

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

SCHEME POLICY DOCUMENT

CONTENTS

	PAGE
1. INTRODUCTION	1
2. GOVERNANCE POLICY STATEMENT	3
3. ADMINISTRATION & COMMUNICATIONS POLICY	10
4. STATEMENT OF INVESTMENT PRINCIPLES	12
5. CASH INVESTMENT POLICY	22
6. FUNDING STRATEGY STATEMENT	23
7. ADMISSIONS AND TERMINATION POLICY	34
8. DISCRETIONS POLICY	44

Amended September 2011

1 INTRODUCTION

The Cumbria Local Government Pension Scheme is part of the Local Government Pension Scheme. The scheme is a funded pension scheme, which means that funds are set aside to meet future retirement needs of scheme members. The scheme is a statutory pension scheme governed by the Superannuation Act 1972 and the Local Government Pension Scheme Regulations 2007. Under these regulations Cumbria County Council is required to provide an administration service for the scheme within the geographical area of Cumbria.

The County Council administers the pension scheme on behalf of the majority of local government employees in Cumbria, further and higher education colleges, some voluntary and other non-profit making organisations, and a number of 'Admitted Bodies', i.e. organisations that have entered into an admission agreement with the County Council to participate in the Pension Fund.

The scheme is open to all local government employees within the County who are not covered by alternative pension arrangements. The main categories of employees covered by alternative arrangements are teachers, Fire Service uniformed personnel and police officers.

1.1 Governance

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

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

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

The purpose of each is summarised as follows:

Governance Policy Statement – sets out the roles and responsibilities, describes risk management, and reports compliance against a set of best practice principles.

Administration Strategy & Communications Policy – details the formal arrangements for pensions and benefits administration for the Scheme, and the communications with members, employers and pensioners.

Statement of Investment Principles – details how the fund's assets are invested, the fund managers and benchmarks, and the fund's compliance with Myners Principles.

Cash Investment Policy – the management of the pension fund cash, bank account and investment of surplus cash.

Funding Strategy Statement – identifies how the Scheme's pension liabilities will be funded in the longer term and addresses solvency issues.

Admissions and Termination Policy – details the policy on employer admissions and the methodology on cessation from the Scheme.

1.2 Cumbria Pensions Committee

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

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

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

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

1.3 Cumbria Pensions Forum

The Cumbria Pensions Forum has been set up to seek the views of the representative bodies, employees and pensioners and discuss items of common interest in relation to pensions.

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

2 GOVERNANCE POLICY STATEMENT – MARCH 2011

This current version of the Governance Policy Statement was presented to the Pensions Committee for approval at the Pensions Committee held on 1 March 2011.

2.1 Terms of Reference of the Pensions Committee

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

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

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

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

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

- (a) To exercise the Council's responsibility as administering authority for the management of Cumbria Local Government Pension Scheme (the “Pension Fund”).
- (b) To appoint the Investment Manager(s) for the Pension Fund.
- (c) To approve advice to the Investment Managers on future policy for the investment of the Pension Fund.
- (d) To submit the Accounts to the Audit and Assurance Committee for approval.
- (e) To communicate with the other employers of the Scheme.
- (f) To submit update reports to the Council on the state of the Fund and investment activities following meetings of the Committee.
- (g) To invite appropriate professional representation as required, affecting the general management of the scheme.

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

All meetings have proper agendas, records and minutes. Each quarter the Pensions Committee reports to full County Council on the activities and decisions of the last quarter (including any meetings of the Pensions Forum). Training in current pension topics is given internally and externally. Training is also provided for the Pension Forum members on an annual basis.

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

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

2.2 Terms of Reference of the Pensions Forum

The Constitution of the Cumbria Pensions Forum is:

Employers:

- | | | | |
|-----|--------------------|---|-----|
| (a) | County Council: | Nine Members | (9) |
| (b) | District Councils: | One member nominated by each Council (including member of the Pensions Committee) | (6) |
| (c) | Statutory Bodies: | Two member representatives | (2) |
| (d) | Admitted Bodies: | Three representatives | (3) |

Employees:

- | | | | |
|-----|--------------------|---|------|
| (a) | County Council | Eight employee representatives appointed by UNISON, of whom two shall be current pensioners | (8) |
| (b) | District Councils: | Two employees representatives for each District appointed by UNISON, together with two current pensioners | (14) |
| (c) | Statutory Bodies: | Two employee representatives | (2) |
| (d) | Admitted Bodies: | Three employee representatives | (3) |

