Cornwall Pension Fund
Annual Report
2012-13

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The Cornwall Pension Fund is administered by Cornwall Council.

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CORNWALL COUNCIL

Cornwall Pension Fund annual report 2012-13

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Chairman's statement

As is often the case, the Cornwall Council elections in May resulted in a significant change to the membership of the Pensions Committee. Only four elected Members from the previous Committee now remain. As one of these four, I had the honour of being elected Chairman of the current Committee in June. I now have the opportunity to build on the very high standard set by the former Chairman, Morwenna Williams. I would like to publicly state my thanks to Morwenna, and all the members of the previous Committee, for their hard work over the past four years. This was a period of great change during particularly difficult economic times and the Members that I worked alongside had to deal with some challenging issues.

However, the challenges continue and the transition to the new investment strategy that the Fund embarked upon in 2012 continues. Mandates have now been awarded for Liability Driven Investment (LDI - to help take account of inflation risk) and the Diversified Growth Fund (DGF – a strategy designed to tactically allocate assets across a range of asset classes to reduce the risk on the Fund.). These two new mandates are a significant stepping stone in the transition to the new strategy and are major priorities to focus on during the forthcoming year, to ensure that the Fund is fit for purpose. All fund managers are regularly monitored through meetings and reports.

To ensure good and effective governance of the Fund and to assist in the Committee's commitment to the CIPFA Knowledge & Skills framework, training for the Committee is of paramount importance. Officers helped us hit the ground running on this by arranging some excellent presentations from our Actuaries, Hymans Robertson and our Investment Advisers, JLT at the first meeting of the new Committee.

The triennial valuation of the Fund has been in progress this year and the results will be available by the end of 2013. The valuation is taking place against the backdrop of continued economic uncertainty and with severe budgetary pressures faced by the participating Employers of the Fund. This makes the investment objectives of the Fund all the more important to monitor and achieve, so we can provide a Cornwall Pension Fund that is balanced between affordability, stability and prudence for all.

The Committee, at its meetings, has continued to discuss the Government's policy on public sector pensions and planned changes to the Local Government Pension Scheme (LGPS). The Committee has made representations to Government throughout the consultation processes over the new LGPS which is due to come into effect from 1 April 2014. We are currently awaiting the new LGPS Regulations and once known we will communicate with all relevant Fund members via newsletters and the Fund's website www.cornwallpensionfund.org.uk.

Finally, the Committee have discussed the 'Call for Evidence' that was launched by the Parliamentary Under Secretary of State in the Department for Communities and Local Government, Brandon Lewis, on the future structure of the Local Government Pension Scheme. A response from Committee has been submitted with the interests of all participating parties to the Cornwall Pension Fund (that is employees, employers and local tax payers) being represented, in a fair and balanced way.

Derek Holley

Chairman, Cornwall Pensions Committee

Independent auditor's report to the Members of Cornwall Council

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Cornwall Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Cornwall Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the pension fund's financial statements and for being satisfied that they give a true and fair view. 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 pension fund financial statements

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

Opinion on other matters

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

Matters on which we report by exception

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

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Alun Williams
Director
for and on behalf of Grant Thornton UK LLP,
Appointed Auditor
Bristol

27 September 2013

Committee

The Scheme of Delegation

Cornwall Council has set up a Pensions Committee to exercise its functions as the Administering Authority for the Local Government Pension Scheme in Cornwall. This responsibility includes managing the investments of the Fund.

The Pensions Committee has agreed to delegate certain of its responsibilities for managing the Fund's investments to the Head of Finance. This Scheme of Delegation sets out the limits of that delegation.

The Committee has also delegated day-to-day management of the Fund's investments to professional investment managers. Legally binding agreements govern the relationship between Cornwall Council and the investment managers.

Irrespective of whether or not the Committee decides to delegate a function to an officer, it is essential that those making a decision receive proper advice from suitably qualified people or organisations (usually the Head of Finance or the Fund's investment consultants and advisers).

Nothing in this Scheme of Delegation can override the responsibility of Members and Officers to comply with Cornwall Council's Constitution, Financial Regulations, or Standing Orders.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations provide the legal framework governing investments by the Pension Fund. Any decisions or actions taken by the Committee, Members or officers must comply with these regulations.

Role of the Committee

The Pensions Committee exercises the functions of Cornwall Council as administering authority for the Local Government Pension Scheme in Cornwall. The Pensions Committee comprises voting members representing Cornwall Council, the employers and the employee unions. The Committee is supported by professional advisers and officers who principally oversee how the Scheme is run and how the assets of the Fund are managed. A large part of the work involves monitoring how the fund managers perform and the investments which they are responsible for.

One requirement in managing the Fund and reducing any risk, as far as possible, is to make sure the assets are spread over different asset classes, in different countries and between fund managers. We need to get the balance right between the desire for improved returns and the possible `risk` of those returns dropping due to investment conditions. In addition, the Committee acknowledges the responsibility as a major shareholder. The task of exercising voting rights is delegated to fund managers who report back to the Committee on the actions taken at the next meeting. The Committee will also consider pension issues as they arise.

Delegation to Officers – Head of Finance

At its meeting on 25 September 2012, the Committee agreed a Scheme of Delegation to the Head of Finance.

This is included in the Governance Policy Statement included later in this Report but can be summarised as follows:

The Committee retains responsibility for the following items:

- The Fund's investment strategy
- The Statement of Investment Principles
- Approval of all policies
- The appointment of investment managers, consultants and the custodian
- Approval of the Annual Business Plan
- Approval of Annual Report and Accounts
- Acceptance of the triennial valuation report produced by the Fund Actuary
- Appointment of AVC providers

The Committee delegates to the Head of Finance responsibility for the following items:

- Managing and monitoring the investment managers, consultants and custodian
- Managing the Fund's cash assets directly held by the Administering Authority
- Transferring assets between the Administering Authority, the investment managers and custodian
- Accounting for all investment transactions
- Within limits, authorising expenditure from the Fund
- Paying the fees of the investment managers and the custodian
- When necessary, exercising the Fund's voting rights after consulting the Chairman and Vice Chairman
- Admitting organisations into the Pension Scheme after consulting the Chairman and Vice Chairman

Governance

Committee membership and attendance

During the year ended 31 March 2013 there were seven meetings of the Pensions Committee and one annual employers meeting.

Member attendance at Committee meetings during 2012-13	**Committee meetings attended**
Cllr Morwenna Williams (Chairman)	7
Cllr Derek Holley (Vice-chairman)	6
Cllr John Coombe (Joined 25/09/12)	4
Cllr Mike Eathorne-Gibbons	4
Cllr Joanna Kenny	7
Cllr Pam Lyne (Passed away 27/06/12)	2
Cllr Nigel Pearce	7
Cllr Chris Ridgers	6
Cllr Jude Robinson	6
Cllr Jon Stoneman	1
Cllr Robin Teverson	1
Member nominated representatives	
Sharon Foster	6
Andy Stott	7
Employers' representative	
John Shipley (Resigned 27/11/12)	1

The four-yearly Council elections, in May 2013, meant that a new Committee was constituted. The new membership is as follows:

Members
Cllr Derek Holley (Chairman), Cllr Sue James (Vice-chairman)
Cllr John Coombe, Cllr Bernie Ellis, Cllr Tom French, Cllr Joanna Kenny, Cllr Patrick Lambshead, Cllr Viv Lewis, Cllr Nigel Pearce
Member nominated representatives
Sharon Foster, Andy Stott

NB: At the time of printing this Report there was one Councillor vacancy and two Employers' representative vacancies.

Scheme membership

Contributors and pensioners on 31 March

	2009	**2010**	**2011**	**2012**	**2013**
Contributors					
Cornwall Council	NA	13,368	12,602	11,196	9,207
Cornwall County Council	11,495	NA	NA	NA	NA
District Councils	2,412	NA	NA	NA	NA
Other Bodies	2,714	2,919	3,572	4,391	6,176
Total Number of Contributors	**16,621**	**16,287**	**16,174**	**15,587**	**15,383**
Pensioners					
Receiving Benefits	8,229	8,865	9,410	10,101	10,666
Deferred Benefits	11,989	13,208	13,588	15,108	14,949
Total Number of Pensioners	**20,218**	**22,073**	**22,998**	**25,209**	**25,615**

On 31 March 2013 there were 97 employers in the Fund with active members (93 in the previous year). During the year the number of employees in the Scheme decreased by 204 (1.3%) to 15,383. The number of pensioners being paid increased by 565 (5.6%) to 10,666.

The number of early retirements through redundancy or for reasons of efficiency or employers' discretion was 85(153 in the previous year). The number of ill-health early retirements was 19 (last year 42), which equates to 1.2 per 1,000 active members.

Governance

Regulatory framework

The Annual Report

The Local Government Pension Scheme (Administration) Regulations 2008 require administering authorities to prepare a document known as "the pension fund annual report". From 1st April 2008, this report must contain information about the fund on the following:

- The management and financial performance during the year;
- The authority's investment policy and a review of performance of the fund assets;
- Administration arrangements;
- A statement by the Actuary of the assets, liabilities and funding level;
- The current version of the Governance Compliance Statement;
- The Fund Account and Net Asset Statement and supporting notes and disclosures in accordance with proper practices;
- The current version of the Statement of Investment Principles;
- The current version of the Communications Statement;
- The current version of the Funding Strategy Statement; and
- Other material considered appropriate.

The Scheme and benefits available

The Local Government Pension Scheme is a statutory scheme, established by an Act of Parliament and governed by regulations made under the Superannuation Act 1972. The Local Government Pension Scheme (Administration) Regulations 2008 came into force on 1st April 2008. Membership of the LGPS is open to all employees of local authorities except teachers, fire-fighters and police, who have their own separate schemes.

Pensions and entitlements are still fully protected in law. The Scheme is open to all employees under age 75, whether they work full-time or part-time. Cornwall Council automatically enrols all employees into the Fund, as long as they have a contract of employment of more than three months duration. Employees with a contract of employment for less than three months may now join the LGPS upon application. All members of the scheme can choose to leave at any time. Employees contribute according to a scale ranging from 5.5% to 7.5% based on their full time equivalent rate of pensionable pay. This will include basic pay and any contractual overtime and regular bonuses. Employers contribute at a rate set by the actuary. The rates currently applying are set out at the end of this report. Employees in the Scheme are entitled to a pension of one sixtieth of their final pensionable pay for each year of service. Further information regarding the various benefits offered can be found on the Cornwall Pension Fund website at www.cornwallpensionfund.org.uk

The Regulations relating to the Fund's Assets

The regulations relating to the management and investment of the Fund's assets are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Under these regulations, we have to consider the different types of investments and their suitability, and to report regularly on all transactions. We must also get proper advice on investment matters. The more significant limits on investments expressed as a percentage of the total value of the fund are shown below.

- Up to 35% of the value of the Fund can be:

  the limit on what we can invest in open-ended investment schemes;

  the amount that we can invest in unit trusts managed by one manager (this category now includes a single contract in a managed fund with an insurance company or other similar organisation); and

  the total value of securities that we can transfer under a stock-lending arrangement we allow; or

  invested in insurance contracts.

- Up to 30% of the value of the Fund can be:

  all contributions to partnerships.

- Up to 15% of the value of the Fund can be:

  the amount that we can invest in unlisted securities of companies.

- Up to 10% of the value of the Fund can be:

  the size of a single holding (other than in government securities and the local authority mutual investment trust); or

  the amount of money that we can invest in or lend to an individual institution or local authority.

- Up to 5% of the value of the Fund can be:

  invested in sub-underwriting contracts.

Governance

The Pension Act 1995 applies to occupational pension schemes, from 6 April 1997.

The local authority scheme, while described as an occupational pension scheme, is required to meet further standards. Local authorities are expected to follow examples of good practice, in particular to do with releasing information to pension scheme members.

Regulation changes

Communities and Local Government (CLG) is the government department responsible for the ongoing maintenance of the Local Government Pension Scheme (LGPS).

In April 2008, the normal retirement age was increased to 65 years for future service but with some protection for certain employees reaching age 60 years by March 2016. Employee contribution rates were changed from a fixed rate of 6% to a tiered amount ranging from 5.5% to 7.5% depending upon an individual's full-time equivalent rate of pensionable pay. The basis for benefit accrual also changed from a pension of 1/80th per annum plus a lump sum of 3/80th per annum to a single pension accrual of 1/60th per annum. There is however an option for employees to exchange some of this pension for cash lump sum at the rate of £12 cash for each £1 of pension.

Automatic enrolment commenced in October 2012 and only one employer in our Fund has so far reached their Staging Date. There is however a large number of our employers that will reach their Staging Date during 2013 and this may result in an increase to the number of contributing employees which will assist with maintaining a positive cash flow. This will of course depend upon whether they use the LGPS to auto-enrol employees or some other pension arrangement. As part of this new legislation, employers are no longer permitted to make any statement or ask any questions during a recruitment process which is likely to indicate that an application for employment may be dependent upon whether or not the applicant decides to join a pension scheme. Also, employers are no longer allowed to take any action which is primarily aimed at inducing an employee to opt out of a company sponsored pension scheme, unless membership of another suitably approved pension scheme is offered. Possible examples of an inducement include offering a higher salary, promotion or extending/renewing a contract of employment.

In October 2012, the rules of the LGPS were amended to comply with the automatic enrolment regulations. Until this time, employees with a contract of employment for less than 3 months were not allowed to join the LGPS but, from October 2012, these employees are allowed to join provided they make a request for membership.

The Fund now has 45 academies and each one has its own employer contribution rate which is determined by the Fund Actuary in accordance with its individual membership profile. The Government has recently provided Administering Authorities with a guarantee to cover the pension liabilities of any academy that closes. This guarantee is however somewhat limited in value as the Government has indicated that it may withdraw it at any time. The Government's intention behind the guarantee is to assist Administering Authorities to view academies as "secure" employers thereby permitting them to pay lower pension contributions (more akin to the rates paid when they were part of the Local Authority). One Government proposal to achieve this objective is for Administering Authorities to place all academies in one funding "pool", thereby sharing the pension risk. The Government is planning to conduct a formal consultation on this matter during 2013. Once the results of this consultation have been analysed, it is possible that the Government will amend the LGPS Regulations in order to achieve their objective of providing a consistent approach to the funding of academy liabilities within the LGPS in England.

A change to the LGPS (Management and Investment of Funds) Regulations 2009 occurred with effect from 1 April 2013. The limit of the amount of the Fund that could be invested in Limited Partnership agreements was increased from 15% to 30%. This increase to the limit is designed to enable more investment from Funds into alternative style investment classes, such as Infrastructure and Private Equity Funds, which are generally accessed through Limited Partnership agreements.

Work programme and future

During 2013-14, there are a number of key objectives that will be undertaken, but the focus will clearly remain on the transition of the investment strategy and on the outcomes of the valuation of the Fund.

The implementation of the new investment strategy will continue through 2013-14 and, with the new Diversified Growth and Liability Driven Investment mandates now in place, the focus will be to finalise the equity and alternative exposures throughout the remainder of the year. The transition will continue to be planned to ensure that the best possible market conditions are captured throughout the transition.

Governance

To accompany the transition work, a continual review of the identifiable risks attached to the portfolio will be formulated, to enable these risks to be mitigated wherever possible. This will complement the ongoing work to improve the governance of the Cornwall Pension Fund to ensure the best risk-adjusted returns can be achieved.

In April 2013, the Pensions Committee approved an Employer Cessation Policy which will provide employers with guidance on the procedure that applies when they no longer have any contributing employees remaining in the Fund. This will help to mitigate the possibility of any excess over or under-funding of their pension liabilities and therefore also protect the other employers in the Fund from having to cover any unpaid funding deficits.

During the early part of 2013-14, the administration work focuses on preparing the membership data for the Fund Actuary to process the triennial actuarial valuation. This work is vital as it is a chance to review all of the membership data for each employee that has contributed to the LGPS, during the previous Scheme year. It is effectively an annual internal audit to ensure that employers have informed us of all the changes to their membership data. The time-frame for this process is extremely challenging, this year, as employers require their new contribution rates from April 2014 as soon as possible, in order to assist with their financial budgets. There is also a statutory deadline of 31 March 2014 for the Actuary to officially "sign off" the Actuarial Report.

The Government has almost completed the statutory consultations surrounding the Regulations for the new LGPS from April 2014. This is proving to be a difficult task as the core benefit structure is changing from final salary to a career average basis but there are a number of protections being kept, for the final salary service up to 31 March 2014, which need to be addressed. The communication issues around this new scheme will be important to both employees and employers. The Local Government Employers Association is providing a lot of material for all local authorities to use; such as leaflets, videos, training courses etc. Our computer administration software system will also need to be updated to process the new benefit calculations and the pension team administrators will need to be fully trained on the new rules and computer systems.

We are aware of a number of Local Authority schools that have either already made an application to the Government to change to academy status or are considering making an application. Some schools are looking to become an academy in their own right, whilst others are looking to either join an existing academy or merge together to form Multi-Academy Trusts. These changes will further increase the number of separate employers in the Fund and therefore add to the administrative requirements of maintaining the membership database and financial reporting.

Currently, Councillors are eligible for membership of the LGPS in respect of the allowances they receive. The Government wishes to review this benefit for the new LGPS and has therefore conducted a statutory consultation, which closed on 5 July 2013. At the moment we are awaiting their response as to whether or not Councillors will be eligible for membership of the new LGPS from April 2014.

Finally, at the National Association of Pension Funds local authority conference in May, the Parliamentary Under-Secretary of State in the Department for Communities and Local Government announced a formal review on the future structure of the LGPS. At present, the LGPS is administered by 89 separate local authorities and the Government wishes to review this structure to see if there is a more efficient and cost effective way of managing the LGPS, which is the only funded pension scheme in the public sector.

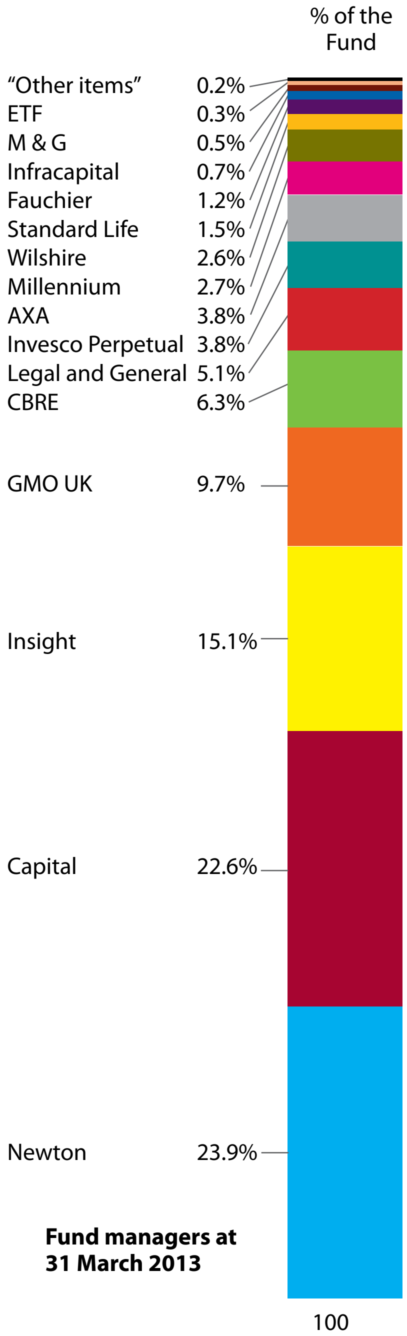
To commence this review and set the conditions for a formal consultation, the Government has issued a "call for evidence" from all interested parties. As part of this review, there are a number of objectives that need to be considered - these being split between high level and secondary. The two high level objectives are dealing with deficits and improving investment returns. There are six secondary objectives: reducing investment fees; improving the flexibility of investment strategies; providing access to higher quality staffing resources; providing more in-house investment resources and improving the cost effectiveness of the administration process.

The Pensions Committee have considered this review at their July meeting and submitted a response on behalf of the Cornwall Pension Fund. We will now await and react accordingly to the outcomes from this call for evidence.

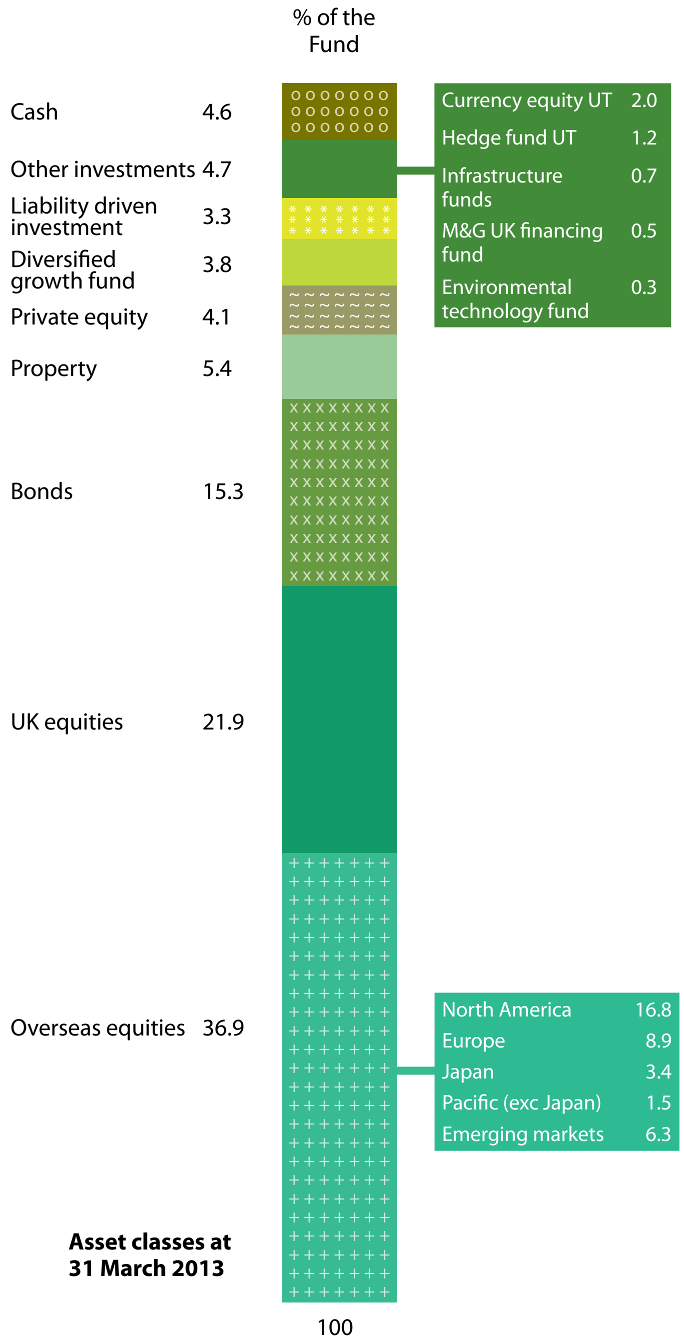
Fund Management

Fund allocations

Manager	Activity
"Other items"	Accruals, internal cash, forward currency position and equity futures
ETF	Investors in environmental technologies
M&G	A financing fund set-up to make medium term loans to UK companies
Infracapital	Investors in infrastructure-related companies
Fauchier	Active shareholder engagement in UK companies (hedge fund of funds)
Standard Life	Investors in companies not listed on the stock exchange (private equity)
Wilshire	Investors in companies not listed on the stock exchange (private equity)
Millennium	1) Active currency investment. 2) Reducing the risk of the fund's investments to overseas currency movements. (passive overlay of 50% overseas equities)
Axa	Invest in assets that have a link to CPI and provide inflation protection
Invesco	Invest in derivatives in fixed income, equities & commodities markets
Legal and General	Passively Investing in the shares of UK companies to match the return of the FTSE All Share index
CBRE	Actively managed a range of UK property unit trusts
GMO	Actively managed the shares of UK companies
Insight	Actively managed UK interest-bearing stocks (in-house unit trust bonds)
Capital	Actively managed the shares of worldwide companies
Newton	Actively managed the shares of worldwide companies



Fund managers at 31 March 2013



Asset classes at 31 March 2013

Performance of the Fund

Annual market commentary for the year ended 31 March 2013

During the 12-month period under review, there was significant uncertainty about the outlook for many of the world's leading debt-laden economies, but investors were swayed by the influence of policymaking by authorities in the main economic areas. Overall, equity returns were strong over the period, albeit that there were disparities in the fortunes of different regions, and emerging-market returns lagged markedly those from their developed counterparts.

