Restricted

DERBYSHIRE PENSION FUND
administered by
DERBYSHIRE COUNTY COUNCIL

Pension Fund Annual Report

Year ended 31 March 2016

Pension Fund Annual Report for the Year ended 31 March 2016

Introduction

Derbyshire County Council is the administering authority for the Derbyshire Pension Fund (the Fund) under the terms of the Local Government Pension Scheme Regulations 2013 (the Regulations).

This report has been produced in accordance with Section 57 of the Regulations. It aims to set out the way in which the Pension Fund is managed both in relation to the administration of benefits and to the investment of the Fund.

In the 2015 Summer Budget, following a long review into the future structure of LGPS, the Government announced its intention of inviting 89 administering authorities within LGPS to formulate plans for pooling investment assets, with the aim of reducing costs significantly whilst maintaining investment performance. Derbyshire Pension Fund subsequently announced its participation in LGPS Central, a Midlands based collaboration of eight local government pension funds. As a multi-asset manager, utilising both internal and external investment expertise, it is intended that LGPS Central will manage approximately £35bn of assets on behalf of member funds from 2018 onwards, with a strong focus on delivering cost savings within a robust governance structure. Working together with our partners, the development and implementation of LGPS Central with be a major strategic focus for the Fund over the next two years.

Details of investment performance are provided for 2015-16 and over the longer term and these are compared with benchmark index returns and local authority average returns over the same periods.

A new Statement of Investment Principles was approved during the year, incorporating a revised strategic asset allocation (the benchmark). The new benchmark included increased allocations to US Equities, Property, Infrastructure and Private Equity, and reduced allocations to UK Equities, Fixed Income Bonds and Index-Linked Bonds. A new asset class, Multi-Asset Credit, was introduced into the benchmark. Colliers International were appointed as the Fund's discretionary Direct Property investment manager in July 2015.

In terms of administration, the Fund's membership records and subsequent calculations of benefits and other pension matters were transferred to a new software system during 2014. This system was selected after a public procurement exercise. Whilst much of the functionality has been implemented there remain a number of outstanding issues which continue to be worked upon and have led to additional processes being established to ensure the accuracy of pension calculations. Work is continuing to ensure the system operates as intended.

The Fund's accounts for the year are included in section E of the report whilst the Actuary's latest statement under Section 77 of The Local Government Pension Scheme Regulations 1997 is included in the Valuation Report under section G.

Further information relating to the Fund is available on Derbyshire County Council's website at http:--www.derbyshire.gov.uk-working for us-pensions-.

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A Management and Financial Performance

1 Investments

Responsibility for the investment of the Pension Fund is delegated to the County Council's Pensions and Investments Committee. The Committee comprises members representing Derby City Council as well as the County Council. Employee representatives attend as non-voting members. During 2015-16, the Committee received advice from the County Council's Director of Finance and one independent Investment Adviser:

Anthony Fletcher

The Fund's independent adviser, Philip Williams, retired in March 2016 and was thanked by the Pensions and Investments Committee for his significant and valuable contribution to the success of the Fund over many years. Anthony Fletcher has been appointed as the Fund's new advisor.

Pensions and Investment Committee Membership 2015-16

As at 31 March 2015	**As at 31 March 2016**
County Councillors	
J Frudd	J Innes
P Dunn	S Brittain
R Davison	R Davison
S Ellis	S Ellis
S Freeborn	S Freeborn
M Longden	R Parkinson
S Marshall-Clarke (Chair)	S Marshall-Clarke
D Wilcox	D Wilcox (Chair)
Derby City Council	
Councillors	
D Roberts	P Hezelgrave
M Tittley	M Tittley

Employee representatives attend the meetings as non-voting members

P Beresford (Unison)	P Beresford (Unison)
N Read (Unison)	M Wilson (Unison)

Terms of Reference

With regard to the Fund's Investments, the main powers and duties of the Pensions and Investments Committee are based on the provisions of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2009, and the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2013 which are designed to ensure that the Fund being is properly and effectively managed. The regulations are currently subject to an ongoing consultation process.

The main responsibilities of the Committee are as follows:

Statutory Duties

- To appoint managers, advisers etc

- To monitor performance

- To determine an investment policy having regard to:

  The advisability of investing in a wide variety of investments

  The suitability of particular investments and types of investments

  The above Regulations require that advice should be taken in carrying out the above duties.

- To produce and publish the Fund's Statement of Investment Principles which sets out the Fund's policy and its compliance with Myners' Principles for Institutional Investment.

- To produce and publish the Fund's Governance Policy Statement

- To produce and publish the Fund's Communications Policy Statement.

The Statement of Investment Principles, Governance Policy and Communications Statements have been produced by the Pensions and Investment Committee and are included in this report.

Other Duties

- Investment decisions relating to unquoted investments such as direct property, private equity and infrastructure.

- Voting decisions not covered by voting guidelines

Committee minutes are reported directly to the Council.

Investment Management

The Fund's investment assets are managed as follows:

(a) **UK bonds, Sovereign International bonds, Corporate bonds*, UK equities, Japanese equities*, Asia Pacific equities*, Emerging Market equities*, Multi-Asset Credit*, Infrastructure* and Private Equity** (* through pooled investment funds)

By the in-house team comprising:

Peter Handford (Director of Finance)
Richard Appleby (Assistant Director of Finance)

The Investment Section

Investment Management
Dawn Kinley (Head of Investments)
Richard Fanshawe (Fund Manager)
Julian Green (Fund Manager)
David Henry (Fund Manager)
Vanessa Jacka (Fund Manager)
Neil Smith (Fund Manager)
Christopher Gooding (Research Analyst)
Mark Davies (Research Analyst)

Dawn Kinley was appointed as the permanent Head of Investments on 1 May 2016.

Accounts-Treasury Management-Administrative Support
Rajwant Dosanjh (Pension Fund Accountant)
Jonathan Clarke (Finance Officer (Treasury Management))
Lesley Crowder (Business Services Officer)
Catherine Bedford (Business Services Officer)

(b) **Direct Property**

Colliers International (Discretionary Manager)

(c) **European Equities**

UBS Global Investment Management (in a passive capacity)

(d) **North American Equities**

Wellington Management International (in a discretionary capacity)

2 Financial Performance

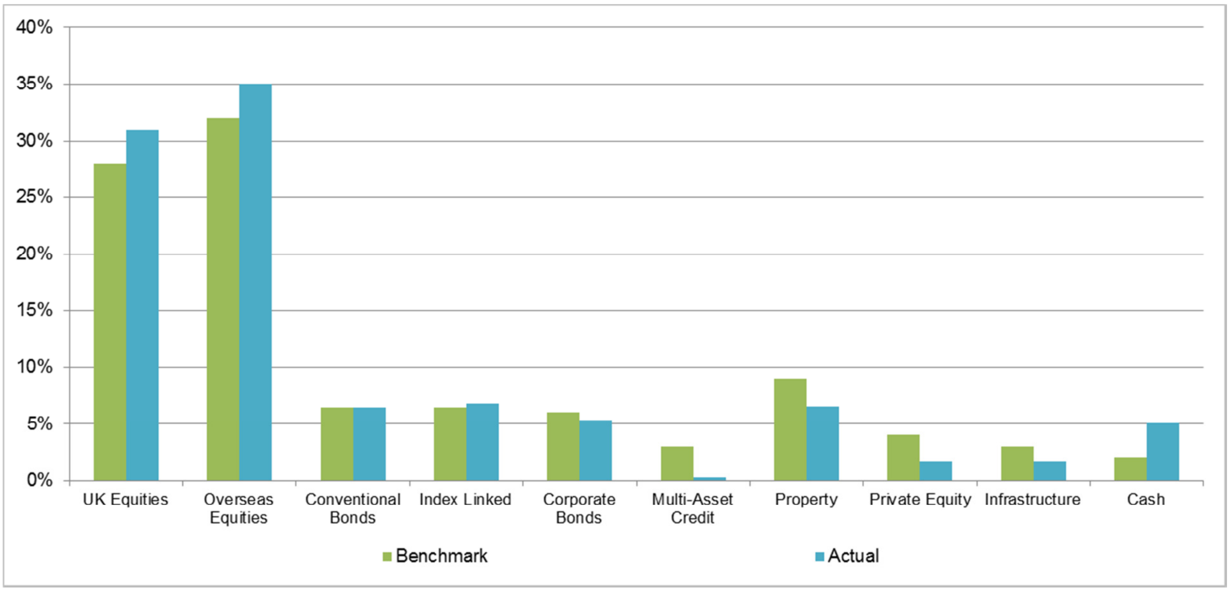
The costs of managing the pension fund in 2015-16 were as follows:

	Cost £000s	Members	Cost per member
Investment Management	15,272	93,892	£162.65
Pensions Administration	1,450	93,892	£15.44
Oversight and Governance*	431	93,892	£4.59

* Includes Actuarial-Audit fees of £67,000, equivalent to £0.71 per member.

Asset Allocation 31 March 2016

The Fund's asset allocation as at 31 March 2016 was as follows:



A new Statement of Investment Principles was approved during the year, incorporating a revised strategic asset allocation (the benchmark). The new benchmark included increased allocations to US equities, Property, Infrastructure and Private Equity and reduced allocations to UK equities, Fixed income Bonds and Index-Linked bonds. A new asset class, Multi-Asset Credit, was introduced into the benchmark.

The Pension Fund reduced its weightings in respect of both UK equities (32.4% to 31.0%) and Index-Linked Bonds (7.9% to 6.8%) in 2015-16 reflecting the impact of the new Statement of Investment Principles noted above, and made meaningful increases to the Property (4.9% to 6.6%), Infrastructure (0.9% to 1.7%) and Private Equity (0.7% to 1.7%) weightings.

The Fund's targets

The Fund's targets are as follows:

> To beat the actuary's long term assumptions of returns (currently an investment return of 4.6% pa)
>
> To achieve a return within each actively manged asset class greater than the relevant asset class benchmark on an annualised basis over a rolling three year period.

Market Background 2015-16

Equity markets, with the exception of North America, produced negative returns over 2015-16. UK equities fell by -3.9%, reflecting the high exposure to oil and commodity stocks. In sterling terms, North America was the strongest performing region returning 3.6%. The worst performing regions were Emerging Markets and Pacific ex Japan, which fell by -8.9% and -8.2%, respectively. These markets were extremely volatile and were impacted by concerns of a global slowdown, particularly in China, a falling oil price and the impact of a rate rise in the US for the first time in nine years.

Whilst bond returns were lower than in the previous year, they outperformed equities. UK Government bonds returned 3.2%, UK Index-Linked bonds returned 1.7% and Corporate bonds returned 0.2%. Bond returns benefited from concerns about a general slowdown in global growth, geopolitical uncertainties and a lack of inflationary pressure.

Property had another strong year, delivering a return of 11.4%, with yields falling in primary and secondary markets, reflecting low borrowing levels and emerging signs of rental growth in specific regions and sectors.

B Investment Performance

Investment performance is calculated independently by the WM Company on a quarterly basis. Results are considered by the Pensions and Investment Committees as they become available and are reported to Fund members on an annual basis as part of this report.

Comparative annual returns for the Fund are shown below for 2015-16. Also shown are rolling 3, 5 and 10 year results along with inflation figures to give an indication of real returns.

1 April 2015 - 31 March 2016

The Fund's results for 2015-16 are shown below and compared with Benchmark index returns for the same period

	The Fund %	**Benchmark Index** %
UK Equities	(3.5)	(3.9)
Overseas Equities		
North America	3.2	3.6
Europe	(4.3)	(4.4)
Japan	(3.9)	(3.3)
Pacific ex Japan	(8.1)	(8.2)
Emerging Markets	(7.1)	(8.9)
Fixed Interest		
UK Government Bonds	3.7	3.2
UK Corporate Bonds	0.1	0.2
Index linked	1.0	1.7
Alternatives	14.2	(0.7)
Property	14.6	11.4
Total	**(0.7)**	**(0.7)**

The Fund performed in line with its benchmark, returning -0.7%.

Within equities, the Fund outperformed in the UK, Europe, Pacific ex Japan and Emerging Markets and underperformed in North America and Japan.

The Fund outperformed in Conventional bonds and underperformed in Index-Linked and Corporate bonds. Both Alternatives and Property outperformed the benchmark.

Longer Term Performance (periods to 31 March 2016)

Performance for the Fund over 3, 5 and 10 years to 31 March 2016 is shown below.

	3 years % pa	**5 years % pa**	**10 years % pa**
The Fund	5.8	7.0	5.8
Benchmark Returns	5.6	6.8	5.5
Average Local Authority	6.4	7.1	5.6
Consumer Price Index	0.7	1.7	2.4
Retail Price Index	1.6	2.4	3.0

The Fund has outperformed against its benchmark for the three, five and ten year periods, and performed in line for the one year period. It is important to note that the Fund returns were comfortably ahead of inflation, delivering real returns over all periods.

The Fund outperformed the Local Authority Average Fund return over the ten year period but underperformed over the three and five year periods.

Costs

The cost of investing the Fund expressed as a cost per member for the past 3 years was:

	2013-14	**2014-15**	**2015-16**
The Fund	£61.94	£148.61	£162.65

As set out in Note 2 of the Pension Fund Statement of Accounts, Administration costs, Investment management expenses, Investment income and Profits and losses on disposal of investments and changes in value of investments in 2014-15 and 2015-16 have been restated in accordance with CIPFA Guidance 'Accounting for Local Government Pension Scheme Management Costs'. The impact of the changes was sizeable, increasing restated Investment management expenses for 2014-15 from £4.7m to £13.4m. In summary the changes are to:

- introduce a third category of management expenses of Oversight and governance costs;
- include pooled investment vehicle management fees in Investment management expenses, with a deduction for pooled investment vehicle rebates;
- include transaction costs (stamp duty and commission) in Investment management expenses;
- include property refurbishment costs in investment property purchases; and
- deduct irrecoverable property expenses, such as vacant property rates and any difference between recoverable property service charge and insurance income and expense, from direct property rental income.

The costs for 2013-14 have not been restated in accordance with the CIPFA Guidance which is why the costs of investing the Fund is significantly lower than that reported for 2014-15 and 2015-16.

Largest Holdings

The Fund's 10 largest Equity Investments at 31 March 2016 were as follows:

Name of company	Value of Holding £000s
Royal Dutch Shell plc	60,591
HSBC plc	48,379
GlaxoSmithKline plc	44,517
British American Tobacco plc	41,923
BP plc	40,267
Vodafone plc	35,384
Lloyds Banking Group plc	33,325
AstraZeneca plc	30,244
Mercantile Investment Trust plc	27,732
National Grid plc	29,607

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C Arrangements for the Administration of the Fund

Introduction

As an administering authority under the Local Government Pension Scheme (Administration) Regulations 2013 the Council is responsible for administering the Local Government Pension Scheme for all local authority employers in the County and certain other organisations. Some participate under admission agreements. A full list of employers is given at Appendix 5.

Responsibility for the administration of the Pension Fund is delegated to the County Council's Pensions and Investment Committee. The Committee comprises members representing Derby City Council as well as the County Council. Employee representatives attend as non-voting members. The Committee receives advice from the County Council's Directors of Finance and Legal Services.

Pensions and Investment Committee Membership 2015-16

As at 31 March 2015	As at 31 March 2016
County Councillors	
J Frudd	J Innes
P Dunn	S Brittain
R Davison	R Davison
S Ellis	S Ellis
S Freeborn	S Freeborn
M Longden	R Parkinson
S Marshall-Clarke (Chair)	S Marshall-Clarke
D Wilcox	D Wilcox (Chair)
Derby City Council	
Councillors	
D Roberts	P Hezelgrave
M Tittley	M Tittley

The Pension Board

In line with the requirements of the Public Service Pensions Act 2013, Derbyshire County Council has set up its local Pension Board.

The role of the Pension Board, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013, is to:

- Assist the Administering Authority to secure compliance with:

  - the Regulations and any other legislation relating to the governance and administration of the Local Government Pension Scheme (LGPS)
  - requirements imposed in relation to the LGPS by the Pensions Regulator

- Assist the Administering Authority to ensure the effective and efficient governance and administration of the Derbyshire Pension Fund
- Provide the Administering Authority with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The existence of the Pension Board does not change the role of the Administering Authority nor the way it delegates its pension functions to the Pension Committee. The Pension Board only has the power to oversee decisions made by the Administering Authority and to make recommendations to improve the efficient and effective administration and governance of the pension's functions, including funding and investments. The Pension Board will produce an annual report in accordance with any regulatory requirements.

The Pension Board consists of two scheme member and two scheme employer representatives and an Independent Chair.

Independent Chair	Ronald Graham
Scheme Member Reps	Karen Gurney Nick Read (Trades Union nomination)
Employer Representatives	Mike Nelson (Arvato) James Watson (Pinxton Parish Council)

The Derbyshire Pension Fund is administered in-house on a day to day basis by the Pensions administration team which is part of the Finance Division of the Corporate Resources Department. The officers responsible for administration are:

Peter Handford	Director of Finance
Richard Appleby	Assistant Director of Finance
Nigel Dowey	Pensions Manager

The Local Government Pension Scheme (LGPS) is a statutory scheme with regulations made under the Superannuation Act 1972. The LGPS is a 'Career Average Revaluated Earnings' (CARE) scheme that is contracted out of the Second State Pension, therefore, Scheme members pay lower National Insurance contributions.

Scheme members were required during 2015-16 to pay a contribution between 5.5% and 12.5% of their pensionable pay, depending on their pay banding. Each employer had an individual rate of contribution, comprising an amount for the future accrual of benefits. The contribution to past service deficit is expressed as a cash sum.

The tri-annual scheme valuation took place on 31 March 2013 and the Scheme Actuary has assessed the Fund position to determine Employer contribution rates from the three years starting 1 April 2014.

Administration

Pensions administration broadly comprises:

- maintaining a computerised database for:

    1. active members (i.e. contributors)
    2. pensioners, including widows, widowers and dependants
    3. those with deferred benefits that will become payable in the future

- providing annual benefit statements to active and preserved Scheme members
- providing estimates of benefits
- calculation and payment of retirement benefits
- calculation and payment of transfer values to other schemes
- processing transfer values from “club” and local government schemes
- providing valuations and splitting pensions in divorce cases
- communicating with employers and Scheme members on Scheme changes and pensions issues
- training for employers on pensions issues
- providing data for triennial valuations and annual FRS17 disclosures
- reporting to the Pensions and Investment Committee on Scheme changes, discretions, disputes and applications for admission body status
- replying to queries from Scheme members and employers

Cost

There were 35.5 full-time equivalent members of staff and the cost of administration, excluding actuarial and audit fees, was £1.45m comprising staffing costs, IT, central charges and the cost of providing a pensions payroll for pensioners.

The Pension Section has three teams designed to deal with specific areas of pension administration managed by Pension Team Managers:

Scheme Benefits/Administration	Sue Hubbleday
Technical/Financial/Communications	Rachel James
Regulations/Employers/Appeals	Sarah Rex

The cost of administration expressed as a cost per member for the past three years was:

	2013-14	2014-15	2015-16
The Fund	£15.65	£16.49	£15.44

As referred to on page 11 of the Annual Report and as set out in Note 2 of the Pension Fund Statement of Accounts, Administration costs, Investment management expenses, Investment income and Profits and losses on disposal of investments and changes in value of investments in 2014-15 and 2015-16 have been restated in accordance with CIPFA Guidance 'Accounting for Local Government Pension Scheme Management Costs'. In summary the changes are to:

- introduce a third category of management expenses of Oversight and governance costs;
- include pooled investment vehicle management fees in Investment management expenses, with a deduction for pooled investment vehicle rebates;
- include transaction costs (stamp duty and commission) in Investment management expenses;
- include property refurbishment costs in investment property purchases; and
- deduct irrecoverable property expenses, such as vacant property rates and any difference between recoverable property service charge and insurance income and expense, from direct property rental income.

The costs for 2013-14 have not been restated in accordance with the CIPFA Guidance.

Disputes

If a person is dissatisfied with a decision relating to their pension they can invoke the Applications under the Adjudication of Disagreements procedure, which has replaced the internal dispute resolution procedure (IDRP). This is a two-part process with the complaint being considered in the first instance by a person specified by their Scheme employer or, where the administering authority made the decision, to a person specified by the authority.

If, after receiving the specified person's decision, the Scheme member is still dissatisfied they can refer their complaint to the administering authority for determination. It is the Council's Pensions and Investment Committee that considers such cases and its role is to:

- reconsider the decision taking account of the facts and any evidence submitted by either party for the first stage decision
- ensure that the regulations were applied correctly
- check that impartial procedures were used to arrive at the decision.

If, having exhausted the two stage internal procedure, the applicant is still dissatisfied they can appeal to the Pensions Ombudsman. During the year 2015-16, Pensions and Investment Committee considered one case under stage 2 of the Adjudication of Disagreements Procedure.

Communications

In line with the Policy Statement on Communications, included as Appendix 5 on page 143, the Pensions Section communicated with employers and Scheme members using DCC's website, benefit statements, employer site visits and publications. Work was also completed on the specific Communications Strategy for 2016-17, which maintains the momentum towards these key aspirations:

- Targeting messages to employers in a timely fashion, rather than waiting for enough information to fill a newsletter
- Collaboration between Fund and employers to communicate effectively and efficiently with Fund members
- Collaboration with LGA and other Funds
- Using the opportunities afforded by technology; specifically looking to develop self-service functionality for members and employers
- Developing feedback channels
- Monitoring cost-effectiveness
- Developing a 'brand identity' for the Fund

Legislative changes in 2015-16

The Local Government pensions rules have continued to be adapted further to the fundamental changes on 1 April 2014 and continuing changes in the wider 'pensions world'. These changes have continued to put pressure on the administration function to ensure that all members are fully informed and able to make the best choices they can for themselves.

These changes include:

- The Local Government Pension Scheme (Amendment) Regulations 2015, which came into force on 11 April 2015.

  These amendment regulations included dozens of changes to be interpreted, incorporated into administration processes, and communicated to stakeholders. Some of the areas impacted were:

  - Joiners with employment contracts of less than 3 months
  - Automatic cessation of 50/50 election
  - Reserve Forces service leave
  - Additional Pensions Contributions
  - Opting out and aggregation of benefits
  - Death grants

- The end of contracting-out.