The terms of reference of the Cumbria Pensions Forum are:

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

- | | |
|-----|--|
| (a) | Administration of pensions and information to employees and pensioners in Cumbria; |
|-----|--|

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

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

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

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

2.3 Corporate Director - Resources

The Corporate Director - Resources has:

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

2.4 Risk Management

The Pensions Committee considers risk management periodically. The latest review was at the Pensions Committee meeting held on 1 March 2011. The major risks facing the scheme are shown in the table below:

Pension scheme risks March 2011

No.	Risk	Impact	Likelihood	Overall Risk Rating
1	The fund deficit is unaffordable (Corporate Risk)	4	3 (5)	12
2	Significant financial downturn occurs – ‘1 in 20’ year event	4	3	12
3	Investment strategy insufficiently flexible to exploit market opportunities	3	4	12
10	Pressure due to significant reductions in scheme membership due to contribution increases	3	3	9
6	Market risk as a result of an investment failure which may be relatively small compared to the Fund overall but large in absolute terms	2	4	8
11	Risk of a legal challenge to the switch from RPI to CPI.	2	4	8
4	A loss occurs due to fraud or financial irregularity damaging the financial standing and reputation of the Scheme	2 (3)	3	6
7	Annual report and accounts criticised by Audit Commission	3	2	6
8	Pensions administration does not deliver effective service due to implementation problems when transferring to “My Pensions Service” from February 2011	3	2	6
9	Global epidemic	4	1	4

Risk matrix

Impact					
5. Most severe	amber	amber	amber	red	red
4. Major	9	amber	2 amber	red	1 red
3. Moderate		7, 8	4, 5	3 amber	amber
2. Minor				6	
1. Insignificant					
	1. Very unlikely	2. Unlikely	3. Possible	4. Likely	5. Very likely
					Likelihood

For all the risks shown above mitigation action has been identified and action taken. A progress report setting out details was also presented to the Committee.

2.5 Governance Compliance Statement

The Local Government Pension Scheme Regulations 1997 were amended on the 30 June 2007 (Regulation 73A(1)(c)) to require Administering Authorities to report the

extent of their compliance against a set of best practice governance principles published by Communities and Local Government (CLG).

<u>Principle</u>	<u>Compliance</u>	
Principle A – Structure	Not Compliant	Fully Compliant
<p>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.</p> <p>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.</p> <p>c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p> <p>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.</p>		<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>
Principle B: Representation	Not Compliant	Fully Compliant
<p>a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-</p> <p>i) employing authorities (including non-scheme employers, eg, admitted bodies);</p> <p>ii) scheme members (including deferred and pensioner scheme members),</p> <p>iii) independent professional observers, and</p> <p>iv) expert advisors (on an ad-hoc basis).</p> <p>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.</p>		<p>✓</p> <p>✓</p>
Principle C : Selection and role of lay members	Not Compliant	Fully Compliant

<p>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.</p> <p>b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda</p>		<p>✓</p> <p>✓</p>
<p>Principle D : Voting</p>	<p>Not Compliant</p>	<p>Fully Compliant</p>
<p>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.</p>		<p>✓</p>
<p>Principle E: Training facility time expenses</p>	<p>Not Compliant</p>	<p>Fully Compliant</p>
<p>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.</p> <p>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.</p> <p>c) That the administering authority considers the adoption of annual training plans for the committee members and maintains a log of all such training undertaken</p>		<p>✓</p> <p>✓</p> <p>✓</p>
<p>Principle F : Meeting frequency forum</p>	<p>Not Compliant</p>	<p>Fully Compliant</p>
<p>a) That an administering authority's main committee or committees meet at least quarterly.</p> <p>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.</p> <p>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.</p>		<p>✓</p> <p>✓</p> <p>✓</p>

Principle G : Access	Not Compliant	Fully Compliant
a) That subject to any rules in the council' constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.		✓
Principle H : Scope	Not Compliant	Fully Compliant
a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements		✓
Principle I : Publicity	Not Compliant	Fully Compliant
a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.		✓

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

3 ADMINISTRATION STRATEGY

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

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

3.1 External Administration Provider

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

This report will include:

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

Communications Policy

The external administration provider is contractually bound to:

- Provide a full explanatory guide for the pensions scheme, on commencement of employment or subsequent request from an individual employee. Issue a supply of brief guides to each employer (as required) for distribution to new employees with the contract of employment.
- Ensure all employers are informed of changes to relevant pensions legislation and advise on best practice (eg via seminars if necessary, and by providing an Employers Guide).
- Issue explanatory booklets and material upon request of employer or individuals.
- Provide and issue explanatory booklets on Additional Voluntary Contributions (AVCs) ensuring that these are accurate and up to date.
- Each year distribute to all AVC contributors the statement provided by the AVC provider.