Investors grappled throughout the period with fears about the outlook for the major economies, most prominent among challenges continuing to be the state of government finances in Europe. The policy response to Europe's woes was multi-faceted but, until the autumn, it appeared far from durable. Nonetheless, the measures announced by the world's leading central banks from September appeared to mark the adoption of a more 'inflationary' policy stance, and they were received well by equity investors. Against this backdrop, even recent turmoil in Cyprus (which was the fifth eurozone member to require a financial bail-out) and Italy (where the fragmented general election result showed significant support for anti-austerity parties) appeared to be received relatively nonchalantly by financial-market participants.

In the US, the Federal Reserve launched 'QE3', a third wave of quantitative easing, which will entail its buying of an unlimited quantity of mortgage-related debt until the labour market shows a substantial improvement. The US central bank loosened policy further by resuming its buying of longer-term US Treasuries at an initial rate of $45 billion a month from January 2013. The European Central Bank, meanwhile, unveiled a programme of 'Outright Monetary Transactions', which could involve its buying (subject to some important conditions for governments to meet) peripheral European sovereign debt, in order to keep borrowing costs low and prevent the break-up of the eurozone.

Against this backdrop, the equity markets (FTSE World Index) returned +17.5% in sterling terms and the other market indices movements over the year to 31 March 2013 in sterling terms were:

Index	**%**
FTSE All Share	15.8
FTSE AW North America Index	19.3
FTSE AW Europe (ex UK) Index	17.8
FTSE World Japan Index	14.3
FTSE AW Asia Pacific (ex Japan) Index	19.9
FTSE Emerging Market Index	7.4
FT British Government All Stocks	5.3
FTA British Government Index Linked	10.2
JP Morgan Global Government Bond ex-UK Index	4.5
Cash (UK Interbank 7 day)	0.6

*All indexes are FTSE except the Global Government Bond which is JP Morgan

In government bond markets, gilts made headway, with the FTA Government All Stocks Index returning +5.3%. While lagging far behind the equity market (demonstrating perhaps tentative confidence in a global economic recovery), the persistent concerns relating to peripheral Europe and the stability of the euro are factors that may have helped support returns in UK government bonds, as investors continued to keep "safe havens" within reach. Returns from overseas bonds were also solid, with the JPM Global Government Bond Index (ex UK) returning +4.5% in sterling terms.

In corporate bond markets, 'spreads' on higher-quality issues over equivalent-dated government bonds generally narrowed over the period, thereby meaning that such markets delivered returns significantly above those of government bond markets. The ML Non-Gilts Index returned +12.0% over the period.

Industrial sector performance against the FTSE Indexes for the year to 31 March 2013 were:

	%
Oil & Gas	-2.0
Telecommunication	19.0
Industrials	26.2
Basic Materials	-7.7
Consumer Goods	27.9
Consumer Services	27.6
Technology	35.4
Health Care	18.1
Financials	26.8

Newton has an active investment approach and looks to invest in high-quality securities around the world. Newton uses themes in seeking to identify good investment opportunities, as well as areas of risk.

For and on behalf of Newton Investment Management Limited, regulated by the FCA.

We are grateful to Newton Investment Management Ltd for supplying the background information on world stock markets.

Performance of the Fund

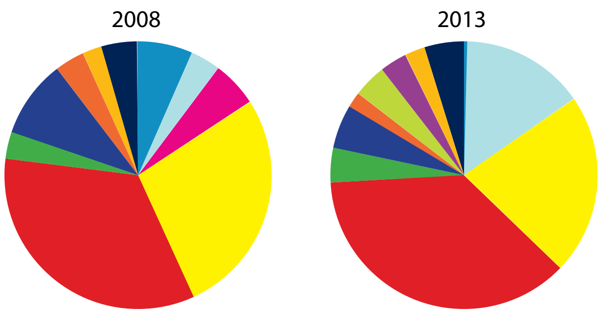
Market values

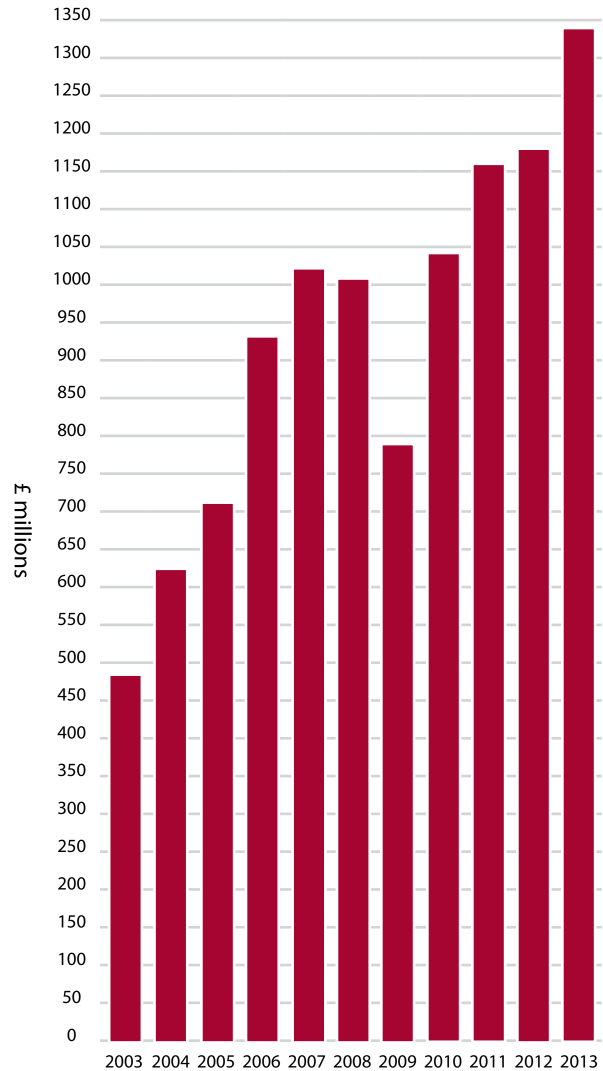
The market value of the Fund's investments, cash and other assets, on 31 March 2013, was £1,343 million, compared with a value of £1,171 million on 31 March 2012. The chart opposite shows the movement of market values (including cash and other assets) since 2003.

	% of the Fund	
Fixed interest securities	2008	2013
- Government bonds	6.7	0.4
- Unit Trust Bonds	3.7	14.9
Index linked securities	5.5	0.0
UK equities	24.3	21.9
Overseas equities	36.8	36.9
Private equities	3.4	4.1
Property unit trusts	9.2	5.4
Currency funds	3.8	2.0
Diversified growth fund	0.0	3.8
Liability driven investment	0.0	3.3
Other investments	2.4	2.7
Cash	4.2	4.6
	100.0	100.0

NB Other investments includes hedge funds, infrastructure, environmental technology and UK financing fund

How the Fund's assets have been invested





Market values from 31 March 2003 to 31 March 2013

Income on the Fund

A meaningful assessment of future income must take account of how much we can expect income to increase with inflation and how far the growth in capital can increase the money available to pay out the Fund's liabilities.

During 2012-13, the income created by the Fund's investments, after deduction of tax, was £29.0 million and represented a return of 2.3% on the average market value. (The return achieved in 2011-12 was 2.6%). However, when the impact of the passive currency overlay and the gain on foreign exchange transactions is included, the return on average market value for 2012-13 increases to a return of 2.7%.

General statistics

The UK clearing bank base rate remained unchanged throughout 2012-13 at 0.5%.

Year on year inflation decreased, as measured for:

	Year to March 2012	Year to March 2013
Retail Price Index (RPI)	3.6%	3.3%
Consumer Price Index (CPI)	3.5%	2.8%

Movements in financial market indices are shown on page 15.

Performance of the Fund

Fund Manager Performance

The Northern Trust Company, who are the Fund's custodian, also provide a comprehensive performance analysis service for the Fund and its portfolios. Analyses of performance by manager and by asset class are reported to the Pensions Committee at their quarterly meetings, along with a market commentary. The Committee scrutinise the report, along with officers and the Fund's advisers, and consider taking action should any developing under-performance trends occur. The table opposite sets out the larger fund manager's individual returns over 1, 3 and 5 years.

Investment return	**2012 - 13**	**2011 - 12**
Our return	13.8%	0.9%
Our specific benchmark	12.4%	2.9%

The performance of the Fund as a whole, in 2012-13, was 1.4% above its specific benchmark (as shown in the table of fund manager performance opposite).

On the back of a buoyant equity market, each of our active equity managers exceeded their performance benchmark by over 2% during the year. The Legal and General (equity manager) performance reflects the passive nature of their portfolio, which is to match the relevant FTSE indices. Monies held with them are in transition as Cornwall's investment strategy progresses.

Our fixed income manager (Insight) also performed well at 1.6% above its benchmark.

Cornwall's property portfolio (managed by CBRE) has underperformed its benchmark by 2.2% in 2012-13. This underperformance has mainly been driven by inherited legacy holdings within the fund, when they took over the portfolio from ING in 2011. The Committee and officers are working closely with CBRE to resolve these positions in the best interest of the Fund.

Summary of Fund Manager Performance as at 31 March 2013

Key:
Manager Performance %
Benchmark performance %
Difference %

	1 Year			3 Years			5 Years		
Capital	18.86	15.30	3.56	8.60	6.76	1.84	7.87	7.32	0.55
CBRE	-0.19	1.97	-2.16	4.82	5.52	-0.70	-2.93	-0.89	-2.04
GMO	19.52	16.77	2.75	11.23	8.78	2.45	8.53	6.74	1.79
Insight	9.07	7.50	1.57	9.19	8.57	0.62	7.34	6.17	1.17
Legal & General	18.52	18.44	0.08	9.39	9.29	0.10	N/A	N/A	N/A
Newton	19.31	16.64	2.67	8.95	7.44	1.51	7.61	7.45	0.16
Total Fund	13.83	12.37	1.46	8.04	7.63	0.41	4.62	5.63	-1.01

Note that the table above excludes those fund managers for whom there is insufficient meaningful performance data
These data show performance after the deduction of managers' fees
Overall performance includes the contribution from alternatives and cash held by Cornwall Council

In addition, the Fund subscribes to a comparison of peer performance of other local authorities, which is undertaken by the World Markets Company (WM).

Performance of the Fund

Movements in investment market indices during 2012-2013 (2011-2012 movements shown)

% Return for the year

Sector	Index	2012-2013	2011-2012
UK equities	FTSE all share	15.8	1.4
Overseas equities			
North America	FTSE All world North America	19.3	6.9
Europe (not UK)	FTSE All world Europe not including UK	17.8	- 11.4
Japan	FTSE World Japan	14.3	0.9
Pacific (not Japan)	FTSE All world Asia Pacific not including Japan	19.9	- 6.3
Emerging markets	FTSE Emerging Market	7.4	- 10.2
UK gilts	FT British Government all stocks	5.3	14.5
UK corporate bonds	Merrill Lynch sterling non-gilts over 15 years	12.0	9.1
Overseas bonds	JP Morgan global government bond not including UK	4.5	5.4
UK index-linked gilts	FT British Government index linked	10.2	18.1
Property	IPD UK all balanced fund	2.0	3.5
Cash	UK Interbank 7 day	0.6	0.6

Data supplied by Newton Investment Management

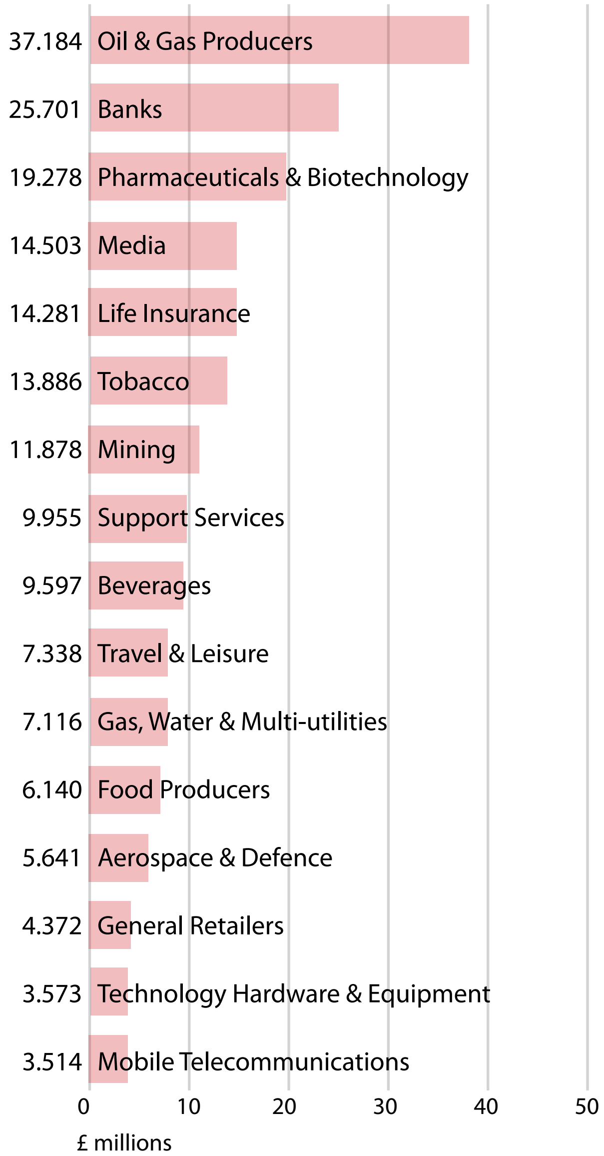
Currency exchange rates	2012-2013	2011-2012
Pound sterling to US dollar	-5.1	-0.4
Pound sterling to yen	8.2	-1.3
Pound sterling to euro	-1.4	5.6

Performance of the Fund

Investments in UK equities, held on 31 March 2013

Analysis by industry sectors (above value of £3 million)

£ millions



Largest 20 UK equity holdings on 31 March 2013

	£ Millions	%	Oil & Gas %	Banks %	Pharmaceuticals & Biotechnology %	Tobacco %	Insurance %	Media %	Beverages %	Mining %	Utilities %	Food Producers %	Aerospace & Defence %	Telecommunications %	Support Services %
BP	17.657	6.0%	6.0												
Royal Dutch Shell	14.402	4.9%	4.9												
Prudential	10.040	3.4%					3.4								
British American Tobacco	9.962	3.4%				3.4									
Glaxosmithkline	9.897	3.4%			3.4										
Astrazeneca	9.381	3.2%			3.2										
HSBC	9.167	3.1%		3.1											
Diageo	7.958	2.7%							2.7						
Barclays	7.101	2.4%		2.4											
Standard Chartered	5.480	1.9%		1.9											
BHP Billiton	5.475	1.9%								1.9					
Reed Elsevier	5.414	1.8%						1.8							
Centrica	4.346	1.5%									1.5				
Associated British Foods	4.175	1.4%										1.4			
British Sky Broadcasting	4.018	1.4%						1.4							
Imperial Tobacco	3.923	1.3%				1.3									
BAE Systems	3.464	1.2%											1.2		
Ophir Energy	3.259	1.1%	1.1												
Vodafone Group	3.108	1.1%												1.1	
Bunzl Plc	2.751	0.9%													0.9
Largest 20 UK Equities	140.978	48.0%	12.0	7.4	6.6	4.7	3.4	3.2	2.7	1.9	1.5	1.4	1.2	1.1	0.9
Other UK Equities	153.603	52.0%													
Total UK Equities	294.581	100.0%													

NB: Excludes holdings that are part of the Legal and General UK Equity Index (£67.523m) and Newton Smaller Companies Fund (£3.150m)

Performance of the Fund

Largest 20 overseas equity holdings on 31 March 2013

	£ millions	%	USA £ millions	Europe £ millions	Japan £ millions	Asia £ millions
Gilead Sciences	13.643	2.8%	13.643			
Nestle	10.323	2.1%		10.323		
Roche Holdings	9.370	1.9%		9.370		
Softbank	8.778	1.8%			8.778	
Google	7.654	1.5%	7.654			
Toyota Motor Corporation	7.073	1.4%			7.073	
Novartis	6.845	1.4%		6.845		
Japan Tobacco	6.590	1.3%			6.590	
Bayer	6.124	1.2%		6.124		
United Technologies Corporation	5.820	1.2%	5.820			
Bristol Myers Squibb	5.813	1.2%	5.813			
Sprint Nextel	5.259	1.1%	5.259			
Danaher	4.834	1.0%	4.834			
Sanofi	4.757	1.0%		4.757		
Microsoft	4.750	1.0%	4.750			
Goldman Sachs	4.690	1.0%	4.690			
Altria Group	4.532	0.9%	4.532			
Ericsson	4.520	0.9%		4.520		
Bangkok Bank	4.375	0.9%				4.375
Aia Group	4.358	0.9%				4.358
Largest 20 overseas equities	130.108	26.5%	56.995	41.939	22.441	8.773
Other overseas equities	365.836	73.5%				
Total overseas equities	495.944	100.0%				

NB: Excludes holdings that are part of the Capital International Emerging Market Fund (£48.643m) and Newton Emerging Markets Exempt Fund (£15.437m)

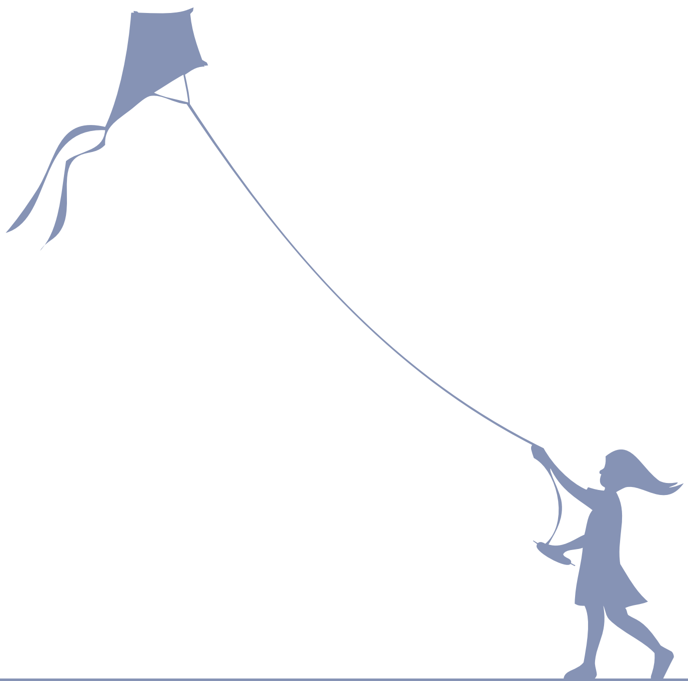
Property unit trusts on 31 March 2013

	£ millions	%
Blackrock UK Property Fund	10.849	14.9%
West End Of London Property Unit Trust	10.504	14.4%
Hercules Property Unit Trust	9.008	12.3%
Schroder UK Property Fund	8.444	11.6%
M&G Secured Property Income Fund	7.292	10.0%
Standard Life UK Shopping Centre Fund	5.918	8.1%
Henderson UK Shopping Centre Fund	4.902	6.7%
Hansteen UK Industrial Property Unit Trust	3.472	4.8%
Industrial Property Investment Fund	2.658	3.6%
UBS Triton Property Unit Trust	2.367	3.2%
The Palmer GVA Unit Trust	2.333	3.2%
Quercus Healthcare Property Fund	2.228	3.1%
RREEF UK Property Ventures Fund no. 3	2.122	2.9%
Forum Roxhill Co-Investment LP	0.904	1.2%
RREEF UK Property Ventures Fund No. 2	0.015	0.0%
Total property unit trusts	73.016	100.0%

Financial statements

Fund Account	2012-13		2011-12		
Dealings with Members, Employers and Others Directly Involved in the Fund	£m	£m	£m	£m	Notes
Contributions and Transfers In					
From Employers					
Normal Contributions	48.513		46.321		6
Additional Contributions	1.547		2.024		6
Augmentation Receipts	-		0.106		6
From Members					
Normal Contributions	15.082		14.875		6
Additional Contributions	0.349		0.305		6
Receipts on Account of Joiners					
Transfers In from Other Pension Funds	4.039		4.062		6
Other Income	0.041		0.002		6
Total Contributions		69.571		67.695	
Benefits and Other Payments					
Benefits Payable					
Pensions	(45.851)		(42.400)		6
Lump Sums	(10.017)		(12.054)		6
Death Benefits	(1.055)		(1.155)		6
Payments To and on Account of Leavers					
Refunds On Contributions	(0.007)		(0.007)		6
Transfers Out	(2.962)		(2.096)		6
Administrative Expenses	(0.589)		(0.603)		7
Total Payments		(60.481)		(58.315)	
Net Additions from Dealings with Members		9.090		9.380	
Returns on Investments					
Investment Income	33.450		33.913		8
Irrecoverable Tax Paid on Investment Income	(0.969)		(1.157)		8
Other Income	0.289		0.424		8
Profit and Loss on Disposal of Investments and Changes in Market Value of Investments	132.128		(13.855)		10
Gain on Currency Transactions	1.708		-		8
Less					
Investment Management Expenses	(3.654)		(4.259)		7
Loss on Currency Transactions	-		(4.473)		8
Net Returns on Investment		162.952		10.593	
Net Increase / (Decrease) in the Net Assets Available for Benefits During the Year		172.042		19.973	
Opening Net Assets of the Scheme		1,170.535		1,150.562	
Closing Net Assets of the Scheme at 31 March		1,342.577		1,170.535	

These accounts summarise the transactions of the Fund during the year, both for benefits and investments, and show the position of the Fund on 31 March 2013. They provide information about the financial position, performance and financial adaptability of the Fund and show how we have managed the Fund and what assets were in the Fund at the period end. Liabilities to pay pensions and other benefits in the future are not included but are dealt with in the Actuarial Report in Note 4.



