pensions Committee reports to full County Council no less than twice yearly, to report on the activities and decisions of the previous quarters (including any meetings of the Pensions Forum). Training in current pension topics is given internally and externally. Training is also provided for the Pension Forum members on an annual basis.

The policies in relation to voting and reimbursement of expenses of Committee members are inherited from Cumbria County Council, and form part of its Constitution. (Further details can be found on the Council’s website at **www.cumbria.gov.uk**)

All facility time is paid by Cumbria County Council, as set out in the Trade Union Facilities Agreement.

7.3.2 Terms of Reference of the Pensions Forum

The Constitution of the Cumbria Pensions Forum is:

Employers:

(a) County Council: Nine Members
(b) District Councils: One member nominated by each Council (including member of the Pensions Committee)
(c) Statutory Bodies: One member nominated by each employer
(d) Admitted Bodies: One member nominated by each employer

Employees:

(a) County Council Eight employee representatives appointed by UNISON, of whom two shall be current pensioners
(b) District Councils: One employee representative for each District appointed by UNISON, together with one current pensioner
(c) Statutory Bodies: Eight employee representatives appointed by UNISON, together with one current pensioner
(d) Admitted Bodies: Three employee representatives appointed by UNISON

Where an appointed representative is unable to attend, a substitute may attend in their place.

The terms of reference of the Cumbria Pensions Forum are:

To seek the views of the representative bodies, employees and pensioners and discuss items of common interest in relation to pensions including: -

(a) administration of pensions and information to employees and pensioners in Cumbria;
(b) discretionary benefits under the Scheme;
(c) the state of the Fund (the Annual Report and Accounts shall be submitted to the Forum);
(d) investment policy;
(e) developments in public sector pension matters and to make appropriate recommendations to the County Council;
(f) the Chairman of the Pension Forum shall be a Member of the County Council;
(g) the Forum shall meet at least once per year;
(h) a special meeting of the Forum may be called by the Chairman, and he/she shall call a meeting within 21 days if requested in writing by three District Councils or by five employer bodies;
(i) the Forum members will have access to public Pension Committee papers, and are invited to comment where appropriate.

The Cumbria Pensions Forum meets to inform and consult with the wider representation of employing organisations, and employee and pensioner representatives. The dates of these meetings are synchronised with those held by the Pensions Committee to allow for Forum input.

The meetings will be Public meetings, and invitations will be circulated as widely as practicable to employer bodies and employee representatives. The membership of the Cumbria Pension Committee will be represented at each meeting, including where possible the Chair and Vice-Chair.

The policies in relation to voting and reimbursement of expenses of Committee members are inherited from Cumbria County Council, and form part of its Constitution. (Further details can be found on the Council's website at **www.cumbria.gov.uk**)

All facility time is paid by Cumbria County Council, as set out in the Trade Union Facilities Agreement.

7.3.3 Corporate Director - Resources

The Corporate Director - Resources has:

- To make safe and efficient arrangements for the receipt and collection of monies paid or due to the Council, and the issue of monies payable by the Council.
- To secure the satisfactory provision of services through the contract with the pensions administration provider.

7.3.4 Knowledge and Skills

Cumbria Local Government Pension Scheme adopts the key recommendations of the 'Code of Practice on Public Sector Pensions Finance Knowledge and Skills'.

This organisation recognises that effective financial administration and decision-making (note 1) can only be achieved where those involved have the requisite knowledge and skills.

Accordingly this organisation will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision-making.

These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

This organisation will report on an annual basis how these policies have been put into practice throughout the financial year.

This organisation has delegated the responsibility for the implementation of the CIPFA Code of Practice to the Corporate Director – Resources, who will act in accordance with the organisation's policy statement, and where he/she is a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).

Note 1: Decision-makers are those with executive authority serving on governing boards, i.e. Cumbria Pensions Committee.

7.3.5 Risk Management

The Pensions Committee considers risk management periodically. The latest review was at the Pensions Committee meeting held on 29 May 2012. The major risks facing the scheme are shown in the table below:

Pension scheme risks May 2012

Unique Risk Identification Number	Risk	Impact	Likelihood	Overall Risk Rating
1	The fund employer contribution rate is unaffordable.	4	2 (3)	8
2	Significant financial downturn occurs – '1 in 20' year event.	4	3	12
3	Investment strategy insufficiently flexible to exploit market opportunities.	3	3 (4)	9
10	Increasing pressure due to significant reductions in scheme membership following scheme benefit changes, e.g. contribution rate increases, or reduction in staff volumes.	3	3	9
6	Market risk as a result of an investment failure which may be relatively small compared to the Fund overall but large in absolute terms.	2	4	8
4	A loss occurs, due to fraud or financial irregularity damaging the financial standing and reputation of the Scheme, or opportunity for recovery missed, e.g. class action, tax reclaim.	2	3	6
7	Annual report and accounts criticised by Audit Commission.	3	2	6
12 (new)	Significant errors in administration and historical data cause issues at the triennial valuation.	3	2	6
13 (new)	Significant losses on the transition of investment assets due to the volume and timing of change in managers planned for 2012/13.	2	3	6
14 (new)	Financial standing of employers decreases with inadequate covenants or bonds to cover losses.	2	2	4

( ) refers to previous score

Risk matrix

Impact

5. Most severe	amber	amber	amber	red	red
4. Major		1, amber	2, amber	red	red
3. Moderate		7, 12	3, 10	amber	amber
2. Minor		14	4, 13	6	
1. Insignificant					
	1. Very unlikely	2. Unlikely	3. Possible	4. Likely	5. Very likely

Likelihood

For all risks shown above mitigation action has been identified and action taken. A progress report setting out details was presented to the Pensions Committee at its 29th May 2012 meeting.

7.3.6 Governance Compliance Statement

The Local Government Pension Scheme Regulations 1997 were amended on the 30 June 2007 (Regulation 73A(1)(c) to require Administering Authorities to report the extent of their compliance against a set of best practice governance principles published by Communities and Local Government (CLG).

Principle **Compliance**

Principle A : Structure	Not Compliant	Fully Compliant
a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.		✓
b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.		✓
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.		✓
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.		✓

Principle B : Representation	Not Compliant	Fully Compliant
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).		✓
b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.		✓
Principle C : Selection and role of lay members	**Not Compliant**	**Fully Compliant**
a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.		✓
b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.		✓
Principle D : Voting	**Not Compliant**	**Fully Compliant**
a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.		✓
Principle E : Training facility time expenses	**Not Compliant**	**Fully Compliant**
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.		✓
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.		✓
c) That the administering authority considers the adoption of annual training plans for the committee members and maintains a log of all such training undertaken.		✓

Principle F : Meeting frequency forum	Not Compliant	Fully Compliant
a) That an administering authority's main committee or committees meet at least quarterly.		✓
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.		✓
c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.		✓
Principle G : Access	Not Compliant	Fully Compliant
a) That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.		✓
Principle H : Scope	Not Compliant	Fully Compliant
a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.		✓
Principle I : Publicity	Not Compliant	Fully Compliant
a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.		✓

7.4 Statement of Investment Principles
(As approved May 2012)

7.4.1 Introduction

Administering Authorities have to prepare, maintain and publish Statements of Investment Principles under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.
The Statement of Investment Principles (SIP) outlines the Fund's investment strategy, and how the risk and return issues have been managed relative to the Fund's investment objectives. It should be read in conjunction with the Funding Strategy Statement (FSS) which sets out how solvency and risks will be managed with regard to the underlying pension liabilities. The SIP will be reviewed at least annually.

The SIP covers the following:

- Background;
- Types of investments;
- Balance between investments;
- Assets managed by investment fund managers;
- The strategic benchmark;
- Items outside the strategic benchmark;
- Limits on investments;
- Risk;
- Investment objectives;
- Realisation of investments;
- Corporate Governance and Ethical Investment;
- Compliance of Cumbria Fund with the Updated Myners Principles.

7.4.2 Background

The Cumbria Pensions Committee exercises Cumbria County Council's responsibility as administering authority for the management of Cumbria Local Government Pension Scheme. The Terms of Reference are set out in the Scheme's Governance Policy, and include appointing investment managers and approving the investment policy for the Pension Fund.