- Each financial year-end arrange for a P60 form to be dispatched to all pensioners.
- Paper payslips will be provided to members in receipt of pensions when payment alters by over £5.00.
- Each year provide to all current scheme members a statement of benefits, with accompanying explanatory notes (in plain English and reflecting latest statutory position) and provide a telephone help line for queries.
- Distribute to the employing bodies a copy of the actuary's report and notify to each their specific employers contribution rate.
- Upon written request provide details of any aspect of relevant pension schemes including copies of legislation and interpretation.
- Upon request from groups of scheme members provide appropriate attendance at seminars (eg. pre retirement or induction course) and provide sessions on pension scheme aspects if required.
- Provide and maintain an up to date Employers' Guide to assist employing bodies perform their role in relation to administration of pension scheme matters.
- Provide a full help line (telephone) service to all past, present and future members of pension schemes, and to their employing bodies, to advise on all aspects. Maintain the Cumbria Local Government Pension Scheme website and update the contents as required.
- Produce Pension Newsletters as and when required to explain to members any change in the scheme (and in full compliance with statutory requirements)

The Administering Authority, Cumbria County Council, will:

- Prepare an Annual Report and Accounts. This will be distributed to all employers in the scheme and published on the Cumbria County Council website: <http://www.cumbria.gov.uk/Finance>.
- Prepare a members report annually, which will contain summary accounting detail and other relevant information. This will be distributed where practicable to all members of the pension scheme.
- Maintain a Statement of Investment Principles, keep it under review at least every year, and publish it. A Funding Strategy Statement will be produced every three years along with the Actuarial Valuation. Copies of the Actuarial Valuation and Funding Strategy Statement will be distributed to all employers who are members of the scheme.

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

4 STATEMENT OF INVESTMENT PRINCIPLES – MARCH 2011

4.1 Introduction

Administering Authorities have to prepare, maintain and publish Statements of Investment Principles under the Local Government Pension Scheme Management and Investment of Funds (Amendment) Regulations 2009.

The Statement of Investment Principles (SIP) outlines the Fund's investment strategy, and how the risk and return issues have been managed relative to the Fund's investment objectives. It should be read in conjunction with the Funding Strategy Statement (FSS) which sets out how solvency and risks will be managed with regard to the underlying pension liabilities. The SIP will be reviewed at least annually.

The SIP covers the following:

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

4.2 Background

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

The Cumbria Fund was restructured following a Strategic Investment Review in 2006, and further alternations to the investment structure were decided by the Pensions Committee in early 2010. The latest SIP was approved by the Pensions Committee held on 1 March 2011.

4.3 The investment objectives of the fund

- The very long-term objective is to achieve an investment return in the order of 6.5 % per annum (to match the actuary's long term assumptions for future service) over a twenty-five year period from April 2007. This target may be reviewed after periodic actuarial valuations and consultation with scheme employers.

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

4.4 Types of investments to be held

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

4.5 Balance between different types of investments

The fund employs seven managers to diversify the investment manager risk. The percentage allocated to each manager is reviewed periodically by the Pensions Committee, including a specific allocation to the property manager and the alternatives manager. The fund maintains long-term allocations to various asset classes, including property and alternatives.

The actual asset split of the Fund overall as at 31st December 2010 is shown below along with the benchmark allocation.