Financial statements

Net Assets Statement	31 March 2013	31 March 2012	
Investment Assets	£m	£m	Notes
Fixed Interest Securities			
Corporate Bonds	-	-	10
Overseas Government Bonds	5.012	4.776	10
Equities			
UK Equities	294.581	275.511	10
Overseas Equities	495.944	440.794	10
Private Equities	54.949	54.414	10
Derivatives			
Equity Futures	-	-	10 & 13
Forward Currency Position	0.490	3.613	10 & 13
Pooled Investment Vehicles			
Property Unit Trusts	73.016	80.331	10
Currency Funds	27.777	33.937	10
Hedge Funds	15.985	15.332	10
Unit Trust Bonds	199.975	180.343	10
Infrastructure Fund	9.245	8.854	10
Environmental Technology Fund	3.663	2.805	10
M & G UK Financing Fund	6.417	5.471	10
Liability Driven Investment	44.348	-	10
Diversified Growth Fund	50.671	-	10
Other Assets			
Cash with Custodian	40.748	25.746	
Investment Income Receivable	5.697	5.895	5 & 15
Income Tax Receivable	1.559	0.936	5 & 15
Investment Liabilities			
Derivatives Forward Currency Position	(5.165)	(0.198)	10 & 13
Equity Futures	(0.162)	(0.396)	10 & 13
Total Net Investment Assets at Bid price	1,324.750	1,138.164	
Current Assets			
Cash at Bank	8.873	23.101	
Administration Income Receivable	0.269	0.095	15
Contributions Receivable	6.952	5.263	15
Pension Strain, Income Receivable	0.200	0.254	15
Cash held by Administrators of MF Global	4.917	6.728	15
Prepayments	-	0.010	15
Current Liabilities			
Administration Expenses Payable	(2.399)	(2.344)	15
Pension Lump Sums Payable	(0.985)	(0.736)	15
Current Assets less Current Liabilities	17.827	32.371	
Net Assets of the Scheme as at 31 March	1,342.577	1,170.535	

These accounts summarise the transactions of the Fund during the year, both for benefits and investments, and show the position of the Fund on 31 March 2013. They provide information about the financial position, performance and financial adaptability of the Fund and show how we have managed the Fund and what assets were in the Fund at the period end. Liabilities to pay pensions and other benefits in the future are not included but are dealt with in the Actuarial data included in Notes 4 and 17.

Notes to the Accounts

1. How the Scheme Works

Local Government Pension Schemes (LGPS) are required to be funded and the Pension Fund is required to be sufficient to meet the estimated future pension entitlements of current and past employees. It is actuarially re-valued every three years to establish the contributions to be made by the employing authorities to achieve this objective. Transfers into or out of the Fund are sums received from, or paid to, other pension schemes. These relate to new and former members' periods of pensionable employment, where transferable.

After meeting pension payments and other benefits the balance of the Pension Fund is invested in a range of investments. These investments are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The Pensions Committee is responsible for all matters relating to the Pension Fund. The membership includes two member-nominated representatives and two representatives of the major employers in the scheme. One of these posts, representing the Cornwall Colleges, has been vacant since 2009 because the Committee has been unable to recruit a replacement for the previous incumbent. The Pensions Committee has approved a scheme of delegation to the Corporate Director for Resources. Whereas the Pensions Committee approves all policies, the Corporate Director for Resources is empowered to invest monies of the Pension Fund. The Pensions Committee receives investment advice from an external advisor. A Statement of Investment Principles, setting out how the Fund's investments are managed, is included on page 65.

2. Contributors and Pensioners

All employees (except teachers and fire fighters who have their own schemes) are entitled to join the scheme. Individuals have the right to seek alternative pension arrangements if they so wish. The total number of contributors fell for the fourth year in succession in 2012-13. The reduction in contributors to Cornwall Council and the corresponding increase in contributors to other bodies is a reflection of the number of schools that have converted to Academy status as well as new ways of services being delivered by the Council. The number of pensioners at 31st March each year has continued to rise. A summary of the number of contributors and pensioners is shown on page 7 of this report.

3. Accounting policies

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13, based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts have also been prepared to meet the requirements of the Local Government Pension Scheme Regulations 2008 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund's Administering Authority is Cornwall Council and the Council's professional staff, who prepared these accounts, followed the same accounting policies, principles and practices that have been adopted for the Council's own Statement of Accounts for 2012-13.

Contributions, investment income and expenses such as management expenses and benefits are included on an accruals basis, where these amounts have been determined on the closure of accounts. The accounts have been prepared on a going concern basis.

These accruals do not include the Fund's liabilities to pay pensions and other benefits, in the future, to all the present contributors to the Fund. These liabilities are taken account of in the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined at these valuations.

Transfer Values to/from other funds, for individuals, are included in the accounts on the basis of the actual amounts received and paid in the year. Block transfers would be accrued, where relevant.

The accounts for the year ended 31 March 2013 use the valuations for the Fund's assets based on the figures provided by the Council's custodian, The Northern Trust Company.

Market valuations of quoted securities are based on bid values, representing the price a third party would pay the Fund in an arm's length transaction for the investment, at the reporting date. A fair value may be employed where that value cannot be ascertained or where it would be considered more appropriate. Fair value is the amount for which an asset can be exchanged, or a liability settled, between unrelated, willing, knowledgeable parties in an arm's length transaction. Unquoted securities are included at fair value based on their respective fund manager's valuation. Pooled investment vehicles are stated at their net asset value quoted by their respective fund managers, at 31 March 2013. Investments held in foreign currencies are converted at the closing rates of exchange, as at the financial year-end date.

Open futures contracts are included in the Net Assets Statement at their fair market value, which is the unrealised profit or loss at the closing price of the contract. Forward foreign exchange contracts outstanding at the year end are stated at fair value, which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

Under the Pension Fund Regulations, employers' contribution rates are set to enable the Fund to meet eventually 100% of its overall liabilities to pay benefits for both local authorities and other bodies (see note 4).

The 'Cash with Custodian' stated in the Net Assets Statement as at 31 March includes all monies held externally by fund managers on behalf of the Council and reflects all commitments in respect of transactions realised and unrealised as at that date.

Critical Judgments in Applying Accounting Policies

Unquoted investments

It is important to recognise the highly subjective nature of determining the fair value of some unquoted investments. The Pension Fund owns investments in several unquoted funds, as listed in Note 12. Private equities, hedge funds, infrastructure and the environmental technology fund are inherently based on forward-looking estimates and judgments involving many factors. They are all valued by their own investment managers using guidelines set out by the British Venture Capital Association. The values of these investments are shown in Note 12.

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are explained in Notes 4 and 17. The estimate of fund liability is subject to significant variances based on changes to the underlying assumptions.

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

These Financial Statements contain estimated figures that are based on assumptions made by our investment managers about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

The items in the Net Assets Statement at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson, is engaged to provide the fund with expert advice about the assumptions to be applied.	The Fund's Actuary monitors all the uncertainties closely and produces a quarterly report for the Fund to highlight areas of concern. More details on the Actuary's assumptions and projections are shown in notes 4 and 17.
Private Equities, Infrastructure and Environmental Technology Fund	These investments are valued at fair value in accordance with British Venture Capital Association guidelines. They are not publicly listed and as such there is a degree of estimation involved in the valuation.	There is a risk that these investments may be under- or over-stated in the accounts.
Hedge Funds	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	There is a risk that these investments may be under- or over-stated in the accounts.

4. Actuarial Report

This statement has been prepared in accordance with Regulation 34(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2012/13.

Description of funding policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns for an appropriate level of risk;
- to minimise the long-term cost to employers of providing pension benefits;
- to help employers recognise and manage pension liabilities as they accrue;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 50% chance that the Fund will return to full funding over 24 years.

Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £1,041 million, were sufficient to meet 78.3% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £289 million.
Individual employers' contributions for the period 1 April 2011 to 31 March 2014 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal actuarial assumptions and method used to value the liabilities

Full details of the methods and assumptions used are described in the 2010 actuarial valuation report dated 30 March 2011.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2010 valuation were as follows:

Financial assumptions	31 March 2010	
	Nominal % p.a.	Real % p.a.
Discount rate	5.9%	2.6%
Pay increases [1]	5.3%	2.0%
Price inflation/Pension increases	3.3%	-

[1] plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11, 2011/12, 2012/13, reverting to 5.3% p.a. thereafter.

The key demographic assumption was the allowance made for longevity. As a member of Club Vita, the baseline longevity assumptions adopted at this valuation were a bespoke set of VitaCurves that were specifically tailored to fit the membership profile of the Fund. Longevity improvements were in line with medium cohort projections and a 1% p.a. underpin effective from 2007. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.3 years	23.4 years
Future Pensioners	23.2 years	25.6 years

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Cornwall Council, administering authority to the Fund.

Experience over the period since April 2010

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2013. It showed that the funding level (excluding the effect of any membership movements) has worsened since the 2010 valuation primarily due to falling real bond yields. The table below summarises the movement in the funding position of the Fund since 31 March 2010:

	Estimated Funding Projections		**Triennial valuation results**
Valuation Results	31 March 2013 [1]	31 March 2012	31 March 2010
	£m	£m	£m
Market Value of Assets	1,396	1,218	1,041
Total Liabilities	1,892	1,745	1,330
Deficit	**(496)**	**(527)**	**(289)**
Funding Level	73.8%	69.8%	78.3%
Employers' Contribution Rate			
Future Service Rate	23.2%	22.6%	16.5%
Past Service Adjustment	11.3%	12.2%	7.1%
Total Common Contribution Rate	**34.5%**	**34.8%**	**23.6%**
Deficit Recovery Period	**17 years**	**18 years**	**20 years**

[1] In line with the revision made to the Funding Strategy Statement in September 2012, short term pay growth is assumed to be 1.0% p.a. until March 2015.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.

5. Specific Items

Under standard accounting practices, dividends and interest due to the fund, as at 31 March 2013, have been accrued in these accounts. This accrual amounts to £5.685m (of the £5.697m debtor) compared with £5.872m as at 31 March 2012.

The Pension Fund includes, as admitted bodies, several limited companies. In the event that any of these companies cease to trade and staff are made redundant, there is a potentially unfunded liability to pay immediate benefits to all redundant staff aged 55 and above. In certain cases, guarantees have been obtained from other organisations that they would accept responsibility for any such liability.

The tax debtor for amounts receivable as at the end of March 2013 stood at £1.559m, of which £0.456m was in respect of monies due on property unit trusts. At 31 March 2012 the debtor was £0.936m, with £0.282m due on property unit trusts.

6. Analysis of Total Contributions and Benefits

The total contributions receivable and benefits payable during the year ending 31 March were:

Contributions and Benefits	Cornwall Council £m	Scheduled Bodies £m	Designatory Bodies £m	Admitted Bodies £m	2013 £m	2012 £m
Contributions Receivable						
From Employers	29.077	10.306	1.065	9.612	50.060	48.345
Augmentation Receipts	-	-	-	-	-	0.106
From Employees (normal and additional)	9.309	3.327	0.344	2.451	15.431	15.180
Transfers In	2.332	0.387	0.020	1.300	4.039	4.062
Other Income	0.013	-	-	0.028	0.041	0.002
Total Income	**40.731**	**14.020**	**1.429**	**13.391**	**69.571**	**67.695**
Benefits Payable						
Pensions	39.585	3.252	0.600	2.414	45.851	42.400
Lump Sums	6.211	1.708	0.093	2.005	10.017	12.054
Death Benefits	0.739	0.136	0.001	0.179	1.055	1.155
Payments on Account of Leavers						
Refunds of Contributions	0.007	-	-	-	0.007	0.007
Transfers Out	1.801	0.187	0.021	0.953	2.962	2.096
Total Expenditure	**48.343**	**5.283**	**0.715**	**5.551**	**59.892**	**57.712**

The Fund's scheduled bodies, as at 31 March 2013, were as follows:

Archbishop Benson CE Primary School
Biscovey Academy
Bodmin College
Bodriggy Academy
Brunel Primary and Nursery Academy
Callington Community College
Camborne School of Mines
Camborne Science and International Academy
Charlestown Primary School
Cornwall Academy Trust
Cornwall College
Cornwall Council
Cornwall Housing Ltd
Cornwall Sea Fisheries
Council of the Isles of Scilly
Devon & Cornwall Magistrates
Devon & Cornwall Probation Trust
East Cornwall Water Board
Falmouth School
Harrowbarrow School
Launceston College
Looe Community Academy
Ludgvan School
Mount Hawke Academy
Mounts Bay Academy
Nansloe Academy
Newquay Junior Academy
Newquay Tretherras School
North Cornwall Water Board
Penair School
Pencalenick School
Penrice Community College
Penryn College
Pool Academy
Saints Way Multi Academy Trust
Saltash .Net Community School
Sir Robert Geffery's School
South Cornwall Water Board
St Breock Primary School
St Buryan Academy Primary School
St Columb Major Academy
St Columb Minor Academy
St Hilary School
St Ives Infants School
St Merryn School
St Mewan Community Primary School
St Michael's Catholic School Academy Trust
Tamar Bridge & Torpoint Ferry
The Roseland Community College
Tregolls School - an Academy
Trenance Learning Academy
Trevithick Learning Academy
Trewirgie Infant School
Trewirgie Junior School
Truro and Penwith College
University College Falmouth
Wadebridge Primary School
Wadebridge Secondary School
Whitemoor Academy

7. Investment and Administration Expenses

For the years ended 31 March, the analysis of administration expenditure was as follows:

	2013 £m	2012 £m
External Investment Management Expenses	3.357	4.005
Internal Investment Monitoring and Accounting Expenses (including Strategic Planning)	0.297	0.254
Pensions Administration Expenses	0.589	0.603
Total Investment and Administration Expenses	**4.243**	**4.862**

External investment management expenses are, in the main, based on the value of those assets held under each manager's control.

8. Investment Income

The income to the Fund generated by the Fund's investments, net of tax and before taking into account the movement on currency transactions, amounted to £29.043m. After adding the gain of £5.435m on currency and foreign exchange transactions there was an overall return on investments of £34.478m. Investment income for the years ended 31 March was received from the following sectors:

Investment Income	2013 £m	2012 £m
Fixed Interest Securities	0.014	0.006
UK Equities	8.760	9.582
Overseas Equities	9.587	10.771
Pooled Investment Vehicles		
Unit Trust Bonds	6.606	7.020
Private equities and infrastructure	0.683	0.069
Property Unit Trusts	3.516	3.453
Gain on foreign currency transactions when trading overseas equities	3.727	2.686
Interest on cash deposits	0.557	0.326
Gross Investment Income	**33.450**	**33.913**
Other Income		
Commission Recapture [1]	0.003	0.009
Stock Lending [1]	0.286	0.415
Gain/(Loss) on passive currency overlay	1.708	(4.473)
Less		
Irrecoverable Taxation	(0.969)	(1.157)
Net Investment Income	**34.478**	**28.707**

[1] Commission recapture and stock lending are treated as 'Other Income' in the Fund Account as they are not interest or dividend but a gain from employing fund assets.

9. Securities Lending

The Pension Fund has an arrangement with its custodian, the Northern Trust Company, to lend stock from within the various portfolios held. Income received is included within investment income (see Note 8 above). At 31 March 2013, £52.5m worth of stock was on loan. In return, the Fund held collateral totalling £57.4m, comprising mainly European and US Government bonds, UK stocks and baskets of UK and foreign equities. (At 31 March 2012, £59.8m worth of stock was on loan and the Fund held £65.0m collateral). The Fund does not sell collateral unless there is a default by the owner of the collateral.

10. Valuation of Investments

Note 3 explains the accounting policies for the basis of valuation. The following table shows the change to investment assets in the year:

Investment Assets	Value 1 April 2012 £m	Purchases at cost £m	Sales Proceeds £m	Profit / Loss and Change in Market Value £m	Value 31 March 2013 £m
Fixed Interest Securities					
Corporate Bonds	-	0.312	(0.317)	0.005	-
Overseas Government Bonds	4.776	4.711	(4.740)	0.265	5.012
Equities					
UK Equities	275.511	63.932	(82.631)	37.769	294.581
Overseas Equities	440.794	271.535	(298.118)	81.733	495.944
Private Equities	54.414	4.246	(5.570)	1.859	54.949
Derivatives					
Equity Futures (Net)	(0.396)	46.722	(46.772)	0.284	(0.162)
Forward Currency (Net)	3.415	-	-	(8.090)	(4.675)
Pooled Investment Vehicles					
Property Unit Trusts	80.331	6.494	(10.453)	(3.356)	73.016
Currency Funds	33.937	-	(8.438)	2.278	27.777
Hedge Funds	15.332	-	-	0.653	15.985
Unit Trust Bonds	180.343	6.661	-	12.971	199.975
Infrastructure Fund	8.854	0.228	(0.554)	0.717	9.245
Environmental Technology Fund	2.805	0.533	-	0.325	3.663
M & G UK Financing Fund	5.471	0.951	(0.288)	0.283	6.417
Liability Driven Investment	-	43.880	-	0.468	44.348
Diversified Growth Fund	-	50.000	-	0.671	50.671
Total Investment Assets (excluding Other Assets on the Net Assets Statement)	**1,105.587**	**500.205**	**(457.881)**	**128.835**	**1,276.746**
Realised gain on equity futures	-			1.559	-
Other adjustments for revaluation of debtors and other funds [1]	-			1.734	-
Other Assets and Liabilities	32.577			-	48.004
Total Investment Assets as per Net Assets Statement	**1,138.164**			**132.128**	**1,324.750**

[1] The £1.734m adjustment includes movements in the market value of recoverable tax. It equates to the sterling value of recoverable tax at the time that the income was received, and the value of outstanding amounts in local currencies not yet received from the relevant tax authorities. There are several thousand relevant transactions included within these figures throughout the year with the values changing on a constant basis in line with movements in currencies.

The comparative table for 2011-12 is shown below:

Investment Assets	Value 1 April 2011 £m	Purchases at cost £m	Sales Proceeds £m	Profit / Loss and Change in Market Value £m	Value 31 March 2012 £m
Fixed Interest Securities					
Corporate Bonds	0.081	-	(0.061)	(0.020)	-
Overseas Government Bonds	-	4.838	-	(0.062)	4.776
Equities					
UK Equities	276.838	71.340	(69.339)	(3.328)	275.511
Overseas Equities	460.846	182.771	(175.193)	(27.630)	440.794
Private Equities	51.351	4.350	(3.859)	2.572	54.414
Derivatives					
Equity Futures (Net)	0.551	44.675	(43.858)	(1.764)	(0.396)
Forward Currency (Net)	(1.853)	-	-	5.268	3.415
Pooled Investment Vehicles					
Property Unit Trusts	78.231	17.988	(17.021)	1.133	80.331
Currency Funds	35.665	-	-	(1.728)	33.937
Hedge Funds	15.889	-	-	(0.557)	15.332
Unit Trust Bonds	160.191	157.385	(150.468)	13.235	180.343
Infrastructure Fund	7.188	1.390	(0.579)	0.855	8.854
Environmental Technology Fund	1.680	1.192	-	(0.067)	2.805
M & G UK Financing Fund	2.640	2.810	(0.143)	0.164	5.471
Total Investment Assets (excluding Other Assets on the Net Assets Statement)	**1,089.298**	**488.739**	**(460.521)**	**(11.929)**	**1,105.587**
Realised loss on equity futures	-			(0.058)	-
Other adjustments for revaluation of debtors and other funds [1]	-			(1.868)	-
Other Assets and Liabilities	39.969			-	32.577
Total Investment Assets as per Net Assets Statement	**1,129.267**			**(13.855)**	**1,138.164**

[1] The £1.868m adjustment includes movements in the market value of recoverable tax. It equates to the sterling value of recoverable tax at the time that the income was received, and the value of outstanding amounts in local currencies not yet received from the relevant tax authorities. There are several thousand relevant transactions included within these figures throughout the year with the values changing on a constant basis in line with movements in currencies.

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The fund managers' portfolios (including cash held awaiting investment) were valued as follows:

	31 March 2013		31 March 2012	
Fund Manager	£m	% of Total	£m	% of Total
Alliance Bernstein	-	-	51.007	4.5%
AXA Investment Managers	50.468	3.8%	-	-
Capital International	299.358	22.6%	251.394	22.1%
CBRE Global Investors	84.111	6.3%	84.339	7.4%
Environmental Technology Fund	3.663	0.3%	2.805	0.2%
Fauchier Partners	15.985	1.2%	15.332	1.3%
GMO UK	127.954	9.7%	106.920	9.4%
Infracapital Partners	9.245	0.7%	8.866	0.8%
Insight Investment Management	199.983	15.1%	180.352	15.8%
Invesco Perpetual	50.671	3.8%	-	-
Legal and General Investment Management	67.523	5.1%	63.824	5.6%
M & G UK Financing Fund	6.417	0.5%	5.471	0.5%
Mellon Global Investments	-	-	8.142	0.7%
Millennium Global Investments	35.560	2.7%	30.494	2.7%
Newton Investment Management	315.850	23.9%	264.850	23.3%
Standard Life Investments	20.016	1.5%	20.084	1.8%
Wilshire Associates	35.025	2.6%	34.408	3.0%
Total Investments with external managers	**1,321.829**	**99.8%**	**1,128.288**	**99.1%**
Accruals and In-house Cash with Custodian	7.758	0.6%	6.857	0.6%
Forward Currency and Equity Futures	(4.837)	-0.4%	3.019	0.3%
Total Investment Assets	**1,324.750**	**100.0%**	**1,138.164**	**100.0%**

11. Analysis of Managed Fund Type Investments

For the purpose of these accounts, Managed Fund holdings are those pooled products issued by an investment house in order to gain an exposure to a particular investment area, such as overseas fixed interest or to a geographical area such as Pacific Basin or Far East emerging markets. They occasionally take the form of an investment or unit trust and could have a restricted membership for the purpose of tax exemption.

The market values of managed funds:

Managed Funds	31 March 2013	31 March 2012
	£m	£m
UK Equities	70.673	68.178
Overseas Equities	66.622	47.212
Private Equities	54.949	54.414
Property Unit Trusts	73.016	80.331
Currency Funds	27.777	33.937
Hedge Funds	15.985	15.332
Unit Trust Bonds	199.975	180.343
Infrastructure Fund	9.245	8.854
Environmental Technology Fund	3.663	2.805
M & G UK Financing Fund	6.417	5.471
Liability Driven Investment	44.348	-
Diversified Growth Fund	50.671	-
Total Managed Funds	**623.341**	**496.877**

12. Analysis of Quoted and Unquoted Holdings

The quoted and unquoted holdings as at 31 March are shown in the table below.