A Strategic Investment Review has been carried out during the year 2011/12 and will lead to alterations to the investment structure of the Fund. However, this is ongoing and no changes have yet been implemented. We expect this to take place over the next 12 month period. The latest SIP was approved by the Pensions Committee held on 29 May 2012.

7.4.3 The investment objectives of the fund

- The long-term objective is to achieve an investment return in the order of 6.5 % per annum (to match the actuary's long term assumptions for future service) over a twenty-five year period from April 2007. This target may be reviewed after periodic actuarial valuations and consultation with scheme employers.
- The funding level of the scheme to move towards 100 % over a maximum fund recovery period of twenty-five years from April 2007. This target may be reviewed after periodic actuarial valuations and consultation with scheme employers.
- The target investment return for the fund as a whole is to be 0.6 % per annum ahead of the fund's customised benchmark return over rolling five-year periods.
- As the fund has adopted a scheme specific benchmark, it is not appropriate to compare the fund directly with the WM Local Authority Universe return. Nevertheless, regard will still be paid to this Universe over the longer term.

7.4.4 Types of investments to be held

The fund will hold UK Equities, overseas equities, index-linked securities, fixed interest securities, managed funds (in particular unit and investment trusts), alternatives (e.g. venture capital, hedge funds, infrastructure, commodities, forestry, emerging market debt), certain derivatives, direct property, cash and other assets as determined from time to time by the Pensions Committee.

7.4.5 Balance between different types of investments

The fund employs six managers to diversify the investment manager risk. The percentage allocated to each manager is reviewed periodically by the Pensions Committee, including a specific allocation to the property manager and the alternatives manager. The fund maintains long-term allocations to various asset classes, including property and alternatives. The actual asset split of the Fund overall as at 31st March 2012 is shown below along with the benchmark allocation.

Asset Class	Benchmark Asset Allocation	Actual Percentage as at 31/03/12
UK Equities	25	26
Overseas Equities	25	26
North American		
Europe ex UK		
Japan		
Pacific ex Japan		
Emerging Markets		
Fixed Interest		
UK Fixed Interest	6	0
Corporate Bonds	16	16
Fixed Interest total	22	16
Index-Linked	11	16
Alternatives	9	9
Property	8	6
Cash/debtors/creditors	0	1
Total	**100**	**100**

A new benchmark asset allocation will be implemented once the Strategic Investment Review has been completed.

7.4.6 Assets managed by pension fund investment managers

Manager	Percentage of total fund 31/03/2012	Mandate
Schroder (UK Equities)	12.4	To outperform the FTSE All Share Index by 1% after fees over rolling three-year periods.
Newton (Global Equities)	11.3	To outperform the FTSE World index by 2% gross of fees over rolling three-year periods.
GMO (Overseas Equities)	12.4	To outperform by 2% after fees an overseas equity weighted index over rolling three-year periods.
BlackRock (Alternatives)	8.5	To achieve an absolute return of three month sterling LIBOR plus 3% net of fees on an annualised basis over rolling three year periods.
Legal and General Passive (Multi Asset) excluding property and alternatives	48.9	To keep tracking error within set limits per annum to the appropriate index, two years in three. (UK equities 2.0%, overseas equity 2.0%, gilts 1.0%, corporate bonds 1.0%, index-linked bonds 1.5%) Excludes property and alternatives.
Aberdeen (UK Property)	6.5	To outperform the IPD Quarterly Universe after fees over rolling three-year periods.
Total	**100.00**	

* The Insight mandate was terminated in April 2011 and their assets were transferred to Legal and General. They are being held passively until a new bond manager is appointed.

Investment managers are paid fees and are expected to achieve an investment target. As fees are based on the value of funds under management, growth in the portfolio would lead to an increase in fee, providing an element of performance incentive. Where performance is unsatisfactory and targets are not met, fees may be renegotiated and where performance remains unsatisfactory, managers can be removed and the mandates awarded to other managers. The above allocation will be reviewed at least annually and as necessary. The most recently appointed managers Newton and BlackRock are also remunerated according to performance.

7.4.7 The strategic benchmark

The Strategic Investment Review recommended that the Scheme adopt a scheme-specific benchmark for the investments, with long-term allocations to the various traditional asset classes, excluding property and alternatives, which reflect the circumstances of the Scheme.

Legal and General maintain this balance between certain of the fund's assets within the control ranges, by rebalancing their unit fund holdings. The property and alternatives portfolios are **not** included in the rebalancing of the assets to the strategic benchmark.

The customised benchmark in place at 31st March 2012, excluding the direct property allocation and alternatives portfolio, was as follows:

Asset Class	Percentage at 31/03/12	Control Range + or - %	Index
UK Equities	30	2.0	FTSE All Share
Overseas Equities	30	2.0	
North American			FTSE World North America
Europe ex UK			FTSE World Europe ex UK
Japan			FTSE World Japan
Pacific ex Japan			FTSE Developed Asia Pacific ex Japan
Emerging Mkts			S&P IFC Investable Composite
Fixed Interest			
UK Fixed Interest	7		FTSE-A Govt (Over 15 yr)
Corporate Bonds	19.5		iBoxx £ Non-Gilt
Fixed Interest total	26.5	2.0	
Index-Linked	13.5	1.5	FTSE-A Index-Linked (Over 5 year)
Total	**100.00**		

7.4.8 Items managed outside the strategic benchmark

Property has a monetary target held separately from the strategic benchmark and compared to the IPD Monthly Property Index. The Pensions Committee decided in March 2010 that the allocation to property should be increased to around 8% of the Fund, funded from equity holdings. The portfolio at 31st March 2012 was £94.7 million. The alternatives portfolio managed by BlackRock is benchmarked against the LIBOR plus 3% and was valued at £124.1 million (31/03/12-unaudited). Legal & General are engaged to passively hedge up to 50% of the overseas currency exposure.

7.4.9 Limits on investments

The powers and duties of the fund to invest monies are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The amended regulations provide the opportunity to increase exposure to certain types of investments specified in Schedule 1 of the regulations where proper advice has been obtained.

The Pension Committee of the Cumbria Local Government Pension Scheme has decided, having taken proper advice, to adopt increased limits as follows:

1.Effective from 20 November 2007 and in accordance with Regulation 11(2A) and item 10 of Part 1 of Schedule 1 of the regulations, the limit on the amount invested in any single insurance contract is 35%. This allows increased flexibility to the fund in respect of passive investments.

2.Effective from 18 August 2009 and in accordance with Regulation 11(2A) and items 2 and 3 of Part 1 of Schedule 1 of the Regulations, the limit on all contributions to any single partnership is 3% (of total Fund) and the limit on all contributions to partnerships is 6% (of total Fund). The increased limits enable the Fund to implement its management structure at a time of falling asset values.

These decisions comply with the requirements of the Regulations and are subject to periodic review.

7.4.10 Risk

The return of the fund is to be achieved by the investment managers without exposing the Fund to excessive risk and with regard to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

Risk is managed by diversification by:

- The appointment of more than one manager, and managers with different investment styles.
- The use of different asset classes including alternatives.
- For each manager, where appropriate, reviewing the achieved variation in investment return from the benchmark, and also the forecast range of return for each future quarter.

Managers' performance targets are set to avoid undue exposure to risk and investment performance is measured over a three year period, but it is monitored quarterly with managers attending the Pensions Committee regularly and normally at least once in a twelve month period. The benchmark asset allocation, as revised in light of the Strategic Investment Review, is a key indicator of the level of risk that is acceptable.

Mercer have estimated the Value at Risk of the fund. The One-year Value at Risk of the fund (95th percentile) is the potential worst-case scenario (with a 5 % probability) increase in the deficit over a one-year period .The Value at Risk is estimated at £313million as at 31 December 2011. (Funding review by Mercer)

7.4.11 Realisation of investments

Investment managers are free to realise investments to maximise the benefit to the Fund. Transactions have, however, to be reported quarterly to the Pensions Committee.

The property manager is instructed to notify the Corporate Director of Resources before they make any sales or purchases.

7.4.12 Corporate Governance

The overriding objective of the fund is to obtain its stated performance targets. However, investment managers are expected to combine the primary aim of out-performance with the need to take a responsible attitude as longer-term shareholders in companies, and to maximise long term shareholder value.

Where, however, two investments are evenly balanced environmental or ethical considerations could be a deciding factor.