Asset Class	Benchmark Asset Allocation	Percentage as at 31/12/10
UK Equities	25	25
Overseas Equities	25	26
North American		
Europe ex UK		
Japan		
Pacific ex Japan		
Emerging Markets		
Fixed Interest		
UK Fixed Interest	6	8
Corporate Bonds	16	13
Fixed Interest total	22	21
Index-Linked	11	11
Alternatives	9	9
Property	8	6
Cash/debtors/creditors	0	2
TOTAL	100	100

4.6 Assets managed by pension fund investment managers

Manager	Percentage of total fund 31/12/2010	Mandate
Schroder (UK Equities)	13.3	To outperform the FTSE All Share Index by 1% after fees over rolling three-year periods.
Insight (Bonds)	9.7	To outperform by 0.75% after fees a weighted bond index over rolling three-year periods.
Newton (Global Equities)	12.3	To outperform the FTSE World index by 2% gross of fees over rolling three-year periods.
GMO (Overseas Equities)	13.3	To outperform by 2% after fees an overseas equity weighted index over rolling three-year periods.
BlackRock (Alternatives)	8.7	To achieve an absolute return of three month sterling LIBOR plus 3% net of fees on an annualised basis over rolling three year periods.
Legal and General Passive (Multi Asset) excluding property and alternatives	36.5	To keep tracking error within set limits per annum to the appropriate index, two years in three. (UK equities 2.0%, overseas equity 2.0%, gilts 1.0%, corporate bonds 1.0%, index-linked bonds 1.5%) Excludes property and alternatives.
Aberdeen (UK Property)	6.2	To outperform the IPD Quarterly Universe after fees over rolling three-year periods.
TOTAL	100.0	

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

4.7 The strategic benchmark

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

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

Further refinements to the strategic benchmark were decided by the Pensions Committee in March 2010. The customised benchmark in place at 31st December 2010, excluding the direct property allocation and alternatives portfolio, was as follows:

Asset Class	Percentage at 31/12/10	Control Range + or - %	Index
UK Equities	30	2.0	FTSE All Share
Overseas Equities North American Europe ex UK Japan Pacific ex Japan Emerging Mkts	30	2.0	FTSE World North America FTSE World Europe ex UK FTSE World Japan FTSE Developed Asia Pacific ex Japan S&P IFC Investable Composite
Fixed Interest UK Fixed Interest Corporate Bonds	7 19.5		FTSE-A Govt (Over 15 yr) iBoxx £ Non-Gilt
Fixed Interest total	26.5	2.0	
Index-Linked	13.5	1.5	FTSE-A Index-Linked (Over 5 year)
TOTAL	100.0		

4.8 Items managed outside the strategic benchmark

Property has a monetary target held separately from the strategic benchmark and compared to the IPD Monthly Property Index. The Pensions Committee decided in March 2010 that the allocation to property should be increased to around 8% of the Fund, funded from equity holdings. The portfolio at 31st December 2010 was £85.0 million. The alternatives portfolio managed by BlackRock is benchmarked against the LIBOR plus 3% and was valued at £118.9 million (31/12/10). Legal & General are engaged to passively hedge up to 50% of the overseas currency exposure.

4.9 Limits on investments

The powers and duties of the fund to invest monies are set out in the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2003. The amended regulations provide the opportunity to increase exposure to certain types of investments specified in Schedule 1 of the regulations where proper advice has been obtained.

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

1. Effective from 20 November 2007 and in accordance with Regulation 11(2A) and item 10 of Part 1 of Schedule 1 of the regulations, the limit on the amount invested in any single insurance contract is 35%. This allows increased flexibility to the fund in respect of passive investments.
2. Effective from 18 August 2009 and in accordance with Regulation 11(2A) and items 2 and 3 of Part 1 of Schedule 1 of the Regulations, the limit on all contributions to any single partnership is 3% (of total Fund) and the limit on all contributions to partnerships is 6% (of total Fund). The increased limits enable the Fund to implement its management structure at a time of falling asset values.

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

4.10 Risk

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

Risk is managed by diversification by:

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

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

Mercer have estimated the Value at Risk of the fund. The One-year Value at Risk of the fund (95th percentile) is the potential worst-case scenario (with a 5 % probability) increase in the deficit over a one-year period. The Value at Risk is estimated at £244 million as at 31 December 2010. (Funding review by Mercer)

4.11 Realisation of investments

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

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

4.12 Corporate Governance

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

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

The responsibility for the exercise of rights (including voting rights) attaching to investments is delegated to the investment managers who are expected to approach the subject of voting with the same care and attention as other matters which

The fund has a clear scheme of delegation and arrangements for provision of management and advice. Investment funds are managed by seven national or international organisations with offices in London.

The members of the Pensions Committee perform duties similar to private trustees and are elected councillors of the County Council and District Councils. The Members' Allowance Scheme operates for the remuneration of the Pension Committee.