Investment Assets	Unquoted £m	Quoted £m	2013 £m	Unquoted £m	Quoted £m	2012 £m
Fixed Interest Securities						
Corporate Bonds	-	-	-	-	-	-
Overseas Government Bonds	-	5.012	5.012	-	4.776	4.776
	-	5.012	5.012	-	4.776	4.776
Equities						
UK Equities [1]	-	294.581	294.581	1.672	273.839	275.511
Overseas Equities [1]	15.437	480.507	495.944	13.093	427.701	440.794
Private Equities (overseas)	54.949	-	54.949	54.414	-	54.414
	70.386	775.088	845.474	69.179	701.540	770.719
Derivatives						
UK Equity Futures	-	(0.162)	(0.162)	-	(0.389)	(0.389)
Overseas Equity Futures	-	-	-	-	(0.007)	(0.007)
Forward Currency (Net)	(4.675)	-	(4.675)	3.415	-	3.415
	(4.675)	(0.162)	(4.837)	3.415	(0.396)	3.019
Pooled Investment Vehicles						
Property Unit Trusts	73.016	-	73.016	80.331	-	80.331
Currency Funds	27.777	-	27.777	33.937	-	33.937
Hedge Funds	15.985	-	15.985	15.332	-	15.332
Unit Trust Bonds [2]	199.975	-	199.975	180.343	-	180.343
Infrastructure Fund	9.245	-	9.245	8.854	-	8.854
Environmental Technology Fund	3.663	-	3.663	2.805	-	2.805
M & G UK Financing Fund	6.417	-	6.417	5.471	-	5.471
Liability Driven Investment	44.348	-	44.348	-	-	-
Diversified Growth Fund	-	50.671	50.671	-	-	-
	380.426	50.671	431.097	327.073	-	327.073
Total Investment Assets (excluding Other Assets shown on the Net Assets Statement)	**446.137**	**830.609**	**1,276.746**	**399.667**	**705.920**	**1,105.587**

1 The totals shown as unquoted equities refer to equity funds administered by the fund manager, Newtons. The vast majority of the shares held within these funds are quoted.

2 99% of the Unit Trust Bonds held by Insight in their Unlisted 'Broad Market Bond Fund' are UK tradeable bonds.

13. Derivatives

The Fund holds investments in derivative instruments with limitations on their use in that they are employed solely for the reduction of risk and to facilitate the efficient portfolio management. A derivative is a financial contract held between two parties with a value represented by the underlying assets. For the Cornwall Fund there were two types of derivative contracts open at the financial year end and these were futures and forward currency. Futures are traded on exchange using the exchange price at the closing date. Forward currency or forward foreign exchange currency are over the counter contracts and are valued by the gain or loss that would arise if the contract was closed at the reporting date. That position is shown by entering into an equal and opposite contract at that date.

Future Contracts open positions as at 31 March 2013

FTSE 100 Futures June 2013, consisting of 194 contracts -

Value £12,638,490 less cost £12,800,695 = (£162,205) (market position)

Future Contracts **2 year comparative positions**	31 March 2013 £m	31 March 2012 £m
Market value of open contracts	12.638	11.336
Less: Cost of open contracts	12.800	11.732
Net unrealised value of equity futures	**(0.162)**	**(0.396)**

Forward Currency open positions as at 31 March 2013

Purchase value of £186,237,119 less cost £186,237,119 = £0

Sale value of - £190,911,668 less cost - £186,237,119 = - £4,674,549

Forward Currency **2 year comparative positions**	31 March 2013 £m	31 March 2012 £m
Market value of pending gains	0.490	3.613
Less: Market value of pending losses	(5.165)	(0.198)
Net unrealised value of forward currency	**(4.675)**	**3.415**

14. Single Investments over 5% of Asset Class

At 31 March 2013, the Fund had no single investments that exceeded the 5% of asset class limit that requires separate declaration as such (also at 31 March 2012 no single investments exceeded the 5% limit). More detail of the largest UK and overseas holdings can be found on pages 16-17.

15. Debtors and Creditors

The table below summarises the various debtors and creditors lines shown in the Net Assets Statement:

	31 March 2013 £m	31 March 2012 £m
Debtors		
Investment income receivable	5.697	5.895
Income tax receivable	1.559	0.936
Administration income receivable	1.019	0.095
Contributions receivable		
Employees contributions	1.389	1.192
Employers contributions	4.357	3.628
Added Years payments	0.456	0.443
Pension strain income receivable [1]	0.200	0.254
Cash held by administrators of MF Global [2]	4.917	6.728
Prepayments	-	0.010
Total Debtors	**19.594**	**19.181**
Creditors		
Administration expenses payable	(2.399)	(2.344)
Pension lump sums payable [3]	(0.985)	(0.736)
Total Creditors	**(3.384)**	**(3.080)**

[1] Income due from Cornwall Council in respect of pension strain costs for a number of employees who were permitted to retire either normally or early under the regulations

[2] MF Global was the Fund's futures broker in connection with the Millennium currency overlay on the Fund. They have been in default with the clearing house and they are under administration through KPMG. The money lodged with MF Global at the time, for the futures margin account, was effectively frozen pending work by the Administrators. Confirmation has been received from KPMG that our claim has been recognised and we have been promised further distributions of client money before September 2013.

[3] Lump sum payments made early in April 2013 year in respect of staff leaving Cornwall Council at the end of March 2013.

These debtors and creditors can be further analysed between public and private sector bodies, as follows:

	31 March 2013 £m	31 March 2012 £m
Debtors		
Central Government bodies [1]	1.615	0.957
Local authorities	5.192	4.471
Public corporations	0.002	-
Other entities and individuals	12.785	13.753
Total Debtors	**19.594**	**19.181**
Creditors		
Central Government bodies	(0.002)	-
Local authorities	(1.400)	(1.328)
NHS bodies	(0.001)	-
Public corporations	-	(0.012)
Other entities and individuals	(1.981)	(1.740)
Total Creditors	**(3.384)**	**(3.080)**

16. Additional Voluntary Contributions (AVC)

The Fund has two AVC providers, Equitable Life and Standard Life. Equitable Life's funds are closed to new entrants but the value of the fund investments, at 31 March 2013, was £0.873m. The fund movements for the year were as follows:

	Value at April 2012 £m	Contributions £m	Investment Return £m	Paid Out £m	Value at March 2013 £m
Standard Life	1.709	0.138	0.160	(0.174)	**1.833**
Equitable Life	0.888	0.011	0.039	(0.065)	**0.873**

The change to the Pension Regulations, in April 2006, allows employees to pay more into their AVC account and to receive the proceeds as cash at retirement, providing tax limits are not exceeded. The amount of benefits paid out, shown in the table above, reflects the volume of employees leaving employment with immediate access to their pension benefit. These contributions are excluded from the Pension Fund accounts as they do not feature in the financial reporting requirements, as outlined in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 section 4(2)(b).

17. Actuarial present value of Promised Retirement Benefits

CIPFA's Code of Practice on Local Authority Accounting 2012-13 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. 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 below has been carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

Year ended	31 March 2013 £m	31 March 2012 £m
Present value of Promised Retirement Benefits	1,905	1,599

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. The Actuary estimates that this liability at 31 March 2013 comprises £1,025m in respect of employee members, £268m in respect of deferred pensioners and £612m in respect of pensioners. 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, the Actuary is satisfied that the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. No allowance has been made for unfunded benefits. The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for 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 used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. The estimated impact of the change of assumptions to 31 March 2013 is to increase the actuarial present value by £204m.

Financial assumptions

Year ended	31 March 2013 % p.a.	31 March 2012 % p.a.
Inflation/Pensions Increase Rate	2.8%	2.5%
Salary Increase Rate [1]	5.1%	4.8%
Discount Rate	4.5%	4.8%

[1] Salary increases are 1% p.a. nominal until 31 March 2015 reverting to the long term rate thereafter.

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the Medium Cohort and a 1% p.a. underpin from 2007. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.3 years	23.4 years
Future Pensioners [1]	23.2 years	25.6 years

[1] Future pensioners are assumed to be aged 45 as at the last formal valuation date.

This assumption is the same as at 31 March 2012.

Commutation assumption

An allowance is included for future retirements to elect to take 40% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 70% of the maximum tax-free cash for post-April 2008 service.

18. Contingent Asset

Cornwall Pension Fund has potential claims against some European countries for tax withheld on foreign income dividends. KPMG, who submitted these claims in 2007, are still pursuing these claims on behalf of the Fund.

These claims are made on the basis that, within the European Union, all member states should enjoy the same tax status. Resident investors should not be classed differently to non-residents. Court cases such as those known as 'Manninen' and 'Fokus' have added to the strength of the arguments. Whilst it is prudent for the Cornwall Fund not to make any assumptions, the Netherland settlement of nearly £0.25m, received in 2009, lends some optimism as to the success of recovering additional income for the Fund. Value of claims still outstanding is in excess of £0.3m.

Also in 2007, claims were made against the HM Revenue and Customs for potential tax recovery in respect of manufactured dividends on equity stock lent out through the stock lending programme. Further claims were registered in the High Court in 2009-10 and again in 2012-13. These claims, to date, have a value in excess of £1.6m. If successful this should give rise to annual claims.

All these claims noted above are being pursued through group action along with other pension funds. No accruals have been included in the accounts for these tax claims because outcomes are uncertain, although the amounts are significant.

19. Performance

The Fund's custodian, The Northern Trust Company, also provides a comprehensive performance analysis service for the Fund and its portfolios. In addition, the Fund subscribes to a comparison of peer performance of other local authorities, which is undertaken by The World Markets Company (WM).

During the year ended 31 March 2013 the total return for the combined Fund was 13.8% compared to the benchmark index return of 12.4%. The returns for the individual fund managers, in the same period, are shown in the following table:

	For the year ending:			
	31 March 2013		31 March 2012	
	Portfolio Return	Benchmark Return	Portfolio Return	Benchmark Return
Fund Manager Performance Returns	%	%	%	%
Alliance Bernstein (Global) - terminated May 2012	N/A	N/A	(9.4)%	1.5%
Capital International	18.8 %	15.3%	(2.4)%	(1.9)%
GMO UK	19.3%	16.8%	2.7%	1.4 %
CBRE Global Investors	(0.3)%	2.0%	5.6%	5.7 %
Insight Investment Management	9.0%	5.0%	12.6 %	13.0 %
Legal and General Investment Management	18.5%	18.4 %	1.5%	1.4 %
Newton Investment Management	19.2%	16.6%	(2.6)%	(1.2)%
Overall Return on Other Investments	7.0%	4.3 %	7.9 %	4.2%
Total Fund	**13.8%**	**12.4%**	**0.9 %**	**2.9 %**

The performance returns shown above are for the main funds. Private equity funds and other 'alternative' investments are not shown separately because the investments are not fully drawn down and therefore meaningful internal rates of return are not available.

20. Taxation

The Fund is exempt from UK income tax on interest and from capital gains tax on the proceeds of the sale of investments. It is unable to reclaim any UK tax paid on UK Equity Dividends.

The Fund is also exempt from Australian and United States' withholding tax on dividends from investments and recovers withholding tax deducted in some European countries.

For further information on potential claims see note 18.

21. Related Party Transactions

Cornwall Council is the administering authority for the purpose of the Fund, under the Local Government Pension Scheme (Administration) Regulations 2008. The majority of investments are managed by external fund managers, although during the year a small proportion was held as cash and controlled by Cornwall Council within a Pension Fund nominated, money market account. Transactions with the Fund in respect of employees in the Scheme are shown in Note 6.

Senior officers of the Pension Fund are members of the Fund as employee contributors. Also, as at 31 March 2013, seven of the 12 members of the Pensions Committee were contributing members of the Fund and there was one pensioner and one deferred pensioner of the Fund.

Included in Investment and Administration Expenses (see Note 7) are charges amounting to £0.886m incurred for the internal costs of providing these services during the year to 31 March 2013 (£0.857m for the year to 31 March 2012).

The Council made payments to each Cornwall Council elected Member serving on the Pensions Committee, in accordance with the Council's Member's Allowances Scheme. These payments were met by Cornwall Council and declared in their statutory accounts.

Cornwall Council's Head of Finance is the key officer serving on the Pensions Committee. There is no direct charge to the Fund for their services but a contribution towards the cost is included in the recharge (from Cornwall Council as Administering Authority) at the notional rate of 10% of the Head of Finance salary. This equates to £0.010m for 2012-13. The Head of Finance receives no additional salary or remuneration for undertaking this role.

22. Nature and extent of risks arising from Financial Instruments

The Cornwall Council Pension Fund's objective is to generate positive investment returns for a given level of risk. Therefore the Fund holds financial instruments such as equities, bonds, pooled investment vehicles, cash and cash equivalents. In addition, debtors and creditors arise as a result of its operations. The value of these financial instruments in the financial statements approximates to their fair value.

The main risks from the Fund's holding of financial instruments are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk and foreign currency risk.

The Fund's investments are managed on behalf of the Fund by the appointed fund managers. Each fund manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus. The Pensions Committee has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each manager and considers and takes advice on the nature of the investments made and associated risks.

The Fund's investments are held by The Northern Trust Company, who act as custodian on behalf of the Fund.

Because the Fund adopts a long-term investment strategy, the high level risks described below will not alter significantly during the year unless there are significant strategic or tactical changes in the portfolio.

Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed through its investments in equities, bonds and investment funds, to all these market risks. The aim of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return from the investment portfolio.

In general, market risk is managed through the diversification of the investments held by asset class, investment mandate guidelines and fund managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee.

Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate caused by factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general.

Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital; the maximum risk being determined by the fair value of the financial instruments. The fund managers mitigate this risk through diversification, in line with their own investment strategies and mandate guidelines.

Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of return experienced in each asset class, as observed and provided by State Street Global Services during the year to 31 March 2013. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables remain constant.

Movements in market prices would have increased or decreased the net assets, as held by the Fund's custodian at 31 March 2013, by the amounts shown below:

As at 31 March 2013	Value £m	Volatility of return %	Value on Increase £m	Value on Decrease £m
UK Equities	294.581	12.94%	332.700	256.462
Global Equities	495.944	13.60%	563.392	428.496
Property	73.016	1.98%	74.462	71.570
Bonds	204.987	4.65%	214.519	195.455
Pooled investment vehicles, private equities and derivatives	208.218	5.49%	219.649	196.787
Cash with Custodian and at Bank	49.621	0.02%	49.631	49.611
Total Investment Assets [1] (including Cash at Bank, excluding Investment Debtors)	**1,326.367**	**8.00%**	**1,432.476**	**1,220.258**

[1] The percentage change for total assets includes the impact of correlation across asset classes. Therefore, the values on increase and decrease do not add to the totals.

The comparative data for the previous year are as follows:

As at 31 March 2012	Value £m	Volatility of return %	Value on Increase £m	Value on Decrease £m
UK Equities	275.511	15.15%	317.251	233.771
Global Equities	440.794	15.52%	509.205	372.383
Property	80.331	6.41%	85.480	75.182
Bonds	185.119	4.86%	194.116	176.122
Pooled investment vehicles, private equities and derivatives	123.832	9.86%	136.042	111.622
Cash with Custodian and at Bank	48.847	-	48.847	48.847
Total Investment Assets [1] (including Cash at Bank, excluding Investment Debtors)	**1,154.434**	**11.82%**	**1,290.941**	**1,017.927**

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates which will affect the value of fixed interest and index linked securities. The amount of income receivable from cash balances will be affected by fluctuations in interest rates.

Foreign Currency Risk

Foreign currency risk represents the risk that the fair value of financial instruments when expressed in sterling, the Fund's base currency, will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on investments denominated in a currency other than sterling. For a sterling based investor, when sterling weakens, the sterling value of foreign currency denominated investments rises. As sterling strengthens, the sterling value of foreign currency denominated investment falls.

The Fund has a passive currency overlay in place which is operated by Millennium Global Investments. They hedge the equivalent of approximately 50% of the Fund's overseas equity exposure back to sterling (see note 13 regarding the forward currency open positions as at 31 March 2013).

Foreign Currency Risk - Sensitivity Analysis

The following table analyses the Fund's currency exposure as at 31 March 2013 by currency. The percentage change shows the potential volatility of each currency against sterling as observed and provided by State Street Global Services. Movements in currency rates would have increased or decreased the value of the assets by the amounts shown.

Overseas Assets as at 31 March 2013	Value £m	Potential Percentage Change	Value on Increase £m	Value on Decrease £m
Australian Dollar	4.945	10.0%	5.436	4.452
Brazilian Real	0.260	11.6%	0.290	0.229
Canadian Dollar	12.205	5.6%	12.889	11.520
Czech Republic Koruna	0.003	10.0%	0.004	0.003
Danish Krone	4.496	7.7%	4.844	4.148
Euro	86.601	7.8%	93.356	79.846
Hong Kong Dollar	16.365	8.5%	17.763	14.968
Japanese Yen	45.047	11.8%	50.349	39.745
Malayasian Ringgit	2.099	6.4%	2.232	1.966
Norwegian Krone	5.249	9.0%	5.724	4.775
Singapore Dollar	3.975	5.8%	4.206	3.745
South African Rand	2.068	12.0%	2.315	1.821
South Korean Won	0.546	7.6%	0.587	0.505
Swedish Krona	8.490	8.1%	9.181	7.800
Swiss Franc	39.540	9.4%	43.240	35.839
Taiwan Dollar	1.223	7.2%	1.310	1.135
Thai Baht	4.394	7.9%	4.742	4.046
US Dollar	311.381	8.7%	338.596	284.167
Total Overseas Assets [1]	**548.887**	**6.0%**	**581.939**	**515.835**

[1] The percentage change for total currency includes the impact of correlation across the underlying currencies. Therefore, the values on increase and decrease do not add to the totals.

The comparative data for the previous year are as follows:

Overseas Assets as at 31 March 2012	Value £m	Potential Percentage Change	Value on Increase £m	Value on Decrease £m
Australian Dollar	15.082	10.49%	16.664	13.499
Brazilian Real	0.739	12.83%	0.834	0.644
Canadian Dollar	11.525	9.63%	12.634	10.415
Danish Krone	4.471	8.31%	4.843	4.100
Euro	85.820	8.36%	92.995	78.645
Hong Kong Dollar	16.658	9.60%	18.257	15.060
Japanese Yen	54.026	13.29%	61.208	46.844
New Zealand Dollar	0.394	10.79%	0.437	0.352
Norwegian Krone	4.478	10.52%	4.949	4.007
Singapore Dollar	6.491	7.49%	6.978	6.005
South African Rand	1.964	13.59%	2.231	1.697
South Korean Won	2.547	10.27%	2.809	2.286
Swedish Krona	9.626	10.22%	10.610	8.641
Swiss Franc	32.835	10.25%	36.200	29.470
Taiwan Dollar	2.485	8.97%	2.708	2.262
Thai Baht	3.764	8.90%	4.099	3.429
Turkish Lira	0.305	9.74%	0.335	0.275
US Dollar	233.291	9.75%	256.042	210.539
Total Overseas Assets	**486.501**	**9.93%**	**534.833**	**438.170**

Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk.

The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties (including brokers, custodian and investment managers) minimises the credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's contractual exposure to credit risk is represented by the net payment or receipt that remains outstanding and the cost of replacing the position in the event of a counterparty default. Bankruptcy or insolvency of the Custodian may affect the Fund's access to its assets. However, all assets held by the Custodian are ring-fenced as client assets and therefore cannot be claimed by creditors of the Custodian. The Fund manages its risk by monitoring the credit quality and financial position of the Custodian.

The Fund's bond portfolio has significant credit risk through its underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the Fund's behalf by the Council's Treasury Management Team in line with Cornwall Council's Treasury Management Policy, which sets out the permitted counterparties and limits. The Fund invests surplus cash held with the Custodian in diversified, money market funds.

Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. This risk is managed by restricting the collateral permitted to mainly high grade sovereign debt and baskets of liquid equities. Cash collateral is not permitted.

Foreign exchange contracts are subject to credit risk in relation to the counterparties of the contracts which are primarily banks. The maximum credit exposure on foreign currency contracts is any net profit on forward contracts, should the counterparty fail to meet its obligations to the Fund when it falls due.

The vast majority of the Fund's bond investments are held in units of a fund run by the fund manager, Insight Investment Management Limited. Therefore, actual holdings in specific securities cannot be identified. However, the credit risk within the bond portfolio, at the year end, can be analysed in terms of proportions using standard industry credit ratings. This analysis, is set out below:

Insight Investment Management Ltd "UK Broad Market Bond Fund"	**Rating**	At 31 March 2013 %	At 31 March 2012 %
	AAA	49.6%	47.1%
	AA	7.5%	8.2%
	A	17.1%	15.2%
	BBB	12.1%	20.6%
	BB and below	2.8%	2.0%
	Unrated	7.2%	0.0%
	Cash and other [1]	3.7%	6.9%
Total - Insight investment exposure		**100.0%**	**100.0%**

[1] includes forward currency, unsettled trades, margin and cash accounts

In addition to the Unit Trust Bonds held by Insight (shown above) the Fund also held £5.012 million in AAA rated US Treasury Bonds at 31 March 2013 (£4.776 million at 31 March 2012).

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. A substantial portion of the Fund's investments consist of readily-realisable securities (in particular equities and fixed income investments) even though a significant proportion is held in pooled investment vehicles. However, the main liability of the Fund is the benefits payable, which fall due over a long period and the investment strategy reflects the long term nature of these liabilities. Therefore the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes which are subject to longer redemption periods and cannot be considered as liquid as the other investments. The Fund maintains a cash balance to meet working requirements.

Most of the Fund's invested assets could be realised within a three month period. The exceptions to this would be private equities, hedge funds, infrastructure, ETF and the UK Financing fund. At 31 March 2013, these amounted to £90.259m, which represented 6.8% of the Fund's investment assets (at 31 March 2012, these amounted to £86.876m, which represented 7.6% of the Fund's investment assets).

