

Summary Report and Accounts 2007/2008

Introduction

The purpose of this leaflet is to inform current members, pensioners and past contributors who belong to the Cumbria Local Government Pension Scheme about its investment performance and management during the year ended 31st March 2008.

Investment of Funds

The Scheme is a 'funded pension scheme' which means funds are set aside to meet future retirement needs. Eight external fund managers invest these funds.

Each manager is set a specific performance target to be achieved without exposing the fund to excessive risk. Responsibility for the overall direction of the investment policy rests with the Cumbria Pension Committee, whose current membership is shown overleaf.

Investment News

Cumbria's New Strategy Weathers Stormy Markets

During a year of volatility in the investment markets, which left many funds with negative performance, the Cumbria fund benefited from a diversified approach and increased in value by £17 million to £1,195 million at 31st March 2008.

The investment return achieved by the fund for the year was +0.7%, above the scheme-specific benchmark of -0.2%. This was lower than the previous year's return of 6.7% but compares well with the WML Local Authority Universe, which had an average return of -2.8% over 12 months, giving Cumbria a ranking of 7th out of 100.

The fund's return is 5.6% per year over 10 years.

Following its strategy review, the Pension Committee appointed three new managers and a new, more diversified investment asset structure is now fully in place. The new managers have had a positive effect on performance for the second half of 2007/08, and the split of the investments across different asset classes has helped prevent the fund being over exposed to the turbulent equity market.

The fund is invested as follows:	£million	%
UK Equities	£302	26
Overseas Equities	£288	24
Fixed Interest Bonds	£233	20
Index-Linked Bonds	£122	10
Property	£87	7
Alternatives and Cash	£157	13
TOTAL FUND	£1,189	

Accounts for the year ended 31 March 2008

2006/07 £000's	Fund Account	2007/08 £000's
66,535	Pension contributions	69,302
(50,900)	Pensions/benefits paid	(53,394)
(944)	Administrative expenses	(921)
14,691	Net addition from members	14,987
26,192	Investment income	28,304
46,538	Change in market value	(22,081)
(2,717)	Investment mgt expenses	(3,886)
70,013	Net return on investment	2,337
84,703	Net change in fund	17,324
1,092,881	Opening net assets	1,177,584
1,177,584	Closing net assets	1,194,908

2007 £000's	Net Asset Statement at 31 March	2008 £000's
1,170,148	Investments at market value	1,189,325
4,183	Administering authority net current assets	5,375
1,177,584	Total	1,194,908

Investment Fund Managers

Fund Managers

- Black Rock Investment Management
- BNY Mellon Asset Management
- Credit Suisse Property Investment Mgt
- GMO UK Limited
- Insight Investments
- Legal and General Investment Management
- Newton Investment Management Limited
- Schroder Investment Management Ltd
- Custodian - State Street Bank and Trust

Pensions Benefits

All the benefits are guaranteed by law and do not depend on the investment returns actually received.

The Local Government Pension Scheme nationally has undergone a major review of benefit and funding options to ensure local government bodies continue to provide an attractive pension scheme which is sustainable and affordable going into the future. On average people are living a lot longer than they used to, so Government has tried to address the increased financial strain in the new scheme.

The new scheme came into force in April 2008, remaining a final salary scheme with a normal retirement age of 65. Some of the changes include an accrual rate of 1/60th, tiered employee contribution rates, new lump-sum options, and a revised ill-health package. All benefits existing from contributions into the scheme up until the changes are protected at the old scheme's benefit terms.

All members should have received a copy of 'Pensions News', the pensions newsletter from the Pensions Administration team detailing the changes more thoroughly. Further details are available on the website: www.cumbriapensions.org.uk or from the Pension Admin Team, Capita Hartshead, Kingmoor Park, Carlisle CA6 4SJ (01228) 673696

Cumbria Pension Committee

Elected Members of Cumbria County Council and the District Councils perform duties similar to trustees as members of the Pensions Committee. They met seven times in 2007/08 to decide investment strategy and review performance, and are advised by Independent Advisers and Council officers.

County Council Elected Members

Councillor Simon Leyton (Chairman)
Councillor Alan Barry
Councillor Ronnie Calvin
Councillor Stan Collins
Councillor Jeff Garnett
Councillor Clive Kitchen
Councillor Bert Richardson
Councillor Ernie Wilson

District Council Elected Member

Councillor Sydney Simpson

Trades Union Non-Voting Member

Ms Jean Pennie

Independent Advisers

Mr Tim Gardener, Mercer Limited
Mr Alistair Sutherland, Deloitte

Membership

The Cumbria Local Government Pension Scheme is open to all employees (except teachers, police officers and fire fighters who have separate pension arrangements).

The LGPS is a valuable part of the pay and reward package, is employer subsidised and provides a secure future pension income.

At the 31st March 2007 valuation there were over 16,500 active members, 10,500 pensioners and dependants receiving benefits, and over 11,500 preserved pensions.

Actuarial Valuation

In order to make sure the Scheme is able to meet all its present and future pension commitments, a valuation is made by the Actuary every three years. The scheme employers pay the balance of the cost of providing benefits after taking into account the investment returns. Employers' contribution rates are then set at the appropriate level for at least the next three years following the Actuarial Valuation.

The latest Actuarial Valuation was carried out at 31 March 2007. This showed that the assets covered 81% of liabilities (76% at March 2004), which is higher than the average funding level for shire counties schemes. The value of the Fund assets as at 31st March 2007 had increased to £1,178 million from £788 million at 31st March 2004.

The County Council's contribution rate has been set at 18.6% (16.4% in 2007/8 rising by 1.1% in 2008/9 and 2009/10). The 18.6% can be compared to the average contribution rate for the English Shire Counties of 19.5%. The Administering Authority monitors the progress of the funding strategy between full actuarial valuations. The next full Actuarial Valuation will take place as at 31st March 2010.

Actuary - Mr C.R. Hull FIA, of Mercer Human Resource Consulting

The Pension Scheme

The Cumbria LGPS is administered by Cumbria County Council to provide retirement benefits for employees of the local authorities of the County and other bodies, a total of 77 employers, including:

- Cumbria County Council
- Allerdale Borough Council
- Barrow Borough Council
- Carlisle City Council
- Copeland Borough Council
- Eden District Council
- South Lakeland District Council
- Cumbria Police Authority (Civilians)

Further Information

The full, published version of the Cumbria Local Government Pension Scheme Annual Report 2007/2008 is available on the Council's website:

cumbriacc.gov.uk/Finance

Copies of this, and a large print version of this leaflet, are available from:

Cumbria County Council, Finance, Lonsdale Building, The Courts, Carlisle CA3 8NA (01228) 226565.

Specific pensions queries should be directed to:
Pensions Admin, Capita.