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

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

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

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

Principle 2 : Clear Objectives	Not Compliant	Fully Compliant
<ul style="list-style-type: none"> 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. 		✓
<p>The investment objectives are detailed in the Statement of Investment Principles, and the Funding Strategy Statement details the funding objectives. Both are updated as required. The fund has its own investment benchmark although regard is paid to the Local Authority Universe allocation to comply with Best Value methodology. The fund's liability profile will normally be considered in relation to its benchmark every three years, with annual interim reviews.</p> <p>All fund managers have clear written mandates, governed by the Fund's strategic objectives and Pension Investment Regulations, and are reviewed regularly by officers and the Pension Committee.</p> <p>Performance contribution is reviewed quarterly and there is a detailed annual review of performance. The Fund operates on a three-year rolling review approach with regular fund manager presentations to the Pensions Committee on performance. Over the last six years, three managers have been terminated or replaced for under-performance.</p> <p>All significant investment opportunities are considered and taken where appropriate. Stock Lending was approved during 2004.</p>		
Principle 3 : Risk and Liabilities	Not Compliant	Fully Compliant

<ul style="list-style-type: none"> • 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. 		<p>✓</p> <p>✓</p>
<p>Strategic asset allocation receives a high level of attention and a full strategy review is undertaken every three years following the Actuarial Valuation. The Actuarial Valuation considers longevity risk and the affordability of contribution rates for the County Council, District Councils and other employers of the Scheme, taking a prudent longer-term view of funding the liabilities.</p>		
<p>Principle 4 : Performance Assessment</p>	<p>Not Compliant</p>	<p>Fully Compliant</p>
<ul style="list-style-type: none"> • Arrangements should be in place for the formal measurement of the performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members. 		<p>✓</p> <p>✓</p>
<p>The fund carries this out through the performance measurement service supplied by SSIA/WM Company. Investment performance is reported to the Pension Committee each quarter, and at an Annual Performance Review with SSIA/WM Company. The Pensions Committee members are surveyed for their views on quality of advice given by the Investment Advisers. Effectiveness of Pension Committee decisions, such as strategy and manager selection, is discussed in the Annual Report and Accounts.</p>		
<p>Principle 5 : Responsible Ownership</p>	<p>Not Compliant</p>	<p>Fully Compliant</p>
<p>Administering authorities should:</p> <ul style="list-style-type: none"> • adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. • include a statement of their policy on responsible ownership in the Statement of Investment Principles; and • report periodically to scheme members on the discharge of such responsibilities. 		<p>✓</p> <p>✓</p> <p>✓</p>

Principle 6 : Transparency and Reporting	Not Compliant	Fully Compliant
<p>Administering authorities should</p> <ul style="list-style-type: none"> • act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives; and • provide regular communication to members in the form they consider most appropriate. 		<p>✓</p> <p>✓</p>
<p>The Statement of Investment Principles (SIP) sets out</p> <ul style="list-style-type: none"> • The Fund’s investment objective, • The Fund’s planned asset allocation strategy, • Mandates given to advisors and managers. <p>The SIP is included in the Fund’s Annual Report; this is sent to all employers and is available on the County council’s website.</p> <p>All members of the fund also receive a summarised copy of the Annual Report in the form of a leaflet, sent directly to them.</p> <p>Investment performance is included in the Annual Report. Adviser performance measurement will be included.</p> <p>The Cumbria Pensions Forum meets to inform and consult on wider pensions issues; the members receive the Annual Report, and have access to the public Pension Committee papers.</p> <p>The Pension Committee Minutes and Agenda are available on the County Council website.</p> <p>The Annual Report and Members’ Report are also placed on the Council’s website.</p>		

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

5 CASH INVESTMENT POLICY – MARCH 2011

5.1 Introduction & Regulations

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

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

5.2 Management of Pension Fund Cash

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

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

5.3 Cash Investment Priorities

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

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

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

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

5.4 Investment and Counterparty Choice

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

restricted to those with creditworthiness satisfying the Council's own Treasury Management criteria.

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

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

5.5 Investment Strategy for Pension Fund Cash

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

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

5.6 Role of the Section 151 Officer

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

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

5.7 Review of Policy

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

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

6 FUNDING STRATEGY STATEMENT (FSS) – MARCH 2011

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

6.1 Introduction

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

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

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

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

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

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

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

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

6.2 Purpose of the FSS in policy terms

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore

determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is:

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

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

6.3 Aims and purpose of the Pension Fund

The aims of the Fund are to:

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

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses,

as defined in the Local Government Pension Scheme Regulations 2008 (as amended) and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

6.4 Responsibilities of the key parties

The Administering Authority should:

- collect employer and employee contributions;
- invest surplus monies in accordance with the Regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the Fund's actuary;

- prepare and maintain an FSS and a SIP, both after due consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding and amend the FSS/SIP as and when appropriate.