Fair Value Hierarchy

The Fund is required to classify its investments using a fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. Fair value is the value at which the investments could be realised within a reasonable timeframe. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. The fair value hierarchy has the following levels:

- Level 1 – Unadjusted, quoted prices in an active market for identical assets or liabilities that the reporting entity has the ability to access at the measurement date
- Level 2 – Inputs, other than quoted prices under Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 – Unobservable inputs for the asset or liability, used to measure fair value, that rely on the reporting entity's own assumptions concerning the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk

Financial statements

The following table sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy, as held by the Fund's custodian, at 31 March 2013:

Investment Assets As at 31 March 2013	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Fixed Interest Securities				
Overseas Government Bonds	5.012	-	-	5.012
Equities				
UK Active Quoted	227.058	-	-	227.058
UK Passive	-	67.523	-	67.523
UK Active Unquoted	-	-	-	-
Overseas Active Quoted	480.507	-		480.507
Overseas Active Unquoted	-	15.437	-	15.437
Private Equities	-	-	54.949	54.949
Derivatives				
Equity Futures	-	-	-	-
Forward Currency	0.490	-	-	0.490
Pooled Investment Vehicles				
Property Unit Trusts	-	73.016	-	73.016
Currency Funds	-	27.777	-	27.777
Hedge Funds	-	-	15.985	15.985
Unit Trust Bonds	-	199.975	-	199.975
Infrastructure Fund	-	-	9.245	9.245
Environmental Technology Fund	-	-	3.663	3.663
M & G UK Financing Fund	-	6.417	-	6.417
Liability Driven Investment	-	44.348	-	44.348
Diversified Growth Fund	-	50.671	-	50.671
Other Assets				
Cash with Custodian	40.748	-	-	40.748
Investment Income Receivable	5.697	-	-	5.697
Income Tax Receivable	1.559	-	-	1.559
Investment Liabilities				
Derivatives Forward Currency	(5.165)	-	-	(5.165)
Equity Futures	(0.162)	-	-	(0.162)
Total Investment Assets	**755.744**	**485.164**	**83.842**	**1,324.750**

The comparative table for 31 March 2012 is shown below:

Investment Assets As at 31 March 2012	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Fixed Interest Securities				
Overseas Government Bonds	4.776	-	-	4.776
Equities				
UK Active Quoted	210.015	-	-	210.015
UK Passive	-	63.824	-	63.824
UK Active Unquoted	-	1.672	-	1.672
Overseas Active Quoted	427.701	-	-	427.701
Overseas Active Unquoted	-	13.093	-	13.093
Private Equities	-	-	54.414	54.414
Derivatives				
Equity Futures	-	-	-	-
Forward Currency	3.613	-	-	3.613
Pooled Investment Vehicles				
Property Unit Trusts	-	80.331	-	80.331
Currency Funds	-	33.937	-	33.937
Hedge Funds	-	-	15.332	15.332
Unit Trust Bonds	-	180.343	-	180.343
Infrastructure Fund	-	-	8.854	8.854
Environmental Technology Fund	-	-	2.805	2.805
M & G UK Financing Fund	-	5.471	-	5.471
Other Assets				
Cash with Custodian	25.746	-	-	25.746
Investment Income Receivable	5.895	-	-	5.895
Income Tax Receivable	0.936	-	-	0.936
Investment Liabilities				
Derivatives Forward Currency	(0.198)	-	-	(0.198)
Equity Futures	(0.396)	-	-	(0.396)
Total Investment Assets	**678.088**	**378.671**	**81.405**	**1,138.164**

23. Financial Instrument Disclosures

The net assets of the Fund are made up of the following categories of financial instruments:

	31 March 2013 £m	31 March 2012 £m
Financial Assets		
Loans and Receivables	69.215	68.028
Financial assets at fair value through profit or loss	1,282.073	1,106.181
Total Financial Assets	**1,351.288**	**1,174.209**
Financial Liabilities		
Payables	(3.384)	(3.080)
Financial liabilities at fair value through profit or loss	(5.327)	(0.594)
Total Financial Liabilities	**(8.711)**	**(3.674)**

All investments are disclosed at fair value. Therefore, carrying value and fair value are the same. The gains and losses recognised in the Fund Account, in relation to financial instruments, are made up as follows:-

Income, Expense, Gains and Losses **As at 31 March 2013**	Loans and receivables £m	Financial assets at fair value through profit or loss £m	Payables £m	Financial liabilities at fair value through profit or loss £m	Total £m
Interest expense	-	-	-	-	-
Losses on derecognition	-	(20.623)	-	-	(20.623)
Reductions in fair value	-	(3.356)	-	(8.090)	(11.446)
Fee expense	-	-	-	-	-
Total expense in Fund Account	**-**	**(23.979)**	**-**	**(8.090)**	**(32.069)**
Interest and dividend income	0.557	32.213	-	-	32.770
Gains on derecognition	-	48.633	-	-	48.633
Increases in fair value	-	117.272	-	-	117.272
Total income in Fund Account	**0.557**	**198.118**	**-**	**-**	**198.675**
Net gain/(loss) for the year	**0.557**	**174.139**	**-**	**(8.090)**	**166.606**

The previous year's data were as follows:

Income, Expense, Gains and Losses **As at 31 March 2012**	Loans and receivables £m	Financial assets at fair value through profit or loss £m	Payables £m	Financial liabilities at fair value through profit or loss £m	Total £m
Interest expense	-	-	-	-	-
Losses on derecognition	-	(16.378)	-	-	(16.378)
Reductions in fair value	-	(41.555)	-	-	(41.555)
Fee expense	-	-	-	-	-
Total expense in Fund Account	**-**	**(57.933)**	**-**	**-**	**(57.933)**
Interest and dividend income	0.326	32.854	-	-	33.180
Gains on derecognition	-	33.266	-	-	33.266
Increases in fair value	-	1.071	-	5.268	6.339
Total income in Fund Account	**0.326**	**67.191**	**-**	**5.268**	**72.785**
Net gain/(loss) for the year	**0.326**	**9.258**	**-**	**5.268**	**14.852**

Funding Strategy Statement as approved September 2012

1. Introduction

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

The FSS has been reviewed by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson, and after consultation with the Fund's employers and investment adviser. This revised version replaces the previous FSS and is effective from 30 September 2012.

1.1 Regulatory Framework

Scheme members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers currently pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers or pools of employers pay for their own liabilities.

The FSS forms part of a framework which includes

- the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008, No. 239);
- the Rates and Adjustments Certificate, which can be found appended to the Fund actuary's triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- the Statement of Investment Principles.

Operating within this framework, 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.

1.2 Reviews of FSS

The FSS is reviewed in detail at least every three years ahead of triennial valuations being carried out, with the next full review due to be completed by 31 March 2014. More frequently, Annex A is updated to reflect any changes to employers.

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries please email pension.investments@cornwall.gov.uk

2. Purpose

2.1 Purpose of FSS

Communities and Local Government (CLG) 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.

This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.

2.2 Purpose of the Fund

The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- receives contributions, transfer payments and investment income;
- pays scheme benefits, transfer values and administration costs.

One of the objectives of a funded scheme is to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative.

The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in Annex B.

2.3 Aims of the Funding Policy

The objectives of the Fund's funding policy include the following:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers.
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns for an appropriate level of risk;
- to minimise the long-term cost to employers of providing pension benefits;
- to help employers recognise and manage pension liabilities as they accrue;

- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations; and
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

3. Solvency Issues and Target Funding Levels

3.1 Derivation of Employer Contributions

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 (or "solvency") of accrued benefits relative to the Fund's solvency target, "past service adjustment". If there is a surplus there may be a contribution reduction; if a deficit, a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's actuary is required by the regulations to report the Common Contribution Rate , for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) is currently spread over a period of 20 years.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer . It is the adjusted contribution rate which employers are actually required to pay. The sorts of peculiar factors which are considered are discussed in Section 3.5.

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

For some employers it may be agreed to pool contributions, see Section 3.7.8.

Annex A contains a breakdown of each employer's contributions following the 2010 valuation for the financial years 2011/12, 2012/13 and 2013/14. It also identifies which employers' contributions have been pooled with others.

Any costs of non ill-health early retirements must be paid for either as:

- lump sum payments at the time of the employer's decision in addition to the contributions described above (or by instalments shortly after the decision); or
- an agreed increase in the employer's contribution rate at the time of the valuation.

Employers' contributions are expressed as minima, with employers able to pay regular contributions at a higher rate. Employers should discuss with the Administering Authority before making one-off capital payments.

3.2 Solvency and Target Funding Levels

The Fund's actuary is required to report on the "solvency" of the whole fund at least every three years.

'Solvency" for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the Fund actuary's ongoing funding basis. This quantity is known as a funding level.

The ongoing funding basis is that used for each triennial valuation and the Fund actuary agrees the financial and demographic assumptions to be used for each such valuation with the Administering Authority.

Where an admission agreement for an admission body, that is not a Transferee Admission Body and with no guarantor, is likely to terminate within the next 5 to 10 years or lose its last active member within that timeframe, the fund reserves the right to set contribution rates by reference to liabilities valued on a gilts basis (i.e. using a discount rate that has no allowance for potential investment outperformance relative to gilts). The target in setting contributions for any employer in these circumstances is to achieve full funding on a gilts basis 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 when a cessation valuation is carried out.

The Fund also reserves the right to adopt the above approach in respect of those 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.

The fund operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis. Please refer to paragraph 3.9 for the treatment of departing employers.

3.3 Ongoing Funding Basis

3.3.1 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 CLUBVITA, 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 CLUBVITA's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with "medium cohort" and a 1% pa minimum underpin to future reductions in mortality rates.

The combined effect of the above changes from the 2007 valuation approach, is to add around one year of life expectancy on average. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

3.3.2 Investment return / discount rate

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for an anticipated out-performance of returns from equities relative to Government bonds. There is, however, no guarantee that equities will out-perform bonds. 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 returns from equities is taken.

For the purpose of the triennial funding valuation at 31 March 2010 and setting contribution rates effective from 1 April 2011, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.35% per annum greater than the return available from investing in government bonds at the time of the valuation (this is the same as that used at the 2007 valuation). The long term in this context would be 20 to 30 years or more. In the opinion of the Fund actuary, based on the current investment strategy of the Fund, an asset out-performance assumption (AOA) of 1.35% per annum is within a range that would be considered acceptable for the purposes of the funding valuation.

3.3.3 Salary growth

Pay for public sector employees will be frozen by Government until 2012, with a flat increase of £250 being applied to all those earning less than £21,000 pa. Although this "pay freeze" does not officially apply to local government employers, it has been suggested that they are expected to show similar restraint in respect of pay awards. Based on an analysis of the membership in LGPS funds, the average expected increase in pensionable pay across all employees should be around 1% pa for the next two years. Therefore the salary increase assumption at the 2010 valuation has been set to 1% pa for 2010/11 and 2011/12 as well as for 2012/13. Following the Chancellor's 2011 Statement a further extension of the 1% p.a. salary restriction until 31 March 2015 has been applied. After this point, the assumption will revert back to RPI plus 1.5% p.a. This compares to RPI plus 2% p.a. assumed at the previous valuation and reflects an expectation of lower long term salary growth.

3.3.4 Pension increases

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index (CPI) rather than the retail prices index (RPI) will be the basis for future increases to public sector pensions in deferment and in payment. This proposed change has been allowed for in the valuation calculations as at 31 March 2010.

At the previous valuation, we derived our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. At this valuation, we propose to adjust this market-derived rate downwards by 0.5% pa to allow for the "formula effect" of the difference between RPI and CPI. Basing pension increases on CPI rather than RPI will serve to reduce the value placed on the Fund's liabilities.

3.3.5 General

The same financial assumptions are adopted for all employers for whom the ongoing basis is deemed to be appropriate. All employers have the same asset allocation: see 3.6.

The demographic assumptions vary by type of member and so reflect the different membership profiles of employers.

3.4 Future Service Contribution Rates

The future service element of the employer contribution rate is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service.

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. Where it is considered appropriate to do so, the Administering Authority reserves the right to set a future service rate by reference to liabilities valued on a lower discount rate (most usually for Admission Bodies in the circumstances outlined in 3.2).

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 and Resolution Bodies that may have the power not to admit automatically all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

3.4.1 Admission Body Employers that admit new entrants

The employer's future service rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the Projected Unit Method of valuation with a one year control period.

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.

3.4.2 Admission Body Employers that do not admit new entrants

Certain Admission Bodies have closed the scheme to new entrants. This will lead to the average age of employee members increasing over time and hence, all other things being equal, the future service rate is expected to increase as the membership ages.

To give more long term stability to such employers' contributions, the Attained Age funding method is normally adopted. This will limit the degree of future contribution rises by paying higher rates at the outset.

Both funding methods are described in the Actuary's report on the valuation.

Both future service rates will include an allowance for expenses of administration to the extent that they are borne by the Fund and include an allowance for benefits payable on death in service and ill health retirement.

3.5 Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer's asset share.

The combined effect of these adjustments for individual employers applied by the Fund actuary relate to:

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, manual/non manual, part-time/full-time);
- 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. When staff transfer between employers within the Fund a transfer of liabilities occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers, unless the circumstances dictate otherwise.

The Fund actuary does not allow for certain relatively minor events occurring in the period since the last formal valuation, 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.

3.6 Asset Share Calculations for Individual Employers

The Administering Authority does not account for each employer's assets separately. The Fund's actuary is required to apportion the assets of the whole fund between the employers at each triennial valuation using 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 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 having regard to the extra administration cost of building in new protections, it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

3.7 Stability of Employer Contributions

3.7.1 Stabilisation methods

In setting employer contribution rates, the Administering Authority must balance the aims of stability and affordability with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. The more secure the employer, the more emphasis can be placed on stability of employer contributions without jeopardising the Administering Authority's commitment to prudent stewardship of the Fund. For the most secure, long term employers an explicit stabilisation overlay based on a risk-based, stochastic valuation approach is used (see para 3.7.2).

For less secure and shorter term employers (principally, but not exclusively, the admission bodies) it is generally not possible to achieve the same degree of stability in employer contribution rates without compromising on prudent stewardship. However, the Administering Authority may use other measures to achieve a greater degree of stability of employer contributions than would otherwise be the case. These measures include:

- Extended deficit recovery periods: and
- Pooling (in the case of the Parish and Town Councils only).

The Administering Authority's policies in respect of the use of these approaches are set out in the remainder of 3.7 and in 3.8 below.

3.7.2 Stabilisation of contributions for the most secure employers

For the most secure, long term employers there is an explicit stabilisation overlay. The actuary analyses a number of metrics over the long-term (around 20 years), including the evolution of the funding level to check the likelihood of achieving the solvency of the Fund over the longer-term under a variety of contribution strategies. This analysis enables the Administering Authority to reduce the effect of short term investment market volatility on the contribution rates of eligible employers.

Stabilisation overlay rules and eligibility

Under the stabilisation overlay, variations in the employer contribution rate from year to year are kept within a pre-determined range so that eligible employers' contribution rates can remain relatively stable. Only precepting employers and wholly owned subsidiaries of precepting employers are eligible for the top tier of stabilisation.

Tier 1 Stabilisation:

- employer contributions each year are frozen until 31 March 2014, after which
- employer contribution increases/decreases each year are limited to 0.5% of salaries from 1 April 2014 to 31 March 2017.

Tier 2 Stabilisation:

- employer contribution increases each year are limited to 0.5% of salaries until 31 March 2014; and
- employer contribution reductions each year are limited to 0.5% of salaries until 31 March 2014.

The stabilisation overlay rules for eligible employers are:

Eligible employers	Ineligible employers
Tier 1: Precepting bodies	Community Admission Bodies Transferee Admission Bodies Academies
Tier 2: Colleges and Universities Housing Associations Other large bodies	

Notes:

1) Increases and reductions apply over the three year period between valuations;
2) Increases and reductions are relative to rates certified at the previous valuation.

Circumstances in which eligibility for stabilisation will be reviewed

- The Administering Authority may review an employer's eligibility for stabilisation at any time in the event of significant changes in the employer's membership (due for example to redundancies or outsourcing) or if there is a significant change in the Administering Authority's assessment of an employer's security. Possible actions may include increases in contributions expressed as a percentage of pay or revised deficit contributions expressed as monetary amounts.
- Stabilisation rules and eligibility may be reviewed at any time in the event of changes to scheme benefits. Changes in scheme benefits may arise because of changes in regulations or other events that have a material impact (such as the change with effect from April 2011 from RPI to CPI for increases to pensions in payment).
- The stabilisation rules and eligibility criteria will be reviewed no later than at the 31 March 2013 valuation, with any changes in contribution strategy taking effect from 1 April 2014. The review will take into account factors including but not necessarily restricted to market conditions (the long-term risk-based analysis will be recalibrated to market conditions as at 31 March 2013), the Administering Authority's assessment of employer's security and the maturity of each employer's membership profile.

The parameters for the stabilisation overlay have been determined by carrying out an asset liability modelling exercise. This allows for the future uncertainty in investment returns, interest rates and inflation using a stochastic modelling technique. The actuary tested the contribution stabilisation rules to ensure that they were compatible with the current investment strategy. He has advised the Administering Authority that the stabilisation overlay for secure long term employers satisfies the requirement for the funding strategy to take a prudent longer-term view. The actuary believes that there is a sufficiently high likelihood of achieving the long term funding objective (a funding level of 100% on a sufficiently prudent basis) where contributions are paid at the stabilised rate.

3.7.3 Deficit Recovery Periods

The Administering Authority instructs the actuary to adopt specific deficit recovery periods for all employers when calculating their contributions.

The Administering Authority normally targets the recovery of any deficit over a period not exceeding 20 years. However, these are subject to the maximum lengths set out in the table below.

Type of Employer	Maximum Length of Deficit Recovery Period
Scheduled and Resolution bodies	a period to be agreed with each employer not exceeding 20 years
Community Admission Bodies with funding guarantees who admit new entrants into the scheme	a period to be agreed with each employer not exceeding 20 years
Community Admission Bodies with funding guarantees who do not admit new entrants into the scheme	a period equivalent to the expected future working lifetime of the remaining scheme members
Best Value Admission Bodies	the period from the start of the revised contributions to the end of the employer's contract
All other types of employer	a period to be agreed with each employer not exceeding 15 years; or a period equivalent to the expected future working lifetime of the remaining scheme members, whichever is the shorter

This maximum period is used in calculating each employer's minimum contributions. Employers may opt to pay higher regular contributions than these minimum rates.

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2011 for 2010 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 to improve the stability of contributions.

Cornwall Council also reserves the right to express deficit payments in monetary terms for all employers.

3.7.4 Surplus Spreading Periods

As part of the overall Funding Strategy it was agreed to adopt a 'stabilisation mechanism' that limits increases and reductions in contribution rates for public sector bodies: see 3.7.2 above. Therefore any emerging surplus will not reduce their contributions outside the pre-determined range.

For Transferee Admission Bodies, the aim is to be 100% funded at cessation, and so the preferred approach would be to reduce contributions by spreading the surplus over the remaining contract term, although the approach taken may be discussed and agreed with the Scheme Employer associated with the body under Regulation 6.

For any other employers deemed to be in surplus the preferred approach would be to maintain contributions at the future service level. However, reductions may be permitted to reduce contributions below the cost of accruing benefits, by spreading the surplus element over the maximum periods shown above for deficits in calculating their minimum contributions.

To help meet the stability requirement, employers outside the stabilisation mechanism may prefer not to take such reductions.

3.7.5 Phasing in of Contribution Rises

Any contribution rate rises will be subject to the "stabilisation mechanism" set out in 3.7.2 above for public sector bodies. Other bodies, with the exception of Transferee Admission Bodies, may be permitted to phase in contribution rises over a period of three years.

3.7.6 Phasing in of Contribution Reductions

Any contribution reductions will be subject to the 'stabilisation mechanism' set out in 3.7.2 above for public sector bodies. Other bodies including Transferee Admission Bodies can take the reduction with immediate effect, subject to paragraph 3.7.2 above.

3.7.7 The Effect of Opting for Longer Spreading or Phasing-In

Employers which are permitted and elect to use a longer deficit spreading period than was used at the 2007 valuation or to phase-in contribution changes will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Thus, deferring paying contributions will lead to higher contributions in the long-term.

However, other than where the stabilisation mechanism is being applied, an adjustment is expressed for different employers using the overriding principle that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

3.7.8 Pooled Contributions

3.7.8.1 Smaller Employers

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. The maximum number of active members to participate in a pool is set at 50 employees. Whist there are considerable advantages for the smaller employers in participating in pooling arrangements there is a risk of their contribution rates being adversely affected by the actions of other employers in the pool, outside of their control.

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

As at the 2010 valuation a separate pool was operated for Town and Parish Councils.

3.7.8.2 Other Contribution Pools

Some Admission Bodies with guarantors are pooled with their Council.

Those employers that have been pooled are identified in Annex A.

3.7.9 Additional flexibility in return for added security

Where the above methods for improving stability of employer contributions do not automatically apply, the Administering Authority may permit a reduced rate of contribution, and/or an extended deficit recovery period, or permit the employer to join a pool with another body (e.g. the Local Authority). If the employer provides added security to the satisfaction of the Administering Authority, such security may include, but is not limited to, as a suitable bond, a 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; and
- whether the admission agreement is likely to be open or closed to new entrants.

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. The administering authority may, at its sole discretion, agree alternative funding approaches on a case by case basis but will at all times take into account its responsibilities in regard to the security of the Fund.

3.8 Regular reviews

The Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals. These intervals may be annual, in the case of Admission Bodies and/or in the last few years of the employer's contract. Such reviews may be triggered by 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 payable (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), an increased level of security or guarantee, or some combination of these.

3.9 Admission Bodies ceasing

Admission Agreements for Transferee Admission Bodies are assumed to expire at the end of the contract.

Admission Agreements for other employers are generally assumed to be open-ended but can be terminated at any point subject to the terms of the agreement.

Notwithstanding the provisions of the admission agreement, the Administering Authority considers any of the following as triggers for the termination 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.

In addition, either party can voluntarily terminate the Admission Agreement by giving the appropriate period of notice as set out in the Admission Agreement to the other party (or parties in the case of a Transferee Admission Body).

If an Admission Body's admission agreement is terminated, the Administering Authority instructs the Fund actuary under Regulation 78 to carry out a special valuation to determine whether there is any surplus or deficit.

The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

(a) For Transferee Admission Bodies whose participation is voluntarily ended either the assumptions would usually be those used for an ongoing valuation to be consistent with those used to calculate the initial transfer of assets to accompany the active member liabilities transferred.

(b) 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 valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. Where there is a guarantor, the cessation valuation will normally be calculated using an ongoing valuation basis appropriate to the investment strategy. 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" with no allowance for potential future investment outperformance and with an allowance for further future improvements in life expectancy. This could give rise to significant payments being required.

(c) For Admission Bodies with guarantors the default position is that the Admission Body is expected to take full responsibility for its own funding. There may be circumstances where it is agreed that any deficit could be transferred to the guarantor in which case it may be possible to transfer the former Admission Bodies members and assets to the guarantor, without needing to crystallise any deficit.

Under (a) and (b), any shortfall would be levied on the departing Admission Body as a capital payment or a period as agreed with the Administering Authority.

3.10 Orphan Liabilities

In some circumstances, employers in the fund may no longer have any active members but a deficit may exist in respect of pensioners or deferred pensioners who were previously employed by this employer. If deficit repayments cannot be obtained from such an employer or any related guarantor, then the deficit will normally be spread over all of the remaining employers in the Fund.

3.11 Early Retirement Costs

3.11.1 Non ill health retirements

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

Employers are required to pay either:

- additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable. The current costs of these are specified in tables provided by the Fund's actuary; or
- an addition to the normal employer's contribution rate agreed at the time of the valuation. If the actual cost of early retirements is higher than the amount recovered through the higher contribution rate, the Administering Authority reserves the right to charge the employer with additional contributions to make up the difference.

It is assumed that members' benefits on age retirement 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.

The additional costs of premature retirement are calculated by reference to these ages.

3.11.2 Ill health monitoring

The Fund monitors each employer's, or pool of employers', ill health experience. If the cumulative amount of ill health retirements in any financial year exceeds the allowance at the previous valuation, the Administering Authority reserves the right to charge the employer with additional contributions on the same basis as apply for non ill-health cases.

4. Links to Investment Strategy

Funding and investment strategy are inextricably linked. Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice.

4.1 Investment Strategy

The investment strategy currently being pursued is described in the Fund's Statement of Investment Principles.

The investment strategy is set for the long-term, but is reviewed from time to time, normally every three years, to ensure that it remains appropriate to the Fund's liability profile. The Administering Authority has adopted a benchmark, which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property. As at 31 March 2010, the proportion held in equities and property was 77% of the total Fund assets.

The investment strategy of lowest risk would be one which provides cashflows that replicate the excepted benefit cashflows (i.e. the liabilities). Equity investment would not be consistent with this.

The Fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from a liability matching strategy. The Administering Authority's strategy recognises the relatively immature liabilities of the Fund, the security of members' benefits and the secure nature of most employers' covenants.

The same investment strategy is currently followed for all employers. The Administering Authority does not currently have the facility to operate different investment strategies for different employers.