The responsibility for the exercise of rights (including voting rights) attaching to investments is delegated to the investment managers who are expected to approach the subject of voting with the same care and attention as other matters which influence investment decisions. Voting should be undertaken where it is believed it to be in the best interests of the Fund.

Where a resolution is put forward which is particularly controversial the manager should liaise with the authority as appropriate. Investment managers need not vote on routine issues.

The investment managers are required to report quarterly on their voting actions for every appropriate investment. Any responses received from companies concerned should also be reported. A full voting audit trail should be available. The outcome of voting actions should also be shown if possible. In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have also elected to invest in pooled indexed funds and cannot therefore directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds invest. The Trustees are satisfied that the Fund Managers Corporate Governance policy reflects the key principles of Socially Responsible Investment.

7.4.13 Social, Environmental and Ethical Investment

Ethical investment is defined as *"the practice of selecting or deselecting investments by reference to any criteria other than financial ones"*[1]

The investment guidelines issued to managers of the Cumbria scheme's investments stress the overriding importance of financial considerations in selecting investments. Social environmental and ethical considerations are important where, in the view of the manager, such considerations may add to the risk of comparative under-performance perhaps because of change to the regulatory regime of an industry in which a particular company operates. Equally, where a manager has a view that a positive social, environmental and ethical stance by a company will add to its relative performance, that would be an appropriate factor for the manager to take into account in stock selection.

The legal duties of trustees and elected members are not clear-cut. However, following legal advice the fund believes the above statement complies with the legal duty placed on pension fund trustees.

[1] CIPFA Pensions Panel: Management and Investment of Funds Shareholder Responsibilities

7.4.14 Compliance of Cumbria Fund with the Updated Myners Principles

Principle 1 : Effective Decision Making	Not Compliant	Fully Compliant
Administering authorities should ensure that: • decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and • those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.		✓ ✓

The fund has a clear scheme of delegation and arrangements for provision of management and advice. Investment funds are managed by seven national or international organisations with offices in London.
The members of the Pensions Committee perform duties similar to private trustees and are elected councillors of the County Council and District Councils. The Members' Allowance Scheme operates for the remuneration of the Pension Committee.

The Pension Committee have their skills and experience developed through training events, external seminars and fund manager visits on a regular basis.

Two independent Investment Advisers normally attend Pension Committee meetings.

A small team of professional investment and support staff is provided. Officers of the Council provide advice on a day-to-day basis. The Chairman and members can contact officers and independent advisers on an ad hoc basis as and when required.

Expert consultants and Actuaries are also used by the fund as required.

There is a forward looking business plan and progress is regularly evaluated. This includes a three-yearly strategic investment review, following the Actuarial Valuation.

Principle 2 : Clear Objectives	Not Compliant	Fully Compliant
An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers.		✓

The investment objectives are detailed in the Statement of Investment Principles, and the Funding Strategy Statement details the funding objectives. Both are updated as required.

The fund has its own investment benchmark although regard is paid to the Local Authority Universe allocation to comply with Best Value methodology. The fund's liability profile will normally be considered in relation to its benchmark every three years, with annual interim reviews. All fund managers have clear written mandates, governed by the Fund's strategic objectives and Pension Investment Regulations, and are reviewed regularly by officers and the Pension Committee.

Performance contribution is reviewed quarterly and at one of the meetings annual and longer-term investment performance is reviewed in detail. The Fund operates on a three-year rolling review approach with regular fund manager presentations to the Pensions Committee on performance. In recent years, four managers have been terminated or replaced for under-performance. Investment Managers are constantly under review. All significant investment opportunities are considered and taken where appropriate. Stock Lending was approved during 2004.

Principle 3 : Risk and Liabilities	Not Compliant	Fully Compliant
In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.		✓
These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.		✓

Strategic asset allocation receives a high level of attention and a full strategy review is undertaken every three years following the Actuarial Valuation. The Actuarial Valuation considers longevity risk and the affordability of contribution rates for the County Council, District Councils and other employers of the Scheme, taking a prudent longer-term view of funding the liabilities.

Principle 4 : Performance Assessment	Not Compliant	Fully Compliant
Arrangements should be in place for the formal measurement of the performance of the investments, investment managers and advisers.		✓
Administering authorities should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.		✓

The fund carries this out through the performance measurement service supplied by SSIA/WM Company. Investment performance is reported to the Pension Committee each quarter, and one of these meetings includes an Annual Performance Review with SSIA/WM Company.

The Pensions Committee members are surveyed for their views on quality of advice given by the Investment Advisers. Effectiveness of Pension Committee decisions, such as strategy and manager selection, is discussed in the Annual Report and Accounts.

Principle 5 : Responsible Ownership	Not Compliant	Fully Compliant
Administering authorities should:		
• adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.		✓
• include a statement of their policy on responsible ownership in the Statement of Investment Principles; and		✓
• report periodically to scheme members on the discharge of such responsibilities.		✓

Principle 6 : Transparency and Reporting	Not Compliant	Fully Compliant
Administering authorities should:		
• act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives; and		✓
• provide regular communication to members in the form they consider most appropriate.		✓

The Statement of Investment Principles (SIP) sets out

- The Fund's investment objective,
- The Fund's planned asset allocation strategy,
- Mandates given to advisors and managers.

The SIP is included in the Fund's Annual Report; this is sent to all employers and is available on the County Council's website. All members of the fund also receive a summary of the financial position with their Annual Benefit Statement. This also gives details of how they can access more detailed information, which includes the full Annual Report and accounts.

Investment performance is included in the Annual Report. Adviser performance measurement will be included.

The Cumbria Pensions Forum meets to inform and consult on wider pensions issues; the members receive the Annual Report, and have access to the public Pension Committee papers.

The Pension Committee Minutes and Agenda are available on the County Council website. The Annual Report and Accounts are also placed on the Council's website.

7.5 Administration and Communications Policy
(as approved May 2012)

As stated in the Governance Policy Statement, it is the responsibility of the Pensions Committee to exercise the Council's responsibility as administering authority for the management of Cumbria Local Government Pension Scheme, and the Corporate Director - Resources is responsible for securing the satisfactory provision of services through the contract with the pensions administration provider.

The Administering Authority has externalised the administrative pensions function from 1st February 2011 to Your Pension Service, at Lancashire County Council. The details are contained in a Collaboration Agreement drawn up between the administering authority and Lancashire County Council.

7.5.1 External Administration Provider

An annual administration report will be presented to the Pensions Committee at least annually.

This report will include:
- Actual performance against key performance indicators.
- Details of over and under payments.
- Communications activity including copies of newsletters to members.
- Details of current staffing levels and changes implemented or planned.
- Details of estimates provided, hits on the pensions website and developments to the website.

7.5.2 Communications Policy

The external administration provider is contractually bound to:

- Provide a full explanatory guide for the pensions scheme, on commencement of employment or subsequent request from an individual employee. Issue a supply of brief guides to each employer (as required) for distribution to new employees with the contract of employment.
- Ensure all employers are informed of changes to relevant pensions legislation and advise on best practice (eg via seminars if necessary, and by providing an Employers Guide).
- Issue explanatory booklets and material upon request of employer or individuals.
- Provide and issue explanatory booklets on Additional Voluntary Contributions (AVCs) ensuring that these are accurate and up to date.
- Each year distribute to all AVC contributors the statement provided by the AVC provider.
- Each financial year-end arrange for a P60 form to be dispatched to all pensioners.
- Paper payslips will be provided to members in receipt of pensions when payment alters by over £5.00.
- Each year provide to all current scheme members a statement of benefits, with accompanying explanatory notes (in plain English and reflecting latest statutory position) and provide a telephone help line for queries.
- Provide a summary of the financial position of the Fund with their Annual Benefit Statement. This also gives details of how they can access more detailed information, which includes the full Annual Report and Accounts.
- Distribute to the employing bodies a copy of the actuary's report and notify to each their specific employers' contribution rate.
- Upon written request provide details of any aspect of relevant pension schemes including copies of legislation and interpretation.
- Upon request from groups of scheme members provide appropriate attendance at seminars (e.g. pre retirement or induction course) and provide sessions on pension scheme aspects if required.
- Provide and maintain an up to date Employers' Guide to assist employing bodies perform their role in relation to administration of pension scheme matters.