  A new single tier, flat rate State Pension was introduced for those reaching State Pension age on or after 6 April 2016. LGPS members had been 'contracted out' of the additional State Pension and therefore received a rebate on their National Insurance (NI) contributions. The Fund worked with the DWP and employing authorities to get the messages out to Fund members that, from 6 April 2016, they would start to pay a higher amount of National Insurance contributions. This change also necessitated changes to standard letters and procedures with the administration team office.

Web pages

The team has kept the web pages up-to-date throughout with all the information members need, as well as forms and guidance for scheme employing authorities. The Pension Fund web pages are currently hosted on the Derbyshire County Council website at http://www.derbyshire.gov.uk/working for us/pensions/.

Achievements during 2015-16

- Making significant progress against the backlogs that resulted from LGPS2014 and the implementation of a new pensions administration system (UPM), and improving data quality as a result
- Developing improved relationships with, and information flow from, the larger employing authorities; supporting all employing authorities with their LGPS responsibilities via regular newsletters and training events
- Providing Fund members with LGPS information sessions, in partnership with employing authorities and Prudential, in line with the Fund's Communications Strategy
- Manually calculating and arranging prompt and accurate payment of benefits and transfer values in cases where complex cases cannot be processed through the UPM system
- Developing the use of barcoding and achieving efficiencies by bringing the scanning of post in-house
- Completing the 2015-16 Pension Fund accounts on target
- Completing the transfer of many of the employer duties traditionally, but inappropriately, undertaken by the Pensions Administration team, to Derbyshire County Council.
- Issuing Annual Benefit Statements to members
- Issuing Pensions Savings Statements to members as appropriate
- Developing a procedure for reporting breaches of the law to the Pensions Regulator
- Implementing the DWP 'Tell Us Once' system to speed up the notification of death of a Fund member, thereby minimising pension overpayments and distress to the bereaved.

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D Pensions Administration - Facts and Figures

(a) Membership

	31/03/2014	31/03/2015	31/03/2016
Contributors	35,408	38,230	40,030
Deferred Pensions	26,559	26,030	27,240
Pensioners/Dependants	24,913	25,608	26,622

(b) Retirements from active status:

	31/03/2014	31/03/2015	31/03/2016
Ill Health	38	29	26
Age retirement	459	524	621
Flexible	58	56	59
Redundancy	121	108	119
Efficiency	15	51	53
Employer Consent	8	0	0
Total	**699**	**768**	**878**

(c) Retirements from deferred status

	31/03/2014	31/03/2015	31/03/2016
Ill Health	15	5	16
Age retirement	447	450	423
Employer Consent	7	0	0
Total	**469**	**455**	**439**

(d) Deaths in service

	31/03/2014	31/03/2015	31/03/2016
Deaths in service	22	30	30

(e) Deaths of deferred pensioners

	31/03/2014	31/03/2015	31/03/2016
Deaths of deferred pensioners	20	15	26

(f) Deaths of pensioners/dependants

	31/03/2014	31/03/2015	31/03/2016
Deaths of pensioners & dependants	679	655	554

(g) Transfers-in

	31/03/2014	31/03/2015	31/03/2016
Interfund Transfers (from the Local Government Pension Scheme)	93	54	26
Club Transfer (Public Sector Transfer Club)	17	11	2
Non Club	2	0	0
Personal Pension	-	0	0
Total	**112**	**65**	**28**

(h) Transfers-out

	31/03/2014	31/03/2015	31/03/2016
Interfund Transfers (from the Local Government Pension Scheme)	90	33	45
Club Transfer (Public Sector Transfer Club)	50	20	37
Non Club	16	10	12
Personal Pension	1	0	2
Overseas	6	4	0
Total	**163**	**67**	**96**

(i) Trivials

	31/03/2014	31/03/2015	31/03/2016
From active status	32	1	7
From deferred status	94	3	13
From pension in payment	142	9	1
Total	**268**	**13**	**21**

Trivials are payment of small pensions via a single one-off lump sum.

(j) Schedule of Contributions

A schedule of contributions for the year showing the amounts paid by individual employers and their employees is given at Appendix 5.

(k) Arrears of Contributions

Employers are required to collect contributions from active Scheme members and pay these together with their employer's contribution to the County Council not later than the 19th of the following month to which the contributions relate.

E Fund Account and Net Asset Statement

DERBYSHIRE
County Council
Improving life for local people

Statement of Accounts
Pension Fund
2015-16

Derbyshire County Council administers the Local Government Pension Scheme (LGPS) for employees, pensioners and dependents of a variety of bodies in Derbyshire, including Councils, Police and Fire Authorities, the University of Derby, colleges and over 100 other organisations including academies, charities and some private companies providing services to local councils.

Derbyshire Pension Fund manages the pensions of over 93,000 individuals, either active contributors, pensioners or deferred pensioners, receiving over £154m in contributions and this year paying out over £146m in pension benefits. The Fund also manages investment assets of £3.6bn over a full range of asset classes, including equities, gilts, other bonds, property and cash.

In the 2015 Summer Budget, following a long review into the future structure of LGPS, the Government announced its intention of inviting 89 administering authorities within LGPS to formulate plans for pooling investment assets, with the aim of reducing costs significantly whilst maintaining investment performance. Derbyshire Pension Fund subsequently announced its participation in LGPS Central, a Midlands based collaboration of eight local government pension funds. As a multi-asset manager, utilising both internal and external investment expertise, it is intended that LGPS Central will manage approximately £35bn of assets on behalf of member funds from 2018 onwards, with a strong focus on delivering cost savings within a robust governance structure. Working together with our partners, the development and implementation of LGPS Central with be a major strategic focus for the Fund over the next two years.

The Fund's membership records and subsequent calculations of benefits and other pension matters were transferred to a new software system during 2014. This system was selected after a public procurement exercise. Whilst much of the functionality has been implemented there remain a number of outstanding issues which continue to be worked upon and have led to additional processes being established to ensure the accuracy of pension calculations. Work is continuing to ensure the system operates as intended.

Membership Statistics

	Actuals		
	31.03.2014	**31.03.2015**	**31.03.2016**
Contributors	35,408	38,230	40,030
Pensioners and Dependants	24,913	25,608	26,622
Deferred Pensions	26,559	26,030	27,240

Employers' Contributions

Employers pay pension contributions into the Fund. The contribution rates payable by the County, Unitary and District Councils expressed as a percentage of pensionable payroll and fixed cash amounts are:

Council	2015-16	2016-17
Derbyshire County	13.5% plus £14.597m	13.5% plus £15.079m
Amber Valley Borough	12.5% plus £0.993m	13.0% plus £1.026m
District of Bolsover	12.9% plus £0.905m	12.9% plus £0.934m
Chesterfield Borough	13.2% plus £1.871m	13.2% plus £1.932m
Derby City	12.5% plus £6.557m	12.5% plus £6.776m
Derbyshire Dales	12.6% plus £0.606m	12.6% plus £0.626m
Erewash Borough	12.1% plus £1.057m	12.1% plus £1.092m
High Peak Borough	12.4% plus £1.723m	12.4% plus £1.779m
North East Derbyshire	12.7% plus £1.424m	12.7% plus £1.482m
South Derbyshire	12.8% plus £0.637m	12.8% plus £0.658m

The percentage rates determined by the Actuary in the valuation of the Fund at 31 March 2013, for 2014-15 onwards, are intended to cover the cost of future service of active Fund members, with the past service deficit being identified as a fixed cash amount. Amber Valley Borough elected to pay contributions which increase in each of the three years of the current valuation period.

Members' Contributions

For 2015-16 the contribution rates payable by members into the Fund are determined by the Local Government Pension Scheme 2013 Regulations. The rates are between 5.5% and 12.5% of members' pay, including non-contractual overtime, depending on their pay banding.

Investment Policy

During 2015-16 responsibility for policy matters rested with a Pensions and Investment Committee of eight County Councillors, two Derby City Councillors and two Trade Union representatives attending as non-voting members. The Pensions and Investment Committee received advice from the Director of Finance and from one independent external adviser.

Day-to-day management of the Fund is delegated to the Director of Finance and his in-house staff, operating within a policy framework laid down by the Committee. Policy is determined by reference to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which require that advice is taken at regular intervals and that the investments are suitably diversified. In addition, the regulations place limitations on investments, for example, the maximum investment in a single holding is 10% and for unlisted securities is 15%.

The Fund has a central benchmark asset allocation which is designed to meet the performance requirements for the level of risk agreed by the Pensions and Investment Committee. The Pensions and Investment Committee has a degree of flexibility around the central benchmark allocation and decides the specific allocations (weights) for each asset class at its quarterly meetings. In the table below, the column showing the benchmark return is what would have been achieved via neutrally weighted index returns, whereas the actual Fund returns are a function of both active asset allocation and active stock selection decisions.

The table below shows the Fund's returns over 1, 3, 5 and 10 years to 31 March 2016, compared to those of its specific benchmark, as well as the impact of inflation on Fund returns.

	Return		Inflation		Fund Real Return	
Periods to 31 March 2016	Derbyshire Fund	Benchmark	CPI	RPI	Versus CPI Inflation	Versus RPI Inflation
	% pa	% pa	%	%	%	%
1 Year	(0.7)	(0.7)	0.5	1.6	(1.2)	(2.3)
3 Years	5.8	5.6	0.7	1.6	5.1	4.0
5 Years	7.0	6.8	1.7	2.4	5.3	4.4
10 Years	5.8	5.5	2.4	3.0	3.4	2.5

On a year by year basis, returns tend to fluctuate significantly according to economic and market conditions. Long-term returns are a more appropriate guide to the performance of the Fund.

The Fund performed in line with its benchmark over the one year period and outperformed over the three, five and ten year periods. It is important to note that the Fund returns over the three, five and ten year periods were comfortably ahead of inflation, delivering real returns over these periods.

In the twelve months to March 2016 equity returns to Sterling investors were generally negative, ranging from -5.4% in the Asia Pacific to 0.4% in Emerging Markets. Equity markets were highly volatile and were impacted by concerns of a global slowdown, particularly in China, a falling oil price and the impact of a rate rise in the US for the first time in nine years. Returns from bonds were positive, with UK gilts returning 3.2%, UK index-linked bonds returning 1.7% and corporate bonds returning 0.2%. Bond returns benefited from concerns about a general slowdown in global growth, renewed levels of Central Bank support to boost economic growth, geopolitical uncertainties and a lack of inflationary pressure. Property had another strong year, delivering a return of 11.7%, with yields falling in primary and secondary markets, reflecting low borrowing levels and emerging signs of rental growth in specific regions and sectors.

Actuarial Position of the Fund

Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of the Local Government Pension Scheme (Administration) Regulations 2008. The purpose of the valuation is to determine the solvency of the Fund and to set the level of contributions payable by each participating employer for the following three years. A valuation of the Fund was undertaken as at 31 March 2013 to set the level of employer contributions for the three years commencing 1 April 2014. The Net Assets of the Pension Fund at 31 March 2013 were £3.120bn.

The contributions required in respect of future service have been determined using the "projected unit" method. The full rate of employer's contribution provides for the cost of year-by-year accrual of benefits in respect of current Fund members and the amount required to meet a shortfall in respect of the assets required for pensions in payment (including those payable to survivors of former members) and benefits accrued by other members, which will become payable in the future (known as a past service deficiency).

The valuation was undertaken using a market value approach. The assets were valued at their market value with market related discount rates used as the basis for determining the present value of the liabilities. There are a number of assumptions used, which are detailed in the following table.

	Assumption
Asset Out-Performance*	1.60%
Discount Rate (Pre Retirement)	4.60%
Discount Rate (Post Retirement)	4.60%
CPI Price Inflation	2.50%
Real Earnings Inflation (Over CPI Inflation)	0.80%
Salary Increases**	3.30%
Pension Increases (except pre 88 GMP)	2.50%
Revaluation of deferred pension	2.50%

* Asset Out-Performance assumptions represent the expected out-performance of investment returns relative to gilts.
** An allowance is also made for promotional pay increases.

The actuarial value placed on the assets represented 82.5% of the value of the past service liabilities compared with 81.2% at the 2010 valuation. This deficit is being recovered in accordance with the Funding Strategy Statement, which is available on the Council's website at www.derbyshire.gov.uk/working_for_us/pensions/investments/funding_strategy.

A number of factors, both positive and negative, have impacted on the funding level. The overall funding level has improved because the Fund's value has increased more than the increase in the cash value of the deficit. Actual investment returns were approximately 7% greater than the expected three-year return in the actuarial assumptions, decreasing the deficit. Deficit funding contributions from the contributing employers and the overall impact of demographic experience also reduced the deficit. However, these deficit reductions were more than off-set by a decrease in the real discount rate between 2010 and 2013 which resulted in a large increase in the value of the Fund's liabilities.

Further Information

The Derbyshire Pension Fund Statement of Investment Principles, Funding Strategy Statement, Actuarial Valuation Report, Governance Compliance Statement, Communications Policy Statement, Annual Report and Annual Business Plan are available on the Derbyshire County Council's website at www.derbyshire.gov.uk/pensions.

FUND ACCOUNT

Restated 2014-15 £m		Note	2015-16 £m
	Dealings with Members, Employers and Others Directly Involved in the Fund		
150.048	Contributions	7,23	152.029
8.310	Transfers in from Other Pension Funds	8	2.507
158.358			154.536
(134.571)	Benefits	9,23	(139.622)
(51.197)	Payments to and on Account of Leavers	10	(6.504)
(185.768)			(146.126)
(27.410)	**Net (Withdrawals)/ Additions from Dealings with Members, Employers and Others Directly Involved in the Fund**		**8.410**
(15.282)	**Management Expenses**	11	**(17.153)**
	Return on Investments		
75.188	Investment Income	12	80.347
(4.716)	Taxes on Income	13	(4.063)
343.334	Profits and Losses on Disposal of Investments and Changes in Value of Investments	14	(90.109)
413.806	**Net Return on Investments**		**(13.825)**
371.114	**Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year**		**(22.568)**
3,323.275	Net Assets of The Fund at 1 April		3,694.389
3,694.389	**Net Assets of the Scheme Available to Fund Benefits at the Period End**		**3,671.821**

2014-15 Management Expenses, Investment Income and Profits and Losses on Disposal of Investments and Changes in Value of Investments have been restated in accordance with the CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs". The adjustments are detailed in Note 11.

NET ASSETS STATEMENT

31.03.2015 £m		Note	31.03.2016 £m
3,685.695	Investment Assets	14,15	3,667.397
(6.387)	Investment Liabilities	14,15	(1.567)
17.715	Current Assets	17	11.149
(2.634)	Current Liabilities	18	(5.158)
3,694.389	**Net Assets of the Scheme Available to Fund Benefits at the Period End**		**3,671.821**

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investment Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 22 of these accounts.

The Pension Fund (“Fund”) of Derbyshire County Council is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended)

The Fund is a funded defined benefit scheme, administered locally by the Council on behalf of its own employees (except teachers, former NHS employees and new employees working in Public Health, for whom separate pension arrangements apply), Unitary and District Council employees within Derbyshire and employees of other bodies who are specifically authorised by the Regulations. On 1 April 2014, the Fund, which had previously been a final salary scheme, became a Career Average Revalued Earnings (CARE) scheme.

1 Basis of preparation

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (“the Code”), which is based upon International Financial Reporting Standards (IFRS), which require the Fund’s accounts to comply with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations for the Public Sector detailed in the Code and the Statement of Recommended Practice (“SORP”): Financial Reports of Pension Schemes insofar as it is relevant.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investment Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 22 of these accounts.

The amount of separately invested Additional Voluntary Contributions (“AVCs”) paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with Regulation 4 (2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

2 Accounting policies

Contributions

Employee contributions are accounted for when deducted from members’ pay. Employer normal contributions are accounted for in the period to which the corresponding pay relates. Other employer contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a cash basis.

Benefits

Benefits and payments to leavers are accounted for in the period they fall due for payment. Where a member has a choice about the form of their benefit, the benefit is accounted for and the liability is recognised when the member notifies the Council of their decision as to what form of benefit they will take. Where a member has no choice about the form of benefit, the benefit is accounted for in the period of leaving/retirement/death, being the period in which the liability to pay the benefit arises.

Transfers

Where past service liabilities do not transfer between schemes until assets/liabilities have been transferred, transfers are accounted for on a cash basis. Where trustees have agreed to accept past service liabilities in advance of the transfer of funds, the transfer is accounted for in accordance with the terms of the agreement.

Management expenses

Management expenses are accounted for on an accruals basis. They are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs". 2014-15 Administrative costs, Investment management expenses, Investment income and Profits and losses on disposal of investments and changes in value of investments have been restated in accordance with the CIPFA Guidance. The adjustments are detailed in Note 11.

Investment income

Dividends from quoted securities are accounted for when the securities are quoted ex-dividend. Rent is accounted for in accordance with the terms of the lease. Interest on cash and bonds is accrued on a daily basis. Income arising on the underlying investments of accumulation funds is accounted for within change in market value of investments.

Taxes on income

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

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies are accounted for at the market exchange rate at the date of transaction. End of year market exchange rates are used to value overseas assets at the end of the accounting period. Exchange gains and losses relating to the translation of investments are accounted for as part of change in market value included in the Fund Account and those relating to current assets and liabilities are accounted for within the Fund Account under an appropriate heading.

Cash and cash equivalents
Cash comprises cash in hand and on-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.

3 Basis of valuation

Financial assets and liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial asset or liability is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset or liability. From this date any gains or losses arising from changes in the fair value of the asset or liability are recognised in the fund account.

Investment values in the net assets statement have been determined as follows:

- Market quoted investments, where there is a readily available market price, are included at the bid market price on the final day of the accounting period.
- Fixed interest securities are valued at net market value excluding accrued income.
- Unquoted investments are included at fair value, at the price or net asset value advised by the fund manager, or for private equity investments, based on the Fund's share of net assets at the year end, using the latest financial information available from the respective fund managers.
- Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price. For unquoted pooled investment vehicles this is at the price advised by the fund manager.
- Property is included at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. The property portfolio was independently valued by Savills, Property Advisers.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract on that date.

4 Accounting Standards issued and not yet applied

There are no Accounting Standards that have been issued and not yet applied in the preparation of these Pension Fund Accounts.

5 Critical judgements made in applying the accounting policies

In applying the accounting policies in Note 2, it has not been necessary to make any critical judgements about complex transactions or in respect of uncertain future events.

6 Assumptions made and other estimation uncertainty

There are no significant estimation techniques that have been employed and no other major sources of estimation uncertainty at the end of the reporting period.

7 Contributions

	2014-15	2015-16
	£m	£m
Employers		
Normal	77.217	78.888
Deficit Funding	36.741	36.458
Members		
Normal	36.090	36.683
	150.048	**152.029**

Employers' contributions rates payable in 2014-15 and 2015-16 were set as part of the 2013 valuation which revealed an overall funding level of 82.5%.

8 Transfers in from other pension funds

	2014-15	2015-16
	£m	£m
Group transfers in from other pension funds	6.259	1.462
Individual transfers in from other pension funds	2.051	1.045
	8.310	**2.507**

Group transfers in relates to £1.462m cash received in 2015-16 in respect of the LGPS benefits of members of the Northamptonshire police force, following the transfer of a number of functions to the Derbyshire Police Force as part of the East Midlands Police Collaboration Programme. In 2014-15 group transfers in includes £5.782m cash received in respect of the LGPS benefits of members of the Leicestershire, Lincolnshire and Nottinghamshire police forces as part of the Programme.

As part of the agreement between the forces, any deficits that arise in the Fund in relation to these group transfers are to be recovered from the respective forces over a seven year period. Payments to the Fund can only be made by the Derbyshire force as a participating employer. Given this, a legal agreement has been drawn up to allow deficit recovery payments from each of the ceding police forces to be made to the Derbyshire force, which in turn will pay the deficit recovery amounts to the Fund.
In 2014-15 group transfers in also includes £0.477m cash received from Staffordshire LGPS in respect of the transfer of employees who are LGPS members from Staffordshire Moorlands District Council to Derbyshire County Council.

9 Benefits

	2014-15	2015-16
	£m	**£m**
Pensions	104.925	109.528
Commutation of pensions and lump sum retirement benefits	25.990	26.628
Lump sum death benefits	3.656	3.466
	134.571	**139.622**

10 Payments to and on account of leavers

	2014-15	2015-16
	£m	**£m**
Refund of contributions	0.140	0.301
Group transfers out to other pension funds	46.437	0.483
Individual transfers out to other pension funds	4.620	5.720
	51.197	**6.504**

The London Pensions Fund Authority (LPFA) will act, under new arrangements, as the LGPS administering body for the Valuation Tribunal Service. Group transfers out relates to the resulting transfer of all members who are past and present employees of the Valuation Tribunal Service to LPFA. During 2015-16, following finalisation of transfer regulations, £0.483m was paid in cash from the Fund to LPFA in respect of the Trust’s share of the Fund’s assets. All liabilities in relation to the Trust have also transferred to LPFA.

Group transfers out in 2014-15 relate to cash paid in respect of the LGPS benefits of past and present employees of the Derbyshire Probation Trust, following transfer of this employer’s administration to the Greater Manchester Pension Fund.

11 Management expenses

	Restated 2014-15	2015-16
	£m	£m
Administrative costs	1.482	1.450
Investment management expenses	13.355	15.272
Oversight and governance costs	0.445	0.431
	15.282	**17.153**

Management expenses are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs".

Investment management expenses include £1.723m in respect of transaction costs (2014-15 restated, £1.134m). Costs are also incurred indirectly by the Fund on sales and purchases of pooled investment vehicles through the difference between the highest price a buyer of a security or other asset is willing to pay and the lowest price a seller is willing to offer (bid-offer spread). Such costs are not separately identifiable but are reflected in the cost of these investment purchases and in the proceeds from their sale (Note 14).

Administrative costs, Investment management expenses, Investment income and Profits and losses on disposal of investments and changes in value of investments in 2014-15 have been restated in accordance with the CIPFA Guidance. The adjustments are detailed in the table below.