The Individual Employer should:

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

The Fund actuary should:

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

6.5 Solvency Issues and Target Funding Levels

6.5.1 *The funding objective*

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

6.5.2 *Determination of the funding target and recovery period*

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

Underlying these assumptions are the following two tenets:

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

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

approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole.

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

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

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

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

6.5.3 Deficit recovery plan

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

Additional contributions will be expressed as lump sum £ amounts.

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

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

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

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

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

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

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

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

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

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

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

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

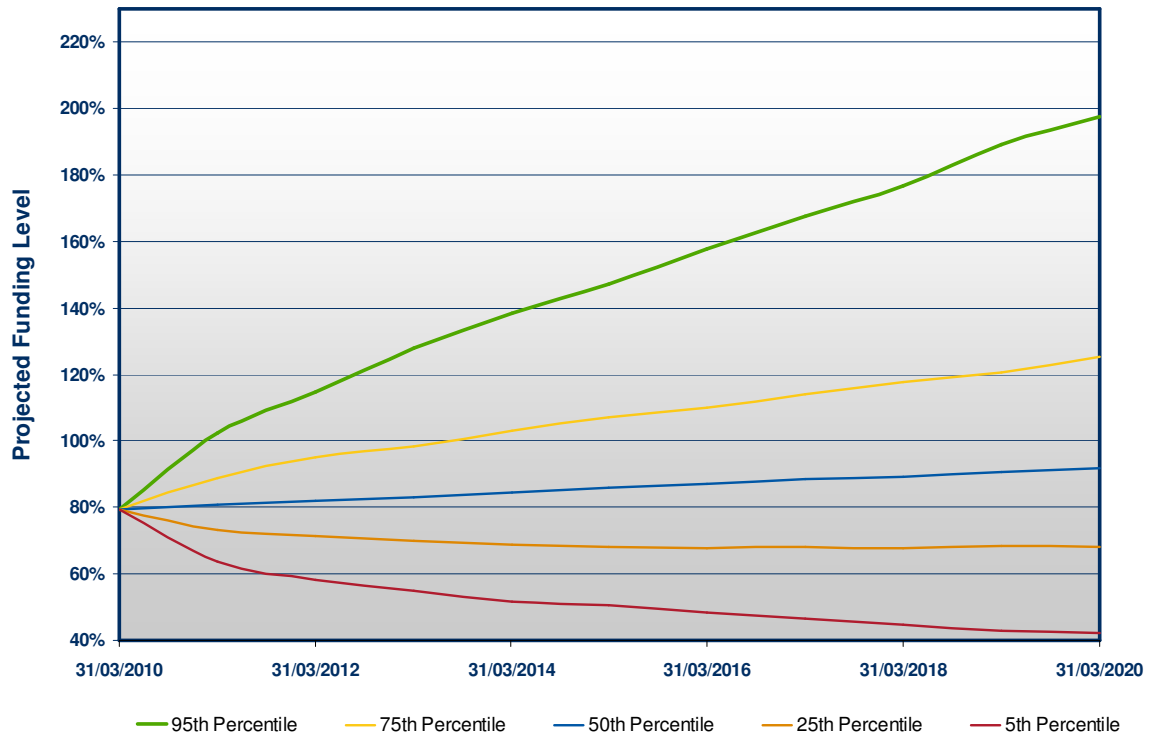
The funding strategy adopted for the 2010 valuation is based on an assumed asset out-performance of 2% in respect of liabilities pre-retirement, and 1% in respect of post-retirement liabilities. Based on the liability profile of the Fund at the valuation, this equates to an overall long-term asset out-performance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

6.7 Identification of risks and counter-measures

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

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

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



The CIPFA guide identifies the following key risks:

Financial

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

Demographic

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

Regulatory

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

Governance

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

Further details concerning the governance of the fund can be found in the Scheme's Governance Policy Statement, which is included in the Cumbria LGPS Annual Report and Accounts, and is available on-line at www.cumbria.gov.uk/Finance.