- Provide a full help line (telephone) service to all past, present and future members of pension schemes, and to their employing bodies, to advise on all aspects. Maintain the Cumbria Local Government Pension Scheme website and update the contents as required.
- Produce Pension Newsletters as and when required to explain to members any change in the scheme (and in full compliance with statutory requirements).

The Administering Authority, Cumbria County Council, will:

- Prepare an Annual Report and Accounts. This will be distributed to all employers in the scheme and published on the Cumbria County Council website: **www.cumbria.gov.uk/Finance.**
- Maintain a Statement of Investment Principles, keep it under review at least every year, and publish it. A Funding Strategy Statement will be produced every three years along with the Actuarial Valuation. Copies of the Actuarial Valuation and Funding Strategy Statement will be distributed to all employers who are members of the scheme.

SchemeTalk
Local Government Pension Scheme
2011

your pension service

New name, same award winning service

I would like to welcome you to the 1st edition of Scheme Talk. This is an annual newsletter for members of the Cumbria Local Government Pension Scheme.

2011 has brought in some challenging, yet exciting change. 'Your Pension Service', which is part of Lancashire County Council, became responsible for the administration of your Pension Scheme on 1st February 2011. As you can see we have introduced a new website which I hope you will like.

Should you require further information then please do not hesitate to contact our Pensions Helpdesk. More details are shown on the back page.

Your Pension Service is committed to providing an excellent customer service to you and I do hope you find this newsletter useful and informative. I am always pleased to receive feedback about our newsletters so please let us know if you found this edition informative and if there is anything you would like to see in future editions of Scheme Talk.

Kind Regards

Diane Lister
Head of Your Pension Service

INVESTOR IN PEOPLE

UK

CUSTOMER SERVICE EXCELLENCE

URGENT
CO-HABITING
Read our article INSIDE without delay

Your Pension Service
PO Box 100, County Hall,
Preston, PR1 OLD
www.yourpensionservice.org.uk

In partnership with
Cumbria

Administered by
Lancashire County Council

7.6 Statement of Responsibilities

Responsibilities of the Administering Authority

The administering authority 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 authority, that officer is the chief financial officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Responsibilities of the Chief Financial Officer

The Assistant Director – Finance is responsible for the preparation of the authority'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 financial officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The chief financial officer has also:

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

The Statement of Accounts relate to the financial year ended 31 March 2012 and include the Fund Account and the Statement of Net Assets which are prepared in accordance with standard accounting practice as outlined in the notes to the pension scheme accounts.

I certify that the audited statement of accounts presents a true and fair view of the financial position of Cumbria Local Government Pension Scheme at 31 March 2012, and its income and expenditure for the year ended 31 March 2012.

Signed:

Julie Crellin
Acting Assistant Director – Finance
Cumbria County Council
26 September 2012

7.7 Auditor's Opinion

Independent Auditor's Report to the Members of Cumbria County Council

Opinion on the pension fund accounting statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Cumbria County Council's Audit and Assurance Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Acting Assistant Director – Finance and Auditor

As explained more fully in the Statement of the Acting Assistant Director – Finance's Responsibilities, the Acting Assistant Director – Finance is responsible for the preparation of the pension fund's financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Acting Assistant Director - Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I report to you if, in my opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. I have nothing to report in this respect.

Jackie Bellard - District Auditor
September 2012
Audit Commission, Aspinall House, Middlebrook, Horwich, Bolton, BL6 6QQ

8 Other Statements

8.1 Cash Investment Policy (approved March 2011)

8.1.1 Introduction and Regulations

The Cash Investment Policy for Cumbria Local Government Pension Scheme was first approved by the Cumbria Pensions Committee on 26th February 2010, with an updated version approved on 1 March 2011. The Policy has been constructed and will be maintained by the Administering Authority with regard to the following regulations and guidance:

- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009,
- CLG's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and any revisions to that guidance,
- Audit Commission's report on Icelandic investments,
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") revised in 2009.

8.1.2 Management of Pension Fund Cash

The Administering Authority will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which were implemented on 1st Jan 2010, and from 1st April 2010 will not pool pension fund cash with its own cash balances for investment purposes. Any investments made by the pension fund directly with the Administering Authority after 1 April 2010 will comply with the requirements of SI 2009 No 3093.

From 1st April 2011, Cumbria LGPS will operate its own bank account separately from Cumbria County Council.

8.1.3 Cash Investment Priorities

The Cumbria Pension Scheme's cash investment priorities are: -

(a) the security of capital and
(b) the liquidity of its investments.

As cash is not included in the Scheme's benchmark as an asset, the Administering Authority should aim to keep the cash balance held to a minimum, as surplus pension fund monies should be fully invested by the investment managers.

The Scheme will also aim to achieve a modest return on its cash investments commensurate with proper levels of security and liquidity. The risk appetite of this Scheme is low in order to give priority to security of its cash investments.

8.1.4 Investment and Counterparty Choice

The Cumbria LGPS will seek advice on its Investment Policy from the officers and advisers of Cumbria County Council. Investment instruments identified for pension cash must be allowable within the Council's own Investment Strategy from the 'Specified Investment' category. Counterparty choice for pension cash will be restricted to those with creditworthiness satisfying the Council's own Treasury Management criteria.

All credit ratings will be monitored through the Council's use of the Treasury Advisers' creditworthiness service. The Council will also use market data and information, information on government support for banks and the credit ratings of that government support.

- If a downgrade results in the counterparty/ investment scheme no longer meeting the Council's minimum criteria, its use for pension fund cash will be withdrawn immediately.

8.1.5 Investment Strategy for Pension Fund Cash

Subject to the aim to keep the cash balance held to a minimum as stated above, the investment of any fund money that is not needed immediately must be invested using the following strategy :

- Set a cap at £5 million for the NatWest Liquidity account and each Money Market Fund, and allow officers discretion to invest appropriately between them.

8.1.6 Role of the Section 151 Officer

The treasury management role of the section 151 officer with respect to pension fund cash will be -

- recommending the Cash Investment Policy for approval, reviewing the policy regularly, and monitoring compliance;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function and reporting activities to the Pension Committee, no less than annually;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.

8.1.7 Review of Policy

The Cash Investment Policy will be kept under regular review to accommodate any necessary changes due to regulations, changes in the UK banking support package, to bank creditworthiness, and any other necessary amendments, to maintain the security of capital and the liquidity of the pension fund cash invested.

8.2 Admission and Termination Policy
(approved August 2010)

This document details the Cumbria Local Government Pension Scheme's policy on admissions into the Scheme, the methodology for assessment of a termination payment on the cessation of an admission body's participation in the CLGPS, and considerations for current admission bodies. The Admissions and Termination Policy was approved by the Cumbria Pensions Committee held on 31st August 2010.

8.2.1 Admissions Policy

8.2.1.1 Admissions – Background

Admission bodies are a specific type of employer under the Regulations that govern the Local Government Pension Scheme. They do not automatically qualify for admission and must instead satisfy certain criteria as set out in the Regulations. They also need a written admission agreement to be admitted and participate in the Scheme.

The Council as administering authority may make an admission agreement with any admission body that satisfies the criteria under the Regulations. An admission agreement will enable all (or any specified class) of the admission body's employees to be members of the LGPS and participate in the LGPS.

Any application for admitted body status must be submitted to the Council as administering authority in good time to enable actuarial information to be obtained and the legalities associated with admission to be dealt with. Applications should preferably be submitted at least six months before the proposed transfer or admission date.

Admission bodies are divided into two basic types under the Regulations:-
(a) Community admission bodies;
(b) Transferee admission bodies.

8.2.1.2 Community Admission Bodies

These are the traditional type of admission bodies. They are bodies that usually operate in and/or are connected to local government.

The following are community admission bodies:-

- a body, other than the governors or managers of a voluntary school (within the meaning of the School Standards and Framework Act 1998), which provides a public service in the United Kingdom otherwise than for the purposes of gain and which either:
  - (a) has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise), or
  - (b) is approved by the Secretary of State for the purposes of admission to the Scheme. Approval may be subject to such conditions as the Secretary of State thinks fit and he may withdraw approval at any time if such conditions are not met;
- a body, other than the governors or managers of a voluntary school, to the funds of which a Scheme employer contributes;
- a body representative of:
  - (a) local authorities;
  - (b) local authorities and officers of local authorities;
  - (c) officers of local authorities where it is formed for the purpose of consultation on the common interests of local authorities and the discussion of matters relating to local government; or
  - (d) Scheme employers;
- the Housing Corporation;
- the Commission for the New Towns;
- a company for the time being subject to the influence of a local authority (within the meaning of section 69 of the Local Government and Housing Act 1989 (companies subject to local authority influence)); and

- a company for the time being subject to the influence of a body listed in Part 1 of Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2008 (other than a local authority). For the purpose of determining whether a company is subject to the influence of a body as mentioned in paragraph (2)(g), section 69 of the Local Government and Housing Act 1989 shall have effect as if references in that section to a local authority were references to the body.