	Administrative costs	Investment mangement expenses	Oversight and governance costs	Investment income	Profits and losses on disposal of investments and changes in value of investments	Net increase in net assets available for benefits during the year
	£m	£m	£m	£m	£m	£m
As previously reported	1.635	4.742	-	76.118	333.499	371.114
Adjustments under CIPFA Guidance "Accounting for Pension Scheme Management Costs":						
Oversight and governance costs	(0.153)	(0.292)	0.445	-	-	-
Non-management direct property expenses	-	(0.390)	-	(0.390)	-	-
Pooled investment vehicle rebates	-	(0.540)	-	(0.540)	-	-
Property refurbishment costs	-	(0.816)	-	-	(0.816)	-
Pooled investment vehicle management fees	-	9.517	-	-	9.517	-
Investment transaction costs	-	1.134	-	-	1.134	-
As restated	**1.482**	**13.355**	**0.445**	**75.188**	**343.334**	**371.114**

In summary the changes are to:

- introduce a third category of management expenses of Oversight and governance costs;
- include pooled investment vehicle management fees in Investment management expenses, with a deduction for pooled investment vehicle rebates;
- include transaction costs (stamp duty and commission) in Investment management expenses;
- include property refurbishment costs in investment property purchases; and
- deduct irrecoverable property expenses, such as vacant property rates and any difference between recoverable property service charge and insurance income and expense, from direct property rental income.

12 Investment income

	Restated 2014-15	2015-16
	£m	**£m**
Income from fixed interest securities	8.305	7.680
Dividends from equities	54.712	59.894
Income from index-linked securities	3.316	2.998
Income from pooled investment vehicles	2.286	2.583
Rents from properties	5.846	6.574
Interest on cash deposits	0.723	0.618
	75.188	**80.347**

Rents from properties are disclosed net of £0.057m of property expenses (2014-15, £0.390m).

Investment income in 2014-15 has been restated in accordance with the CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs". The adjustments are detailed in Note 11.

13 Taxes on income

	2014-15	2015-16
	£m	**£m**
Irrecoverable taxation	**4.716**	**4.063**

The Fund is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income, known as irrecoverable taxation.

14 Investment assets and liabilities

	Value at 1st April	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31st March
	£m	£m	£m	£m	£m
Investment assets					
Fixed interest securities	294.124	186.982	(229.739)	1.449	252.816
Equities	1,768.538	526.575	(452.884)	(93.528)	1,748.701
Index-linked securities	291.175	2.767	(45.162)	(0.727)	248.053
Pooled investment vehicles	1,035.863	98.585	(27.105)	(9.232)	1,098.111
Properties	113.925	7.869	-	13.156	134.950
Currency hedging contracts	-	-	-	1.473	1.473
	3,503.625	*822.778*	*(754.890)*	*(87.409)*	*3,484.104*
Cash deposits & short term loans	165.984			-	168.602
Other investment balances	16.086			-	14.691
	3,685.695			**(87.409)**	**3,667.397**
Investment liabilities					
Currency hedging contracts	(2.195)	409.139	(404.244)	(2.700)	-
Other investment balances	(4.192)			-	(1.567)
	(6.387)			**(2.700)**	**(1.567)**
	3,679.308			**(90.109)**	**3,665.830**

The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has decreased the Fund’s value by £90.109m during 2015-16 (2014-15, £343.334m increase). This total includes all increases and decreases in the market value of investments held at any time during the year and profits and losses realised on sales of investments during the year.

At 31 March 2016 the value of the Fund’s investment in the UBS Life Europe Ex-UK Equity Tracker Fund was £329.079m, representing 9.0% (2015, £338.801m, 9.2%) of the total value of the Fund’s net assets available for benefits. This holding is categorised as an in-house investment, which is consistent with the categorisation of existing pooled investment vehicles held as stock selection decisions.

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts. The Fund's objective is to decrease risk in the portfolio by entering into futures positions to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets. At the year end, there were two currency hedging contracts, with less than six months to expiry, with a gross contract value of £66.360m (2015, one contract, with less than six months to expiry, with a gross contract value of £113.043m).

Investment assets are further analysed below:

	31.03.2015	31.03.2016
	£m	£m
Fixed interest securities		
UK public sector quoted	274.039	248.831
Overseas public sector quoted	20.085	-
Overseas corporate quoted	-	3.985
	294.124	**252.816**
Equities		
UK quoted	1,161.964	1,160.674
Overseas quoted	606.574	588.027
	1,768.538	**1,748.701**
Index-linked securities		
UK public sector quoted	197.498	178.123
Overseas public sector quoted	93.677	69.930
	291.175	**248.053**
Pooled Investment Vehicles		
Property – unquoted	67.557	89.354
Property - quoted	-	18.278
Other quoted	760.216	747.555
Other unquoted	208.090	242.924
	1,035.863	**1,098.111**
Properties		
UK freehold	72.225	89.400
UK leasehold	41.700	45.550
	113.925	**134.950**

	31.03.2015	31.03.2016
	£m	£m
Cash deposits and short term loans		
Sterling cash deposits	49.707	24.152
Money market funds	30.000	35.000
Other Sterling short term loans	70.000	101.000
Foreign currency	16.277	8.450
	165.984	**168.602**

The proportion of the market value of net investment assets managed in-house and by each external manager at the year end is set out below. Pooled investment vehicles held as stock selection decisions are included under 'in-house'.

	31.03.2015		31.03.2016	
	£m	%	£m	%
In-house	3,233.197	87.9	3,244.409	88.5
Wellington Management International Ltd	446.111	12.1	421.421	11.5
	3,679.308	**100.0**	**3,665.830**	**100.0**

All fund managers operating the pooled investment vehicles are registered in the United Kingdom except for:

Fund	**Country of registration of fund manager**
Partners Group – Global Value 2008 Fund	Channel Islands
Aberdeen Global Japan Smaller Companies Fund	Luxembourg
Babson Global Credit Fund	Luxembourg
Daiwa SBI – Japan Equity Fundamental Active	Luxembourg
Fidelity Eurozone Select Real Estate Fund	Luxembourg
Invesco Real Estate Europe Fund	Luxembourg
J P Morgan Funds Latin American Equity Fund	Luxembourg
Polunin Emerging Markets Developing Countries Fund	Luxembourg
Atlantis Asian Fund	Republic of Ireland
Baring Australia Fund	Republic of Ireland
FPP Global Emerging Markets Fund	Republic of Ireland
JO Hambro Capital Management Japan Fund	Republic of Ireland
Legg Mason Martin Currie Greater China Fund	Republic of Ireland
Montanaro UK Smaller Companies Fund	Republic of Ireland
Saracen Growth Fund	Republic of Ireland

15 Fund investments by geographical sector (at market value)

	31.03.2015		31.03.2016	
	£m	%	£m	%
UK	2,234.024	60.7	2,280.967	62.2
N America	560.353	15.2	491.596	13.4
Europe	340.179	9.3	345.243	9.4
Asia and other	544.752	14.8	548.024	15.0
	3,679.308	**100.0**	**3,665.830**	**100.0**

16 Additional Voluntary Contributions

In accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the Accounts do not include employees' Additional Voluntary Contributions ("AVCs"). The amounts involved are not material in relation to the size of the overall Pension Fund.

Members may make AVCs which are invested separately from the Fund's assets. These investments are specifically allocated to the provision of additional benefits for those members. These are money purchase arrangements where the member uses the invested amount to provide an additional lump sum or to purchase an annuity or buy additional benefits in the Local Government Pension Scheme. The total value of funds provided by these contributions was:

	31.03.2015	31.03.2016
	£m	£m
Equitable Life Assurance Society		
with profits fund	0.282	0.268
unit-linked funds	0.543	0.491
building society fund	0.008	0.008
Total Equitable Life Assurance Society	*0.833*	*0.767*
Standard Life		
managed fund	0.649	0.629
multi asset managed fund	0.079	0.058
protection fund	0.040	0.045
ethical fund	0.085	0.086
with profits fund	0.267	0.263
Total Standard Life	*1.120*	*1.081*

	31.03.2015	31.03.2016
	£m	£m
Prudential Assurance Company Ltd		
deposit fund	3.038	2.878
with profits cash accumulation fund	1.012	1.497
cash fund	0.043	0.049
discretionary fund	0.208	0.317
fixed interest fund	0.054	0.076
global equity fund	0.073	0.129
index-linked fund	0.129	0.192
international equity fund	0.071	0.115
property fund	0.073	0.126
retirement protection fund	0.108	0.120
socially responsible fund	0.012	0.028
UK equity fund	0.067	0.094
UK equity (passive) fund	0.100	0.141
Total Prudential Assurance	*4.988*	*5.762*
Clerical Medical		
with profits fund	0.405	0.365
unit linked fund	0.056	0.050
Total Clerical Medical	*0.461*	*0.415*
Total AVC Investments	**7.402**	**8.025**
Death in Service Cover		
Equitable Life	**0.413**	**0.142**

Death in Service cover is payable by the AVC provider where an employee has opted to pay an extra life insurance sum. The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) increased the death grant payable for contributors from two times to three times their “final pay” (in the case of a part-time employee it is three times their actual pensionable pay). The Inland Revenue limit is four times “final pay”, so the maximum amount insurable is, therefore, restricted to an amount equivalent to one times “final pay” and in the case of a part-time contributor, their actual pensionable pay. “Final pay” is defined in the above Regulations.

	Equitable Life £m	Prudential £m	Standard Life £m	Clerical Medical £m	Total £m
Value at 31.3.2015	0.833	4.988	1.120	0.461	**7.402**
Income					
Contributions received	0.005	1.433	0.039	0.016	1.493
Interest and bonuses and change in market value	0.001	0.048	(0.013)	0.005	0.041
Transfers in	-	0.015	-	-	0.015
Expenditure					
Life assurance premiums	-	-	-		-
Retirement benefits	(0.058)	(0.721)	(0.032)	(0.061)	(0.872)
Transfers out and withdrawals	(0.014)	(0.001)	(0.033)	(0.006)	(0.054)
Value at 31.3.2016	**0.767**	**5.762**	**1.081**	**0.415**	**8.025**

17. Current assets

	31.03.2015 £m	31.03.2016 £m
Employers' contributions due	6.218	6.288
Employees' contributions due	1.659	1.675
Amounts owed by Derbyshire County Council	3.002	-
Sundry debtors	1.473	1.096
Cash balance	5.363	2.090
	17.715	**11.149**

Employers' and employees' contributions due at 31 March 2016 have been received since the year-end.

18 Current liabilities

	31.03.2015	31.03.2016
	£m	£m
Unpaid benefits	1.343	2.086
Amounts owed to Derbyshire County Council	-	1.318
Sundry creditors	1.291	1.754
	2.634	**5.158**

19 Related party transactions

Derbyshire County Council is the administering authority for the purposes of the Fund under the Local Government Pension Scheme (Administration) Regulations 2008.

Included in management expenses in 2015-16 are charges from Derbyshire County Council of £2.019m (2014-15, £1.947m) for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund’s in-house investments.

No interest was paid by the Council to the Fund in 2015-16, following a change in treasury management arrangements in 2014-15 (2014-15, £0.001m).

At 31 March 2016 the Fund owed the Council £1.318m (2015, the Council owed the Fund £3.002m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members’ Allowances and Officers’ Remuneration are disclosed in Notes 34 and 35 of the Council’s Statement of Accounts.

20 Investment commitments

At the end of the financial year, investment commitments in respect of future payments were:

	31.03.2015	31.03.2016
	£m	£m
Unquoted investments	5.563	72.921
Other Sterling short-term loans	2.000	8.000
	7.563	**80.921**

Unquoted investments commitments are commitments to private equity, infrastructure and indirect property investments, not yet drawn down by the managers. A revision of the Fund's approved Asset Allocation in October 2015 increased the proportion of the Fund's investments required to be invested in private equity, infrastructure and indirect property investments and has resulted in increased investment commitments in respect of unquoted investments as action is taken to increase their weightings.

The Other Sterling short-term loans commitments are commitments to make short-term investments at the year-end. There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at 31 March. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact on the financial position reported. There were two such commitments at 31 March 2016 (2015, one).

21 Financial instruments

Many requirements of the financial instruments standards (IAS 39, IAS 32 and IFRS 7), which govern the recognition, measurement, presentation and disclosure of financial instruments, are not applicable to the Fund's accounts, since all material financial instruments are carried in the net assets statement at fair value.

Nature and extent of risks arising from financial instruments

Certain financial risks are a necessary and appropriate component of the investment strategy of the Fund in order for it to achieve the targeted long term rate of return assumed by the Fund Actuary. This rate of return is used in drawing up the Funding Strategy Statement and setting employer contribution rates.

The overall financial risk for the Fund is that its assets could be insufficient to meet its liabilities to pay benefits. At the financial instrument level, the Fund's key risks are:

- **Credit risk** – the risk of the Fund suffering loss due to another party defaulting on its financial obligations;
- **Liquidity risk** – the risk that funds might not be available to meet commitments because the Fund's assets are not readily marketable or easily turned into cash;
- **Market risk** - the risk that the Fund's financial instruments may suffer an adverse change in value, which is common to an entire class of assets or liabilities.

Responsibility for Fund investments has been delegated to the Fund's Pensions and Investment Committee. The Committee delegates day to day responsibility for the management of the Fund to the Director of Finance and appoints managers and advisers to manage investment risk on its behalf. The Fund's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks.

As required by the Fund's Statement of Investment Principles, the Fund is invested in accordance with strategic Asset Allocation Guidelines, to maximise returns within appropriate levels of risk, taking into account the Fund's liabilities and projected cashflows. These Asset Allocation Guidelines were approved by the Pensions and Investments Committee, following an external asset/liability study.

Economic background, market returns, asset allocation, investment activity, investment strategy and investment performance are monitored and reviewed by the Committee on a quarterly basis.

Credit risk

The Fund is primarily exposed to credit risk through its daily treasury management activities and through its forward currency contracts, which address the currency risk on overseas bonds. Credit risk on cash deposits and short term loans arises from deposits with banks, financial institutions and UK government and local authorities. Credit risk on forward currency contracts arises from contracts with large banks.

Treasury activities - The Fund places security of capital and liquidity ahead of investment return. Credit risk on treasury activities is minimised through the Fund's annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services and are approved counterparties on this basis. Investments with local authorities, the Government's Debt Management Office, UK Treasury Bills and Certificates of Deposit are also permissible. The Fund has agreed maximum loan durations and joint limits for each counterparty.

The limits for financial institutions are based on the above credit assessment and are approved each year. The financial institutions' credit ratings and supplementary information are monitored throughout the year to ensure compliance with the policy.

The Treasury Management Investment Strategy for 2015-16 was approved by the Full Council on 4 February 2015. On 18 March 2015 relevant extracts were approved by the Committee.

The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments and operating cash in banks, building societies, money market funds and UK local authorities of £170.692m (2015, £171.347m) cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, generally, for such entities to be unable to meet their commitments; the approach to risk assessment taken by the Fund makes this remote.

A risk of non-recovery applies to all of the Fund's deposits, but there was no evidence at 31 March 2016 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. At 31 March 2016 the Fund had £2.090m in its operational account with Lloyds Bank.

Forward currency contracts - Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the currency risk on overseas bonds, the value of which comprise 2% (2015, 3%) of investment assets at the year end and by selecting large banks as the counterparties. The forward currency contract at the year end was with Bank of New York Mellon.

The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when the settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund. At the year end, there were two currency hedging contracts, with less than six months to expiry, with a gross contract value of £66.360m (2015, one contract, with less than six months to expiry, with a gross contract value of £113.043m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to these contracts.

Other financial assets - Fixed interest and index-linked securities mainly include investments in UK and US Government securities and certain corporate bond funds. The Fund does not expect any losses from non-performance by any of its counterparties in relation to these financial assets.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets as they are marked to market. The market value of financial assets represents the Fund's exposure to credit risk in relation to those assets.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur during settlement of transactions.

Liquidity risk

The Fund is not yet mature and is cash flow positive each month in respect of its dealings with members. There is therefore no present requirement to realise assets in order to meet liabilities to pay benefits, as these are more than covered by contributions, and there is net cash available for investment. The Fund does, however, sell investments from time to time as part of normal investment management activities.

The majority of the Fund's investments are readily marketable and may be easily realised, if required. Emphasis is placed on treasury deposits of up to six months' duration to ensure that longer term investment strategy is not compromised by lack of liquidity. Listed equities may also be liquidated at short notice, normally three working days. Holdings of investments which may be less easy to realise are limited. Investment regulations limit investments in unquoted entities to 15%, investments in partnerships to 30% and investments in single holdings to 10% of the Fund. Investment Committee guidelines limit investments in property to 12%, multi asset credit to 5% and alternatives to 10%.

Sufficient funds are retained on instant access accounts to ensure that payment of benefits and the settlement of investment transactions can be made without the need to borrow.

The Fund manages its liquidity position using a comprehensive cash flow management system, as required by the CIPFA Code of Practice.

Maturity analysis for liabilities at the year end:

- There were no financial liabilities within the portfolio at the year end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.
- There were no derivative financial liabilities held at the year-end in respect of currency hedging contracts (2015, one currency hedging contract, with less than six months to expiry, on which the net liability was £2.195m).

Market risk

The Fund is exposed to market risk because it is inherent in the investments the Fund makes. It can result from changes in such measures as interest and exchange rates and changes in prices due to factors other than these. This risk cannot be eliminated but it can be reduced.

The objective of market risk management is to manage and control market risk exposure to within acceptable parameters, whilst optimising the return on risk. Excessive volatility in market risk is managed through diversification. The risk reduction arises from the different investments not being perfectly correlated.

The Fund has applied diversification at various levels; that is, diversification between countries, asset classes, sectors and individual securities. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

Risk of exposure to specific markets is limited by adhering to defined ranges within the asset allocation guidelines, which are monitored and reviewed by the Committee on a quarterly basis.

Interest rate risk – This risk primarily impacts on the valuation of the Fund's bond holdings and to a lesser degree the return it receives on cash held. A rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Fund Account would rise;
- investments at fixed rates – the fair value of the assets would fall.

The Fund has a number of strategies for managing interest rate risk. Interest rates are monitored during the year, by the Fund's in-house and external managers. Within the annual treasury management strategy, maximum limits are set for fixed and variable interest rate exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, subject to liquidity requirements.

Other price risk – Other price risk originates from factors specific to the individual instrument or to its issuer, or from factors affecting all instruments in the market.

The Fund manages price risk by holding bonds, index-linked stocks and property and by holding a diversified equity portfolio spread geographically, across market sectors and across investments. Contracts specify the level of risk to be taken by the external Fund managers investing in overseas equities. These external managers are monitored by in-house managers.

A fund specific benchmark has been drawn up, which is designed to meet the Fund's performance requirements for the level of risk agreed by the Committee. Economic background, asset allocation, recent transactions, investment strategy and performance are monitored by the Committee on a quarterly basis.

The table below quantifies the level of price risk that the Fund's investment assets and liabilities at 31 March 2016 are potentially exposed to. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The volatility shown for total investment assets and liabilities incorporates the impact of correlation across asset classes, which dampens volatility, therefore the value on increase/decrease figures of the asset classes will not sum to the total assets figure.

	Value at 31.03.2016 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
UK Government bonds	248.831	6.31	264.532	233.129
UK corporate bonds	194.133	5.30	204.422	183.844
Overseas bonds	85.486	11.53	95.342	75.629
UK equities	1,135.151	10.29	1,251.958	1,018.344
Overseas equities	1,279.469	10.55	1,414.453	1,144.485
UK index-linked	178.123	8.06	192.480	163.767
Alternatives	120.330	6.73	128.428	112.232
Cash	168.602	0.01	168.619	168.585
Other investment balances	13.124	-	13.124	13.124
Properties (non-financial instruments)	242.581	5.94	256.991	228.172
Total investment assets and liabilities	**3,665.830**	**7.11**	**3,926.470**	**3,405.189**

Currency risk - The Fund is exposed to currency risk through its overseas equity shares, its overseas bonds and its foreign currency holdings. The Fund has a negative correlation to exchange rates, which means that the Fund will out-perform if Sterling weakens against the US Dollar and vice-versa.

The table below quantifies the level of currency risk that the Fund's overseas investment assets at 31 March 2016 are potentially exposed to. Currency risk on overseas public sector bonds is managed using forward currency contracts and overseas public sector bonds have therefore been excluded from the table. Potential aggregate currency exposure within the Fund at 31 March 2016 is determined using a currency "basket" based on the Fund's currency mix at that date. The weight of each currency multiplied by the change in its exchange rate relative to Sterling is summed to create the aggregate currency change of the basket. This single outcome is then applied to all unhedged overseas assets.

	Value at 31.03.2016 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
Overseas equities	1,279.469	6.26	1,359.605	1,199.333
Overseas bonds	10.098	6.26	10.730	9.466
Overseas cash	8.450	6.26	8.980	7.921
Overseas investment assets	**1,298.017**	**6.26**	**1,379.315**	**1,216.720**

22 Actuarial Present Value of Promised Retirement Benefits

Below is an extract from the Report of the Actuary, showing the actuarial present value of the Fund's promised retirement benefits, required by the Code. If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation is carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits. The figures below include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

	31.03.2015 £m	***31.03.2016 £m***
Active members	*2,930.000*	*2,859.000*
Deferred pensioners	*813.000*	*716.000*
Pensioners	*1,666.000*	*1,505.000*
Present value of Promised Retirement Benefits	***5,409.000***	***5,080.000***

It should be noted the above figures are appropriate for the Administering Authority only for the preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions are suitable for IAS19 purposes as required by the Code of Practice. They are given below. I estimate that the impact of the change of *assumptions to 31 March 2016 is to decrease the actuarial present value by £514m.*

Financial assumptions
My recommended financial assumptions are summarised below:

	31.03.2015	31.03.2016
Inflation/Pensions Increase Rate	2.40%	2.20%
Salary Increase Rate	3.30%	3.20%
Discount Rate	3.20%	3.50%

Longevity assumption
The life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.0 years	24.2 years
Future Pensioners*	24.1 years	26.6 years

**Future pensioners are assumed to be aged 45 at the most recent formal valuation as at 31 March 2013.*

The assumptions are identical to those used for the previous IAS26 disclosure for the Fund.

Commutation assumption
An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service."

Sensitivity analysis
The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions for the year ended 31 March 2016	*Approximate increase to liabilities %*	*Approximate monetary amount £m*
0.5% decrease in discount rate	*11%*	*554*
1 year increase in member life expectancy	*3%*	*152*
0.5% increase in salary increase rate	*4%*	*200*
0.5% increase in pensions increase rate	*7%*	*345*

Geoff Nathan FFA
21 April 2016
For and on behalf of Hymans Robertson LLP

23 Participating Employers

The participating employers with active members in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority) and 8 District Councils (which are Scheduled Bodies) and a further 91 Scheduled and 49 Admission Bodies. The Unitary and District Councils are listed in the foreword of this Annual Report. Other participating employers are listed on the following pages.