4.2 Consistency with Funding Basis

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 is within a range that would be considered acceptable for the purposes of the funding valuation and consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities (see para 2.1).

The Administering Authority is aware that in the short term – such as the three yearly assessments at formal valuations – the proportion of the Fund invested in equities brings the possibility of considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of the outperformance 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.

4.3 Balance between risk and reward

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates.

In the light of the recent admission of Transferee contractors on different terms from other employers and the 2007 valuation results, which showed the sensitivity of individual employers' contributions to changes in investment returns, the Administering Authority will review whether its single strategy should be refined. Enabling other investment strategies will require investment in new systems and higher ongoing costs which would have to be borne by the employers. The potential benefits of multiple investment strategies need to be assessed against the costs.

4.4 Intervaluation Monitoring of Funding Position

The Administering Authority monitors investment performance relative to the growth in the liabilities by means of an annual comparison of key financial and liability statistics against the assumptions allowed in the previous valuation. If necessary the Administering Authority will ask the Fund actuary to carry out an interim valuation. It reports back to employers by having representatives of the larger employers on the Pensions Committee. Copies of the annual inter-valuation monitoring report and any interim valuations are sent to all employers. The Administering Authority produces and circulates to all employers a comprehensive annual report.

It also holds an Annual Meeting for all employers which includes presentations on the Fund's investment performance and key membership data.

5. Key Risks and Controls

5.1 Types of Risk

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

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

5.2 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. Commission a quarterly funding update for the Fund as a whole, on an approximate basis. Analyse progress at three yearly valuations for all employers. Annual comparison of key financial and liability statistics against the assumptions allowed in the last valuation. If necessary carry out a interim valuation.
Inappropriate long-term investment strategy	Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities. Consideration will be given to measuring performance and setting managers' targets relative to bond based target, absolute returns or a Liability Benchmark Portfolio and not relative to indices.
Risk that inflation will rise; increasing the value of liabilities	Inter-valuation monitoring Strategies to consider hedging inflation exposure
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark	Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark. Formal annual review of fund manager performance by specialist investment consultants.
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 index-linked bonds also helps to mitigate this risk. Employers pay for their own salary awards and are reminded 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.

5.3 Demographic Risks

Risk	Summary of Control Mechanisms
Pensioners living longer.	Set mortality assumptions with some allowance for future increases in life expectancy. Fund actuary monitors combined experience of around 50 funds to look for early warnings of lower pension amounts ceasing than assumed in funding. Administering Authority encourage any employers concerned at costs to promote later retirement culture. Each 1 year rise in the average age at retirement would save roughly 5% of pension costs.
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 either : • the extra capital cost of non ill health retirements following each individual decision; or • by paying an increased contribution rate (some larger employers). In all cases early retirement experience is monitored. The Administering Authority reserves the right to charge employers with the extra capital cost if the additional cost exceeds the allowance made at the last actuarial valuation.
Reductions in payroll causing insufficient deficit recovery payments	All employers will be required to pay sums due for deficit contributions as a fixed monetary amount rather than being expressed as a percentage of payroll.

5.4 Regulatory

Risk	Summary of Control Mechanisms
Changes to regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees	The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself.
Changes to national pension requirements and/or HM Revenue and Customs rules e.g. changes to the lifetime allowance threshold	It considers all consultation papers issued by the CLG and comments where appropriate. The results of the Hutton review are not expected to affect the Fund until after the 2013 valuation, and so will be incorporated at that time. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions. The Administering Authority will consult employers where it considers that it is appropriate.

5.5 Governance

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).	The Administering Authority monitors membership movements on an annual basis, via a report from the administrator. The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions (under Regulation 78) between triennial valuations Deficit contributions may be expressed as monetary amounts (see Annex A).
Administering Authority not advised of an employer closing to new entrants.	
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt.	In addition to the Administering Authority monitoring membership movements on an annual basis, it requires employers with Transferee contractors to inform it of forthcoming changes. It also operates a diary system to alert it to the forthcoming termination of Transferee Admission Agreements.
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. • 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 scheme from the extra cost of early retirements on redundancy if the employer failed.

Annex A

Statement to the rates and adjustments certificate

The Common Rate of Contribution payable by each employing authority under Regulation 36(4)(a) of the Administration Regulations for the period 1 April 2011 to 31 March 2014 is 23.6% of pensionable pay.

Individual Adjustments are required under Regulation 36(4)(b) of the Administration Regulations for the period 1 April 2011 to 31 March 2014 resulting in Minimum Total Contribution Rates expressed as a percentage of pensionable pay. These are as set out in the adjacent table:

Please note that this table has been updated to reflect all employers in the Fund as at March 2013

Employer	Minimum contribution for the year ended 31 Mar 2013
Major scheduled and resolution bodies	
Cornwall Council	16.0% Plus £5,157k
Cornwall Development Company	15.2% Plus £63k
Cornwall Housing Ltd	15.9% Plus £426k
Cornwall Sea Fisheries	16.0% Plus £10.8k
Council Of The Isles Of Scilly	15.6% Plus £139k
Tamar Bridge & Torpoint Ferry	18.0% Plus £63k
Minor employer pools	
Bodmin Town Council	17.2% Plus £8.8k
Bude Stratton Town Council	17.2% Plus £5k
Callington Town Council	17.2% Plus £1.9k
Calstock Parish Council	17.2% Plus £0.5k
Camborne Town Council	17.2% Plus £1.6k
Cornwall Airport Ltd	14.9%
Deviock Parish Council	17.2% Plus £0.3k
Falmouth Town Council	17.2% Plus £4.4k
Hayle Town Council	17.2% Plus £0.6k
Helston Town Council	17.2% Plus £2k
Launceston Town Council	17.2% Plus £1.9k
Liskeard Town Council	17.2% Plus £2k
Newquay Town Council	22.1%
Penryn Town Council	22.1%
Penzance Town Council	17.2% Plus £5.1k
Saltash Town Council	17.2% Plus £1.6k
St Agnes Parish Council	17.2% Plus £0.7k
St Austell Town Council	17.2% Plus £1.6k
St Blaise Town Council	17.2% Plus £0.4k
St Ives Town Council	17.2% Plus £1.2k
St Just-In-Penwith Town Council	17.2% Plus £0.5k
Torpoint Town Council	17.2% Plus £0.4k
Truro City Council	17.2% Plus £10.1k
Wadebridge Town Council	17.2% Plus £2.3k

Employer	Minimum contribution for the year ended 31 Mar 2013
Colleges	
Cornwall College	15.8% Plus £344k
Falmouth University	14.6% Plus £109k
Truro And Penwith College	14.9% Plus £9k
Academies	
Archbishop Benson CE Primary School	19.9% Plus £4.3k
Biscovey Academy	23.9% Plus £4.3k
Bodmin College	19.7%
Bodriggy Academy	14.6% Plus £3.9k
Brunel Primary and Nursery Academy	16.8% Plus £3.4k
Callington Community College	16.2% Plus £19.8k
Camborne Science and International Academy	15.3% Plus £6.8k
Charlestown Primary School	19.9% Plus £2.2k
Cornwall Academy Trust	17.3% Plus £1k
Falmouth School	19.4% Plus £15.8k
Harrowbarrow School	18.2% Plus £1.6k
Launceston College	21.0% Plus £8.8k
Looe Community Academy	23.5% Plus £16k
Ludgvan School	18.6% Plus £2k
Mount Hawke Academy	13.4% Plus £1.3k
Mounts Bay Academy	15.4% Plus £7.9k
Nansloe Academy	17.8% Plus £2k
Newquay Junior Academy	18.6%
Newquay Tretherras School	15.8% Plus £15.8k
Penair School	17.3% Plus £14.8k
Pencalenick School	19.5% Plus £15.6k
Penrice Community College	17.8% Plus £20k
Penryn College	16.8% Plus £12.5k
Pool Academy	15.4% Plus £12.6k
Saints' Way Multi-academy Trust	19.4% Plus £4.4k
Saltash.Net Community School	17.0% Plus £17.4k
Sir Robert Geffery's School	19.2% Plus £2.1k
St Breock Primary School	17.0% Plus £3.9k
St Buryan Academy Primary School	20.9%
St Columb Major Academy	19.8% Plus £4.1k
St Columb Minor Academy	16.0% Plus £4.5k
St Hilary School	18.2% Plus £2k

Notes

Contributions expressed as a percentage plus any cash amounts should be paid into Cornwall Council Pension Fund ('the Fund') at a frequency in accordance with the requirements of the Regulations.

Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentation using methods and factors issued by the Actuary from time to time.

Further sums may be required to be paid to the Fund by employers to meet the capital costs of any ill health retirements that exceed those included within the Actuary's assumptions.

The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund actuary.

The FSS of the Cornwall Council Pension Fund sets out the strategy of the Fund in relation to the phasing of any contribution rate increases. Where appropriate, employers' rates have therefore been phased in over the period detailed in the FSS. However, as noted in the FSS, in certain circumstances, the Administering Authority and the Actuary may agree other phasing-in periods where an employer, or group of employers, is undergoing significant structural changes.

Employers with no active members have had their residual liabilities in respect of deferred or pensioner members allocated to a successor body where applicable. In some cases, cessation valuations under Regulation 38 are to be carried out.

Please note that this table has been updated to reflect all employers in the Fund as at March 2013

Employer	Minimum contribution for the year ended 31 Mar 2013
Academies (continued)	
St Ives Infant School	18.5% Plus £2.8k
St Merryn School	18.7% Plus £1.1k
St Mewan Community Primary School	19.9% Plus £7.5k
St Michaels Catholic School Academy Trust	22.6%
The Roseland Community College	13.6% Plus £5.4k
Tregolls School - an Academy	22.0% Plus £4.3k
Trenance Learning Academy	17.4%
Trevithick Learning Academy	12.7% Plus £2.7k
Trewirgie Infant School	17.7% Plus £3.8k
Trewirgie Junior School	18.5% Plus £3.4k
Wadebridge Primary School	19.5% Plus £8.5k
Wadebridge Secondary School	22.8% Plus £23.9k
Whitemoor Academy	17.2% Plus £0.4k
Admitted bodies	
Careers South West Ltd	13.9% Plus £476k
Churchill Contract Services Ltd (1)	21.8%
Churchill Contract Services Ltd (2)	26.2% Plus £5.1k
Churchill Contract Services Ltd (3)	16.0%
Coastline Housing	21.2% Plus £155k

Employer	Minimum contribution for the year ended 31 Mar 2013
Admitted bodies (continued)	
Compass Contract Services (UK) Ltd (1)	6.0%
Compass Contract Services (UK) Ltd (2)	26.3%
Compass Contract Services (UK) Ltd (3)	22.2%
Cormac Solutions Ltd	16.0% Plus £1,543k
Cornwall Care Ltd	21.1% Plus £240k
Cory Environmental Ltd	21.7%
Devon And Cornwall Housing Ltd	21.6% Plus £100k
Falmouth Exeter Plus	15.2%
Falmouth Harbour Commissioners	18.2% Plus £48k
Initial Catering Services	18.1%
Newlyn Pier And Harbour Commissioners	24.1% Plus £19k
Ocean Housing Ltd	23.9% Plus £127k
Ocean Housing Group Ltd	24.1% Plus £70k
Ocean Services (SW) Ltd	22.4% Plus £91k
OCS Group	16.8%
RNLI	8.9%
Royal Institution Of Cornwall	20.0%
Tempus Leisure Ltd	15.0% Plus £176k

Employers with no active members

Age Concern	Penwith Respite Care Ltd
Camborne School Of Metalliferous Mining	Perranzabuloe Parish Council
Camborne School Of Mines	Restormel Regeneration Partnership
Cornwall Disabled Association	Serco Ltd
Cornwall Water River Authority	Southern Electricity Contracting
CPR Success Zone	St Mewan Parish Council
Devon and Cornwall Magistrates Service	Stonham
Devon and Cornwall Probation Service	The Trevithick Trust
Kerrier Groundwork Trust	Truro School
Landscapes Southwest Ltd	United Response
MHS Ltd	

Annex B

Responsibilities of Key Parties

The Administering Authority should:

- collect and properly account for employer and employee contributions;
- invest surplus monies in accordance with the regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the fund's actuary;
- prepare and maintain a FSS and a SIP, both after proper consultation with interested parties;
- monitor all aspects of the fund's performance and funding and amend FSS/SIP; and
- provide advice and guidelines to employers with regard to pensions decisions.

The Individual Employer should:

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

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS; and
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

Governance Compliance Statement

As approved September 2012

The Local Government Pension Scheme Regulations require administering authorities to prepare a written statement setting out compliance with best practice governance principles.

The following statement sets out:

- the principles against which compliance is to be measured;
- the level of compliance by the Cornwall Pension Fund;
- evidence of compliance; and, if appropriate, reasons for non-compliance.

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
A – Structure		
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	The terms of reference for the Pensions Committee clearly define its responsibilities in these areas
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	The Pensions Committee membership is: - with full voting rights: • 10 Cornwall Councillors • 1 representative of the larger business employers • 2 member-nominated representatives appointed by the trade unions representing employees, deferred members and pensioners
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Applicable	The Pensions Committee has no secondary committee
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Applicable	The Pensions Committee has no secondary committee

Governance Compliance Statement

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
B – Representation		
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:		
i) employing authorities (including non-scheme employers, eg, admitted bodies);	Compliant	See A - Structure, section b) above.
ii) scheme members (including deferred and pensioner scheme members);	Compliant	The Pensions Committee includes 2 member-nominated representatives appointed by the trade unions, representing employees, pensioner and deferred pensioner members.
iii) independent professional observers; and	Compliant	The Committee is advised by an independent professional adviser who is invited to attend all meetings of the Pensions Committee and other relevant meetings.
iv) expert advisors (on an ad-hoc basis).	Compliant	The Fund has a contract with Hymans Robertson covering actuarial services and JLT Investment Consulting as investment advisors. Other advisors covering actuarial, benefit and investment services are available from the South West framework agreement on an ad-hoc basis, if required.
b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant	All members of the Pensions Committee are given equal access to meetings, training events and can fully contribute to the decision making process.

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
C – Selection and role of lay members		
a) That Committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	On appointment all new Pensions Committee members receive an information pack and induction training, setting out the status of the LGPS, and the role of the committee in respect of the fiduciary duties and the extent to which this committee differs from any other committee that Cornwall Council members may be involved with.
D – Voting		
a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	The constitution of the Pensions Committee and the Governance Statement sets out the voting rights of each organisation.

Governance Compliance Statement

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
E – Training, facility time and expenses		
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	The Pensions Committee recognises the importance of training for members of the Committee and fully supports Myners' first principle. This states that decisions should only be taken by persons or organisations with the skill, information and resources necessary to take them effectively. In the Fund Business Plan provision is made for the cost of Member Training to further the achievement of this. In recognition of the need for specialist knowledge no substitutes are allowed on the Pensions Committee. Cornwall Council, as administering authority had fully embraced CIPFA's Knowledge and Skills framework for members of the committee as well as officers involved in the support to the Committee. As such, an extensive programme of training is undertaken, with events being held on a quarterly basis covering the range of topics identified within the Knowledge and Skills framework. Any expenses incurred by members of the Pensions Committee in attending training courses are reimbursed through Cornwall Council's arrangements Members' Allowance Scheme.
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	All members of the Pensions Committee have equal access to training.
F – Meetings (frequency/quorum)		
a) That an administering authority's main committee or committees meet at least quarterly.	Compliant	There are four scheduled quarterly meetings of the Pensions Committee. Additional Committee meetings are arranged as necessary.
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not Applicable	The Pensions Committee has no secondary committee
c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not Applicable	The Pensions Committee does not include lay members, however an Annual Employers Meeting is held to which all employers are invited. The interests of scheme members are represented through the Member Nominated Representatives.
G – Access		
a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	All members of our Pensions Committee receive the same agenda and all reports and papers, including those treated as confidential.

Regulatory statements Governance Compliance Statement

Statutory Guidance Governance Standards and Principles	Compliance status	Evidence of compliance and justification for non-compliance
H – Scope		
a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	The remit of the Pensions Committee includes all matters relating to the Local Government Pension scheme, including issues in relation to discretions.
I – Publicity		
a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	The Governance Policy Statement was approved by the Pensions Committee in July 2009. The Statement is available on the Fund's website www.cornwallpensionfund.org.uk within the Fund's Annual Report.

Governance Policy Statement

As approved July 2009. Scheme of delegation amended and approved September 2012.

Introduction

This is the Governance Policy Statement of the Cornwall Council Pension Fund, as required under the Local Government Pension Scheme (Administration) Regulations 2008, Regulation 31.

Exercise of Administering Authority Function

Cornwall Council, on 24 July 2009, continued to support the agreement that the Pensions Committee will:

- exercise the functions of the Council as administering authority for the Local Government Pension Scheme in Cornwall; and
- establish a scheme of delegation to officers.

Membership of the Pensions Committee

The membership, with full voting rights, is as follows:

- ten Cornwall Councillors (politically balanced);
- one co-opted representative of the Higher and Further Education Colleges' employers in the Scheme;
- one co-opted representative of the larger business employers in the Scheme;
- Two Member-nominated representatives appointed by the trade unions representing the views of employees, deferred members and pensioners.

Period of Membership

The Council suggested that co-opted members are appointed for an initial period of four years. At the end of the four year period the individuals should be able to present themselves for reselection.

Frequency of meetings

The Committee meets quarterly, with additional meetings as and when required.

Scheme of Delegation from the Pensions Committee to the Head of Finance

Pension Fund Investments

Cornwall Council has set up a Pensions Committee to exercise its functions as the Administering Authority for the Local Government Pension Scheme in Cornwall. This responsibility includes managing the investments of the Fund.

The Pensions Committee has agreed to delegate certain of its responsibilities for managing the Fund's investments to the Head of Finance. This Scheme of Delegation sets out the limits of that delegation.

The Committee has also delegated day-to-day management of the Fund's investments to professional investment managers. Legally binding agreements govern the relationship between Cornwall Council and the investment managers.

Irrespective of whether or not the Committee decides to delegate a function to an officer, it is essential that those making a decision receive proper advice from suitably qualified people or organisations (usually the Head of Finance or the Fund's investment consultants and advisers).

Nothing in this Scheme of Delegation can override the responsibility of Members and Officers to comply with Cornwall Council's Constitution, Financial Regulations, or Standing Orders.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations provide the legal framework governing investments by the Pension Fund. Any decisions or actions taken by the Committee, Members or officers must comply with these regulations.

Responsibilities retained by the Committee and not delegated to officers or Investment Managers

1. Determination of the Fund's investment strategy.
2. Approval of the Statement of Investment Principles, including the Fund's position on social, ethical and environmental issues relating to investments.
3. Approval of all policies – current policies cover:
   a. Corporate governance and the exercise of voting rights;
   b. Activism;
   c. Admission of organisations into the Pension Scheme.
4. The appointment and removal of investment managers, the Fund actuary, investment consultants and the Fund custodian.
5. Approval of the Annual Business Plan.
6. Approval of the Annual Report and Accounts.
7. Acceptance of the triennial valuation report produced by the Fund actuary.
8. Appointment of AVC providers.

Investment responsibilities delegated to the Head of Finance:

1. The management, monitoring and reporting to the Pensions Committee of the activities and the performance of the:

   a. Investment Managers;

   b. Investment Consultants and Advisers;

   c. Fund Custodian.

   (Within any limits set by the Pensions Committee)

2. The management of the Fund's cash assets directly held by the Administering Authority.
3. The authorisation of cash or asset movements between the Administering Authority, the Fund Custodian and the investment managers.
4. Accounting for all investment transactions in compliance with standard accountancy and audit practice.
5. Allocating surplus cash to investment managers to re-balance to the target allocations approved in the Statement of Investment Principles, when deemed prudent to do so.
6. Authorising expenditure from the Fund in accordance with financial projections contained in the annual Business Plan or any higher amount as approved by the Committee (See 7. below).
7. The payment of fees to the investment managers and the custodian in accordance with their contractual agreements. The fees paid to the investment managers and to the custodian are linked to the performance of the market. They may also be performance related. For this reason, they are excluded from the limits of expenditure in 6 above.
8. The Committee has delegated the use of voting rights on the Fund's shareholdings to the investment managers. In exceptional circumstances the Head of Finance may, in consultation with the Chairman and Vice-Chairman, direct the investment managers to vote in a specific way.
9. The admission of organisations into the Pension Scheme - in accordance with approved policy and after consulting the Chairman and Vice Chairman of the Committee.
10. Under exceptional circumstances, taking urgent decisions regarding management of funds in the event that existing fund managers are unable to fulfil their responsibilities. This may, for example, relate to fund managers no longer carrying out the management function and selling that on to another organisation.
11. In consultation with specialist advisors determining, on a risk by risk basis, whether to pursue litigation cases to attempt to recover sums due in relation to taxation issues.

Pension Fund administrative discretions and requirements

Responsibilities retained by the Committee and not delegated to officers

Item	Regulation	Details
1.	A23(3)	Discretion as to requirement for a medical examination before purchasing additional pension.
2.	A70	Discretion regarding abatement of pension.

The regulation number refers to the Local Government Pension Scheme (Administration) Regulations 2008.

Administrative responsibilities delegated to the Head of Finance

Item	Regulation	Details
1.	B23/32/35	Recipient of a Death Grant can be the member's nominee, personal representatives, relatives or dependants as decided on the merits of each case.
2.	B25	Decide on the evidence required to determine the financial dependence of a nominated co-habitee on a scheme member or the financial interdependence of a nominated co-habitee and scheme member.

3.	B26(4)	For the payment of a child's pension, the treatment of education as continuous despite a break.
4.	B39	Commutation of small pensions.
5.	A44	Ability to charge interest on late payment of contributions.
6.	A28	Ability to charge a member for information on AVC transfers if no election is subsequently made.
7.	A56	Choice of medical practitioner for advice on ill-health retirements.
8.	T83	Ability to extend time limit if employee wishes to pay off additional contributions by way of a lump sum.

Regulation prefix (A) refers to the Local Government Pension Scheme (Administration) Regulations 2008.

Regulation prefix (B) refers to the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.

Regulation prefix (T) refers to the Local Government Pension Scheme Regulations 1997, as covered by the Local Government Pension Scheme (Transitional Provisions) Regulations 2008.

Statement of Investment Principles as approved September 2013

1 Introduction

This Statement of Investment Principles ("the Statement") has been prepared for the Pensions Committee of Cornwall Council ("the Committee") in relation to the Cornwall Pension Fund ("the Fund") in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the Regulations"), as amended. The Regulations require administering authorities to prepare, maintain and publish a written statement of the principles governing decisions about investments.

The Statement outlines the principles governing the investment policy of the Fund and the activities undertaken by the Committee to ensure the effective implementation of these principles.

This Statement also details the Fund's compliance with the six CIPFA / Myners Principles for Investment Decision Making and Disclosure in the LGPS, the Fund's responsibilities in respect of the FRC UK Stewardship Code, as well as the Environmental, Social and Corporate Governance policies of the Fund's investment managers.

In preparing the Statement, the Committee have obtained and considered advice from a suitably qualified individual, employed by their investment consultants, JLT Employee Benefits, a trading name of JLT Benefit Solutions Limited, ("JLT"), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments.