8.2.1.3 Transferee Admission Bodies

The Regulations also allow private contractors to be admitted into the LGPS subject to them meeting certain criteria. This type of admission body is known as a transferee admission body. The following are transferee admission bodies:-

- a body, other than a community admission body, that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of:
  - (a) the transfer of the service or assets by means of a contract or other arrangement;
  - (b) a direction made under section 15 of the Local Government Act 1999 (directions imposed on failing local authority); or
  - (c) directions made under section 497A of the Education Act 1996 (directions imposed on a failing LEA).
- a body, other than a community admission body, that is providing or will provide a public service and which is approved by the Secretary of State for the purposes of admission to the Scheme. Approval may be subject to such conditions as the Secretary of State thinks fit and he may withdraw approval at any time if such conditions are not met.

8.2.2 Admissions Policy Statement

8.2.2.1 Community Admission Bodies

In addition to the requirements under the Regulations, the following principles will be adopted in relation to community admission bodies:-

(a) Applications will be approved if all the conditions of participation set out in the appendix are met and;

- The body exists as a result of being specifically set up by a local authority(s).
- The body falls into the category of "community" admission highlighted within section 1 and does not have any of the disqualifying criteria set out below.

(b) Applications will not be approved if;

- The application falls into the "community" admission category and the body has one or more of the following disqualifying criteria attached to it:-

I. the body does not meet the conditions of participation detailed at the appendix; or

II. there is no guarantee from a local authority, or bond or indemnity (from an appropriate third party and to the satisfaction of the administering authority) in place to cover potential liabilities, or the admission body will not pre-fund for termination with contributions assessed using the least risk methodology and assumptions (the administering authority on advice from the actuary will determine the most appropriate method described in (II.) to cover potential liabilities); or

III. there is a known limited lifespan or fixed contract term of admission to the fund; or

IV. there is uncertainty over the security of the organisations funding sources e.g. the body is reliant on voluntary or charitable sources of income or has no external funding guarantee/ reserves.

V. In exceptional circumstances the admission body's application may be refused without the existence of any disqualifying criteria.

VI. In exceptional circumstances, applications with disqualifying criteria may nevertheless be accepted, at the discretion of the administering authority, subject to any further requirements or restrictions that the administering authority may consider appropriate.

8.2.2.2 Transferee Admission Bodies

In addition to the requirements under the Regulations, the following principles will be adopted in relation to transferee admission bodies:-

(a) Applications will be approved if all the conditions of participation set out in the appendix are met and;

- The body falls into the category of "transferee admission body" highlighted in section 1 and does not have any of the disqualifying criteria set out below.

(b) Applications will not be approved if;

- The application falls into the "transferee" admission category and the body has one or more of the following disqualifying criteria attached to it:-

I. the body does not meet the conditions of participation detailed at the appendix; or

II. There is no bond or indemnity (of the amount determined to the satisfaction of the transferring Scheme employer in conjunction with the administering authority) in place to cover potential liabilities as detailed in the relevant actuarial assessment.

III. The transferring scheme employer is a participating employer within another LGPS Fund.

The deficit recovery periods for all admission bodies will normally be determined against the policy set out in the Funding Strategy Statement. However the administering authority reserves the right to determine that an employer specific deficit recovery period will apply.

Decisions regarding transferee and community admissions will be delegated to the Assistant Director - Finance.

8.2.3 Termination Funding Policy

8.2.3.1 Termination Funding – Background

When an admission agreement comes to its end, or is prematurely terminated for any reason, employees may transfer to another employer, either within the Scheme or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees the Scheme will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members.

In the event that unfunded liabilities arise that cannot be recovered from the admission body, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

8.2.3.2 Termination Funding – Policy Statement

A termination assessment will always be carried out for "out going" admission bodies, the actuarial cost of which will be charged to the outgoing admission body, together with any other related costs of the termination.

Treatment of assets and liabilities at termination will be as follows:-

Community Admissions:

- If potential liabilities are covered by a bond, then the amount of those liabilities will be recovered from the bond and/or the outgoing admission body.
- Where a guarantor is in place all assets, liabilities and any funding deficit (not recovered from the outgoing body) will be subsumed by that guarantor assuming that they are also a Scheme employer within the Fund.
- If there are surpluses at termination which cannot be refunded to the out going body then these will be subsumed by the Fund.

Transferee Admissions:

- Transferee admission bodies generally will have a guarantor since the Regulations require that, in the event of any unfunded liabilities on the termination of the admission, the contribution rate for the relevant Scheme Employer should be revised.
- On termination of a transferee admission, any orphan liabilities and the related assets in the Fund will be subsumed by the relevant Scheme Employer.
- The Scheme Employer is required to carry out an assessment of the level of risk on premature termination of the contract. This assessment would normally be based on advice in the form of a “risk assessment report” provided by the actuary to the CLGPS. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the CLGPS the decision over the level (if any) of any bond requirement for the transferee admission body is the responsibility of the Scheme Employer.

Older Admissions prior to 31 August 2010:

- In the case of older admissions not covered under transferee or community arrangements above, where there is no guarantor or bond in place, following the termination assessment any outstanding liabilities will be recovered from the outgoing body. Where this is not possible then this liability will be subsumed by the Fund as a whole. Any surplus identified will likewise be subsumed by the Fund.

Funding basis for termination calculations

- The CLGPS policy is that a termination assessment will be made based on a least risk funding basis, unless the admission body has a guarantor within the Fund or a successor body exists to take over the admission body’s liabilities (including those for former employees) This is to protect the other employers in the Fund as, at termination, the admitted body’s liabilities will become “orphan liabilities” within the Fund, and there will be no recourse to the admission body if a shortfall emerges in the future (after the admission has terminated).
- If, instead, the admission body has a guarantor within the Fund or a successor body exists to take over the admission body’s liabilities the CLGPS policy is that the valuation funding basis will be used for the termination assessment. In the case of admissions prior to 31 August 2010 where the employer is in danger of insolvency the Assistant Director-Finance may use their discretion to use the valuation basis and/or allow the deficit to be paid by instalments.
- The guarantor or successor body (or the fund in respect of older admissions) will then, following any termination payment made, subsume the assets and liabilities of the admission body within the Fund. This may, if agreed by the successor body, include the novation to the successor of any funding deficit on closure, in place of a termination payment being required of the admission body itself.

8.2.3.3 Notification of Termination

In many cases, termination of the admission is an event that can be foreseen, for example, because the organisation’s operations may be planned to be discontinued. In this case admission bodies are requested to open a dialogue with the Fund to commence planning for the termination as early as possible.

Where termination is disclosed in advance the Fund will liaise with the actuary to introduce procedures to reduce the volatility risks to the debt amount in the run up to actual termination of the admission.

8.2.3.4 Admission and Termination Policy Appendix: Conditions of Participation

Payments

The Admission Body shall pay to the Administering Authority for credit to the Fund such contributions and payments as are due under the Regulations in respect of those employees who are eligible to participate in the Fund.

The Admission Body shall pay to the Administering Authority for credit to the Fund the employee and employer pension contributions on a monthly basis in arrears. The payment must be paid to the Administering Authority within 19 calendar days of the end of each month in which the pension contributions have been deducted.

The employer contribution rate required to be paid by the Admission Body will be assessed by an actuary appointed by the Administering Authority.

The Admission Body shall pay to the Administering Authority for credit to the Fund any additional or revised contributions due as result of additional membership being awarded or as a result of outstanding liabilities due should the admission agreement terminate. Payment will be due within 30 calendar days of receipt of a written request from the Administering Authority.