The contributions receivable and the benefits payable by the Fund during the year in respect of each type of participating employer were as follows:

	2014-15		**2015-16**	
	Benefits payable	**Contributions receivable**	**Benefits payable**	**Contributions receivable**
	£m	**£m**	**£m**	**£m**
Derbyshire County Council	66.031	66.687	65.391	66.832
Scheduled Bodies	64.415	77.267	69.693	81.235
Admission Bodies	4.125	6.094	4.538	3.962
	134.571	**150.048**	**139.622**	**152.029**

	Total contribution rate % of pensionable payroll	
	2015-16	2016-17
Scheduled Bodies		
Peak District National Park Authority	13.0 plus £0.210m	13.0 plus £217,000
Chesterfield Crematorium	17.8 plus £0.027m	17.8 plus £28,000
University of Derby	11.7 plus £0.700m	11.7 plus £723,000
Chesterfield College	12.9 plus £0.148m	12.9 plus £153,000
Derby College^	12.2 plus £0.414m	12.7 plus £428,000
Derbyshire Police Authority	11.9 plus £1.377m	11.9 plus £1.422m
Derbyshire Fire & Rescue	12.2 plus £0.160m	12.2 plus £0.165m
Derby Homes Limited	12.4 plus £0.272m	12.4 plus £0.281m
Rykneld Homes	15.0 plus £0.019m	15.0 plus £0.020m
Landau Forte College	11.3 plus £0.002m	11.3 plus £0.003m
Akaal Academy Trust Derby - from 1 September 2015	20.2	20.2
Allenton Primary	22.8 plus £0.024m	22.8 plus £0.025m
Al-Madinah School	20.0	20.0
Bishop Lonsdale Church of England Primary School	20.8 plus £0.009m	20.8 plus £0.009m
Brookfield Academy	13.4 plus £0.069m	13.4 plus £0.072m
Chellaston Academy	13.4 plus £0.050m	13.4 plus £0.052m
City of Derby Academy	14.4 plus £0.041m	14.4 plus £0.042m
Derby Pride Academy	11.5 plus £0.005m	11.5 plus £0.005m
Dovedale Primary School (Willows Academy Trust)	19.6 plus £0.002m	19.6 plus £0.002m
Ecclesbourne Academy	15.2 plus £0.040m	15.2 plus £0.041m
English Martyrs Catholic Voluntary Academy	14.2 plus £0.009m	14.2 plus £0.010m
Grampian Primary Academy	13.3 plus £0.006m	13.3 plus £0.006m
Heanor Gate Science College	14.6 plus £0.057m	14.6 plus £0.059m
Hope Valley College	14.1 plus £0.043m	14.1 plus £0.044m
Inkersall Primary School - from 1 September 2015	20.2	20.2
Immaculate Conception Academy Trust	19.6 plus £0.004m	19.6 plus £0.004m
John Port Academy	13.7 plus £0.061m	13.7 plus £0.063m
Kirk Hallam Academy	13.0 plus £0.052m	13.0 plus £0.054m
Landau Forte Moorhead Academy	15.3 plus £0.014m	15.3 plus £0.015m
Leesbrook School	12.3 plus £0.076m	12.3 plus £0.079m

	Total contribution rate % of pensionable payroll	
	2015-16	2016-17
Merrill Academy	12.1 plus £0.041m	12.1 plus £0.043m
Newbold Church of England Primary School	16.1 plus £0.002m	16.1 plus £0.002m
Outwood Academy Newbold	24.7 plus £0.042m	20.2
Pennine Way Junior Academy	13.8 plus £0.012m	13.8 plus £0.012m
Queen Elizabeth's Grammar School Ashbourne Academy	12.6 plus £0.071m	12.6 plus £0.073m
Redhill Primary School	14.7 plus £0.009m	14.7 plus £0.009m
Sawley Infant School (Willows Academy Trust)	17.7 plus £0.008m	17.7 plus £0.009m
Sawley Junior School (Willows Academy Trust)	19.2 plus £0.003m	19.2 plus £0.003m
Shardlow Primary School (Willows Academy Trust)	21.1 plus £0.002m	21.1 plus £0.002m
Shirebrook Academy	13.9 plus £0.052m	13.9 plus £0.054m
St Benedict Voluntary Catholic Academy	13.7 plus £0.099m	13.7 plus £0.103m
St George's Voluntary Catholic Academy	12.8 plus £0.018m	12.8 plus £0.019m
St Giles Church of England Aided Primary School - from 1 September 2015	20.2	20.2
St John Fisher Catholic Voluntary Academy	14.4 plus £0.010m	14.4 plus £0.010m
St John Houghton Catholic Voluntary Academy	13.6 plus £0.031m	13.6 plus £0.032m
St Joseph's Catholic Primary School Voluntary Academy	16.6 plus £0.002m	16.6 plus £0.002m
St Laurence Primary School - from 1 April 2015	20.2	20.2
St Mary's Catholic High School Academy Trust	15.5 plus £0.044m	15.5 plus £0.046m
St Philip Howard Catholic Voluntary Academy - from 1 September 2015	20.2	20.2
Staveley Netherthorpe School	13.7 plus £0.034m	13.7 plus £0.035m
The Bolsover Academy	14.2 plus £0.035m	14.2 plus £0.037m
The Long Eaton Academy	13.6 plus £0.055m	13.6 plus £0.057m
The Ormiston Ilkeston Enterprise Academy	13.3 plus £0.075m	13.3 plus £0.078m
The Ripley Academy	22.2 plus £0.019m	22.2 plus £0.019m
Turnditch Church of England Primary School	26.1 plus £0.001m	20.2
West Park Academy	15.3 plus £0.057m	15.3 plus £0.059m
William Gilbert Endowed (C of E) Primary School	25.2 plus £0.018m	20.2
Woodlands School	12.8 plus £0.049m	12.8 plus £0.051m
Wyndham Primary Academy (Boulton Primary School)	13.0 plus £0.010m	13.0 plus £0.011m
Town and Parish Councils - Group 1	22.8	22.8
Town and Parish Councils - Group 2	16.2	16.2

^ Stepped rate

Town and Parish Councils

Group 1	Group 2
Ashbourne Town Council	Alfreton Town Council
Belper Town Council	Breaston Parish Council
Clay Cross Parish Council	Bretby Parish Council
Dronfield Town Council	Burnaston Parish Council
Eckington Parish Council	Codnor Parish Council
Killamarsh Town Council	Darley Dale Town Council
Matlock Town Council	Glapwell Parish Council
New Mills Town Council	Heanor and Loscoe Town Council
Old Bolsover Town Council	Heath and Holmewood Parish Council
Pinxton Parish Council	Kilburn Parish Council
Shirebrook Town Council	North Wingfield Parish Council
Staveley Town Council	Shardlow and Great Wilne Parish Council
Whaley Bridge Town Council	Stenson Fields Parish Council
Whitwell Parish Council	Tibshelf Parish Council
Wirksworth Town Council	Ticknall Parish Council
	Tupton Parish Council
	Wingerworth Parish Council

The following Admission Bodies also participate:

	Total contribution rate % of pensionable payroll	
	2015-16	**2016-17**
4 Children	15.5	15.5
7 Hills Leisure Trust - from 6 July 2015	25.7	25.7
ABM Catering Ltd (Derby Moor School)	26.9	26.9
ABM Catering Ltd (Gayton Primary School)	14.4	14.4
Acclaim Housing Group Limited	16.4 plus £0.108m	16.4 plus £0.112m
Active Nation	19.9 plus £0.002m	19.9 plus £0.002m
Arvato Government Services Ltd (Derbyshire Dales)	15.0	15.0
Arvato Government Services (Sefton) Ltd	14.5	14.5
Aspens Services Ltd	23.1	23.1
Balfour Beatty Power Networks Ltd	24.4	24.4
Engie	18.4	18.4
Barnados	19.4 plus £0.001m	19.4 plus £0.001m
Belper Leisure Centre Ltd	22.8 plus £0.020m	22.8 plus £0.021m
Brookwood	19.6	19.6
Chesterfield Care Group	19.3 plus £0.003m	19.3 plus £0.003m
Churchill Contractor Services - ceased 30 January 2016	18.1	18.1
Clean Slate (UK) Ltd (City Schools)	22.8	22.8
Clean Slate (UK) Ltd (Pottery)	23.4	23.4
Compass Contract Services (UK) Ltd	10.3	10.3
Compass Services Ltd (DCC)	20.4	20.4
Cream Catering - ceased 31 July 2015	22.2	22.2
Dell Corporation Ltd	13.9	13.9
Derby County Community Trust	16.4	16.4
Derby Museums & Arts Trust	20.9	20.9
Derbyshire Coalition for Inclusive Living (DCIL)	26.7 plus £0.015m	26.7 plus £0.015m
Derbyshire Student Residences Ltd	21.6 plus £0.002m	21.6 plus £0.002m
Elior UK plc	27.0	27.0

	Total contribution rate % of pensionable payroll	
	2015-16	2016-17
Elite Cleaning and Environmental Services	26.9	36.9
EMH Homes	14.1 plus £0.135m	14.1 plus £0.139m
European Electronique Ltd	13.4	13.4
Futures Homescape Ltd	13.8 plus £0.055m	13.8 plus £0.057m
Initial Catering Services Ltd	22.8	22.8
Initial Facilities Management Ltd	26.2	26.2
Kier Ltd	13.8	13.8
Leisure Amber Valley BC	18.2	18.2
Leisure High Peak BC	13.1	13.1
Macintyre Care Ltd	2.0	2.0
Mellors Catering - from 1 August 2015	31.5	31.5
Mitie Facilities Services Ltd	24.9	24.9
NIC Services Group Ltd (Derby College) - ceased 30 November 2015	17.6	17.6
Northgate Information Solutions UK Ltd (South Derbys DC)	23.5	23.5
NSL Ltd - from 19 February 2015	27.7	27.7
SIV Enterprises Ltd	4.6	4.6
Superclean Services Wothorpe Ltd (Fire)	11.2	11.2
Tramway Museum Society	24.0 plus £0.014m	24.0 plus £0.015m
Veolia (Amber Valley Refuse)	24.7	24.7
Veolia (Chesterfield Refuse)	26.5	26.5
Veolia Ltd (contract with High Peak BC)	0.0	0.0
Vinci Construction UK (Ashcroft & Portway) - from 1 July 2014	25.6	25.6
Vinci plc (Ravensdale) - from 13 April 2015	33.3	33.3
Vinci UK Ltd (Norwest Holst Ltd)	28.7	28.7

F Auditor's Opinion

KPMG

Independent auditor's report to the members of Derbyshire County Council

We have audited the financial statements of Derbyshire County Council for the year ended 31 March 2016 on pages 14 to 114. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our 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 us 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 Authority's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement and the Pension Fund Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 115 to 122 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement and the content of the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on Derbyshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether Derbyshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Derbyshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Derbyshire County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Derbyshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Delay in certification of completion of the audit due to work on the WGA Return not being completed by 21 July 2016

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

John Cornett
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
St Nicholas House
31 Park Row
Nottingham NG1 6FQ
21 July 2016

G **Actuarial Valuation Report 2013**

HYMANS ROBERTSON

Contents

1 Executive summary

We have carried out an actuarial valuation of the Derbyshire County Council Pension Fund ('the Fund') as at 31 March 2013. The results are presented in this report and are briefly summarised below.

Funding position

The table below summarises the financial position of the Fund at 31 March 2013 in respect of benefits earned by members up to this date.

Past Service Position	31 March 2010 (£m)	31 March 2013 (£m)
Past Service Liabilities	2,967	3,784
Market Value of Assets	2,409	3,121
Surplus - (Deficit)	(558)	(663)
Funding Level	**81.2%**	**82.5%**

The increase in deficit reflects the adverse conditions which the Fund has had to contend with since the previous valuation. In particular, the decrease in the real gilt yield has increased the value placed on the Fund's liabilities.

Contribution rates

The table below summarises the average employer contribution rate that would be required, based on this triennial valuation.

Contribution Rates	31 March 2010 (% of pay)	31 March 2013 (% of pay)
Employer future service rate (incl. expenses)	11.9%	20.5%
Past Service Adjustment (19 year spread)	5.8%	7.4%
Total employer contribution rate (incl. expenses)	17.7%	27.9%
Employee contribution rate	6.4%	6.0%
Expenses	0.2%	0.2%

Again, the increase in the total employer contribution rate is primarily due to the decrease in the real gilt yields which has increased both the employer future service rate and the past service adjustment.

The common contribution rate is a theoretical figure – an average across the whole Fund. In practice, each employer that participates in the Fund has its own underlying funding position and circumstances, giving rise to its own contribution rate requirement. The minimum contributions to be paid by each employer from 1 April 2014 to 31 March 2017 are shown in the Rates and Adjustment Certificate in **Appendix G**.

2 Introduction

Purpose

We have carried out an actuarial valuation of the Derbyshire County Council Pension Fund, as at 31 March 2013.

- This valuation report complies with all of the relevant Regulations and professional standards, as set out in **section 7**.
- The figures in this report are based on our understanding of the benefit structure of the LGPS as at 31 March 2013, and changes being implemented from April 2014, details of which are provided in **Appendix B**.
- The results of the valuation are dependent on the quality of the data provided to us by the Administering Authority for the specific purpose of this valuation. This data is summarised in **Appendix D**.
- As part of the valuation, assumptions must be made which are discussed in **section 3** as well as in **Appendix E.** Details of our valuation approach is covered in **Appendix C.**
- The valuation results are then covered in **section 4**.
- We look at some of the risks the Fund faces in **section 5** and consider any post valuation events in **Appendix F**.
- The valuation is just one aspect of the operation of the Fund, and related issues are covered in **section 6.**
- In **Appendix G** we then set out the individual employer contribution requirements from 1 April 2014.

Component reports

This document is an “aggregate” report, i.e. it is the culmination of various “component” reports and discussions, in particular:

- The data report (mentioned in **section 7**);
- The Discussion Document (dated 22 November 2013) which outlined the actuarial assumptions and whole fund results;
- The formal agreement by the Administering Authority of the actuarial assumptions used in this document, at a meeting dated 17 September 2013;
- The stabilisation modelling carried out for certain employers, as detailed in our report dated 4 November 2013 and discussed on a telephone conference call with the Administering Authority on 5 December 2013; and

- The Funding Strategy Statement, confirming the different contribution rate setting approaches for different types of employer or in different circumstances.

Note that not all of these documents may be in the public domain.

3 Assumptions

Actuarial assumptions

Assumptions must be made about the factors affecting the Fund's finances in the future. Broadly speaking, our assumptions fall into two categories – financial and demographic.

Demographic assumptions typically try to forecast **when** benefits will come into payment and what form these will take. For example, when members will retire (e.g. at their normal retirement age or earlier), how long they will then survive and whether a dependant's pension will be paid.

Financial assumptions typically try to anticipate the **size** of these benefits. For example, how large members' final salaries will be at retirement and how their pensions will increase over time. In addition, the financial assumptions also help us to estimate how much all these benefits will cost the Fund in today's money.

Financial assumptions

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

	31 March 2010		31 March 2013	
Financial Assumptions	**Nominal**	**Real**	**Nominal**	**Real**
Pre Retirement Discount Rate	7.0%*	4.0%	4.6%	2.1%
Post Retirement Discount Rate	5.5%*	2.5%	4.6%	2.1%
Salary Increases**	4.75%	1.75%	3.3%	0.8%
Price inflation-Pension Increases	3.0%	-	2.5%	-

**For the purpose of future service rates, 6.75% p.a. was used.*
***Excluding promotional increases.*

Discount rate

The funding valuation is effectively a planning exercise, to assess the funds needed to meet the benefits as they fall due. In order to place a current value on the future benefit payments from the Fund, an assumption about future investment returns is required in order to "discount" future benefit payments back to the valuation date at
a suitable rate.

For a funding valuation such as this, the discount rate is set by taking into account the Fund's current and expected future investment strategy and, in particular, how this strategy is expected to outperform the returns from Government bonds over the long term. The additional margin for returns in excess of that available on Government bonds is called the Asset Outperformance Assumption (AOA).

The selection of an appropriate AOA is a matter of judgement and the degree of risk inherent in the Fund's investment strategy should always be considered as fully as possible.

We are satisfied that an AOA of 1.6% p.a. is a prudent assumption for the purposes of this valuation. This results in a discount rate of 4.6% p.a. as at 31 March 2013.

Price inflation-pension increases
We expect the average long term difference between RPI and CPI to be 0.8% p.a.

The assumption for RPI has been derived from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds.

Salary increases
The long term assumption for salary increases is RPI (or CPI plus 0.8% p.a.).

The salary increase assumption has been set on the premise that it reflects the short term pay constraints currently being experienced and the belief that general economic growth and hence pay growth may be at a lower level than historically experienced for a prolonged period of time.

Note that this assumption is made in respect of the general level of salary increases (e.g. as a result of inflation and other macroeconomic factors). We also make a separate allowance for expected pay rises granted in the future as a result of promotion. This assumption takes the form of a set of tables which model the expected promotional pay awards based on each member's age and class. Please see **Appendix E**.

Longevity
The main demographic assumption to which the valuation results are most sensitive is that relating to the longevity of the Fund's members. For this valuation, we have adopted assumptions which give the following sample average future life expectancies for members:

	Actives & Deferreds		Current Pensioners	
Assumed life expectancy at age 65	**Male**	**Female**	**Male**	**Female**
2013 valuation - baseline	19.9	22.6	19.8	22.1
2013 valuation - improvements	24.1	26.6	22.0	24.2

Further details of the mortality assumptions adopted for this valuation can be found in **Appendix E**. Note that the figures for actives and deferreds assume that they are aged 45 at the valuation date.

Assets
We have taken the assets of the Fund into account at their market value as indicated in the audited accounts for the period ended 31 March 2013.

In our opinion, the basis for placing a value on members' benefits is consistent with that for valuing the assets - both are related to market conditions at the valuation date.

Demographic assumptions
We are in the unique position of having a very large local authority data set from which to derive our other demographic assumptions. We have analysed the trends

and patterns that are present in the membership of local authority funds and tailor our demographic assumptions to reflect LGPS experience.

Details of these assumptions are set out in **Appendix E**. Further commentary on these was included in the Discussion Document.

Further comments on the assumptions

As required for Local Government Pension Scheme valuations, our proposed approach to this valuation must include a degree of prudence. This has been achieved by explicitly allowing for a margin of prudence in the AOA.

For the avoidance of doubt, we believe that all other proposed assumptions represent the “best estimate” of future experience. This effectively means that there is a 50% chance that future experience will be better or worse than the chosen assumption.

Taken as a whole, we believe that our proposed assumptions are more prudent than the best estimate. The assessed liability value on a “neutral” best estimate (not prudent) basis would perhaps be 10% lower than the figures shown here.

4 Results

The Administering Authority has prepared a Funding Strategy Statement which sets out its funding objectives for the Fund. In broad terms, the main 'past service' objective is to hold sufficient assets in the Fund to meet the assessed cost of members' past service benefits and the main 'future service' objective is to maintain a relatively stable employer contribution rate. These objectives are potentially conflicting.

Past service

In assessing the extent to which the past service funding objective was met at the valuation date, we have used the actuarial assumptions described in the previous section of this report and funding method described in **Appendix C**. The table below compares the value of the assets and liabilities at 31 March 2013. The 31 March 2010 results are also shown for reference.

The results are presented in the form of a "funding level", this is the ratio of the market value of assets to the assessed cost of members' past service benefits ("liabilities").

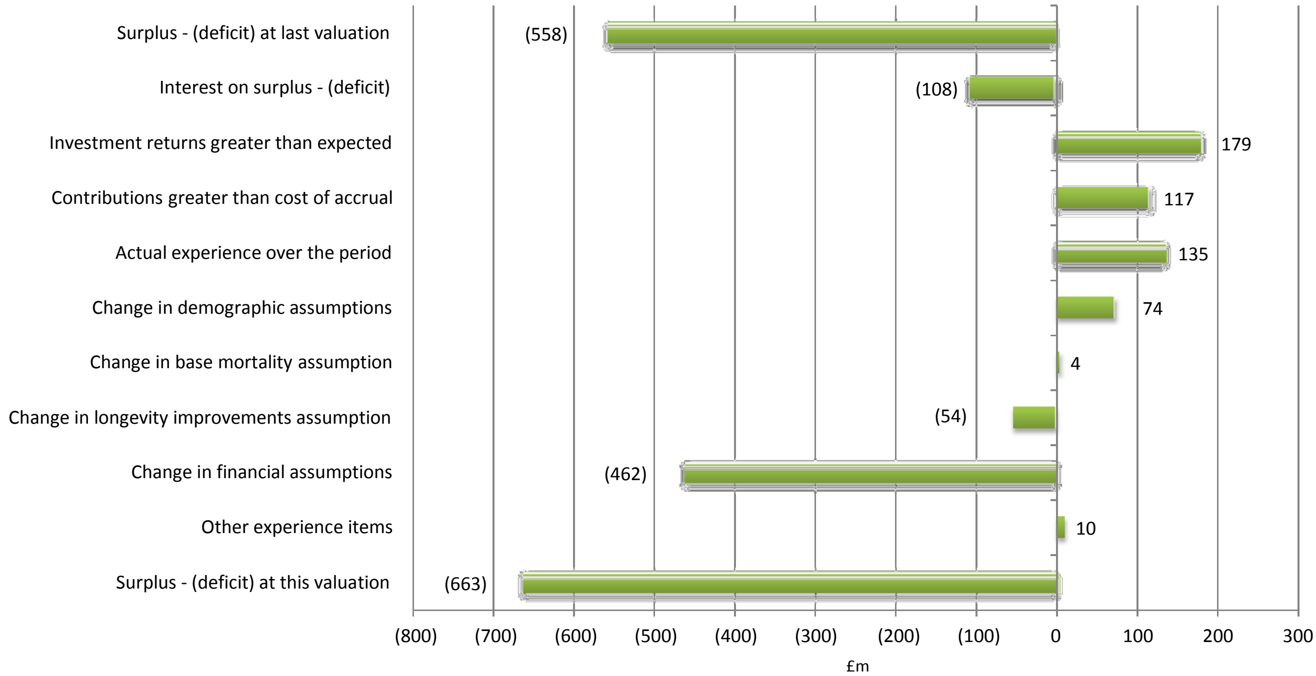
A funding level of 100% would correspond to the funding objective being met at the valuation date.