The Committee will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Committee will review the Statement after any significant change in investment policy without delay, and before the end of a period of six months beginning with the date of that change.

2 Objectives

The primary objective for the Fund is as follows:

To provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, as required by the Local Government Pension Scheme (Benefits) Regulations 2007 (as amended).

In order that this primary objective can be achieved, the following funding and investment objectives have been agreed.

2.1 Funding Objectives – Ongoing Plan

To fund the Fund in such a manner that in normal market conditions, all accrued benefits are fully covered by the actuarial value of the Fund's assets and that an appropriate level of contributions is agreed by the administering authority and each employer body to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary increases.

The assumptions used correspond with the assumptions used in the latest Actuarial Valuation. The funding position will be reviewed on a regular basis but at least at each triennial Actuarial Valuation. The Committee will be advised on the effect of any material changes to the Fund during the inter-valuation period.

2.2 Employer's Contribution Rate

The absolute level of the employer's contribution rate and its stability over time are important to the employers in the Fund. Attention will be paid to setting contribution rates which take account of the balance between affordability, stability and prudence. Investments will therefore be managed to ensure diversification and risk control, to assist the Fund in its endeavours to maintain low and stable employer's contribution rates.

2.3 Investment Objectives

To achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding objectives set out above on an ongoing basis.

To achieve these objectives, the Investment Responsibilities and Investment Strategy in Sections 3 and 4, respectively, have been agreed.

3 Investment Responsibilities

3.1 Committee's Duties and Responsibilities

Investments are monitored on a regular basis by the Committee. The authority to invest the monies of the Fund is delegated to the Head of Finance who receives advice from the Fund's Officers, the Committee and the external advisers. Advice is received as required from professional advisers.

The Committee meet together to discuss items of decision and monitoring on a quarterly basis, with additional meetings as required.

The duties and responsibilities of the Committee include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement;
- The appointment and review of the investment managers and investment advisers;
- To receive from Officers an assessment and review of the performance of each investment manager on an annual basis;
- The setting and review of the investment parameters within which the investment managers can operate;
- The assessment of the risks assumed by the Fund at a total fund level as well as on a manager by manager basis;
- The approval and review of the asset allocation benchmark for the Fund;
- The compliance of the investment arrangements with the principles set out in the Statement.

Further details of the responsibilities of the Committee are included in section 4.2 and Appendix C, below.

3.2 Investment Adviser's Duties and Responsibilities

The Committee have appointed JLT as an independent investment adviser to the Fund. JLT provide advice as and when the Committee require it, as well as raising any investment-related issues, which they believe the Committee should be aware. Matters on which JLT expect to provide advice to the Committee include the following:

- Setting of investment objectives;
- Determining investment strategy and asset allocation;
- Determining an appropriate investment structure;
- Framing manager mandates;
- Selecting and replacing investment managers.

JLT are remunerated primarily on a time-cost basis. JLT do not receive commission or any other payments in respect of the Fund that might affect the impartiality of their advice. The Committee believe that this is the most appropriate adviser remuneration structure for the Fund.

JLT are authorised and regulated by the Financial Conduct Authority ("FCA").

The Committee also has an experienced investment professional appointed as a further independent adviser, who is also independent of JLT, to provide independent advice to the Committee on all aspects of its business.

3.3 Investment Managers' Duties and Responsibilities

The Committee, after considering appropriate investment advice, have appointed professional, authorised investment managers to manage the assets of the Fund.

The details of each manager's mandate are set out in Appendix B.

In particular, the investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

All of the investment managers engaged by the Committee are authorised and regulated by the FCA.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Fund. The Committee believe that this is the most appropriate basis for remunerating managers.

Some of the investment managers may also receive a performance-related fee for outperforming their benchmark. In such cases, the Committee believe that this serves to align the interests of the investment manager with the objectives of the Fund.

3.4 Summary of Responsibilities

A summary of the responsibilities of all relevant parties, including the Fund Actuary and the Fund administrators, in so far as they relate to the Fund's investments, is set out at Appendix C.

4 Investment Strategy

4.1 Setting Investment Strategy

The Committee have determined their investment strategy after considering the Fund's liability profile and their own appetite for risk.

The basis of the investment strategy is to divide the Fund's assets between a "growth" portfolio, comprising assets such as equities, property and infrastructure, and a "matching" portfolio, comprising assets such as bonds and liability driven investments ("LDI"). The basis of the split between these two portfolios is that growth assets are held in respect of the liabilities pertaining to active and deferred members, and matching assets are held in respect of pensioner liabilities. Thus, the Committee regard the basic distribution of the assets to be appropriate for the Fund's objectives and liability profile.

The Committee have established a benchmark allocation to each asset class. Whilst the Fund is in an interim position- moving towards its newly agreed strategy, the overall Fund benchmark, as set out in Appendix A, remains as in the 31 March 2012 edition of the Statement. Appendix A will be revised as the newly agreed strategy is implemented over time.

The Committee recognise the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. As a result, the Committee have appointed a 'diversified growth' investment manager to select and manage the allocations across asset classes for a proportion of the Fund's assets.

Furthermore, the Committee recognise the risks to the Fund associated with its inflation linked liabilities. As a result, the Committee have appointed a 'liability driven investment' manager to help reduce the Fund's inflation risk. The target is to hedge the Fund's exposure to inflation by investing in a bespoke Qualifying Investor Fund ("QIF"), which will enable a range of derivative instruments to be used to protect the Fund from the impact of inflation on the value of its liabilities.

4.2 Investment Decisions

The Committee distinguish between three types of investment decision: strategic, tactical and security-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Fund.

The Committee take all such decisions themselves. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives;
- Determining the split between the growth and the matching portfolios;
- Determining the allocation to asset classes within the growth and matching portfolios;
- Determining the Fund benchmark;
- Reviewing the investment objectives and strategic asset allocation.

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Committee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Security Selection Decisions

All such decisions are the responsibility of the investment managers of the funds in which the Fund is invested.

4.3 Types of Investments to be Held

The current structure of investment management comprises a number of specialist mandates. Each manager has a specific benchmark and target to reflect their specific mandate. Managers may either be granted a segregated account mandate or the Fund may invest in a pooled fund managed by that manager.

The external managers appointed by the Fund are authorised under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) to manage the assets of the Fund.

A management agreement is in place for each investment manager that sets out the relevant target benchmark, performance target, and any restrictions as determined. Where investment is made via a pooled fund the Fund will ensure that any subscription agreement entered into sets out the relevant target benchmark, performance target and any investment restrictions.

Each manager is given full discretion over the choice of individual securities and any underlying funds, and is expected to maintain a diversified portfolio.

The Fund is permitted to invest across a wide range of asset classes, including the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity
- Infrastructure
- High yield bonds
- Emerging market debt
- Diversified growth
- Liability driven investment products
- Cash (including Currency)

The use of derivatives is as permitted by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

4.4 Balance between Different Types of Investments

The Regulations require the administering authority to have regard for the diversification of the Fund's investments.

The strategic benchmark, as highlighted in Appendix A, takes account of the risk and return characteristics of each asset class and provides a reasonable long-term balance appropriate to the liabilities of the Fund.

4.5 Expected Return on Investments

The strategic benchmark is expected to produce a return, over the long term, in excess of the investment return assumed in the Actuarial Valuation. The Fund's assets are managed on a predominantly 'active' basis. The 'active' managers seek to provide out-performance of a relevant benchmark through asset allocation, market timing or stock selection (or a combination of these).

The investment performance achieved by the Fund is expected to exceed the rate of return assumed by the Actuary in funding the Fund on an ongoing basis.

4.6 Realisation of Investments

The majority of stocks held by the Fund's managers are quoted on major stock markets and may be realised quickly, if required.

The Fund does, however, invest in limited partnership agreements and some less liquid pooled funds, but these are a small portion of the Fund's assets. At the end of December 2012, Property investments, which are relatively illiquid, made up approximately 6.9% of the Fund's assets. In addition, investments in Private Equity and Infrastructure are also illiquid and accounted for a further 4.3% and 0.8% of the portfolio, respectively.

Not withstanding this, the Fund maintains sufficient investment in liquid assets to meet its liabilities in the short and medium term as they fall due.

4.7 Social, Environmental and Ethical Policy

The Committee recognises that social, environmental and ethical/corporate governance considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale.

The Committee have decided that any policy on Socially Responsible Investment should reflect the Fund's primary investment objective. In practice, any detailed policy would be difficult to implement and monitor and it could unreasonably constrain the ability of investment managers to invest in the best interests of the Fund.

The Committee recognises that it has a fiduciary duty to all the participating Employers and contributing Employees, past and present, to maximise the investment returns of the Fund, without prejudice, whilst ensuring diversification and risk controls are in place.

Each of the Fund's investment managers have produced statements setting out their policy in respect of Environmental, Social and Ethical/ Corporate Governance Policies. Copies of these policies/statements are available on Cornwall Pension Fund's website www.cornwallpensionfund.org.uk.

The Committee has delegated investment powers to the fund manager to act accordingly. The investment managers are encouraged to engage in constructive dialogue on behalf of the Fund and to use their influence to encourage companies to adopt best practice in key areas. The investment managers have been asked to report to the Committee on the implementation of this policy, which will be reviewed on a regular basis.

4.8 Corporate Governance and Voting Policy

The Committee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised with the objective of preserving and enhancing long term shareholder value.

Accordingly, investment managers have produced written guidelines of their process and practice in this regard. They are encouraged to vote in line with their guidelines, in respect of all resolutions, at annual and extraordinary general meetings of companies.

4.9 Stock Lending

The Fund utilises stock lending as a way of enhancing the income gained from securities. The Fund is increasingly investing in pooled investment funds, meaning that decisions on stock lending are delegated to the investment manager. In respect of any directly held assets, the Fund's stock lending program is managed by its custodian and the extent of the stock lending activity is reported to the Committee on a regular basis.

5 Risk

The Committee are aware, and seek to take account, of a number of risks in relation to the Fund's investments, including the following.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- They are managed by setting a Fund-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the recognised deviation of the prospective return due to the active management of the assets undertaken by the Manager, in relation to the objectives and investment policy of that manager.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

Liquidity Risk

- This is monitored according to the level of cash flows required by the Fund over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The majority of the Fund's assets are invested in quoted markets and are as readily realisable as the Committee feel appropriate given the cash flow position of the Fund and the expected development of the Fund's liabilities, both of which are monitored by the Committee.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through regular assessment of the levels of diversification within the investment policy.

Corporate Governance Risk

- This is assessed by reviewing the Fund's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Committee from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Fund's advantage.

6 Monitoring of Investment Adviser and Manager

6.1 Investment Adviser

The Committee continually assess and review the performance of their adviser in a qualitative way. In addition, as part of the Framework Agreement between the Environment Agency and the South West Local Government Pension Scheme, evaluation sheets which include pre-set criteria are completed annually to provide feedback on advisers.

6.2 Investment Managers

The Committee receive quarterly monitoring reports on the performance of their investment managers, whilst Officers also meet with investment managers on a frequent basis.

7 Additional Voluntary Contributions ("AVC's")

Members of the Fund have the opportunity to invest in AVC funds. The current arrangements were put in place following a review undertaken in September 2001.

Members can choose to switch AVC's between options available to them from time to time, subject to the terms and conditions of each vehicle. At retirement , the accumulated value of a member's AVC can be used to purchase an annuity on the open market; taken as cash; buy an annuity in the LGPS; or, in limited circumstances, buy additional service. Details of the funds utilised for AVC's are included in Appendix B.

8 Code of Best Practice

The Committee are aware of the guidance given by the Secretary of State with respect to greater transparency within the Fund's Regulatory Statements. The Committee have considered this guidance when formulating their investment policy.

The section below entitled 'Myners Principles Compliance' details the extent to which the Fund complies with the guidance given by the Secretary of State and the six principles of investment practice set out in the CIPFA document: "Investment Decision Making and Disclosure on the Local Government Pension Scheme : A Guide to the Application of the Myners Principles" (2009).

Similarly, the section entitled 'UK FRC Stewardship Code Compliance' details the extent to which the Fund complies with the UK Stewardship Code.

9 Compliance

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Committee on 17 September 2013.

Appendix A: Pension Fund Asset Allocation Benchmark

The current benchmark asset allocation is detailed below.

Please note that dedicated allocations to Global Equities, Emerging Market Equities, Frontier Market Equities, Diversified Growth and Liability Driven Investment are included, as these form part of the new investment strategy, though the specific mandates for some of these asset classes have not yet been awarded.

	Allocation	
Growth Assets	**70.0%**	
Equities	25.0%	
Global equities		*15.0%*
Emerging market equities		*5.0%*
Frontier market equities		*5.0%*
Diversified Growth	12.0%	
Property	10.0%	
Alternatives	23.0%	
Infrastructure		*10.0%*
Hedge funds		*8.0%*
Private equity		*5.0%*
Matching Assets	**30.0%**	
Bonds	10.0%	
Liability Driven Investment	20.0%	

Appendix B: Investment Manager Information

The Fund invests with the following investment managers:

- Newton Investment Management ("Newton");
- Capital International;
- Insight Investment Management ("Insight");
- Standard Life Investments ("Standard Life");
- Wilshire Associates ("Wilshire");
- Millennium Global Investors ("Millennium");
- Fauchier Partners ("Fauchier") (recently acquired by Permal);
- CBRE Global Investors ("CBRE") (recently merged with ING Real Estate);
- Infracapital Partners ("Infracapital");
- ETF Manager;
- Legal and General Investment Management ("L&G");
- M&G investments ("M&G");
- Invesco Perpetual ("Invesco");
- AXA Investment Managers ("AXA");

The tables below show the details of the mandate(s) with each manager.

Growth Assets

Investment Manager / Fund	Date of Appointment	Benchmark	Objective over rolling 3 year period
UK Equities			
L&G	December 2009	FTSE All-Share Index	match index
Global Equities			
Newton	October 1994	MSCI AC World	+2.0% p.a.
Capital International	March 2001	MSCI World	+1.5% p.a.
L&G	April 2012	MSCI World	match index
Diversified Growth			
Invesco (Risk Parity)	November 2012	3 month Sterling LIBOR	+6.0% p.a.
Property			
CBRE	June 2009	IPD UK All Balanced Fund	+1.0% p.a.
Alternatives - Infrastructure			
Infracapital	May 2007	LIBOR 7 Day Index	+5.0% p.a.
Alternatives – Private Equity			
Standard Life	December 2004	LIBOR 7 Day Index	+5.0% p.a.
Wilshire	December 2004	LIBOR 7 Day Index	+5.0% p.a.
Alternatives – Hedge Fund of Funds			
Fauchier	April 2007	LIBOR 7 Day Index	+5.0% p.a.
Alternatives – Currency (Active & Passive overlay)			
Millennium	August 2006	LIBOR 7 Day Index	+5.0% p.a.
Alternatives – Environmental Technologies Fund			
ETF	February 2008	LIBOR 7 Day Index	+5.0% p.a.
Alternatives – UK Financing Fund			
M&G	May 2010	LIBOR 7 Day Index	+5.0% p.a.

Matching Assets

Investment Manager / Fund	Date of Appointment	Benchmark	Objective
Bonds			
Insight	March 2001	Specific benchmark	+0.5% p.a.
Liability Driven Investment			
AXA	November 2012	n/a	n/a

AVC Funds

Provider	Vehicle	Status
AVC Fund		
Equitable Life	Building Society	Closed to new members
Equitable Life	With Profits Fund	Closed to new members
Equitable Life	Managed Fund	Closed to new members
AVC Fund		
Standard Life Assurance	Managed Fund	Open
Standard Life Assurance	With Profits Fund	Open
Standard Life Assurance	Sterling Fund	Open
Standard Life Assurance	Ethical Fund	Open
Standard Life Assurance	Lifestyle	Open
Standard Life Assurance	Managed Cash Fund	Open

The 'with profits' vehicle is designed to provide smoothed medium to long term growth by investing in a range of assets including equities and property. The investment returns are distributed by way of reversionary and terminal bonuses. The objective of the 'with profits' policy and managed fund is to provide returns on members' contributions which at least keep pace with inflation.

Appendix C: Responsibilities of Parties

Committee

The Committee's responsibilities include the following:-

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate;
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary;
- Appointing the Investment Managers and Custodian;
- Assessing the quality of the performance and processes of the Investment Managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser; and
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis.

Investment Adviser

The Investment Adviser's responsibilities include the following:-

- Participating with the Committee in reviews of this Statement of Investment Principles;
- Advising the Committee, at their request, on the following matters:
  - » through consultation with the Scheme Actuary, how any changes within the Fund's benefits, membership, and funding position may affect the manner in which the assets should be invested;
  - » how any changes in the Investment Manager's organisation could affect the interests of the Fund; and
  - » how any changes in the investment environment could present either opportunities or problems for the Fund.
- Undertaking project work, as requested, including:
  - » reviews of asset allocation policy; and
  - » research into and reviews of Investment Managers.
- Advising on the selection of new managers and/or custodians.

Investment Managers

The Investment Managers' responsibilities include the following:

- Providing the Committee, on a quarterly basis (or as frequently as required), with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios;
- Informing the Committee of any changes in the internal performance objectives and guidelines of any funds used by the Fund, as and when they occur;
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments;
- Providing the Committee with copies of their Environmental, Social and Corporate Governance statements (including revised copies as updated);
- Providing accountability on the voting decisions taken on behalf of the Fund; and
- Giving effect to the principles contained in the Statement as far as is reasonably practicable.

Scheme Actuary

The Scheme Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Fund's investment strategy, given the financial characteristics of the Fund;
- Assessing the funding position of the Fund and advising on the appropriate response to any shortfall; and
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels.

Administrator

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due;
- Paying benefits and making transfer payments; and
- To rebalance the portfolio as required, ensuring the strategic asset allocation, as set by Committee, is maintained within reasonable tolerances.

Custodian

The Custodian's responsibilities include the following:

- The safekeeping of the assets of the Fund;
- Providing the Committee with quarterly performance reports, including statements of the assets;
- Undertaking all appropriate administration relating to the Fund's assets;
- Processing all dividends and tax reclaims in a timely manner; and
- Dealing with corporate actions.

The Secretary of State guidance (Six CIPFA / Myners Principles for Investment Decision Making and Disclosure in the LGPS)

The six CIPFA / Myners Principles for Investment Decision Making and Disclosure in the LGPS are set out below, along with the compliance of the Cornwall Pension Fund (the "Fund") with the guidance.

Principle 1: Effective decision making

Administering authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation; and
- Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

The Fund has a dedicated Pensions Committee (the "Committee"), to which responsibility for the management of the pension fund has been assigned.

The Committee has defined terms of reference to which it adheres.

Whilst there are no formal sub-committees in place, it is acknowledged that from time to time informal working groups may be set up to help achieve certain tasks. Membership of such working groups is agreed upon by the Committee before being formed.

The constitution of the Committee is for 14 members, consisting of 10 elected members of Cornwall Council and 2 Member Nominated Representatives and 2 Employer Representatives. There is currently 1 vacancy for an elected member of Cornwall Council and 2 vacancies for Employer Representatives.

A training programme is in place for Committee Members, through the Knowledge and Skills Framework, to ensure an adequate level of knowledge is maintained relevant to Members' roles and responsibilities.

The Committee utilise the expertise of internal and independent external advisers to aid with the day to day running of the Fund.

Business plans are considered at each Committee meeting.

The Fund considers that it is compliant with this principle.

Principle 2: 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.

Objectives for the funding of the Fund are set out in the Actuarial Valuation Report, in agreement with the Fund's actuary.

The investment objective of the Fund, as set out in the Statement of Investment Principles, is to achieve a return on assets which is sufficient, over the long-term, to meet the funding objective.

Appropriate benchmarks and objectives have been discussed with each investment manager. These are set out within the Fund's Statement of Investment Principles, with analysis of each investment managers' performance relative to these benchmarks and objectives presented at Committee meetings.

The nature of those pooled funds in which the Fund invests is such that the objectives of each fund are dictated by the investment manager, without influence from any of the underlying investors.

The managers' approaches in attempting to achieve their objectives are clear and are understood by the Committee.

The strength of employers' covenants are taken into account and form a key consideration for individual employer contribution rates.

As part of the Committee's due diligence when appointing investment managers, the size of the funds the Fund is investing in is assessed.

A full range of assets have been considered and the current strategy is diversified across traditional and alternative asset classes to avoid risk concentration within any particular asset class.

The Fund considers that it is compliant with this principle.

Principle 3: 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.

The Committee consider the desired investment strategy to be appropriate to the Scheme's liabilities, having undertaken considerable work in relation to both risk management and return requirements.

A key objective of the risk management work is to focus on overall funding level, and consequently contribution rates.

The Fund has made an allocation into the Liability Driven Investment asset class, in recognition of the inflation risk that the Fund is exposed to through the inflation linked nature of its liabilities.

The Committee monitor the Fund's liability valuations regularly, via quarterly funding updates from the actuary.

The Fund considers that it is compliant with this principle.

Principle 4: 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 Committee monitor the performance of the investment managers regularly on a manager-by-manager basis, via quarterly reports provided by the Fund's custodian, which are reported on at each quarterly Committee meeting.

However, there is currently no formal arrangement in place for measuring the performance of the investment strategy as a whole.

In terms of their own skills, Committee Members are enrolled in the Knowledge and Skills Framework.

As part of the Framework Agreement between the Environment Agency and the South West Local Government Pension Schemes, evaluation sheets which include pre-set criteria are completed annually to provide feedback on advisers.

The Fund considers that it is mostly compliant with this principle.

Principle 5: Responsible ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee ("ISC") Statement of Principles on the responsibilities of shareholders and agents.
- Include a statement of their policy on responsible ownership in the Statement of Investment Principles.
- Report periodically to scheme members on the discharge of such responsibilities.

The Fund's policy towards responsible ownership is set out in its Statement of Investment Principles.

The Fund has taken to investing into pooled funds more recently and, as a result of this, certain governance responsibilities are delegated to the investment managers of these funds.

The Fund's adherence to the FRC UK Stewardship Code is set out in a publicly available policy document, along with the Environmental, Social and Corporate Governance policies for each of the Fund's investment managers.

Reporting on governance issues is to be increased in the future by the introduction of a vote monitoring service provider.

The Fund considers that it is mostly compliant with this principle.

Principle 6: Transparency and reporting

Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
- Provide regular communication to scheme members in the form they consider most appropriate.

The Fund's Statement of Investment Principles is publicly available via the dedicated Cornwall Pension Fund website.

Reporting on governance issues is to be increased in the future, in line with the review of the Fund's compliance with the FRC UK Stewardship Code.

A summary leaflet is sent to all scheme members annually to ensure they are aware of key issues.

An annual meeting for the employers is held which also provides a useful forum for employers to input their views into the strategic direction of the scheme.

The Fund considers that it is mostly compliant with this principle.

FRC UK Stewardship Code

In July 2010, the Financial Reporting Council ("FRC") published a UK Stewardship Code. The Stewardship Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

The Cornwall Pension Fund (the "Fund") takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code and also encourages its appointed asset managers to do so too.