Any employees' Additional Voluntary Contributions ("AVC's") or Shared Cost Additional Voluntary Contributions ("SCAVC's") are to be paid direct to such AVC body and/or AVC insurance company selected by the Administering Authority. Contributions shall be paid within 19 calendar days of the end of each month in which the contributions have been deducted.

Where the Admission Body certifies that:

- an eligible employee is retiring by reason of redundancy or in the interests of efficiency; or
- an eligible employee is voluntarily retiring with the Admission Body's consent before age 60; or
- the deferred benefit of an eligible employee is brought into payment with the Admission Body's consent either (i) on or after age 55 and before age 60 where they were a member of the LGPS on or before 31st March 2008; or (ii) on or after age 55 and before age 65 where they became a member on or after 1st April 2008;

Immediate benefits are payable under the Regulations the Admission Body shall pay to the Administering Authority for credit to the Fund the sum notified to them in writing by the Administering Authority as representing the actuarial strain on the Fund resulting from the immediate payment of benefits. Such sum is to be paid within 30 calendar days of receipt of the written notification.

The Admission Body shall indemnify the Administering Authority against any financial penalty and associated costs and expenses incurred by the Administering Authority or by the Fund arising from any failure by the Admission Body to comply with the terms of the Admission Agreement entered into by it, the Regulations or any overriding legislation. Such payment is to be paid within 30 calendar days of receipt of a written request from the Administering Authority.

If any sum payable under this Agreement or the Regulations by the Admission Body to the Administering Authority or to the Fund has not been paid (in whole or in part) within the payment period specified (or otherwise in accordance with the Regulations) the Administering Authority may require the Admission Body to pay interest calculated in accordance with Regulations on the amount remaining unpaid.

Admission Body's Undertakings

The Admission Body undertakes:

- to provide or procure to be provided such information as is reasonably required by the Administering Authority relating to the Admission Body's participation in the Fund including (but not limited to) details of the pay and final pay of each eligible employee;
- to comply with the reasonable requests of the Administering Authority to enable it to comply with the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (as amended);
- to adopt the practices and procedures relating to the operation of the Scheme as set out in the Regulations and in any employer's guide published by the Administering Authority and provided by the Administering Authority to the Admission Body;
- to formulate and publish within 3 calendar months of commencement a statement concerning the

Admission Body's policy on the exercise of its functions or discretions in accordance with the requirements of the Regulations and to keep such policy under review;
- to notify the Administering Authority of each occasion on which it exercises a discretion under the Regulations and the manner in which it exercises that discretion;
- to notify promptly the Administering Authority in writing of any material change in the terms and conditions of employment of any of the eligible employees which affects entitlement to benefits under the LGPS and of any termination of employment ;
- to immediately notify the Administering Authority and the Scheme employer in writing of any matter which may affect or is likely to affect its participation in the LGPS and of any actual or proposed change in its status which may give rise to a termination of the admission agreement or in the case of a transferee admission body which may give rise to a termination of the Contract between the admission body and the Scheme employer including but not limited to take-over reconstruction amalgamation liquidation receivership or a change in the nature of its business or constitution.

Actuarial Valuations

The Administering Authority may periodically and shall at least on a triennial basis obtain from an actuary a certificate specifying in the case of the Admission Body the percentage or amount by which in the actuary's opinion the employer's contribution rate should be increased or reduced. This is with a view to ensuring that as far as is reasonably possible the value of assets of the Fund in respect of current and former eligible employees is neither materially more nor materially less than the anticipated liabilities of the Fund.

Upon termination of this Agreement the Administering Authority must obtain:

- an actuarial valuation of the liabilities of the Fund in respect of current and former Eligible Employees as at the date of termination; and
- a revision of any rates and adjustments certificate within the meaning of the Regulations showing the revised contributions due from the Admission Body.

The costs of obtaining the actuarial valuation and certificates (or revisions to them) as required by the Administering Authority in respect of current and former eligible employees (other than the triennial valuation) shall be paid by the Admission Body within 30 calendar days of receipt of written notification of such costs from the Administering Authority.

Termination

The Agreement shall terminate at the end of the notice period upon the Administering Authority or the Admission Body giving a minimum of three calendar months notice in writing to terminate this Agreement to the other party or parties to this Agreement.

This Agreement shall terminate automatically on the earlier of:

- the date of the expiry or earlier termination of the Contract (if the admission is of a fixed term); or
- the date the Admission Body ceases to be an Admission Body for the purposes of the Regulations; or

This Agreement may be terminated by the Administering Authority by notice in writing to the Admission Body taking immediate effect in the event of:

- the insolvency winding up or liquidation of the Admission Body;
- any breach by the Admission Body of any of its obligations under this Agreement provided that the Administering Authority shall if the breach is capable of remedy first afford to the Admission

Body the opportunity of remedying that breach within such reasonable period as the Administering Authority may specify;

- the failure by the Admission Body to pay any sums due to the Administering Authority or to the Fund within the periods specified in this Agreement or in the Regulations or in any other case within 30 calendar days of receipt of a written notice from the Administering Authority requiring the Admission Body to do so;
- the failure by the Admission Body to renew or adjust the level of any bond/indemnity which is required to be in place.

8.3 Discretions Policy (approved September 2011)

Cumbria County Council as administering authority of Cumbria Local Government Pension Scheme has the power to make certain discretions to assist in the management of the scheme. These will be applied across the whole Cumbria Scheme for all employers and members. The Discretions Policy was approved by the Cumbria Pensions Committee held on 26th September 2011.

8.3.1 Administering Authority Discretions for use in the Cumbria Local Government Pension Scheme

Discretions from 01.04.08 in relation to post 31.03.08 active members (excluding councillor members) and post 31.03.08 leavers (excluding councillor members), being discretions under:

- The Local Government Pension Scheme (Administration) Regulations 2008 (Prefix A)
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) (Prefix B)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (Prefix T)
- The Local Government Pension Scheme Regulations 1997 (Prefix L).

Discretion	Regulation	Discretion Made By Cumbria County Council as Administering Authority
Whether to agree to an admission agreement with a community body	A5(1) and A7(4)	Depending on circumstances, and only in accordance with the published Fund Admission Policy
Whether to approve / withdraw approval of a community admitted body under A5(2)(a)(ii)	A5(2)(a)(ii) & A5(3)	Exercised by Secretary of State
Whether to agree to an admission agreement with a transferee body	A6(1) & A6(10)(a) & A7(4)	Depending on circumstances, and only in accordance with the Fund Admission Policy
Define what is meant by “employed in connection with”	A6(12)	After taking guidance from the transferor employer, and in accordance with the Fund Admission Policy
Whether to approve / withdraw approval of a transferee admitted body under	A6(2)(b) A6(2)(b) & A6(4)	Exercised by Secretary of State
Agree terms of admission agreement	A7(2)	Exercised by all parties to the agreement

Discretion	Regulation	Discretion Made By Cumbria County Council as Administering Authority
Whether to terminate a transferee admission agreement in the event of • insolvency, winding up or liquidation of the body • breach by that body of its obligations under the admission agreement • failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so	ASch3, para 10	Yes as stated in termination policy. However in exceptional circumstances this may be varied.
Whether to set off against payments due to a transferee admission body any sums due to the Fund by that body	ASch3, para 12(b)	Exercised by Transferor Employer
Whether to agree to an admission agreement with a Care Trust or NHS Scheme employing authority	A12(6)	Depending on circumstances, and only in accordance with the Fund admission policy
Frequency of payment of member's contributions	B3(11)	The due date for employee contributions is the 19th of the month following the month in which they were deducted.
Whether to extend normal 12 month period following end of relevant reserve forces leave for "Cancelling notice" to be submitted requesting that the service should not be treated as relevant reserve forces service	A19(8)(b)	In exceptional circumstances
Agree method of paying for augmented membership granted under B12 or additional pension granted under B13	A40(2) & (4)	Augmented Pension will be paid for by means of a lump sum payment
Whether to extend the one month period within which a lump sum payment by the employer under A40(2) has to be made (to pay for any augmented membership granted under B12 or additional pension granted under B13)	A40(9)(b)	The invoice will be payable within one month of issue
Whether to require a satisfactory medical before agreeing to an additional regulation contribution (ARC) election or additional contributions for survivor benefits (ASBC) election under B14	A23(3) & A24(3)	Application from an employee will only be accepted if accompanied by a medical report provided by a registered medical practitioner stating that the employee is in reasonably good health. The employee must meet the cost of obtaining such a report.
Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC/SCAVC funds	A28(2)	Not to charge for work performed associated with the calculation of the membership credit for Additional Voluntary Contributions transfer into the Fund