Valuation Date	**31 March 2010**	**31 March 2013**
Past Service Position	***(£m)***	**(£m)**
Past Service Liabilities		
Employees	1,516	1,681
Deferred Pensioners	345	557
Pensioners	1,106	1,546
Total Liabilities	2,967	3,784
Market Value of Assets	2,409	3,121
Surplus - (Deficit)	**(558)**	**(663)**
Funding Level	**81.2%**	**82.5%**

The main funding objective was not met: there was a shortfall of assets to the assessed cost of members' benefits of £663m.

Summary of changes to the funding position

The chart below illustrates the factors that caused the funding position to deteriorate between 31 March 2010 and 31 March 2013:



Further comments on the items in this chart:

- There is an interest cost of £108m. This is broadly three years of compound interest at 6.1% p.a. (an average of the discount rates used at the 2010 valuation) applied to the previous valuation deficit of £558m.

- Investment returns being higher than expected since 2010 lead to a gain of £179m. This is broadly the difference between the actual and expected three-year return (roughly 7%) applied to the whole fund assets from the previous valuation of £2,409m, with a further allowance made for cashflows during the period.

- Contributions paid being greater than the cost of benefits accrued has led to a gain of £117m.

- The overall impact of demographic experience has been a profit of £135m. This includes the impact of observed salary increases, pension increases, withdrawals, early retirements and ill health retirements.

- The impact of the change in demographic assumptions has been a profit arising of around £74m.

- The change in mortality assumptions (baseline and improvements) has given rise to a loss of £50m. This is mainly due to the change in assumed longevity improvements.

- The change in financial conditions between the previous valuation has led to a loss of £462m. This is due to a decrease in the real discount rate between 2010 and 2013. This has been partially offset by the reduction to the long term salary growth assumption at this valuation.

- Other experience items, such as changes in the membership data, have served to decrease the deficit at this valuation by around £10m.

- Note that the benefit changes that come into effect as at 1 April 2014 do not change the funding position as all past service benefits to 31 March 2014 are protected.

Future service

We have calculated the average long-term contribution rate that the Fund employers would need to pay to meet the estimated cost of members' benefits that will be earned after 31 March 2013 (the 'future service contribution rate'). Again, we have used the assumptions set out in the previous section of this report and the method set out in **Appendix C**. The resulting contribution rate is that which should (if the actuarial assumptions about the future are borne out in practice) ensure that the Administering Authority's main future service funding objective is met. The table below details this future service contribution rate for 31 March 2013 and shows the 31 March 2010 for comparison.

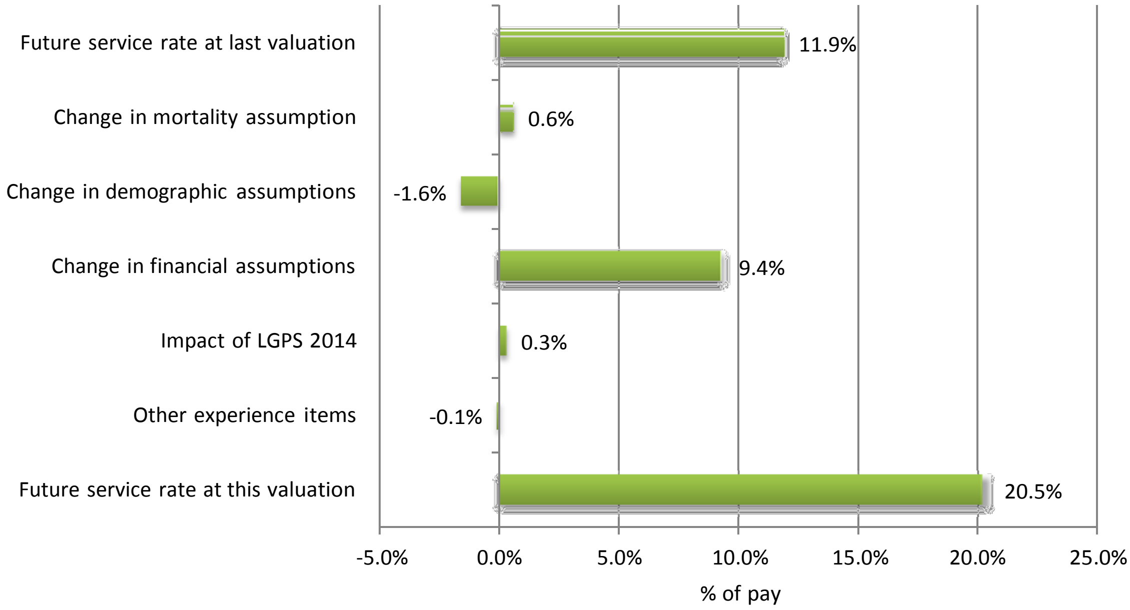
Valuation Date	**31 March 2010**	**31 March 2013**
Future service rate	**% of pay**	**% of pay**
Employer future service rate (excl. expenses)	11.7%	20.3%
Expenses	0.2%	0.2%
Total employer future service rate (incl. expenses)	**11.9%**	**20.5%**
Employee contribution rate	6.4%	6.0%

Note that the employee contribution rate includes any additional contributions being paid by employees as at 31 March 2013 into the Fund. This future service contribution rate makes no allowance for the past service deficit in the Fund described above.

The average future service rate for Fund employers is 20.5% of pay. This rate is calculated as at 31 March 2013 and therefore forms part of the total contribution rate payable by employers from 1 April 2014. Note this rate makes an allowance for changes to the benefit structure that take effect from 1 April 2014. In practice, a future service rate for each employer has been calculated which is based on their particular circumstances and membership profile.

Summary of changes to the future service rate

The chart below illustrates the factors that caused the future service rate to increase between 31 March 2010 and 31 March 2013:



As can be seen from this chart, the factors that have had the biggest impact on the future service rate between 2010 and 2013 are broadly similar to those discussed for the past service position.

In addition to this, the impact of the LGPS 2014 scheme has resulted in an increase in contribution rate of 0.3% of payroll.

Total common contribution rate payable

The total (or "common") contribution rate payable is the average future service rate for Fund employers plus an additional amount to recover the deficit and bring the funding level back to 100% over a period of 19 years, as set out in the Funding Strategy Statement. This additional amount is referred to as the past service adjustment.

The common contribution rate based on the funding position as at 31 March 2013 is detailed below along with the results for 31 March 2010:

Valuation Date	31 March 2010	31 March 2013
Total contribution rate	**% of pay**	**% of pay**
Future service rate (incl. expenses)	11.9%	20.5%
Past Service Adjustment (19 year spread)	5.8%	7.4%
Total employer contribution rate	**17.7%**	**27.9%**

This does not represent the rate which any one employer is actually required to pay, nor is it the average of the actual employer rates. The actual employer contributions payable from 1 April 2014 are given in **Appendix G**, and these have been devised in line with the Funding Strategy Statement: see **section 6.**

5 Risk Assessment

The valuation results depend critically on the actuarial assumptions that are made about the future of the Fund. If all of the assumptions made at this valuation were exactly borne out in practice then the results presented in this document would represent the true cost of the Fund as it currently stands at 31 March 2013.

However, no one can predict the future with certainty and it is unlikely that future experience will exactly match all of our assumptions. The future therefore presents a variety of risks to the Fund and these should be considered as part of the valuation process. In particular:

- The main risks to the financial health of the Fund should be **identified**.
- Where possible, the financial significance of these risks should be **quantified**.
- Consideration should be given as to how these risks can then be **controlled** or **mitigated**.
- These risks should then be **monitored** to assess whether any mitigation is actually working.

This section investigates the potential implications of the actuarial assumptions not being borne out in practice. Set out below is a brief assessment of the main risks and their effect on the valuation results, beginning with a look at the effect of changing the main assumptions and then focusing on the two most significant risks – namely investment risk and longevity risk.

Sensitivity of valuation results to changes in assumptions

The table below gives an indication of the sensitivity of the valuation results to small changes in some of the main assumptions used.

		Impact	
Assumption	**Change**	**Deficit (£m)**	**Future service rate (% of pay)**
Discount rate	Increases by 0.5%	Falls by £343m	Falls by 3%
Salary increases	Increases by 0.5%	Rises by £121m	No change
Price inflation - pension increases	Increases by 0.5%	Rises by £253m	Rises by 2%
Life expectancy	Increases by 1 year	Rises by £114m	Rises by 1%

This is not an exhaustive list of the assumptions used in the valuation. For example, changes to the assumed level of withdrawals and ill health retirements will also have an effect on the valuation results. However, the table contains those assumptions that typically are of most interest and have the biggest impact.

Note that the table shows the effect of changes to each assumption in isolation. In reality, it is perfectly possible for the experience of the Fund to deviate from more than one of our assumptions simultaneously and so the precise effect on the funding position is therefore more complex.

Investment risk

Sensitivity of valuation results to market conditions and investment performance

As the assets of the Fund are taken at their market value, volatility in investment performance can have an immediate and tangible effect on the funding level and deficit. This is particularly relevant because the Fund is invested predominantly in riskier assets such as equities and equity-type investments (e.g. property). A rise or fall in the level of equity markets has a direct impact on the financial position of the Fund, which may seem obvious.

Less obvious is the effect of anticipated investment performance on the Fund's liabilities (and future service cost). Here it is the returns available on government bonds that are of crucial importance, as the discount rate that we use to place a value on the Fund's liabilities is based on gilt yields at the valuation date plus a margin of 1.6% p.a.

The table below shows how the funding level (top), deficit (middle, in £m) and total contribution rate (bottom, as % of pay) would vary if investment conditions at 31 March 2013 had been different. The level of the FTSE 100 Price index is taken as a suitable proxy for asset performance whilst the index-linked gilt yield is taken as a yardstick for the valuation of liabilities.

Index Linked Gilt Yield		FTSE 100 Price Index 5912	FTSE 100 Price Index 6412	FTSE 100 Price Index 6912
	-0.10%	81% (700) 27.2%	86% (521) 25.1%	91% (343) 23.1%
	-0.30%	78% (841) 30.0%	82% (663) 27.9%	87% (485) 26.0%
	-0.50%	75% (989) 32.8%	79% (811) 30.9%	84% (632) 28.9%

The shaded box contains the results for this valuation. Note that this does not take account of the performance of all asset classes held by the Fund (e.g. overseas equities, property, bonds, cash etc.) but it does serve to highlight, in broad terms, the sensitivity of the valuation results to investment conditions at the valuation date.

Note that the scenarios illustrated above are by no means exhaustive. They should not be taken as the limit of how extreme future investment experience could be. The discount rate assumption adopted at this valuation is expected to be appropriate over the long term. Short term volatility of equity markets does not invalidate this assumption.

Longevity risk

The valuation results are also very sensitive to unexpected changes in future longevity. All else being equal, if longevity improves in the future at a faster pace than allowed for in the valuation assumptions, the funding level will decline and the required employer contribution rates will increase.

Recent medical advances, changes in lifestyle and a greater awareness of health-related matters have resulted in life expectancy amongst pension fund members improving in recent years at a faster pace than was originally foreseen. It is unknown whether and to what extent such improvements will continue in the future.

For the purposes of this valuation, we have selected assumptions that we believe make an appropriate allowance for future improvements in longevity, based on the actual experience of the Fund since the previous valuation.

The table below shows how the valuation results at 31 March 2013 are affected by adopting different longevity assumptions.

	Impact	
Longevity assumption	**Deficit (£m)**	**Future service rate**
2010 valuation	(558)	11.9%
2013 valuation (with improvements)	(663)	20.5%
2013 valuation (further improvements)	(818)	21.8%
1 year extra	(937)	22.6%

The shaded box contains the results for this valuation.

Full details of the longevity improvements adopted at this valuation are set out in **Appendix E**.

The “further improvements” are a more cautious set of improvements that, in the short term, assume the ‘cohort effect’ of strong improvements in life expectancy currently being observed amongst a generation born around the early and mid 1930s will continue to strengthen for a few more years before tailing off. This is known as “non-peaked”.

The “1 year extra” figures relative to a further year of life expectancies beyond those assumed in “further improvements”.

Again, the range of assumptions shown here is by no means exhaustive and should not be considered as the limits of how extreme future longevity experience could be.

Other risks to consider

The table below summarises the effect that changes in some of the other valuation assumptions and risk factors would have on the funding position. Note that these are probably unlikely to have a large financial impact on the Fund and therefore the analysis is qualitative rather than quantitative.

	Impact	
Factor	**Funding level**	**Future service rate**
Greater level of ill health retirement	Decreases	Marginal
Reduced level of withdrawals	Decreases	No impact
Rise in average age of employee members	Marginal effect	Increases
Lower take up of 50:50 option	No impact	Increases

One further risk to consider is the possibility of future changes to Regulations that could materially affect the benefits that members become entitled to. It is difficult to predict the nature of any such changes but it is not inconceivable that they could affect not just the cost of benefits earned after the change but could also have a retrospective effect on the past service position (as the move from RPI to CPI based pension increases already has).

Managing the risks

Whilst there are certain things, such as the performance of investment markets or the life expectancy of members, that are not directly within the control of the pension fund, that does not mean that nothing can be done to understand them further and to mitigate their effect. Although these risks are difficult (or impossible) to eliminate, steps can be taken to manage them.

Ways in which some of these risks can be managed could be:

- Set aside a specific reserve to act as a cushion against adverse future experience (possibly by selecting a set of actuarial assumptions that are deliberately more prudent).

- Take steps internally to monitor the decisions taken by members and employers (e.g. relating to early - ill health retirements or salary increases) in a bid to curtail any adverse impact on the Fund.

- Pooling certain employers together at the valuation and then setting a single (pooled) contribution rate that they will all pay. This can help to stabilise contribution rates (at the expense of cross-subsidy between the employers in the pool during the period between valuations).
- Carrying out a review of the future security of the Fund's employers (i.e. assessing the strength of employer covenants).
- Carry out a bespoke analysis of the longevity of Fund members and monitor how this changes over time, so that the longevity assumptions at the valuation provide as close a fit as possible to the particular experience of the Fund.
- Undertake an asset-liability modelling exercise that investigates the effect on the Fund of possible investment scenarios that may arise in the future. An assessment can then be made as to whether long term, secure employers in the Fund can stabilise their future contribution rates (thus introducing more certainty into their future budgets) without jeopardising the long-term health of the Fund.
- Purchasing ill health liability insurance to mitigate the risk of an ill health retirement impacting on solvency and funding level of an individual employer where appropriate.
- Monitoring different employer characteristics in order to build up a picture of the risks posed. Examples include membership movements, cash flow positions and employer events such as cessations.

We would be pleased to set out in more detail the risks that affect the Fund and discuss with you possible strategies for managing them.

6 Related issues

The Fund's valuation operates within a broader framework, and this document should therefore be considered alongside the following:

- the Funding Strategy Statement, which in particular highlights how different types of employer in different circumstances have their contributions calculated;
- the Statement of Investment Principles (e.g. the discount rate must be consistent with the Fund's asset strategy);
- the general governance of the Fund, such as meetings of the Pensions and Investment Committee, decisions delegated to officers, the Fund's business plan, etc;
- the Fund's risk register;
- the register of Fund employers.

Further recommendations

Valuation frequency
Under the provisions of the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2016. In light of the uncertainty of future financial conditions, we recommend that the financial position of the Fund (and for individual employers in some cases) is monitored by means of interim funding reviews in the period up to this next formal valuation. This will give early warning of changes to funding positions and possible contribution rate changes.

Investment strategy and risk management
We recommend that the Administering Authority continues to regularly review its investment strategy and ongoing risk management programme.

New employers joining the Fund
Any new employers or admission bodies joining the Fund should be referred to the Fund actuary for individual calculation as to the required level of contribution.

Additional payments
Employers may make voluntary additional contributions to recover any shortfall over a shorter period, subject to agreement with the Administering Authority and after receiving the relevant actuarial advice.

Further sums should be paid to the Fund by employers to meet the capital costs of any unreduced early retirements, reduced early retirements before age 60 and-or augmentation (i.e. additional membership or additional pension) using the methods and factors issued by me from time to time or as otherwise agreed.

In addition, payments may be required to be made to the Fund by employers to meet the capital costs of any ill- health retirements that exceed those allowed for within our assumptions.

Cessations and bulk transfers
Any Admission Body who ceases to participate in the Fund should be referred to us in accordance with Regulation 38 of the Administration Regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund, or

- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement should be referred to us to consider the impact on the Fund.

7 Reliances and limitations

Scope

This document has been requested by and is provided to Derbyshire County Council in its capacity as Administering Authority to the Derbyshire County Council Pension Fund. It has been prepared by Hymans Robertson LLP to fulfil the statutory obligations in accordance with regulation 36 of the Administration Regulations. None of the figures should be used for accounting purposes (e.g. under FRS17 or IAS19) or for any other purpose (e.g. a termination valuation under Regulation 38(1)).

This document should not be released or otherwise disclosed to any third party without our prior written consent, in which case it should be released in its entirety. Hymans Robertson LLP accepts no liability to any other party unless we have expressly accepted such liability.

The results of the valuation are dependent on the quality of the data provided to us by the Administering Authority for the specific purpose of this valuation. We have previously issued a separate report confirming that the data provided is fit for the purposes of this valuation and have commented on the quality of the data provided. The data used in our calculations is as per our report dated March 2014.

Actuarial Standards

The following Technical Actuarial Standards[1] are applicable in relation to this report and have been complied with where material:

- TAS R – Reporting;
- TAS D – Data;
- TAS M – Modelling; and
- Pensions TAS.

Richard Warden

Fellow of the Institute and Faculty of Actuaries

Geoff Nathan

Fellow of the Institute and Faculty of Actuaries

31 March 2014

[1] Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work, including the information and advice contained in this report.

APPENDIX 1

Proposed Governance Policy Statement

This document has been produced in accordance with the Local Government Pension Scheme (Amendment) (No. 2) Regulations 2005 which require an administering authority to consult on, prepare and publish by a stand-alone governance policy statement setting out its policy on the delegation of its pension fund functions to committees and officers together with the frequency of meetings, terms of reference and whether the Committee includes representatives of employing authorities or scheme members and if so whether those representatives have voting rights.

Governance Policy Statement

1 Delegation of Functions

Responsibility for the Council's statutory function as administering authority under the Local Government Pension Scheme Regulations and associated legislation under Sections 7, 12 and 24 of the Superannuation Act 1972 is delegated to the Derbyshire County Council (the ''County Council'') Pensions and Investment Committee in line with CIPFA Pensions Panel guidance on the Principles for Investment Decision Making in the LGPS in response to the Myners Review of Institutional Investment in the United Kingdom. The guidance states that 'Each administering authority should have a designated group of elected members appointed to a committee to whom responsibility for the management and administration of the pension fund has been assigned'.

The Pensions and Investment Committee is responsible for discharging the Council's statutory function as an employing authority and as the administering authority for the Derbyshire Pension Fund under the Superannuation Act 1972, the Local Government Pension Scheme Regulations and associated pensions legislation. In discharging these statutory functions the Committee's responsibilities include:-

- i Considering applications for admission body status to the Derbyshire Pension Scheme
- ii Management of the resolution of pension disputes in accordance with the Internal Dispute Resolutions Procedure, including the appointment of nominated persons.
- iii Formulating and reviewing policies under the discretionary payments legislation
- iv Appointing and reviewing the performance of the Pension Fund's actuary, additional voluntary contribution providers, external fund managers and independent investment advisers;

v Formulation of the Fund's investment strategy in line with the Statement of Investment Principles, Funding Strategy Statement and Risk Strategy;
vi Ensuring effective communications with Pension Scheme members and pensioners; and
vii Approving and monitoring performance targets for the Pension Fund and complying with Regulations which require the Committee to take advice in determining the Fund's investment policy and making investment decisions.

Members of the Committee receive appropriate training throughout the year designed to assist them in performing their duties.

The Pensions and Investment Committee is required to carry out certain statutory functions on at least a quarterly basis - e.g. review investments, review transactions, review fund performance. The Committee timetable is designed to fit in with those requirements. Urgent matters are dealt with by the County Council's Director of Finance in consultation with the Chair of the Pensions and Investment Committee as required.

The minutes of the Pensions and Investment Committee are presented to meetings of the Full Council.

2 Frequency of Meetings

The Pensions and Investment Committee meets eight times a year of which four meetings each are to consider pension administration matters and investment matters.

Meetings are open to the public except for exempt and confidential items as defined by the Local Government Act 1972.

3 Terms of Reference

The duties and responsibilities of the Pensions and Investment Committee are within the Local Government Pension Scheme Regulations 1997 and Pensions Acts.

The Committee's terms of reference, insofar as they relate to the administering authority's role, include:

- administration of the LGPS in Derbyshire
- consideration of applications for admission body status
- appointment of actuary and additional voluntary contribution providers
- formulation and review of policies relating to discretions
- the appointment of persons to resolve disputes
- consideration of Stage 2 appeals under the dispute resolution procedures
- the formulation of a Funding Strategy Statement
- obligations on administrators of occupational pensions under the various Pension Acts.

4 Structure

The Pensions and Investments Committee comprises eight Councillors representing the County Council and two Councillors representing Derby City Council.

The County Council members of the Committee reflect the political balance of the Council.

Two trades union representatives attend as non-voting members.

The County Council's Director of Finance and one independent investment adviser report to the Committee.

Members of the Committee receive appropriate training throughout the year designed to assist them in performing their duties.

All elected members of the administering authority have voting rights as a matter of course.

- The Local Government (Committee and Political Groups) Regulations 1990 SI No 1553 4(1)(g) states that voting rights will be given to a person appointed to a sub-committee or a committee established under the Superannuation Act 1972 who is a member of the authority which appointed the Committee.

Elected members representing other local authorities also have voting rights.

- The provisions of Section 13(3) and (4) of the Local Government and Housing Act 1989 allow an administering authority discretion as to whether or not a member of the Pensions and Investment Committee who is not a member of that authority is treated as a voting or non-voting member.

Accordingly the County Council has allowed co-opted members to have voting rights.

5 Operational Procedures

As part of its duties, the Committee:

Determines investment policy
Issues asset allocation guidelines
Sets performance targets
Monitors performance
Issues voting guidelines

Within this framework, day-to-day management of the Fund's investments is delegated to the County Council's Director of Finance who is responsible for ensuring that the investment policy is carried out either by the County Council's Investment Section or by External Managers, as appropriate.

