

Summary Report and Accounts 2008/09

Introduction

This leaflet informs current members, pensioners and past contributors about Cumbria Local Government Pension Scheme's investment performance and management during the year ended 31st March 2009.

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 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

Strategy helps protect Cumbria from unprecedented market falls

Despite a poor year for pension funds globally, the benefits that members of the LGPS receive are determined and regulated nationally so a reduction in investment assets would not affect any member's pension. The Fund has a well-diversified investment strategy, holding many asset classes in addition to shares (equities). Although the equity markets experienced significant losses in 2008's market turmoil, share prices are expected to recover over the long-term.

The investment return achieved by the fund of -18% for the year was a reflection of market conditions. Although disappointing, the Fund outperformed the average local authority return of -20%. The Fund return over three years is -4% per year, and over ten years is +3% per year placing the Cumbria Scheme 7th out of 100 in the local authority universe.

The Fund has a new, more diversified investment asset structure in place. The range of investments across different asset classes has helped prevent the Fund being over exposed but managers' performance has been mixed.

The Fund is invested as follows:	£million	%
UK Equities	£251	26
Overseas Equities	£247	25
Fixed Interest Bonds	£185	19
Index-Linked Bonds	£104	11
Alternatives and Cash	£130	13
Property	£63	6
TOTAL INVESTMENTS	£980	

Accounts for the year ended 31 March 2009

2007/08 £millions	Fund Account	2008/09 £millions
69.3	Pension contributions	69.6
(53.4)	Pensions/benefits paid	(54.9)
(0.9)	Administrative expenses	(1.0)
15.0	Net addition from members	13.7
28.3	Investment income	32.1
(22.1)	Change in market value	(245.0)
(3.9)	Investment mgt expenses	(3.2)
2.3	Net return on investment	(216.1)
17.3	Net change in fund	(202.4)
1,177.6	Opening net assets	1,194.9
1,194.9	Closing net assets	992.5

2008 £millions	Net Asset Statement at 31 March	2009 £millions
1,189.5	Investment Assets	985.3
5.4	Administering authority net current assets	7.2
1,194.9	Total	992.5

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.

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 five times in 2008/09 to review performance and investment strategy, and are advised by Independent Advisers and Council officers. The following Committee served until the elections in June 2009.

County Council Elected Members	District Council Elected Member
Councillor Simon Leyton (Chairman)	Councillor Sydney Simpson
Councillor Alan Barry	
Councillor Ronnie Calvin	Trades Union Non-Voting Member
Councillor Stan Collins	Ms Jean Pennie
Councillor Jeff Garnett	
Councillor Clive Kitchen	Independent Advisers
Councillor Bert Richardson	Mr Tim Gardener, Mercer Limited
Councillor Ernie Wilson	Mr Alistair Sutherland, Deloitte

Cumbria Pensions Forum

Cumbria Pensions Forum meet to inform and consult with employing organisations, employees and pensioner representatives.

To raise issues with your Forum representative, please contact your employer, or Member Services susan.johnston@cumbriacc.gov.uk

Membership

The Cumbria Local Government Pension Scheme is open to all employees of the County Council and other employers (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 funded by employer and employee contributions and provides a secure future pension income.

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

Actuarial Valuation

To ensure the Scheme is able to meet all its present and future pension commitments, the Actuary carries out a valuation 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 31st 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 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 John Livesey 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 80 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 Cumbria Local Government Pension Scheme Annual Report and Accounts 2008/2009 is available on the Council's website:

cumbriacc.gov.uk/finance

Copies of this, and a large print version of this leaflet, are available by writing to:

**Cumbria County Council,
Finance, Lonsdale Building,
The Courts, Carlisle CA3 8NA**

Specific pensions queries should be directed to:

**Pensions Admin Team,
Capita Hartshead,
Kingmoor Park, Carlisle CA6 4SJ
Tel (01228) 673696**