Discretion	Regulation	Discretion Made By Cumbria County Council as Administering Authority
Governance policy must state whether the admin authority delegates their function of part of their function in relation to maintaining a pension fund to a committee, a subcommittee or an officer of the admin authority and, if they do so delegate, state • the frequency of any committee or subcommittee meetings; • the terms of reference, structure and operational procedures appertaining to the delegation; • whether representatives of employing authorities or members are included and, if so, whether they have voting rights. • The policy must also state the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the reasons for not complying.	A31*	A Governance Policy Statement was prepared and approved by the Pensions Committee held on 26 February 2008, with revisions approved on 1 March 2011.
Whether to set up a separate admission agreement fund	A32(1)	Not to set up a separate admission agreement fund
Decide on Funding Strategy for inclusion in funding strategy statement	A35*	This was approved by the Pensions Committee at the meeting held on the 1 / 2 March 2011
Whether to obtain revision of employer's contribution rate on termination of an admission agreement where underfunding not met by insurer, bond or indemnity	A38(3)	Only do this if advised to do so by the scheme actuary
Whether to obtain revision of employer's contribution rate with a view to ensure no underfunding by time admission agreement terminates	A38(4)	Only do this if advised to do so by the scheme actuary
Decide whether to obtain a new rates and adjustments certificate if the Secretary of State amends the Benefits Regulations as part of the "cost sharing" under A36A	A38A	Only do this if advised to do so by the scheme actuary
Whether to require any strain on Fund costs to be paid "up front" by employing authority following redundancy, flexible retirement, or the waiver (in whole or in part) of any actuarial reduction on flexible retirement (but not waiver of reduction in full on compassionate grounds). NB: there is no provision equivalent to that in regulation 80(5) of the 1997 Regulations which permits strain on Fund costs to be charged for early voluntary retirements (i.e. after age 50/55 and before age 60) or early payment of a deferred benefit on health grounds.	A41(2)	The strain on Fund costs to be paid up front following redundancy, flexible retirement, or waiver of any actuarial reduction on flexible retirement unless the Scheme Actuary advises otherwise.

Discretion	Regulation	Discretion Made By Cumbria County Council as Administering Authority
Decide frequency of payments to be made over to Fund by employers and whether to make an admin charge.	A42(1) & (7)	The due date for employer contributions is the 19th of the month following the month to which they refer. Where invoices are issued for any payments the due date is one month from date of invoice. Administration charges are covered by the employer contribution rates.
Decide form and frequency of information to accompany payments to the Fund	A42(4)	Remittance advices required for all payments to the Fund.
Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	A43	Issue such a notice following advice by the scheme actuary
Whether to charge interest on payments by employers overdue by more than 1 month	A44(1)	The interest charge will be calculated in accordance with statutory requirements i.e. Base rate plus 1%.
Extend time period for capitalisation of added years contract	TSch1 & L83(5)	Not to extend this time period
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits.	A45(3)	To adopt this
Can pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration	A52(2)	Requires Letters of Administration before it pays over death grant except in cases where a nomination form is held
Approve medical advisors used by employers (for ill health benefits)	A56(2)	To adopt this
Whether to extend six month period to lodge a stage one IDRP appeal	A58(7)(b)	Exercised by Person Making stage one IDRP decision
Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised	A60(8)	Procedure laid down
Whether admin. authority should appeal against employer decision (or lack of a decision)	A63(2)	Will decide this depending on the particular circumstances
Whether to extend six month period for admin. authority to lodge an appeal against an employer decision	A63(3)(b)	Exercised by Secretary of State
Specify information to be supplied by employers to enable admin. authority to discharge its functions	A64(1)(b)	The requirements for scheme employers have been laid down
Whether to have a written pensions administration strategy and, if so, the matters it should include	A65(1) & (2)	An administration strategy has been set out in the Governance Policy Statement

Discretion	Regulation	Discretion Made By Cumbria County Council as Administering Authority
Communication policy must set out policy on communicating with members, representatives of members, prospective members and employing authorities and format, frequency and method of communications	A67*	A communications policy has been set out in the Governance Policy Statement
Date to which benefits shown on annual benefit statement are calculated	A68	To show benefits to the 1st of April
Decide policy on abatement of pensions following re-employment	A70(1)* & A71(4)(c) & T12	To abate pensions following reemployment
Whether to issue a forfeiture certificate	A72(1)	Exercised by Secretary of State
Agree to bulk transfer payment	A81(1)(b)	Take the advice of the scheme actuary
Agree set aside of bulk transfer assets / cash and acquisition of rights in new scheme	A81(4)(a)	Exercised by Fund actuary / new scheme actuary
Determine adjustments to bulk transfer payment	A82(2)	On advice from the scheme actuary
Determine who should bear bulk transfer actuarial costs (where more than one employing authority is involved in the transfer)	A82(5)	On advice from the scheme actuary
Allow transfer of pension rights into the Fund	A83(9)	Allow following advice from the scheme actuary
Agree bulk inter fund adjustment terms (where 10 or more members affected by a single event)	A86(3)	Exercised by Actuaries for both funds
Whether to extend normal time limit for acceptance of restitution transfer value beyond 12 months from joining the LGPS	TSch1 & L122A(2)(c)	Allow this
Where member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member	B10(2)	Always pay the highest benefit to a member of the scheme
Whether to pay the whole or part of a child's pension to another person for the benefit of that child	B27(5)	Yes, depending on individual circumstances
Decide to whom death grant is paid	B23(2) & B32(2) & B35(2) & TSch1 & L155(4)	Rely on the nomination form or in its absence letters of administration unless there are exceptional circumstances
Decide evidence required to determine financial dependence of nominated cohabite on scheme member or financial interdependence of nominated co-habitee and scheme member	B25	Rely on the nomination form

Discretion	Regulation	Discretion Made By Cumbria County Council as Administering Authority
Decide to treat a dependent child who commences full time education or vocational training after the date of the member's death as an eligible child after the child attains age 18 and until age 23	B26(4)	Adopt this discretion
Decide to treat child as being in continuous education or training despite a break	B26(5)(a)	Adopt this discretion
Decide to suspend child's pension during a break in education or training	B26(5)(b)	Adopt this discretion unless there are exceptional circumstances
Decide to treat a dependent child who is disabled within the meaning of the DDA 1995 as being an eligible child	B26(6)	Adopt this discretion
Decide whether to commute small pension	B39 & T14(3)	Do this at the members request
Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	B42(1)(c)	Always pay the highest benefit to a member of the scheme
Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1.4.08)	TSch 1 & L23(9)	Always pay the highest benefit to a member of the scheme
Whether to accept a partial restitution payment	TSch1 & L122A(8)	Do this with the agreement of the individual
How to discharge Pension Credit liability	TSch1 & L147	Depending on individual circumstances.

8.3.2 Discretions under the Local Government Pension Scheme Regulations 1997 (as Amended) in relation to pre 01.04.08 scheme members

Discretion	Regulation	Discretion Made By Cumbria County Council as Administering Authority
Make election on behalf of deceased non-councillor member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 01.04.08).	23(9)	Always pay the highest benefit to a member of the scheme
Decide to whom death grant is paid in respect of post 31.03.98 / pre 01.04.08 leavers.	38(1) & 155(4)	Requires Letters of Administration before it pays over death grant except in cases where a nomination form is held.
Treat child as being in continuous education or training despite a break (children of post 31.03.98 / pre 01.04.08 leavers).	44(3)	Adopt this discretion