From time to time it is necessary for decisions resting with the Committee to be taken as a matter of urgency. These include decisions on the purchase or sale of direct property or venture capital investments, and also corporate governance issues. Such decisions are taken by the County Council's Director of Finance in consultation with the Chair of the Pensions and Investment Committee (or in his absence the Vice-Chair) and are reported to the next meeting of the Pensions and Investment Committee.

The above procedures are designed to ensure that the Committee carries out its statutory duties, sets policy and controls asset allocation whilst leaving day-to-day investment decisions to the County Council's Director of Finance and the relevant investment managers.

6 Local Pension Board

The Public Service Pensions Act 2013 (PSPA) introduced a framework for regulatory oversight by the Pensions Regulator. In addition, the PSPA introduced a new governance structure for the LGPS which came into effect in April 2015.

The new governance structure was brought into effect by the LGPS (Amendment) (Governance) Regulations 2015. The regulations are intended to ensure better governance and improved accountability in the LGPS. A new national Scheme Advisory Board has been established to provide advice to both the Secretary of State and to administering authorities such as the County Council. The Regulations also require administering authorities to establish Local Pension Boards.

Functions of the Board

The role of the Pension Board is defined by Regulation 106 of the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 as to assist the administering authority:

1. to secure compliance with:

    (a) the Regulations;
    (b) any other legislation relating to the governance and administration of the Scheme; and
    (c) any requirements imposed by the Pensions Regulation in relation to the Scheme; and also

2. to ensure the effective and efficient governance and administration of the Scheme.

Terms of Reference

The terms of reference for the Derbyshire Local Pension Board include provisions regarding the term of office, termination of membership and meeting arrangements.

Structure

Members of the Pension Board are appointed by the County Council as Administering Authority.

7 Review Procedure

This statement will be reviewed on a periodic basis and amended as necessary following a material change in policy.

STATEMENT OF INVESTMENT PRINCIPLES

Introduction

Derbyshire Pension Fund's Statement of Investment Principles ("the SIP") is drawn up in compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, following consultation with such persons as the Derbyshire Pension Fund considers appropriate. Derbyshire County Council, as the administering authority for the Derbyshire Pension Fund, as specified under the Local Government Pension Scheme Regulations 2013, is required to review the Statement from time to time and to update if for any material change in the policies referred to in the Statement.

The LGPS Scheme

The Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes in the UK with around 4.6 million members. The LGPS is administered locally for participating employers through 89 regional pension funds in England and Wales, of which the Derbyshire Pension Fund (the ''Fund'') is one.

There are approximately 170 employers in the Fund, including Derbyshire County Council, Derby City Council, all the district and borough councils in Derbyshire, Peak District National Park Authority, Derbyshire Police Authority, Derbyshire Fire Authority, Derby College, Chesterfield College, University of Derby, a host of town and parish councils and a large group of smaller employers via admission arrangements. At 31 March 2015, the Fund had 90,000 members, comprising 38,000 active members, 26,000 deferred beneficiaries and 26,000 members in receipt of a pension.

Scheme Governance

The Fund's Governance Policy Statement was approved by the Pensions and Investment Committee ("the Committee") in September 2015.

The Committee is responsible for discharging Derbyshire County Council's statutory function as the administering authority for the Fund. LGPS funds are not separate legal entities from administering authorities and are not covered by trust law. However, members of the Pensions and Investments Committee act in a very similar manner to trustees.

The Pensions and Investments Committee is responsible for determining investment policy, assessing the suitability of a particular investment or types of investments, appointing managers and advisers, asset allocation decisions, monitoring performance and general stewardship of the Fund. Further details in respect of the Committee's terms of reference, frequency of meetings, composition, roles and functions and operational procedures are set out in the

Governance Policy Statement, a copy of which can be found on the Fund's website.

Day to Day Management

The Pensions and Investments Committee sets a long-term investment strategy with regard to the Fund's investment objectives and liabilities. The investment strategy is implemented through the development of investment portfolios within each asset class set out in the benchmark. The portfolios are constructed from investments which are accepted by the Committee and satisfy the relevant investment management regulations and in-house due diligence requirements. A significant proportion of the Fund's investments are managed on an active basis by the Fund's in-house investment managers. Where the appropriate skills are not available internally, external managers
are used.

The split between active versus passive management and internally versus externally managed funds at 31 March 2015 is set out below:

Active Management	90.8%
Passive Management	9.2%
Total	**100.0%**

Internally Managed	85.2%
Externally Managed	14.8%
Total	**100.0%**

Objectives

The Fund's objective is ''To invest the pension fund with the aim of maximising its returns subject to an agreed level of risk and having taken into account the Fund's liabilities and its projected cash-flows."

Types of Investments

The Pensions and Investments Committee has approved the following Asset Allocation for the Fund, together with the Fund's Specific Benchmarks:

Asset Category	Asset Allocation	Permitted Range	Specific Performance Benchmark
Equities	**60.0%**	**+/- 8%**	
UK Equities	28.0%	+/- 6%	FTSE All Share
verseas Equities	32.0%	+/- 6%	
N America	11.0%	+/- 4%	FTSE World N America
Europe	9.0%	+/- 4%	FTSE World Europe Ex-UK
Japan	5.0%	+/- 2%	FTSE World Japan
Pacific ex-Japan	4.0%	+/- 2%	FTSE All World Asia-Pacific ex Japan
Emerging Markets	3.0%	+/- 2%	FTSE Emerging Markets
Bonds	**22.0%**	**+/- 5%**	
Fixed Income	6.5%	+/- 3%	FTSE UK Gov Fixed All Stocks
Real Return	6.5%	+/- 3%	FTSE UK I-L All Stocks
Non-government	6.0%	+/- 3%	BAML £ Corp Bonds
Multi-Asset Credit	3.0%	+/- 2%	LIBOR + 3%
Property	**9.0%**	**+/- 3%**	
Direct	5.0%	+/- 2%	IPD UK Quarterly Property Index
Indirect	4.0%	+/- 2%	AREF/IPD UK Quarterly Property Fund Index
Alternatives	**7.0%**	**+/- 3%**	
Infrastructure	3.0%	+/- 2%	LIBOR + 2%
Private Equity	4.0%	+/- 2%	FTSE All Share +1%
Cash	**2.0%**	**0 – 8%**	Sterling 7 Day LIBID

No financial instruments are excluded from consideration, but the use of derivatives is restricted to hedging activity which (other than in the case of currency hedging) must be authorised in advance by the Pensions and Investment Committee (or by the Director of Finance in consultation with the Committee Chair if an urgent decision is required) in each case. Hedge Fund investment is not included in the Fund's Investment Benchmark.

Balance Between Different Types of Investment

The overall strategy of the Fund, together with the setting of the Fund's benchmark asset allocation, was approved by the Pensions and Investment Committee in July 2015, following an Asset Liability Study in 2014. The Asset Liability Study addressed the long term strategy for the Fund, taking into consideration the risk tolerance of the Committee, the liability profile of the Fund and the current deficit level.

The Pensions and Investment Committee reviews the tactical allocation of the Fund on a quarterly basis, following advice from the Fund's in-house investment managers and an external advisor.

Risk

The overall risk for the Fund is that its assets will be insufficient to meet its liabilities. The Fund is assessed on an actuarial basis every three years and is required to draw up a Funding Strategy Statement to show how any deficit is to be addressed. A copy of the Fund's Funding Strategy Statement can be found on the Fund's website.

It is the Pensions and Investments Committee's policy to manage investment risk by holding different categories of investments (e.g. the asset allocation between equities, bonds, property, alternatives and cash) and by holding a diversified equity portfolio spread by both geography and market sectors. The Fund's benchmark asset allocation was last reviewed in 2015 by the Fund's external advisor and in-house investment management team in conjunction with the Fund's actuary. The asset allocation is designed to meet the Fund's performance requirements for the level of risk agreed by the Pensions and Investments Committee.

Each asset class is managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the benchmark asset allocation, whilst allowing for a degree of flexibility. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the ''Investment Management Regulations'') also set a number of investment limits.

Contracts with external investment management providers specify the level of risk to be taken by the managers.

Custodian risk is managed through continuous monitoring and periodic reviews of the custodial arrangements.

The Fund's risk register identifies the key identified risks, including an assessment of the potential impact and probability of each identified risk, together with current and proposed risk mitigation procedures. The risk register is reviewed by the Pensions and Investments Committee on an annual basis.

Expected Return on Investments

The Fund is subject to actuarial review every three years. The last actuarial valuation, at 31 March 2013, was prepared on the basis of a longer term investment return of 4.6% p.a. Over the shorter term investment returns can be extremely volatile.

The strategic asset allocation is expected to produce a return, over the long term, in excess of the investment return assumed in the Actuarial Valuation. The return achieved within each actively managed asset class is expected to be greater than the relevant asset class benchmark on an annualised basis over a rolling three year period. The Pensions and Investments Committee acknowledges that there is a relationship between risk and reward, with higher returns often associated with higher levels of risk.

Fund performance is calculated independently each quarter, the results are compared with the Fund's own specific benchmarks and Local Authority averages. The results are then reported to the Pensions and Investment Committee.

Long term investment returns are reported to Fund members through the Pension Fund's Annual Report.

Realisation of Investments

The Fund is currently cash positive, in that annually there is an excess of cash paid into the Fund from contributions and investment income after pension benefits are paid out. The Fund expects to be cash positive for the short to medium term.

The majority of the Fund's investments are quoted on major stock markets and can be realised quickly, in normal circumstances, if required. More illiquid investments, such as Property, Multi-Asset Credit and Alternatives make up a small, but growing, proportion of the Fund. The Investment Management Regulations limit holdings of unquoted companies to 15% of the Fund, investments in partnerships to 30% and investments in single holdings to 10%. Pensions and Investments Committee guidelines limit investment in Property, Multi-Asset Credit and Alternatives to 12%, 5% and 10%, respectively.

Socially Responsible Investment

The Pensions and Investments Committee believes that environmental, social and governance (ESG) issues are among the factors that can impact financial returns and the long term sustainability of investments. Consideration of ESG matters is an integral part of the Fund's investment process, for both in-house and external managers, whilst recognising the overriding fiduciary duty to maximise investment returns for the benefit of Scheme members, within acceptable risk parameters.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which promotes high standards of corporate governance and corporate responsibility amongst the companies in which Local Authority pension funds invest. A strategy of engagement with companies, rather than negative screening to exclude stocks from the portfolio on ESG/ethical grounds, is more compatible with the Administering Authority's fiduciary duties and supports actively engaged and responsible investment.

The Fund regards the exercise of voting rights attached to its investments as having great importance. The Fund currently casts votes in respect of both its directly held equity investments in the United Kingdom and North America.

The Committee has appointed Institutional Shareholder Services (ISS), a third party voting agency to provide voting services for its directly held UK equity investments. Voting is carried out in line with recommendations from ISS, whose voting policy reflects the National Association of Pension Fund's Corporate Governance Policy and Voting Guidelines. The Fund is also a member of the LAPFF and periodically receives voting alerts on certain resolutions. If the voting alert from the LAPFF conflicts with the ISS recommendation, due consideration is given to all the arguments before the vote is cast.

The Fund has appointed Wellington Management in a discretionary capacity to manage its directly held North American investments, including voting in line with local practice. Wellington Management have policies and procedures to ensure that they collect and analyse all relevant information for each meeting, applying their proxy voting guidelines accurately and executing votes in a timely manner.

Stock Lending

The Pensions and Investments Committee granted approval for the Fund to undertake stock-lending in 2012. At present, the Fund has yet to participate in any stock-lending arrangements and continues to evaluate its merits.

Pensions and Investments Committee guidelines limit any stock-lending arrangements to 3% of the Fund. The Investment Management Regulations limit stock-lending to 25% of the Fund.

Principles of Investment Practice

The Investment Management Regulations require that a fund's administering authority reports in its SIP on the extent to which it complies with six principles on investment decision making as set out in guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in November 2012, entitled ''Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2015''. Where this guide makes comments on examples of good practice in the light of the principles, its intension is to help funds to apply the principles, they are not expected to implement every element. The Fund's compliance with the six principles is set out in Appendix 1.

Approved by Pensions & Investments Committee on 27 January 2016

Appendix 1 – Compliance with six principles of investment practice

Principle	Evidence of compliance
Effective Decision Making • Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implications. • 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 established a Pensions Board in accordance with the Public Service Pensions Act 2013. • The role of the Pensions and Investments Committee is defined in the Governance Policy Statement. • The Pensions and Investment Committee meets on a quarterly basis to discuss current issues, future policy and tactical asset allocation. • The Committee have appointed suitably qualified internal investment managers to manage the investments of the Fund. • The Fund takes advice from its independent adviser and its internal Investment Officer, both of whom attend the quarterly Pensions and Investments Committee. • Members' declaration of interests is made at the commencement of each meeting of the Pensions and Investments Committee. • A training needs assessment is currently being carried out with Members and will subsequently be done on an annual basis in line with CIPFA guidance. • Preparation of an annual Service Plan.
Clear Objectives • 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 Fund's objectives is "To invest the pension fund with the aim of maximising its returns subject to an agreed level of risk and having taken into account the Fund's liabilities and its projected cash-flows" • The Fund's asset allocation is specifically designed to achieve the Fund's objectives, with tactical asset allocation reviewed at the quarterly Pensions and Investments Committee. In determining the Fund's asset allocation, the Committee consider all asset classes in terms of their suitability and diversification benefits. • The Fund's targets are: o To the actuary's long term return requirements of 4.6%; and o To achieve a return within each actively managed asset class greater than the relevant asset class benchmark on an annualised basis over a rolling three year period. • Target performance and timescales have been set by the Pensions and Investments Committee. The managers are required to adopt an active style of management and a flexible approach whilst seeking to contain risks in accordance with agreed parameters. • Contracts for external investment managers specify targets, timescales and approach. • The Fund's Funding Strategy Statement can be found on the Fund's website.

Risk and Liabilities • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	• A description of the risk assessment framework used for potential and existing investments is included in the Statement of Investment Principles. • The Fund maintains a risk register and this is reviewed by the Pensions and Investments Committee on an annual basis. The risk register identifies the Fund's risk, including an assessment of the potential impact and probability, together with current and proposed mitigation controls and procedures. • An Asset Liability study was undertaken in 2014 to ensure that the Fund's asset allocation mix was appropriate in relation to its liability profile and the level of risk that the Pensions and Investment Committee was prepared to take. This led to the introduction of a new asset allocation in 2015.
Performance Assessment • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision- making body and report on this to scheme members.	• The Fund's performance is assessed on a quarterly basis, using data provided by GS Performance Services, a specialist performance measurement organisation. • The Fund's performance is reviewed by the Pensions and Investments Committee on a quarterly basis, including an independent review by the Fund's external advisor. • The asset class specific benchmarks are reviewed for appropriateness and approved by the Pensions and Investments Committee. Peer group benchmarks are used for comparison purposes only. • The recently created Local Pensions Board will also assist the administering authority to ensure the effective and efficient governance and administration of the Scheme.

Responsible Owner • Recognise, and ensure that their partners in the investment chain adopt, the FRC's UK Stewardship Code. • Include a statement of their policy on responsible ownership in the Statement of Investment Principles. • Report periodically to scheme members on the discharge of such responsibilities.	• The Fund's Statement of Investments Principles contains details on Socially Responsible Investment. • The Fund has appointed a third party voting agency to provide voting services in the UK. Consideration is given to voting alerts from the Local Authority Pension Fund Forum (LAPFF). Voting activity is undertaken in a number of overseas markets where votes are cast by the Fund's external investment manager in accordance with local practice. • Voting activity in the UK is reported on a quarterly basis to the Pensions & Investments Committee. Further details on the Fund's voting policy together with the quarterly voting reports are available on the Fund's website. • The Fund is a participating member of the LAPFF and receives information on environmental, social and governance issues. • The Fund is currently assessing itself against the FRC's Stewardship Code.
Transparency & Reporting • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. • Provide regular communication to scheme members in the form they consider most appropriate.	• The following are published on the Fund's website: o Non-exempt Pensions and Investments Committee reports and minutes, including fund performance reports. o Statement of Investment Principles. o Annual Report. o Governance Policy Statement. o Communication Policy. o Funding Strategy Statement. o Actuarial Valuation Report.

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APPENDIX 3

Derbyshire County Council Pension Fund

Funding Strategy Statement

March 2014

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Contents

Appendices

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Derbyshire County Council Pension Fund ("the Fund"), which is administered by Derbyshire County Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 1 April 2014.

1.2 What is the Derbyshire County Council Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Derbyshire County Council Pension Fund, in effect the LGPS for the Derbyshire County Council area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth;
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,

- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework of which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report; actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles (see Section 4).

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, and in what circumstances you might need to pay more. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'-dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent

funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and

- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Richard Appleby, Assistant Director of Finance, in the first instance at e-mail address richard.appleby@derbyshire.gov.uk

2 Basic Funding Issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate a contribution rate?

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being built up from year to year, referred to as the "*future service rate*"; plus

b) an adjustment for the difference between the assets built up to date and the value of past service benefits, referred to as the "*past service adjustment*". If there is a deficit the past service adjustment will be an increase in the employer's total contribution; if there is a surplus there may be a reduction in the employer's total contribution. Any past service adjustment will aim to return the employer to full funding over an appropriate period (the "deficit recovery period").

2.2 How is a deficit (or surplus) calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets, to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

A larger deficit will give rise to higher employer contributions. If a deficit is spread over a longer period then the annual employer cost is lower than if it is spread over a shorter period.

2.3 How are contribution rates calculated for different employers?

The Fund's actuary is required by the Regulations to report the *Common Contribution Rate*, for all employers collectively at each triennial valuation, combining items (a) and (b) above. This is based on actuarial assumptions about the likelihood, size and timing of benefit payments to be made from the Fund in the future, as outlined in Appendix E.

The Fund's actuary is also required to adjust the *Common Contribution Rate* for circumstances specific to each individual employer. The sorts of specific circumstances which are considered are discussed in Section 3. It is this adjusted contribution rate which the employer is actually required to pay, and the rates for all employers are shown in the Fund's Rates and Adjustments Certificate.

In effect, the *Common Contribution Rate* is a notional quantity, as it is unlikely that any employer will pay that exact rate. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific circumstances.

Details of the outcome of the Actuarial Valuation as at 31 March 2013 can be found in the formal valuation report dated 31 March 2014, including an analysis at Fund Level of the *Common Contribution Rate*. Further details of individual employer contribution rates can also be found in the formal report.

2.4 What else might affect the employer's contribution?

Employer covenant, and likely term of membership, are also considered when setting contributions: more details are given in Section 3.

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

If an employer is approaching the end of its participation in the Fund then its contributions may be amended appropriately, so that the assets meet (as closely as possible) the value of its liabilities in the Fund when its participation ends.

Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of the higher rate will be taken by the Fund Actuary at subsequent valuations.

2.5 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such academies, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the DCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and-or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education;
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;

- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Fund will risk assess each employer using a knowledge base which is regularly monitored and updated. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc. This helps the Fund establish a picture of the financial standing of the employer, i.e. its ability to meet its long term Fund commitments.

For instance, where an employer is considered relatively low risk then the Fund will permit greater smoothing (such as stabilisation or a longer deficit recovery period relative to other employers) which will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, an employer whose risk assessment indicates a less strong covenant will generally be required to pay higher contributions (for instance, with a more prudent funding basis or a shorter deficit recovery period relative to other employers). This is because of the higher probability that at some point it will fail or be unable to meet its pension contributions, with its deficit in the Fund then falling to other Fund employers.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, there are a number of methods which the Administering Authority may permit, in order to improve the stability of employer contributions. These include, where circumstances permit:-

- capping of employer contribution rate changes within a pre-determined range ("stabilisation")
- the use of extended deficit recovery periods
- the phasing in of contribution rises or reductions
- the pooling of contributions amongst employers with similar characteristics
- the use of some form of security or guarantee to justify a lower contribution rate than would otherwise be the case.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority may, at its sole discretion, direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying contributions below the theoretical level

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than the theoretical contribution rate. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the choice of method,
- lower contributions in the short term will be assumed to incur a greater loss of investment returns on the deficit. Thus, deferring a certain amount of contribution will lead to higher contributions in the long-term, and
- it will take longer to reach full funding, all other things being equal.

Overleaf (<u>3.3</u>) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

<u>Section 3.4</u> onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	**Local Authorities**	**Police, Fire, Parish and Town Councils, Colleges and Universities**	**Academies, Housing Associations**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to “gilts basis” - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Future service rate	Projected Unit Credit approach (see Appendix D – D.2)				Attained Age approach (see Appendix D – D.2)	Projected Unit Credit approach (see Appendix D – D.2)
Stabilised rate?	Yes - see Note (b)	Yes - see Note (b)	Yes - see Note (b)	No	No	No
Maximum deficit recovery period – Note (c)	19 years	19 years	19 years	12 years	12 years	The lower of 12 years and the outstanding contract term.
Deficit recovery payments – Note (d)	Monetary amount	Monetary amount	Monetary amount	Monetary amount	Monetary amount	Monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Preferred approach: contributions kept at future service rate. However, reductions may be permitted by the Admin. Authority		Reduce contributions by spreading the surplus over the lower of 12 years and the outstanding contract term.
Phasing of contribution changes	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	3 years - Note (e)	3 years - Note (e)	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n-a	n-a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

Note (a) (Basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may vary the discount rate used to set employer contribution rate. In particular contributions may be set for an employer to achieve full funding on a more prudent basis (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority; and
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring).

On the basis of the modelling carried out for the 2013 valuation exercise (see Section 4), stabilisation criteria and limits were set taking into account the employer's membership profiles, the issues surrounding employer security, and other relevant factors. The criteria and limits will be reviewed at the 31 March 2016 valuation.

Note (c) (Deficit Recovery Periods)

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2014 for the 2013 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative spreading periods, for example where there were no new entrants.

Where stabilisation applies, the resulting employer contribution rate would be amended to comply with the stabilisation mechanism.

For employers with no (or very few) active members at this valuation, the deficit should be recovered by a fixed monetary amount over a period to be agreed with the body or its successor, not to exceed 12 years.

Note (d) (Deficit Recovery Payments)

The deficit recovery payments for each employer covering the three year period until the next valuation are set in monetary terms.