The seven Principles are set out below, along with details of how the Fund and the Pensions Committee of Cornwall Council ("the Committee") comply with them:

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Fund aims to be a supportive, long term shareholder. The Committee support the latest widely accepted standards of Best Practice in Corporate Governance and expect the companies in which it invests to comply therewith.

Day-to-day responsibility for managing the Fund's assets is delegated to external investment managers.

The Fund will expect its investment managers to:

- Seek to develop a long-term relationship and an understanding of mutual objectives and concerns with the companies in which we invest.
- Meet regularly with those companies to discuss corporate strategy and objectives, and to make an assessment of management performance.
- Have processes in place to ensure access to accurate information regarding companies in which we invest, including the approach to corporate governance adopted by the company.
- Intervene when a company fails to meet expectations in terms of traditional governance inputs (such as board structures) but also the outputs of governance such as acquisitions and operational performance.

The Fund's investment managers will judge whether to support a company by subscribing to a rights issue, accepting a take-over bid or other similar events purely on investment grounds.

Each of the Fund's investment manager's explicit corporate governance policies are publicly available in the document 'Environmental, Social and Corporate Governance Policies of the Fund's Investment Managers' available on the Cornwall Pension Fund's website www.cornwallpensionfund.org.uk

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Investment managers are expected to act in the Fund's interests when considering matters such as engagement and voting. The Fund expects its investment managers to:

- Put in place and maintain a policy for managing conflicts of interest.
- Ensure that any significant conflicts of interest are disclosed.

In respect of conflicts of interest within the Fund and Committee, Members are required to make declarations of interest prior to each Committee meeting. This is a standing item on the agenda of every Committee meeting.

Principle 3: Institutional investors should monitor their investor companies.

Day-to-day responsibility for managing the Fund's assets is delegated to external investment managers.

The Fund expects its investment managers to:

- Satisfy themselves, to the extent possible, that the investee company's board and committee structures are effective, and that independent directors provide adequate oversight, including by meeting the chairman and, where appropriate, other board members.
- Maintain comprehensive records of governance engagements, interventions, votes cast and the reasons for voting against management or abstaining.
- Attend General Meetings selectively when they consider it is of value to our investment to do so.

The Administrator, on behalf of Committee currently receives reports from their investment managers detailing the voting and engagement activity as a matter of course. It is the intention to retain the services of a vote monitoring service provider to assist Committee with the Funds compliance with this Principle.

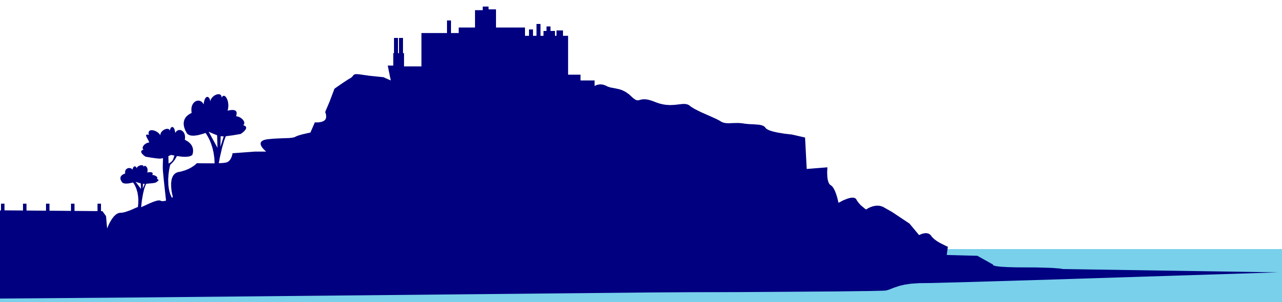
Principle 4: Institutional investors should establish clear guidelines as to when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Day-to-day responsibility for interacting with companies is delegated to the Fund's investment managers.

The Fund expects its investment managers to escalate activities if a company fails to meet expectations in relation to a number of issues, including, but not limited to, the following:

- Strategy - including acquisitions and the deployment of capital
- Operational performance
- Quality of the Board
- Succession planning
- Health & Safety
- Risk management
- Remuneration
- Corporate social responsibility

The Fund expects its investment managers to engage with the board in order to better understand what is behind such concerns. The Committee do not currently regularly review or assess the engagement with companies, but intend to do so in the future, by the introduction of a vote monitoring service, in order to help the Fund's compliance with this Principle.



Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund encourages its investment managers to work with collective bodies or collaborate with other shareholders if they believe this will increase the chance of success.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

Responsibility for the exercise of voting rights has been delegated to the Fund's appointed investment managers. Investment managers provide reports on their voting activities to the Administrator on a quarterly basis.

Principle 7: Institutional investors should report periodically on their stewardship and voting policies.

The Fund discloses voting data infrequently, but intends to retain the services of a vote monitoring service provider to report on a quarterly basis on the stewardship and voting of the Fund. This will assist the Fund in its compliance with this principle.

Social, Environmental and Ethical Policies of the Fund's Investment Managers

Introduction

The purpose of this document is to act as a single point of reference for the Social, Environmental and Ethical/Corporate Governance policies/statements from all of the Fund's investment managers.

Documents

The Social, Environmental and Ethical/Corporate Governance policies/statements for the following investment managers can be found on the Fund website at www.cornwallpensionfund.org.uk

- Newton Investment Management ("Newton");
- Capital International;
- Insight Investment Management ("Insight");
- Standard Life Investments ("Standard Life");
- Wilshire Associates ("Wilshire");
- Millennium Global Investors ("Millennium");
- Fauchier Partners ("Fauchier") (recently acquired by Permal);
- CBRE Global Investors ("CBRE") (recently merged with ING Real Estate);
- Infracapital Partners ("Infracapital");
- ETF Manager;
- Legal and General Investment Management ("L&G");
- M&G investments ("M&G");
- Invesco Perpetual ("Invesco");
- AXA Investment Managers ("AXA");

Communication Policy Statement

As approved September 2012

Introduction

This is the Communications Policy Statement of Cornwall Pension Fund, administered by Cornwall Council (the Administering Authority).

The Fund liaises with over 100 employers and approximately 40,000 scheme members in relation to the Local Government Pension Scheme. The delivery of the benefits involves communication with a number of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

Any enquiries in relation to this Communication Policy Statement should be sent to:

Pensions Administration Section
3rd Floor South Wing
New County Hall
Truro
TR1 3AY
Tel: 01872 322322
Fax: 01872 323824
Email: pensions@cornwall.gov.uk

Regulatory Framework

This policy statement is required by the provisions of Regulation 67 of the Local Government Pension Scheme (Administration) Regulations 2008. The provision requires us to:

"….prepare, maintain and publish a written statement setting out their policy concerning communications with:

(a) members.

(b) representatives of members.

(c) prospective members.

(d) employing authorities."

In addition it specifies that the statement must include information relating to:

"(a) the provision of information and publicity about the Scheme to members, representatives of members and employing authorities;

(b) the format, frequency and method of distributing such information or publicity; and

(c) the promotion of the Scheme to prospective members and their employers."

As a provider of an occupational pension scheme, we are already obliged to satisfy the requirements of the Occupational Pension Schemes (Disclosure of information) Regulations 1996 and other legislation, for example the Pensions Act 2004.

Responsibilities and Resources

Within the Pension Section the responsibility for communication material is performed by our Pensions Manager with the assistance of the Deputy Manager and four Senior Pensions Officers. Although we write all communication within the section, all design work is carried out by Cornwall Council's publications team. We also carry out all the arrangements for forums, workshops and meetings covered within this statement.

All printing has previously been carried out by an external supplier as there was no "in-house" printing facility. Comparison quotations are obtained which include printing, collating, inserting into envelopes and where appropriate, posting to home address. As an "in-house" facility is now available, this will be included in all future quotations.

All arrangements for forums, workshops, meetings and presentations covered within this statement are made by the same officers detailed above, in partnership with the employer or department requesting the information.

Communication with key audience groups

Our audience

We communicate with a number of stakeholders. For the purposes of this communication policy statement, we are considering our communications with the following audience groups:

- active members;
- deferred members;
- pensioner members;
- prospective members;
- employing authorities (scheme employers and admission bodies);
- senior managers;
- union representatives;
- elected members
- Pension Section staff

In addition there are a number of other stakeholders with whom we communicate on a regular basis, such as Her Majesty's Revenue and Customs, the Department for Communities and Local Government, solicitors, the Pensions Advisory Service, the Pensions Ombudsman and other pension providers. We also consider as part of this policy how we communicate with these interested parties.

How we communicate

General communication

We will continue to use paper based communication as a means of communicating, for example, by sending letters to our scheme members who join and leave the scheme. However, communication with our employers is now primarily by email. Both methods are complemented by the use of other electronic means such as our and Cornwall Council's website. We will accept communications electronically, for example, by e-mail and, where we do so, we will respond electronically where possible.

Our pension section staff are responsible for specific tasks and for dealing with a specific proportion of our scheme members. Direct line phone numbers and email addresses are shown on all external communication to assist with easier access to the correct person.

Branding

As the Pension Fund is administered by Cornwall Council, all written literature and communications will conform to the branding of the Council.

Policy on communication with active, deferred and pensioner members

Our objectives with regard to communication with members are:

- for the LGPS to be used as a tool in the attraction and retention of employees.
- for better education on the benefits of the LGPS.
- to provide more opportunities for face to face communication.
- as a result of improved communication, for queries and complaints to be reduced.
- for our employers to be employers of choice.
- to increase take up of the LGPS employees.
- to reassure stakeholders.

Our objectives will be met by providing the following communications, which are over and above individual communications with members (for example, the notifications of scheme benefits or responses to individual queries).

The communications to members are explained in more detail in the following table:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group (Active, Deferred, Pensioner or All)
Summary Scheme booklet	Paper based and on website	At joining and major scheme changes	Post to home address/via employers	Active
Full Scheme booklet	Paper based and on website	As requested	Post to home address/via employers or electronic link via email	All
Pension Fund Report and Accounts	Paper based and on website	Annually	On request	All
Pension Fund Accounts – Summary	Paper based	Annually	Via employers for actives. Post to home address for deferred and pensioner members	All
Annual Benefit Statements	Paper based.	Annually	Post to home address/via employers for active members. To home address for deferred members.	Active and Deferred.
Website	Electronic	Continually available	Advertised on all communications	All
Roadshows/ Induction sessions	Face to face	On request	Advertised in Administration manuals	Active members
Face to face education sessions	Face to face	On request	On request	All
Starter packs	Paper based	On joining	Post to home addresses	Active members

Explanation of communications

Summary Scheme booklet – A booklet summarising the main benefits of the LGPS together with an application form.

Scheme booklet - A booklet providing a comprehensive description of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers. This is a somewhat detailed and lengthy document and, therefore, it will not be routinely distributed except on request. A summary document, as detailed below, will be distributed.

Pension Fund Report and Accounts Summary – provides a handy summary of the position of the Pension Fund during the financial year, income and expenditure as well as other related details.

Annual Benefit Statements – For active members these include the current value of benefits as well as the projected benefits at age 65. The associated death benefits are also shown as well as an indication of whether or not the individual has completed an Expression of Wish form regarding their preferred recipient of the lump sum death grant. In relation to deferred members, the benefit statement includes the current value of the deferred benefits and details of the associated death benefits.

Website – The website will provide scheme specific information, forms that can be printed or downloaded, access to documents (such as newsletters and report and accounts), frequently asked questions and answers, links to related sites and contact information.

Roadshows – A number of staff will attend various locations upon request of the employer. These presentations provide the opportunity to have a face to face conversation about pension rights.

Face to face education sessions – These are education sessions that are available on request for small groups of members. For example, where an employer is going through a restructuring, it may be beneficial for the employees to understand the options available in respect of their accrued pension benefits.

Starter packs – These complement the summary scheme booklet and contain the paperwork needed to join the scheme including Expression of Wish and Pension History forms.

Policy on promotion of the scheme to prospective members and their employing authorities

Our objectives with regard to communication with prospective members are:

- to improve take up of the LGPS.
- for the LGPS to be used as a tool in the attraction of employees.
- for our employers to be employers of choice.

As we, in the Pension Fund office, do not have direct access to prospective members, we will work in partnership with the employing authorities in the Fund to meet these objectives. We will do this by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Summary Scheme booklet	Paper based and website	On commencing employment	Via employers	New employees
Full Scheme booklet	Paper based and on website	As requested	Via employers	New employees
Educational sessions	As part of induction workshops	On commencing employment and as requested	Face to face	New employees
Posters	Paper based	Ongoing	Via employers	New and existing employees

Explanation of communications

Summary Scheme booklet – A booklet summarising the main benefits of the LGPS together with an application form.

Scheme booklet - A booklet providing a comprehensive description of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

Educational sessions – A talk providing an overview of the benefits of joining the LGPS.

Posters – These will be designed to help those who are not in the LGPS understand the benefits of participating in the scheme and provide guidance on how to join the scheme.

Policy on communication with employing authorities

Our objectives with regard to communication with employers are:

- to improve relationships.
- to assist them in understanding costs/funding issues.
- to work together to maintain accurate data.
- to ensure smooth transfers of staff.
- to ensure they understand the benefits of being an LGPS employer.
- to assist them in making the most of the discretionary areas within the LGPS.

Our objectives will be met by providing the following communications to employers:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Employers' Guide	Paper based and on employer website	At joining and updated as necessary	Post or via email	Main contact for all employers
Bulletins	Paper based and on employer website	As necessary	Email	All contacts for all employers
Annual employers meeting	Face to face	Annually	Invitations by post	All contacts for all employers
Employers focus groups	Face to face	At least quarterly/half yearly	Invitations by e-mail	Either main contacts or specific groups (e.g. HR or Finance) depending on topics
Pension Fund Report and Accounts	Paper based and employer website	Annually	Post	Main contact for all employers
Meeting with adviser	Face to face	On request	Invite sent by post or email	Senior management involved in funding and HR issues.

Explanation of communications

Employers' Guide - A detailed guide that provides guidance on the employer responsibilities including the forms and other necessary communications with the Pension Section and scheme members.

Bulletins – A short briefing paper informing employers of any future changes to benefit structures or providing updates on topical issues and also be a useful future reference point.

Annual employers meeting – A formal annual meeting event with a number of speakers covering topical LGPS issues.

Employers' focus groups – Generally workgroup style sessions set up to debate current issues within the LGPS.

Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Adviser meeting – Gives employers the opportunity to discuss their involvement in the scheme with advisers.

Policy on communication with senior managers

Our objectives with regard to communication with senior managers are:

- to ensure they are fully aware of developments within the LGPS
- to ensure that they understand costs/funding issues
- to promote the benefits of the scheme as a recruitment/retention tool

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All
Committee papers	Paper based and electronic	In advance of committee meeting	Email or hard copy	All

Explanation of communications

Briefing papers – a briefing that highlights key issues or developments relating to the LGPS and the Fund, which can be used by senior managers when attending meetings.

Committee paper – a formal document setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

Policy on communication with union representatives

- to foster close working relationships in communicating the benefits of the scheme to their members
- to ensure they are aware of the Pension Fund's policy in relation to any decisions that need to be taken concerning the scheme
- to engage in discussions over the future of the scheme
- to provide opportunities to educate union representatives on the provisions of the scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All
Face to face education sessions	Face to face	On request	On request	All
Pensions Committee meetings	Meeting	Quarterly	Email or hard copy	All
Employee Relations Forum	Meeting	Quarterly	Email or hard copy	All

Explanation of communications

Briefing papers – a briefing that highlights key issues and developments relating to the LGPS and the Fund.

Face to face education sessions – these are education sessions that are available on request for union representatives and activists, for example to improve their understanding of the basic principles of the scheme, or to explain possible changes to policies.

Pensions Committee meetings – a formal meeting of elected members, attended by senior managers, at which local decisions in relation to the scheme (policies, etc) are taken.

Employee Relations Forum – a formal meeting attended by senior managers and union representatives where local decisions in respect of a number of employment issues, including pensions, are discussed.

Policy on communication with the Pensions Committee

Our objectives with regard to communication with the Pensions Committee are:

- to ensure they are aware of their responsibilities in relation to the scheme
- to seek their approval to the development or amendment of discretionary policies, where required
- to seek their approval to formal responses to government consultation in relation to the scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Training sessions	Face to face	When new Pension Committee and as and when required	Face to face or via the Employers Organisation for local government	All members of the Pension Committee
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All members of the Pension Committee
Pensions Committee Meetings	Meeting	Quarterly	Email or hard copy	All members of the Pension Committee

Explanation of communications

Training Sessions – providing a broad overview of the main provisions of the LGPS, and elected member's responsibilities within it.

Briefing papers – a briefing that highlights key issues and developments to the LGPS and the Fund.

Pensions Committee meetings - a formal meeting of elected members, attended by senior managers, at which local decisions in relation to the scheme (policies, etc) are taken.

Policy on communication with the Elected Members of Cornwall Council

Our objective with regard to communication with the elected members of Cornwall Council is:

- to ensure they are aware of the activities and decisions made by the Pensions Committee

Our objective will be met by providing the following communications:

Method of Communication	Media	Frequency of issue	Method of distribution	Audience group
Headline report	Paper based and electronic	6 weekly	Email or hard copy	All elected members of Cornwall Council

Policy on communication with pension section staff

Our objectives with regard to communication with pension section staff are:

- ensure they are aware of changes and proposed changes to the scheme
- to provide on the job and external training opportunities to all staff
- to develop improvements to services, and changes to processes as required

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Face to face training sessions	Face to face	As required	By arrangement	All
Staff meetings	Face to face	Monthly	By arrangement	All
Administration procedure guide	Internally provided	As and when required	By email, paper based	All
Attendance at seminars	Externally provided	As and when advertised	By email, paper based	All
Software User Group meetings	Face to face	quarterly	By email, paper based	Senior Administrators
Regional Officer group meetings	Face to face	quarterly	By email, paper based	Pensions/ Assistant Manager

Explanation of communications

Face to face training sessions – which enable new staff to understand the basics of the scheme, or provide more in depth training to existing staff, either as part of their career development or to explain changes to the provisions of the scheme and software updates.

Staff meetings – to discuss any matters concerning the local administration of the scheme, including for example improvements to services or timescales

Attendance at seminars – to provide more tailored training on specific issues.

Software User Group meetings – to discuss any issues concerning the computer software used to administer the scheme, including future upgrades and improvements.

Regional Officer Group meetings – quarterly meetings with senior officers from other South West local authorities to discuss administration matters including, latest government guidance and other topical issues.

Policy on communication with tax payers

Our objectives with regard to communication with tax payers are:

- to provide access to key information in relation to the management of the scheme
- to outline the management of the scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Pension Fund Report and Accounts	Paper based and on Pension Fund website	Annually	Post and email	All, on request
Pensions Committee Papers	Paper based and pension website	As and when available	Post	All, on request

Explanation of communications

Pension Fund Report and Accounts – details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Pensions Committee Papers - a formal document setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

Policy on communication with the media

Our objectives with regard to communication with the media are:

- to ensure the accurate reporting of Fund valuation results, the overall performance of the Fund and the Fund's policy decisions against discretionary elements of the scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Press releases	Paper based or electronic	As and when required for other matters	Post or email	Local press

Explanation of communications

Press releases – provide statements setting out the Fund's opinion of the matters concerned (i.e . Fund valuation results).

Policy on communication with other stakeholders/interested parties

Our objectives with regard to communication with other stakeholder/ interested parties are:

- to meet our obligations under various legislative requirements
- to ensure the proper administration of the scheme
- to deal with the resolution of pension disputes
- to administer the Fund's Additional Voluntary Contribution (AVC) scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of issue	Method of distribution	Audience group
Pension Fund valuation reports • R&A certificates • Revised R&A certificates • Cessation valuations	Paper based/ Electronic	Every three years or as required	Post or email	Department for Communities and Local Government (DCLG)/Her Majesty's Revenue and Customs HMRC)/all scheme employers
Details of new employers entered into the Fund	Hard copy	As new employers are entered into the Fund	Post	DCLG/HMRC
Formal resolution of pension disputes	Hard copy or electronic	As and when a dispute requires resolution	Via email or post	Scheme member or their representatives, the Pensions Advisory Service/ the Pensions Ombudsman
Completion of questionnaires and/ or consultations	Electronic or hard copy	As and when required	Via email or post	DCLG/HMRC/the Pensions Regulator
AVC Annual Benefit statements	Paper based	Annually	Post	Scheme member

Explanation of communications

Pension Fund Valuation Reports – a report issued every three years containing the Rates & Adjustment (R&A) Certificate setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three year period commencing one year from the valuation date. Cessation valuation detailing any surplus or deficit where an employer ceases to participate in the pension fund.

Details of new employers – a legal requirement to notify both organisations of the name and type of employer entered into the Fund (i.e. following the admission of third party service providers into the scheme).

Resolution of pension disputes – a formal notification of pension dispute resolution, together with any additional correspondence relating to the dispute.

Completion of questionnaires/consultations – various questionnaires that may be received, requesting specific information in relation to the structure of the LGPS or the make up of the Fund. Consultations on proposed changes to LGPS Regulations.

AVC Annual Benefit statements – statements received from insurance companies, information loaded onto administration database and paper copy forwarded to scheme member.

Performance measurement

So as to measure the success of our communications with active, deferred and pensioner members, we will use the following methods:

Timeliness

We will measure against the following target delivery timescales:

Communication	Audience	Statutory delivery period	Target delivery period
Summary Scheme booklet	New joiners to the LGPS	Within two months of joining	Within four weeks of joining the LGPS
Annual Benefit Statements as at 31 March	Active and deferred members	Within 12 months	31 October each year
Telephone calls	All	Not applicable	95% of phone calls to be answered within 30 seconds
Issue of retirement benefits	Active and deferred members retiring	Within two months of retirement	95% of retirement benefits to be issued within 10 working days of retirement
Issue of deferred benefit details.	Leavers	Within two months of withdrawal	Within one month of receiving notification.
Transfers in	Joiners/active members	Within two months of request	Within one month
Issue of forms i.e. expression of wish	Active/Deferred/ Pensioners members	N/A	Within five working days of request
Changes to scheme rules	Active/deferred and pensioner members, as required	Within two months of the change coming into effect	Within two months of change coming into effect
Annual Pension Fund Report and Accounts	All	Within 8 months of scheme year end.	Within five working days of request

Quality

Audience	Method	To consider	Notes
Active and deferred members	Feedback from annual benefit statements	All services	-
All member types	Administration software performance statistics based on completion of specific tasks and procedures	Performance targets achieved for each specific administration procedure	Procedure performance figures obtained for various benefit calculations i.e.: retirements new starts and transfers in transfers out deferred leavers
All member types	Employee Relations Group meeting on quarterly basis	All services and identify improvement areas/new services	Representative group of all member types. To include union representatives.
Employers	Focus Groups and Annual General Meeting	Their issues	Regular feedback sessions.

Results

Details of the software performance figures are reported on a quarterly basis. Feedback is received from the Assistant Head of Finance (Treasury and Pensions) and from the various focus/discussion groups.

Review Process

We will review our communication policy to ensure it meets audience needs and regulatory requirements at least every three years. A current version of the policy statement will always be available on our website www.cornwallpensionfund.org.uk and paper copies will be available on request.

If you would like this information
in another format or language please contact:

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