Discretion	Regulation	Discretion Made By Cumbria County Council as Administering Authority
Apportionment of children's pension amongst eligible children of post 31.03.98 / pre 01.04.08 leavers.	47(1)	Adopt this discretion
Pay child's pension to another person for the benefit of the children of post 31.03.98 / pre 01.04.08 leavers).	47(2)	Yes, depending on individual circumstances
Agree to commutation of small pension (pre 01.04.08 leavers or pre 01.04.08 Pension Credit members).	49 & 156	Do this at the members request
Commute benefits due to exceptional illhealth (pre 01.04.08 leavers and pre 01.04.08 Pension Credit members).	50 & 157	Adopt this discretion
Whether to require any strain on Fund costs to be paid "up front" by employing authority following early payment of a deferred benefit on health grounds or from age 50 with employer consent (pre 01.04.08 leavers).	80(5)	Adopt this discretion
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits pre 01.04.08 leavers).	89(3)	Adopt this discretion
Timing of pension increase payments by employers to fund (pre 01.04.08 leavers).	91(6)	Pension increase payments will be invoiced quarterly or annually dependant on circumstances
Pay death grant due to personal representatives without need for grant of probate / letters of administration (death of pre 01.04.08 leaver).	95	Requires Letters of Administration before it pays over death grant except in cases where a nomination form is held
Approve medical advisors used by employers (re pre 01.04.98 preserved benefits payable on health grounds)	97(10)	Delegated to employers
Decide procedure to be followed by admin authority when exercising its IDRP functions and decide the manner in which those functions are to be exercised (pre 01.04.08 leavers).	99	Procedure laid down
Appeal against employer decision, or lack of a decision (pre 01.04.08 leavers).	105(1)	Will decide this depending on the particular circumstances.
Extend appeal period under reg 105	105(2)	Exercised by Secretary of State
Date to which benefits shown on annual deferred benefit statement are calculated	106A(5)	Normal retirement age
Abatement of pensions following reemployment (pre 01.04.08 leavers).	109* & 110(4)(b)	To abate pensions following reemployment.
Retention of CEP where member transfers out (pre 01.04.08 leavers).	118	To retain any CEP

8.3.3 Discretions under the Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (as Amended)

Discretion	Regulation	Discretion Made By Cumbria County Council as Administering Authority
Extending time limit for repayment of a previous refund (1.4.74. to 31.12.79)	17(3)	Not to adopt this discretion
Whether to pay spouse's pensions for life for pre 1.4.98 retirees / deferred who die on or after 1.4.98.	Para 21 of Sch 3	To adopt this discretion

8.3.4 Discretions under the Local Government Pension Scheme Regulations 1995 (as Amended) in relation to pre 01.04.98 scheme leavers

Discretion	Regulation	Discretion Made By Cumbria County Council as Administering Authority
Decide to whom death grant is paid in respect of pre 1.4.98. leavers	E8	Requires Letters of Administration before it pays over death grant except in cases where a nomination form is held.
Treat child as being in continuous education or training despite a break (children of pre 1.4.98. leavers)	G1	Adopt this discretion
Apportionment of children's pension amongst eligible children (children of pre 1.4.98. leavers)	G11(1)	Determined to pro rata children's pensions
Pay child's pension to another person for the benefit of the child (children of pre 1.4.98. leavers)	G11(2)	Adopt this discretion as appropriate

8.3.5 Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended)

Discretion	Regulation	Discretion Made By Cumbria County Council as Administering Authority
Agree to pay annual compensation on behalf of employer and recharge payments to employer	31(2)	To recharge payments made on behalf of the employer

9 Glossary

Active Management – Approach to investment management which aims to outperform a particular market index or benchmark through asset allocation and/or stock selection decisions. (Also see Passive Management).

Actuary – An independent consultant who advises the Scheme and every three years formally reviews the assets and liabilities of the Scheme and produces a report on the Scheme's financial position, known as the Actuarial Valuation.

Alternatives - Alternatives are investment products other than traditional investments of equity stocks, bonds, cash or property. The term is used for tangible assets such as art, wine etc, and financial assets such as commodities, private equity, hedge funds, venture capital and derivatives.

Asset Allocation - Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return, and is a central concept in financial planning and investment management.

Benchmark – A yardstick against which the investment policy or performance of a fund manager can be compared, usually the index relating to the particular assets held. (Also see Target).

Bid price – Price at which a security or unit in a pooled fund can be sold.

Bonds – Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

Buy and Hold Credit - An approach to bond investment that is very different to an index-tracking or traditional active approach. In the case of "buy and hold" investing, the starting point of the portfolio construction process is not the index weight of the bonds, but a basket of bonds that the manager believes have a high probability of honouring the payment obligations due. As such the investor's return expectation has a "margin of safety" and is not dependant on a change in sentiment in credit markets. The intention is typically to hold the bonds until maturity (and to be prepared to sell bonds if the default risk increases). Constant duration portfolios are also available.

Custodian – Organisation which is responsible for the safekeeping of asset, income collection and settlement of trades for a portfolio, independent from the asset management function.

Derivative – Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.

Diversification - Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.

Emerging Markets – Developing economies in Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Investment returns within these markets tend to be more volatile than those in more established markets.

Equities – Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Fixed Interest Securities – Investments mainly in government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

Funding Level – The ratio of a pension scheme's assets to its liabilities. Normally relates to defined benefit pension schemes and used as a measure of the scheme's ability to meet its future liabilities.

Gilts - These are the simplest form of UK government bond. A conventional gilt is a bond issued by the UK government which pays the holder a fixed cash payment (or coupon) every six months until maturity, at which point the holder receives his final coupon payment and the return of the principal.

IFRS – International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in the financial accounts of companies and other organisations globally.

Index-linked Gilts – UK government stock where the interest payments and the final redemption proceeds are linked to the Retail Price Index. Such stocks provide protection against inflation.

Index-Tracking Fund (Managed Fund) – Pooled investment vehicle which aims to match the returns on a particular market index. The fund may hold all stocks in the index or select a sample that will perform closely to the index. Investors can buy and sell units of the fund on an on-going basis.

Investment Strategy – Investor's long-term distribution of assets among various asset classes taking into consideration, for example, goals of the investor, attitude to risk and timescale etc.

Liabilities – Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pensions liabilities are the pensions benefits and payments that are due to be paid when someone retires; the LGPS is a 'final-salary' scheme where pension relates to years service and final salary and so the pensions liability can be estimated by the actuary.

Market Value – The price at which an investment can be bought or sold at a given date.

Myners Review – Review carried out by Paul Myners on behalf of the Chancellor of the UK government. The review, published in March 2001, investigated the challenges facing institutional investment decision making.

Passive Management – Portfolio which aims to replicate a particular market index or benchmark and does not attempt to actively manage the portfolio. (Also see Active Management).

Pooled Investment Fund – A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region. The underlying assets the funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. They are used as an efficient low-risk method of investing in the asset classes.

Portfolio – Block of assets generally managed under the same mandate.

Private Equity – Shares in unquoted companies. Usually high risk, high return in nature.

Retail Price Index – Measure of price inflation in the UK used as a guide for pensions updating. A basket of representative goods in the market is priced on a regular basis to monitor the rate of inflation. (The Government is also publishing details of the Consumer Prices Index).

Return – Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

Risk – Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.

Settlement – Payment or collection of proceeds after trading a security. Settlement usually takes place some time after the deal and price are agreed.

Statement of Investment Principles – The SIP sets out details of the investment policy being followed by a pension scheme. Includes certain specific statements such as the kinds of investments held and the balance between them, risk and expected returns, realisations of investments, socially responsible investments and corporate governance policy.

Stock Lending – Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.

Target – Managers are set a target for investment performance such as 1% above benchmark per year over three year rolling periods.

Unit Trust – A specific type of pooled investment fund.

Unquoted (Unlisted) Stock – A company share that is not available for purchase or sale through the stock market.

Venture Capital – Investment in a company that is at a relatively early stage of development and is not listed on a stock exchange.

10 Contact us

General Contact Details

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Resources Directorate
Finance, Lonsdale Building, The Courts, Carlisle
CA3 8NA

Email: **pensions@cumbria.gov.uk**

Access to Pension Committee Papers

For access to publicly available papers please see the website, or contact:

Cumbria County Council
Resources Directorate
Member Services & Scrutiny, Lonsdale Building, The Courts, Carlisle CA3 8NA

Web: **www.cumbriacc.gov.uk/council-democracy**

Pensions Contact Details

For personal pensions and benefits queries please contact:

Your Pension Service
Cumbria LGPS Team
PO Box 100, County Hall, Preston PR1 0LD

Email: **pensions.helpdesk@lancashire.gov.uk**

Telephone: **01772 530530**

Alternatively for general LGPS scheme information, consult the website **www.yourpensionservice.org.uk**

If you require this document in another format (eg CD, audio cassette, Braille or large type) or in another language, please telephone 01228 606060.

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