Note (e) (Phasing in of contribution changes)

All phasing is subject to the Administering Authority being satisfied as to the strength of the employer's covenant.

Employers which have no active members at this valuation will not be phased.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and-or moving to monetary levels of deficit recovery contributions), and-or an increased level of security or guarantee.

Note (g) (New Academy employers)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

a) The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;

b) The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

c) The new academy's past service liabilities will be calculated using market conditions on the day prior to conversion;

d) The new academy will receive a proportionate transfer of the ceding Council's deficit as calculated on the day prior to academy conversion. The deficit is apportioned using the past service liability of the transferring and the active past service liability of the ceding Council; and

e) The new academy's initial contribution rate will be calculated using market conditions, the council funding position and, membership data, all as at the day prior to conversion.

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policy (d) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund;
- the current deficit.

For all new Transferee Admission Bodies, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be periodically reassessed.

The Administering Authority will only consider requests from Community Admission Bodies (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting-outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees’ Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which “outsource” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which is may be under the stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor’s contribution rate could vary from one valuation to the next. It would be liable for any deficit at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate and doesn't pay any cessation deficit.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from;

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above;
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund;
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus it should be noted that current legislation does not permit a refund payment to the Admission Body.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

a) Where there is a guarantor for future deficits and contributions, the cessation valuation will normally be calculated using the ongoing basis as described in Appendix E;

b) Alternatively, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee;

c) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis", which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund would look to any bond, indemnity or guarantee in place for the employer.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit, and would carry out the cessation valuation on an ongoing basis: deficit recovery payments would be derived from this cessation debt. This approach would be monitored as part of each triennial valuation: the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members.

3.4 Pooled contributions

From time to time the Administering Authority may set up pools for employers with similar characteristics. This will always be in line with its broader funding strategy.

With the advice of the Actuary the Administering Authority allows smaller employers of similar types to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool. Transferee Admission Bodies are usually also ineligible for pooling.

Smaller admitted bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Employers who are permitted to enter (or remain in) a pool at the 2013 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended deficit recovery period, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan;
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

Strain costs must be paid in full in the year in which the strain is incurred.

3.7 Ill health early retirement costs

The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the ill health allowance at the previous valuation, the employers future contribution rate may be adjusted to take account of this additional cost. Employers can choose to insure against certain ill health costs to negate any potential increase in their future employer rate brought about by ill health costs.

3.8 Ill health insurance
If an employer provides satisfactory evidence to the Administering Authority of a current insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members
In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund

c) In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers
Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities;
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (SIP), which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out after each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa,

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate (see E3) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see A1).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 How does this differ for a large stable employer?

The Actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

- Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;
- Affordability – how much can employers afford;
- Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position;
- Stability – employers should not see significant moves in their contribution rates from one year to the next, and this will help to provide a more stable budgeting environment.

The key problem is that the key objectives often conflict. For example, minimising the long term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore a balance needs to be maintained between risk and reward, which has been considered by the use of Asset Liability Modelling: this is a set of calculation techniques applied by the Fund's actuary, to model the range of potential future solvency levels and contribution rates.

The Actuary was able to model the impact of these four key areas, for the purpose of setting a stabilisation approach (see 3.3 Note (b)). The modelling demonstrated that retaining the present investment strategy, coupled with constraining employer contribution rate changes as described in 3.3 Note (b), struck an appropriate balance between the above objectives. In particular the stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

Whilst the current stabilisation mechanism is to remain in place until 2017, it should be noted that this will need to be reviewed following the 2016 valuation.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS is:

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

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2012) and to its Statement of Investment Principles.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers in April for comment;
b) Comments were requested within 10 days;
c) Following the end of the consultation period the FSS was updated where required and then published in May.

A3 How is the FSS published?

The FSS is made available through the following routes:

Published on the website,
http:--www.derbyshire.gov.uk-working_for_us-pensions-investments-funding_strategy-default.asp

- A link will be sent to each participating employer in the Fund via an employer Newsletter;

- A full copy included in the annual report and accounts of the Fund;

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2016.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the [Pensions and Investment Committee] and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Statement of Investment Principles, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at :
http:--www.derbyshire.gov.uk-working_for_us-pensions-investments-annual_report-default.asp

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles (SIP) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- prepare and maintain a FSS and a SIP, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS-SIP as necessary and appropriate.

B2 The Individual Employer should:-

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

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;

- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of Admission Bodies' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's SIP remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term.	Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context. Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.

Risk	Summary of Control Mechanisms
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission-scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security-guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over

Risk	**Summary of Control Mechanisms**
	50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and-or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The results of the most recent reforms have been built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions (under Regulation 38) between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.

Risk	**Summary of Control Mechanisms**
	Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued/referred to as the "future service rate"; plus
b) an adjustment for the funding position of accrued benefits relative to the Fund's solvency target, "*past service adjustment*". If there is a surplus there may be a reduction in the employer's contribution rate. If there is a deficit there will be an increase in the employer's contribution rate, with the surplus or deficit spread over an appropriate period. The aim is to return the employer to full funding over that period. See Section 3 for deficit recovery periods.

The Fund's actuary is required by the regulations to report the *Common Contribution Rate*[1], for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay; it is in effect an average rate across all employers in the Fund.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer[2]. It is the adjusted contribution rate which employers are actually required to pay. The sorts of "peculiar" factors which are considered are discussed below.

In effect, the *Common Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific past service deficit spreading and increased employer contribution phasing periods.

D2 How is the Future Service Rate calculated?

The future service element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The future service rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The calculation is on the "ongoing" valuation basis (see Appendix E), but where it is considered appropriate to do so the Administering Authority reserves

[1] See LGPS (Administration) Regulations 36(5).
[2] See LGPS (Administration) Regulations 36(7).

the right to set a future service rate by reference to liabilities valued on a more prudent basis (see Section 3).

The approach used to calculate each employer's future service contribution rate depends on whether or not new entrants are being admitted. Employers should note that it is only Admission Bodies and Designating Employers that may have the power not to automatically admit all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

a) Employers which admit new entrants

These rates will be derived using the "Projected Unit Method" of valuation with a one year period, i.e. only considering the cost of the next year's benefit accrual and contribution income. If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise over time.

b) Employers which do not admit new entrants

To give more long term stability to such employers' contributions, the "Attained Age" funding method is normally adopted. This measures benefit accrual and contribution income over the whole future anticipated working lifetimes of current active employee members.

Both approaches include expenses of administration to the extent that they are borne by the Fund, and include allowances for benefits payable on death in service and ill health retirement.

D3 How is the Solvency - Funding Level calculated?

The Fund's actuary is required to report on the "solvency" of the whole Fund in a valuation which should be carried out at least once every three years. As part of this valuation, the actuary will calculate the solvency position of each employer.

'Solvency" is defined to be the ratio of the market value of the employer's asset share to the value placed on accrued benefits on the Fund actuary's chosen assumptions. This quantity is known as a funding level.

For the value of the employer's asset share, see D5 below.

For the value of benefits, the Fund actuary agrees the assumptions to be used with the Administering Authority – see Appendix E. These assumptions are used to calculate the present value of all benefit payments expected in the future, relating to that employer's current and former employees, based on pensionable service to the valuation date only (i.e. ignoring further benefits to be built up in the future).

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis, unless otherwise determined (see Section 3).

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, service vs salary);
- the effect of any differences in the valuation basis on the value placed on the employer's liabilities;
- any different deficit-surplus spreading periods or phasing of contribution changes;
- the difference between actual and assumed rises in pensionable pay;
- the difference between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death;
- the additional costs of any non ill-health retirements relative to any extra payments made;

over the period between each triennial valuation.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

D5 How is each employer's asset share calculated?

The Administering Authority does not account for each employer's assets separately. Instead, the Fund's actuary is required to apportion the assets of the whole Fund between the employers, at each triennial valuation.

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus".

The Fund actuary does not allow for certain relatively minor events, including but not limited to:

- the actual timing of employer contributions within any financial year;
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund.

The asset apportionment is capable of verification but not to audit standard. The Administering Authority recognises the limitations in the process, but it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities"). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

Changes in assumptions will affect the measured value of future service accrual and past service liabilities, and hence the measured value of the past service deficit. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The combination of all assumptions is described as the "basis". A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower liability values and lower employer costs. A more prudent basis will give higher liability values and higher employer costs.

E2 What basis is used by the Fund?

The Fund's standard funding basis is described as the "ongoing basis", which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see Note (a) to 3.3.

E3 What assumptions are made in the ongoing basis?

a) Investment return - discount rate

The key financial assumption is the anticipated return on the Fund's investments. This "discount rate" assumption makes allowance for an anticipated out-performance of Fund returns relative to long term yields on UK Government bonds ("gilts"). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the purpose of the triennial funding valuation at 31 March 2013 and setting contribution rates effective from 1 April 2014, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.6% per annum greater than gilt yields at the time of the valuation. In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2016. Although this "pay freeze" does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds and following discussions with the Administering Authority, the salary increase assumption at the 2013 valuation has been set to the retail prices index (RPI) per annum. This is a change from the previous valuation, which assumed 0.95% above RPI per annum.

c) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. This change was allowed for in the valuation calculations as at 31 March 2010. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the "formula effect" of the difference between RPI and CPI. At this valuation, we propose a reduction of 0.8% per annum, as per the 2010 valuation.

d) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with the release of the CMI projections model ("the CMI model"). This is a change in approach from the 2010 valuation where the rate of future longevity improvements was assumed to be in line with medium cohort projections with a minimum level of improvement of 1% per annum. Our recommended assumption for the future rate of longevity improvements is as follows:

- The current rate of improvements has reached a peak;
- Long term rate of 1.25% p.a. (or around 1 year per decade); and

- Longevity improvements for the over 90s will decline.

This is a higher allowance for future improvements than was made in 2010.

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

e) General

The same financial assumptions are adopted for all employers, in deriving the past service deficit and the future service rate: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Actuarial assumptions-basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of **liabilities**. The main assumptions will relate to the **discount rate**, salary growth, pension increases and longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers which voluntarily participate in the Fund, so that their employees and ex-employees are **members**. There will be an Admission Agreement setting out the employer's obligations. For more details (see 2.5).
Common contribution rate	The Fund-wide **future service rate** plus **past service adjustment**. It should be noted that this will differ from the actual contributions payable by individual **employers**.
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Deficit	The shortfall between the assets value and the **liabilities** value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).
Deficit repair-recovery period	The target length of time over which the current **deficit** is intended to be paid off. A shorter period will give rise to a higher annual **past service adjustment** (deficit repair contribution), and vice versa.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.

Discount rate	The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a **liabilities** value which is consistent with the present day value of the assets, to calculate the **deficit**. A lower discount rate gives a higher liabilities value, and vice versa. It is similarly used in the calculation of the **future service rate** and the **common contribution rate**.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **liabilities** values for each employer are individually tracked, together with its **future service rate** at each **valuation**.
Funding level	The ratio of assets value to **liabilities** value: for further details (see 2.2).
Future service rate	The actuarially calculated cost of each year's build-up of pension by the current active **members**, excluding members' contributions but including Fund administrative expenses. This is calculated using a chosen set of **actuarial assumptions**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.
Guarantee - guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting

employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

Liabilities	The actuarially calculated present value of all pension entitlements of all **members** of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the **deficit**. It is calculated on a chosen set of **actuarial assumptions**.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Past service adjustment	The part of the employer's annual contribution which relates to past service **deficit** repair.
Pooling	Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of **deficit**, or (if formally agreed) it may allow **deficits** to be passed from one employer to another. For further details of the

	Fund's current pooling policy (see 3.4).
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Solvency	In a funding context, this usually refers to a 100% **funding level**, ie where the assets value equals the **liabilities** value.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.
Theoretical contribution rate	The employer's contribution rate, including both **future service rate** and **past service adjustment**, which would be calculated on the standard **actuarial basis**, before any allowance for **stabilisation** or other agreed adjustment.

Valuation	An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2013), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

APPENDIX 4

2015/2016 ACCOUNTS		Employee Contributions						Employer Contributions				
EMPLOYER	EMPLOYER NAME	Basic Ees 172310	50 50 172310	Arrears 172311		Add'n 172312	TOTAL EMPLOYEES	Deficit Payment 172314	Employer Conts 172315	TOTAL EMPLOYERS		
00001	Derbyshire County Council	16,185,445.07	16,740.40	2,837.69	16,205,023.16	141,001.00	32,551,047.32	-	51,569,777.71	51,569,777.71	ADMINISTERING AUTHORITY	
00040	Peak District National Park	321,470.95	-	245.82	321,716.77	12,921.30	656,354.84	210,000.00	659,882.02	869,882.02	SCHEDULED BODY	
00123	Derby Homes Ltd	659,903.26	1,379.61	-	661,282.87	-	1,322,565.74	272,004.00	2,022,091.13	2,294,095.13	SCHEDULED BODY	
00126	Rykneld Homes	404,771.81	39.33	359.06	405,170.20	817.60	811,158.00	18,996.00	928,481.16	947,477.16	SCHEDULED BODY	
00130	Amber Valley B C	351,921.27	301.99	-	352,223.26	1,837.67	706,284.19	993,000.00	684,985.29	1,677,985.29	UNITARY & DISTRICT LOCAL AUTHORITIES	
00131	The District of Bolsover	581,597.89	399.84	77.88	582,075.61	32.23	1,164,183.45	905,004.00	1,171,189.03	2,076,193.03	UNITARY & DISTRICT LOCAL AUTHORITIES	
00132	Chesterfield B C	1,092,934.75	514.22	114.80	1,093,563.77	1,709.63	2,188,837.17	1,871,004.00	2,251,186.36	4,122,190.36	UNITARY & DISTRICT LOCAL AUTHORITIES	
00133	Derby City Council	6,374,928.58	5,353.94	-	6,380,282.52	-	12,760,565.04	-	19,346,657.14	19,346,657.14	UNITARY & DISTRICT LOCAL AUTHORITIES	
00134	Erewash B C	499,708.81	1,326.60	-	501,035.41	1,286.02	1,003,356.84	1,056,996.00	942,703.16	1,999,699.16	UNITARY & DISTRICT LOCAL AUTHORITIES	
00135	High Peak BC	388,299.81	-	-	388,299.81	1,860.60	778,460.22	1,722,996.68	760,596.14	2,483,592.82	UNITARY & DISTRICT LOCAL AUTHORITIES	
00136	North East Derbyshire DC	524,273.03	1,293.65	95.09	525,661.77	8,962.59	1,060,286.13	1,434,000.00	1,052,086.84	2,486,086.84	UNITARY & DISTRICT LOCAL AUTHORITIES	
00137	South Derbyshire DC	385,182.85	-	-	385,182.85	-	770,365.70	583,913.00	743,795.70	1,327,708.70	UNITARY & DISTRICT LOCAL AUTHORITIES	
00138	Derbyshire Dales D C	340,604.17	2,497.32	-	343,101.49	-	686,202.98	606,000.00	671,171.90	1,277,171.90	UNITARY & DISTRICT LOCAL AUTHORITIES	
00139	Chesterfield Crematorium	11,261.89	-	-	11,261.89	-	22,523.78	27,000.00	32,004.34	59,004.34	SCHEDULED BODY	
00144	Shirebrook Town Council	8,807.38	-	-	8,807.38	-	17,614.76	-	33,548.53	33,548.53	SCHEDULED BODY	
00145	New Mills Town Council	5,901.91	-	-	5,901.91	-	11,803.82	-	21,873.30	21,873.30	SCHEDULED BODY	
00147	Clay Cross Parish Council	1,098.09	-	-	1,098.09	-	2,196.18	-	4,316.90	4,316.90	SCHEDULED BODY	
00148	Eckington Parish Council	1,183.49	-	-	1,183.49	-	2,366.98	-	4,652.22	4,652.22	SCHEDULED BODY	
00150	Pinxton Parish Council	3,571.26	-	-	3,571.26	-	7,142.52	-	14,343.52	14,343.52	SCHEDULED BODY	
00151	Wirksworth Town Council	3,164.76	-	-	3,164.76	-	6,329.52	-	12,851.16	12,851.16	SCHEDULED BODY	
00152	Old Bolsover Town Council	7,405.21	-	-	7,405.21	-	14,810.42	-	28,537.88	28,537.88	SCHEDULED BODY	
00155	Glapwell Parish Council	1,025.96	-	-	1,025.96	-	2,051.92	-	3,021.89	3,021.89	SCHEDULED BODY	
00157	Belper Town Council	4,696.55	-	-	4,696.55	-	9,393.10	-	17,973.01	17,973.01	SCHEDULED BODY	
00160	Killamarsh Parish Council	7,386.28	-	-	7,386.28	-	14,772.56	-	28,179.19	28,179.19	SCHEDULED BODY	
00161	Burnaston Parish Council	231.12	-	-	231.12	-	462.24	-	689.80	689.80	SCHEDULED BODY	
00165	North Wingfield PC	2,577.83	-	-	2,577.83	-	5,155.66	-	6,748.86	6,748.86	SCHEDULED BODY	
00169	University of Derby	1,833,072.57	4,102.37	-	1,837,174.94	5,408.75	3,679,758.63	699,996.00	3,238,333.90	3,938,329.90	SCHEDULED BODY	
00169	University of Derby Student Employment Agency	12,897.05	-	-	12,897.05	-	25,794.10	-	27,351.97	27,351.97	SCHEDULED BODY	
00171	Ashbourne Town Council	3,238.81	-	-	3,238.81	-	6,477.62	-	12,324.22	12,324.22	SCHEDULED BODY	
00172	Dronfield Town Council	10,767.36	-	-	10,767.36	-	21,534.72	-	40,998.48	40,998.48	SCHEDULED BODY	
00173	Whitwell Parish Council	4,834.41	-	-	4,834.41	-	9,668.82	-	21,491.64	21,491.64	SCHEDULED BODY	
00174	Tupton Parish Council	933.96	-	-	933.96	-	1,867.92	-	2,608.68	2,608.68	SCHEDULED BODY	
00175	Staveley Town Council	6,701.25	-	-	6,701.25	-	13,402.50	-	24,210.75	24,210.75	SCHEDULED BODY	
00178	Matlock Town Council	7,163.27	-	-	7,163.27	-	14,326.54	-	27,713.66	27,713.66	SCHEDULED BODY	
00179	Whaley Bridge Town Council	1,696.52	-	-	1,696.52	-	3,393.04	-	5,951.07	5,951.07	SCHEDULED BODY	
00186	Alfreton Town Council	2,956.71	-	-	2,956.71	-	5,913.42	-	8,431.85	8,431.85	SCHEDULED BODY	
00187	Wingerworth Parish Council	3,959.26	-	-	3,959.26	-	7,918.52	-	10,791.57	10,791.57	SCHEDULED BODY	
00188	Heanor + Loscoe TC	1,707.77	-	-	1,707.77	-	3,415.54	-	4,279.25	4,279.25	SCHEDULED BODY	
00189	Darley Dale Town Council	983.76	-	-	983.76	-	1,967.52	-	2,451.63	2,451.63	SCHEDULED BODY	
00192	Chesterfield College	376,218.04	-	-	376,218.04	410.24	752,846.32	147,996.00	758,103.31	906,099.31	SCHEDULED BODY	
00198	Derby College	637,550.86	1,749.09	-	639,299.95	-	1,278,599.90	414,000.00	1,214,531.99	1,628,531.99	SCHEDULED BODY	
00199	Derby Manufacturing University Technical College	5,425.80	-	-	5,425.80	-	10,851.60	-	19,843.25	19,843.25	SCHEDULED BODY	New College from 01/09/2015

00234	Tibshelf Parish Council	2,248.66	-	-	2,248.66	-	4,497.32	-	6,623.38	6,623.38	SCHEDULED BODY	
00235	Kilburn Parish Council	789.60	-	-	789.60	-	1,579.20	-	2,205.48	2,205.48	SCHEDULED BODY	
00236	Codnor Parish Council	655.56	-	-	655.56	-	1,311.12	-	1,930.92	1,930.92	SCHEDULED BODY	
00237	Shardlow & Great Wilne Parish Council	458.07	-	-	458.07	-	916.14	-	1,349.22	1,349.22	SCHEDULED BODY	
00238	Ticknall Parish Council	170.46	-	-	170.46	-	340.92	-	502.06	502.06	SCHEDULED BODY	
00239	Stenson Fields Parish Council	214.62	-	-	214.62	-	429.24	-	607.85	607.85	SCHEDULED BODY	New Parish Council from 01/04/2015
00240	Heath & Holmewood Parish Council	2,147.35	-	-	2,147.35	-	4,294.70	-	5,654.92	5,654.92	SCHEDULED BODY	New Parish Council from 01/07/2015
00241	Bretby Parish Council	99.00	-	-	99.00	-	198.00	-	291.72	291.72	SCHEDULED BODY	New Parish Council from 01/04/2015
00242	Breaston Parish Council	1,073.52	-	-	1,073.52	-	2,147.04	-	2,675.61	2,675.61	SCHEDULED BODY	New Parish Council from 13/07/2015
00335	Chellaston Academy	48,226.20	-	-	48,226.20	-	96,452.40	50,004.00	107,517.72	157,521.72	SCHEDULED BODY	
00336	Ecclesbourne Academy	42,436.44	-	-	42,436.44	-	84,872.88	39,996.00	106,500.06	146,496.06	SCHEDULED BODY	
00337	Kirk Hallam Academy	73,640.47	-	-	73,640.47	-	147,280.94	51,830.00	156,756.34	208,586.34	SCHEDULED BODY	
00338	John Port Academy	72,915.39	-	-	72,915.39	-	145,830.78	60,996.00	167,766.85	228,762.85	SCHEDULED BODY	
00340	Brookfield Academy	71,506.10	-	-	71,506.10	333.53	143,345.73	69,000.00	158,926.71	227,926.71	SCHEDULED BODY	
00341	Long Eaton Academy	56,956.60	-	-	56,956.60	-	113,913.20	54,996.00	128,094.81	183,090.81	SCHEDULED BODY	
00342	West Park School (Academy)	64,339.77	-	-	64,339.77	-	128,679.54	57,000.00	155,295.48	212,295.48	SCHEDULED BODY	
00343	Queen Elizabeths Grammar School (Academy) (QUEGS)	58,669.70	-	-	58,669.70	1,607.04	118,946.44	71,004.00	122,726.18	193,730.18	SCHEDULED BODY	
00345	Hope Valley College (Academy)	41,171.30	-	-	41,171.30	-	82,342.60	42,996.00	100,145.74	143,141.74	SCHEDULED BODY	
00347	Pennine Way Junior School (Academy)	13,765.40	-	-	13,765.40	-	27,530.80	12,000.00	33,700.18	45,700.18	SCHEDULED BODY	
00348	Heanor Gate Science College (Academy	70,314.47	-	-	70,314.47	-	140,628.94	57,000.00	170,459.90	227,459.90	SCHEDULED BODY	
00349	Lees Brook Community School (Academ	78,036.73	-	-	78,036.73	-	156,073.46	75,996.00	154,115.19	230,111.19	SCHEDULED BODY	
00350	Netherthorpe School (Academy)	46,752.60	-	-	46,752.60	-	93,505.20	33,996.00	108,228.10	142,224.10	SCHEDULED BODY	
00351	Redhill Primary School (Academy)	9,680.94	-	-	9,680.94	-	19,361.88	9,000.00	25,610.78	34,610.78	SCHEDULED BODY	
00352	St John Houghton School (Academy)	33,731.22	-	-	33,731.22	2,401.40	69,863.84	30,996.00	72,844.68	103,840.68	SCHEDULED BODY	
00353	Woodlands School (Academy)	48,429.50	-	-	48,429.50	-	96,859.00	48,996.00	102,961.81	151,957.81	SCHEDULED BODY	
00354	Grampian Primary School (Academy)	10,013.47	-	-	10,013.47	-	20,026.94	6,000.00	22,602.82	28,602.82	SCHEDULED BODY	
00360	St Benedict Voluntary Catholic Academy	90,272.53	-	-	90,272.53	-	180,545.06	99,000.00	205,520.96	304,520.96	SCHEDULED BODY	
00361	St Mary's Catholic Academy	53,659.75	-	-	53,659.75	-	107,319.50	44,004.00	143,818.68	187,822.68	SCHEDULED BODY	
00362	St John Fisher Catholic Academy	10,058.64	-	-	10,058.64	-	20,117.28	9,996.00	24,335.58	34,331.58	SCHEDULED BODY	
00363	St George's Voluntary Academy	18,141.34	-	-	18,141.34	-	36,282.68	18,000.00	38,969.94	56,969.94	SCHEDULED BODY	
00364	Wyndham Primary Academy	17,844.65	-	-	17,844.65	-	35,689.30	9,996.00	40,777.37	50,773.37	SCHEDULED BODY	
00365	The Bolsover School Academy	38,435.32	-	-	38,435.32	-	76,870.64	35,004.00	88,607.07	123,611.07	SCHEDULED BODY	
00366	Landau Forte Moorhead Academy	22,090.97	-	-	22,090.97	-	44,181.94	14,004.00	58,574.01	72,578.01	SCHEDULED BODY	
00367	Derby Pride Academy	9,494.80	-	-	9,494.80	-	18,989.60	5,004.00	17,911.91	22,915.91	SCHEDULED BODY	
00368	Merrill Academy	28,305.43	-	-	28,305.43	-	56,610.86	41,004.00	58,382.49	99,386.49	SCHEDULED BODY	
00369	City of Derby Academy	41,922.75	-	-	41,922.75	6.82	83,852.32	41,004.00	98,866.76	139,870.76	SCHEDULED BODY	
00370	Ormiston Ilkeston Enterprise Academy	54,922.76	-	-	54,922.76	-	109,845.52	75,000.00	120,498.25	195,498.25	SCHEDULED BODY	
00371	English Martyrs Academy	12,728.50	-	-	12,728.50	-	25,457.00	9,000.00	31,988.61	40,988.61	SCHEDULED BODY	
00372	Newbold CofE School	9,027.69	-	-	9,027.69	-	18,055.38	2,100.00	26,192.98	28,292.98	SCHEDULED BODY	
00373	Bishop Lonsdale Cof E Primary School	16,535.75	-	-	16,535.75	-	33,071.50	9,034.00	59,660.96	68,694.96	SCHEDULED BODY	
00374	Al-Madinah	9,309.28	-	-	9,309.28	-	18,618.56	-	29,486.25	29,486.25	SCHEDULED BODY	
00375	The Ripley Academy	35,576.87	-	40.45	35,617.32	-	71,234.64	18,708.00	132,050.01	150,758.01	SCHEDULED BODY	
00376	St Josephs Catholic Primary Academy	7,277.79	-	-	7,277.79	-	14,555.58	1,500.00	21,610.15	23,110.15	SCHEDULED BODY	
00377	Dovedale Primary School	7,764.25	-	-	7,764.25	-	15,528.50	1,800.00	27,323.94	29,123.94	SCHEDULED BODY	
00378	Sawley Infant School	18,808.11	-	-	18,808.11	-	37,616.22	8,304.00	57,898.51	66,202.51	SCHEDULED BODY	
00379	Sawley Junior School	7,635.74	-	-	7,635.74	-	15,271.48	2,604.00	25,526.39	28,130.39	SCHEDULED BODY	
00380	Shardlow Primary School	4,122.70	-	-	4,122.70	-	8,245.40	1,704.00	15,407.20	17,111.20	SCHEDULED BODY	

00381	Immaculate Conception Academy Trust	9,972.84	-	-	9,972.84	-	19,945.68	4,509.00	33,289.04	37,798.04	SCHEDULED BODY	
00382	Allenton Primary School	23,289.73	-	-	23,289.73	-	46,579.46	28,176.00	91,036.59	119,212.59	SCHEDULED BODY	
00383	Outward Academy Newbold	51,574.09	-	-	51,574.09	-	103,148.18	-	175,960.57	175,960.57	SCHEDULED BODY	
00384	Turnditch Primary	2,269.89	-	-	2,269.89	-	4,539.78	-	8,165.48	8,165.48	SCHEDULED BODY	
00385	William Gilbert Primary	14,975.07	-	-	14,975.07	-	29,950.14	-	54,463.86	54,463.86	SCHEDULED BODY	
00386	St LaurencePrimary School	9,504.92	-	-	9,504.92	-	19,009.84	-	34,017.94	34,017.94	SCHEDULED BODY	New Academy wef 01/04/2015
00387	Akaal Academy Trust Derby Limited	895.67	-	-	895.67	-	1,791.34	-	3,075.35	3,075.35	SCHEDULED BODY	Free School wef 01/09/2015
00388	Inkersall Primary Academy	11,605.78	-	-	11,605.78	-	23,211.56	-	40,941.03	40,941.03	SCHEDULED BODY	New Academy wef 01/09/2015
00389	St Philip Howard Catholic Voluntary Academy	11,362.64	-	-	11,362.64	-	22,725.28	-	38,026.59	38,026.59	SCHEDULED BODY	New Academy wef 01/09/2015
00390	St Giles CofE Aided Primary School	2,727.71	-	-	2,727.71	-	5,455.42	-	9,911.22	9,911.22	SCHEDULED BODY	New Academy wef 01/09/2015
00401	Derbyshire Police Authority	2,179,160.49	-	-	2,179,160.49	7,118.91	4,365,439.89	1,377,000.00	3,976,736.55	5,353,736.55	SCHEDULED BODY	
00403	Derbys Fire & Rescue Service	328,706.27	-	-	328,706.27	-	657,412.54	159,996.00	596,223.27	756,219.27	SCHEDULED BODY	
00422	Landau Forte College	93,483.11	-	-	93,483.11	-	186,966.22	2,004.00	165,899.69	167,903.69	SCHEDULED BODY	
00439	Shirebrook Academy	53,179.69	-	-	53,179.69	125.43	106,484.81	51,996.00	120,963.83	172,959.83	SCHEDULED BODY	
00120	Amber Valley Housing Ltd	307,898.31	-	-	307,898.31	-	615,796.62	54,996.00	597,616.19	652,612.19	ADMITTED BODY	
00124	Three Valleys Housing Ltd	141,104.37	-	-	141,104.37	456.02	282,664.76	135,000.00	299,186.53	434,186.53	ADMITTED BODY	
00128	Dales Housing Ltd	90,309.66	-	-	90,309.66	-	180,619.32	99,000.00	212,738.60	311,738.60	ADMITTED BODY	
00170	Tramway Museum Society	2,855.60	-	-	2,855.60	-	5,711.20	14,004.00	11,211.25	25,215.25	ADMITTED BODY	
00176	D.C.I.L	1,635.36	-	-	1,635.36	-	3,270.72	15,000.00	6,717.36	21,717.36	ADMITTED BODY	
00184	Chesterfield Care Group	7,271.93	-	-	7,271.93	-	14,543.86	3,000.00	22,716.36	25,716.36	ADMITTED BODY	
00185	Belper Sports Centre	15,711.64	-	-	15,711.64	736.80	32,160.08	20,004.00	56,184.11	76,188.11	ADMITTED BODY	
00404	Derbys Student Residences Ltd	53,319.46	874.19	-	54,193.65	-	108,387.30	2,004.00	195,610.79	197,614.79	ADMITTED BODY	
00414	Cleanaway Ltd (C'field Refuse)	21,093.82	-	-	21,093.82	-	42,187.64	-	91,256.19	91,256.19	ADMITTED BODY	
00416	VINCI PLC	2,092.80	-	-	2,092.80	-	4,185.60	-	17,926.45	17,926.45	ADMITTED BODY	
00417	Cleanaway Ltd (AV Refuse)	22,040.94	-	-	22,040.94	-	44,081.88	-	87,253.13	87,253.13	ADMITTED BODY	
00418	Initial Facilities Services	1,573.69	-	-	1,573.69	-	3,147.38	-	8,160.67	8,160.67	ADMITTED BODY	
00419	Initial Catering Services	4,760.52	-	-	4,760.52	-	9,521.04	-	19,437.27	19,437.27	ADMITTED BODY	
00420	DC Leisure Management Ltd (AV)	30,670.82	-	-	30,670.82	-	61,341.64	-	86,232.49	86,232.49	ADMITTED BODY	
00421	L + C Partnership Ltd (AV)	CONTRIBUTIONS WITH 420			#VALUE!						ADMITTED BODY	
00424	Balfour Beatty (Monthly)	6,119.40	-	-	6,119.40	-	12,238.80	-	18,879.44	18,879.44	ADMITTED BODY	
00424(2)	Balfour Beatty Power Networks	3,370.96	-	-	3,370.96	-	6,741.92	-	12,654.10	12,654.10	ADMITTED BODY	
00425	Macintyre Care	24,728.93	-	-	24,728.93	-	49,457.86	-	8,515.18	8,515.18	ADMITTED BODY	
00426	SIV Enterprises Ltd	5,800.72	-	-	5,800.72	-	11,601.44	-	4,242.72	4,242.72	ADMITTED BODY	
00427	Veloia Ltd (HP Refuse)	32,738.16	-	-	32,738.16	-	65,476.32	-	-	-	ADMITTED BODY	
00428	HP - DC Leisure Management	28,235.29	-	-	28,235.29	-	56,470.58	-	57,035.86	57,035.86	ADMITTED BODY	
00429	HP - Leisure & Community Partnership	CONTRIBUTIONS WITH 428			#VALUE!						ADMITTED BODY	
00433	Grayson's Restaurants now Brookwood	3,744.96	-	-	3,744.96	-	7,489.92	-	13,185.67	13,185.67	ADMITTED BODY	
00434	DELL Corporation Ltd	2,554.01	-	-	2,554.01	-	5,108.02	-	6,120.94	6,120.94	ADMITTED BODY	
00435	Superclean - Fire Cleaners	994.82	-	-	994.82	-	1,989.64	-	2,025.75	2,025.75	ADMITTED BODY	
00438	Northgate UK Ltd	45,958.20	-	-	45,958.20	-	91,916.40	-	168,331.73	168,331.73	ADMITTED BODY	
00440	NIC Services Group Ltd	89.40	-	-	89.40	-	178.80	-	286.00	286.00	ADMITTED BODY	
00441	Arvato	103,375.37	-	-	103,375.37	26.91	206,777.65	15,996.00	348,174.07	364,170.07	ADMITTED BODY	
00442	Kier	39,154.92	-	-	39,154.92	-	78,309.84	3,000.00	117,704.17	120,704.17	ADMITTED BODY	

00443	Mitie	6,968.71	-	-	6,968.71	-	13,937.42	-	34,165.25	34,165.25	ADMITTED BODY		
00444	Compass	1,391.95	-	-	1,391.95	-	2,783.90	-	5,170.75	5,170.75	ADMITTED BODY		
00445	Barnados	4,681.72	-	-	4,681.72	-	9,363.44	996.00	14,533.34	15,529.34	ADMITTED BODY		
00446	Active Nation	3,547.46	-	-	3,547.46	-	7,094.92	2,004.00	12,338.35	14,342.35	ADMITTED BODY		
00447	ABM Catering Ltd (Derby Moor School)	3,555.57	-	-	3,555.57	-	7,111.14	-	16,290.82	16,290.82	ADMITTED BODY		
00449	Cream Catering	218.65	-	-	218.65	-	437.30	-	1,028.40	1,028.40	ADMITTED BODY	Terminated 31/07/2015	
00450	ABM Catering Ltd (Gayton Primary School)	222.32	-	-	222.32	-	444.64	-	582.09	582.09	ADMITTED BODY		
00451	Compass Ltd (City)	9,939.63	-	-	9,939.63	-	19,879.26	-	18,019.83	18,019.83	ADMITTED BODY		
00452	4 Children	4,498.06	-	-	4,498.06	-	8,996.12	-	12,700.80	12,700.80	ADMITTED BODY		
00453	Cleanslate (UK) Ltd (Pottery)	815.83	-	-	815.83	-	1,631.66	-	3,471.01	3,471.01	ADMITTED BODY		
00454	Cleanslate (UK) Ltd (City Schools)	216.32	-	-	216.32	-	432.64	-	896.95	896.95	ADMITTED BODY		
00456	Vinci Construction	547.05	-	-	547.05	-	1,094.10	-	1,909.55	1,909.55	ADMITTED BODY		
00457	Derby Museums and Arts Trust	31,062.34	-	-	31,062.34	-	62,124.68	-	103,281.82	103,281.82	ADMITTED BODY		
00458	Elior UK plc	491.64	-	-	491.64	-	983.28	-	2,413.34	2,413.34	ADMITTED BODY		
00460	Balfour Beatty (Derby BSF)	3,003.22	-	-	3,003.22	-	6,006.44	-	9,865.39	9,865.39	ADMITTED BODY		
00461	European Electonique	2,795.16	-	-	2,795.16	-	5,590.32	-	5,992.44	5,992.44	ADMITTED BODY		
00462	Churchill Contractor Services	244.90	-	-	244.90	-	489.80	-	805.96	805.96	ADMITTED BODY	Terminated 30/01/2016 (last employee left)	
00466	Arvato (DDDC)	21,088.14	-	-	21,088.14	-	42,176.28	-	53,090.41	53,090.41	ADMITTED BODY		
00467	Derby County Community Trust	5,983.68	-	-	5,983.68	-	11,967.36	-	14,802.24	14,802.24	ADMITTED BODY	SEE BELOW	
00468	Aspens	2,173.18	-	-	2,173.18	-	4,346.36	-	9,006.68	9,006.68	ADMITTED BODY		
00469	Elite	755.60	-	-	755.60	-	1,511.20	-	4,046.71	4,046.71	ADMITTED BODY		
00470	Vinci Construction UK Ltd - Ashcroft & P	1,108.99	-	-	1,108.99	-	2,217.98	-	6,197.65	6,197.65	ADMITTED BODY	New admitted body from 01/07/2014 but details not finalised until March 2015	
00471	NSL Ltd	3,275.79	-	-	3,275.79	-	6,551.58	-	14,352.89	14,352.89	ADMITTED BODY	New admitted body from 19/02/2015	
00472	Mellors Catering Services	3,459.88	-	-	3,459.88	-	6,919.76	-	19,568.29	19,568.29	ADMITTED BODY	New admitted body from 01/08/2015	SEE BELOW
00473	Vinci Plc (Ravensdale)	623.95	-	-	623.95	-	1,247.90	-	2,586.47	2,586.47	ADMITTED BODY	New admitted body from 13/04/2015	
00474	7 Hills Leisure Trust	2,476.21	-	-	2,476.21	-	4,952.42	-	10,792.54	10,792.54	ADMITTED BODY	New admitted body from 06/07/2015 - conts paid for period 06/07/15 to 31/03/16 paid over in April 2016 - will be on write backs	
TOTALS		**36,348,898.05**	**36,572.55**	**3,770.79**	**36,389,241.39**	**189,060.49**	**72,967,543.27**	**14,170,166.68**	**99,868,287.93**	**114,038,454.61**			
Less adjustments for DCC contributions					-			**-**	**1,209,407.96**	**1,209,407.96**	**The DCC figures above include all the employer contributions paid by DCC/DCC schools BUT the ledger show the contributions that should have been paid. We overpaid employer conts by £1,209,407.96**		
					-			**14,170,166.68**	**98,658,879.97**	**112,829,046.65**	**TOTAL TAKEN FROM CR1 FORMS**		

COMMUNICATIONS POLICY

1 Statement of Policy on Communications - Pensions Administrations

At its meeting on 9 September 2015 the Pensions and Investment Committee approved the following Communications Policy Statement for the Pension Administration Team.

Communications Strategy

The Pensions Administration Team prepares a communication strategy on an annual basis with progress on delivery being reported back to the Pensions and Investment Committee. The key themes for 2015-16 are as follows:

a) continuing to communicate the benefits of the scheme amongst stakeholders and potential members, whilst going into greater detail with those Fund members who are approaching and planning their retirement;
b) establishing a communications framework in collaboration with employers to provide timely, pertinent messages which are meaningful for their employees;
c) using electronic communications whenever appropriate, as well as continuing to promote the web-pages as the 'hub' for providing communications material and supporting employing authorities with employee processes (e.g. auto-enrolment and switching to and from the new 50/50 scheme);
d) developing channels for Fund member access and feedback;
e) monitoring the cost-effectiveness of all communication and developing the Fund's activities accordingly, including taking a pragmatic approach to estimate requests; and
f) developing our commitment to regional and national initiatives, taking advantage of partnership working and innovative communication methods developed and tested elsewhere, and sharing the Fund's experience in return.

Communication with Scheme Members

The objectives of the Fund's communications with scheme members include: highlighting the benefits of the LGPS, encouraging and retaining membership, allowing members to keep up-to-date with LGPS development, reducing the level of questions and queries and encouraging members to use the website to carry out 'self-service' calculations.

The Fund's employers should provide access to details of the LGPS on appointment within:

- The letter of appointment

- The Membership Information form

A statutory notification of admission to the LGPS is issued by the Administering Authority to all new members within 12 weeks of receiving notification from their employer.

An annual benefit statement is provided by the Administering Authority to all active and deferred scheme members.

The Fund promotes its website which is maintained by the Administering Authority (Derbyshire County Council – www.derbyshire.gov.uk) as the principal means of communicating with those who have an interest in the LGPS, including active, deferred members and pensioners. Details of the scheme, access to calculating an estimate of pension entitlement and the Fund's policies are all available. The website also provides links to other related sites such as the LGA and DCLG.

In the case of those who do not have access to the internet or, where paper copies are required, the Fund's Pension Administration Team and the Derbyshire County Council contact centre, Call Derbyshire, can provide booklets and factsheets on request.

In addition to showing changes on the website, any significant scheme changes are notified to scheme members through collaboration with employers. Greater collaboration allows the employers to communicate key messages to members through internal emailing facilities, chief officer messages, pay-slips and e-magazines.

Deferred pensioner members receive an annual benefit statement together with details of any changes insofar as they are affected.

Communication with Representatives of Members

Information on the LGPS is available on the Fund's website to representatives of LGPS members to assist with enquiries from trade unions, Independent Financial Advisors and Solicitors.

Communication with Prospective Members

The objectives of the Fund's communications with prospective members include encouraging membership and ensuring that prospective members have sufficient information to understand the nature of the LGPS.

Prospective members have access to the website and can request a copy of the scheme guide and factsheets.

Communication with Scheme Employers

The objectives of the Fund's communications with scheme members include: improving relationships, ensuring scheme employers are up- to-date with LGPS developments (including their obligations), working together to maintain accurate data, ensuring scheme employers understand the benefits of LGPS and exploring opportunities to reduce costs through greater collaboration.

Scheme employers are informed of changes to the scheme, policies and procedures by an Employers' Newsletter. These are issued as and when required in both electronic and paper format. This is increasingly supported by more regular email alerts to key employer contacts. In addition, information is available to employers on dedicated "employer pages" of the Fund's website, along with the provision of training events as required.

Annual General Meeting

An Annual General Meeting is held each year which is open to all Scheme Members and Employers.

Others

Non-scheme employers are made aware of the provisions of the LGPS by the Fund's website.

2 Statement of Policy on Communications - Investments

At its meeting on 9 September 2015 the Pensions and Investment Committee approved the following Communications Policy Statement for the Investment Team.

It is the Pensions and Investment Committee's policy to provide the Fund's stakeholders, including Scheme Members, Representatives of Members, Prospective Members and Scheme Employers with as much information as possible to understand the investment strategy, funding levels and risk strategy.

This is achieved by the following means:

a) **Policy documents**

The following investment-related documents are available to the Fund's stakeholders on the Fund's website and in hard copy form (on request):

Statement of Investment Principles

The Statement of Investment Principles describes the broad principles adopted by the Pensions and Investment Committee in carrying out its duties and how it complies with best practice (Myners' Principles).

Statement of Investment Principles

The Statement of Investment Principles describes the broad principles adopted by the Pensions and Investment Committee in carrying out its duties and how it complies with best practice (Myners' Principles).

Pension Fund's Annual Report

The Committee's Annual Report provides background information relating to investment markets in the previous year, extracts from the Fund's accounts and its performance details over the longer term.

Funding Strategy Statement

The Funding Strategy Statement looks at the Pension Fund's liabilities and how these are to be met over the longer term.

b) **Pensions and Investment Committee meetings**

Pensions and Investment Committee meetings are held quarterly. The Committee comprises members representing Derbyshire County Council and Derby City Council. Trades Union representatives attend as observers. The meetings are open to members of the public, other than for exempt reports (e.g. those dealing with contractual arrangements). Copies of reports and minutes are available on request and are published on Derbyshire County Council's website.

How to contact the Fund

Telephone the helpline number: 01629 538900

Or write to:

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