6.8 Monitoring and Review

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

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

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

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

6.9 Method used in calculating the funding target and recovery plan

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

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

6.10.1 *Investment return (discount rate)*

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

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

6.10.2 Individual Employers

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

6.10.3 Inflation (Consumer Prices Index)

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

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

6.10.4 Salary increases

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

6.10.5 Pension increases

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

6.10.6 Mortality

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

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

6.10.7 Commutation

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

6.10.8 Other demographics

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

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

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

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

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

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

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

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

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

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

Demographic assumptions

The mortality tables adopted for this valuation are as follows:

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

Female dependants	S1DFA CMI_2009_F [1%]	103%
Male future dependants	S1PMA CMI_2009_M [1%]	105%
Female future dependants	S1DFA CMI_2009_F [1%]	99%

Other demographic assumptions are noted below:

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

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

7 ADMISSION & TERMINATION POLICY STATEMENT - AUGUST 2010

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

A – ADMISSIONS POLICY

7.1 Admissions – Background

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

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

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

Admission bodies are divided into two basic types under the Regulations:-

- (a) Community admission bodies;
- (b) Transferee admission bodies.

7.2 Community Admission Bodies

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

The following are community admission bodies:-

- a body, other than the governors or managers of a voluntary school (within the meaning of the School Standards and Framework Act 1998), which provides a public service in the United Kingdom otherwise than for the purposes of gain and which either—
 - (a) has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are

dependent on the operations of the Scheme employer or otherwise), or

- (b) is approved by the Secretary of State for the purposes of admission to the Scheme. Approval may be subject to such conditions as the Secretary of State thinks fit and he may withdraw approval at any time if such conditions are not met;
- a body, other than the governors or managers of a voluntary school, to the funds of which a Scheme employer contributes;
 - a body representative of—
 - (a) local authorities;
 - (b) local authorities and officers of local authorities;
 - (c) officers of local authorities where it is formed for the purpose of consultation on the common interests of local authorities and the discussion of matters relating to local government; or
 - (d) Scheme employers;
 - the Housing Corporation;
 - the Commission for the New Towns;
 - a company for the time being subject to the influence of a local authority (within the meaning of section 69 of the Local Government and Housing Act 1989 (companies subject to local authority influence)); and
 - a company for the time being subject to the influence of a body listed in Part 1 of Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2008 (other than a local authority). For the purpose of determining whether a company is subject to the influence of a body as mentioned in paragraph (2)(g), section 69 of the Local Government and Housing Act 1989 shall have effect as if references in that section to a local authority were references to the body.

7.3 Transferee Admission Bodies

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

- a body, other than a community admission body, that is providing or will provide
a service or assets in connection with the exercise of a function of a Scheme employer as a result of—
 - (a) the transfer of the service or assets by means of a contract or other arrangement;
 - (b) a direction made under section 15 of the Local Government Act 1999 (directions imposed on failing local authority); or
 - (c) directions made under section 497A of the Education Act 1996 (directions imposed on a failing LEA).

- a body, other than a community admission body, that is providing or will provide a public service and which is approved by the Secretary of State for the purposes of admission to the Scheme. Approval may be subject to such conditions as the Secretary of State thinks fit and he may withdraw approval at any time if such conditions are not met.

7.4 Admissions Policy Statement

7.5 *Community Admission Bodies*

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

- (a) Applications will be approved if all the conditions of participation set out in the appendix are met and;
- The body exists as a result of being specifically set up by a local authority(s).
 - The body falls into the category of “community” admission highlighted within section 1 and does not have any of the disqualifying criteria set out below.
- (b) Applications will not be approved if;
- The application falls into the “community” admission category and the body has one or more of the following disqualifying criteria attached to it:-
 1. the body does not meet the conditions of participation detailed at the appendix; or
 2. there is no guarantee from a local authority, or bond or indemnity (from an appropriate third party and to the satisfaction of the administering authority) in place to cover potential liabilities, or the admission body will not pre-fund for termination with contributions assessed using the least risk methodology and assumptions. (the administering authority on advice from the actuary will determine the most appropriate method described in (2.) to cover potential liabilities) ; or
 3. there is a known limited lifespan or fixed contract term of admission to the fund; or
 4. there is uncertainty over the security of the organisations funding sources e.g. the body is reliant on voluntary or charitable sources of income or has no external funding guarantee/reserves.
 5. In exceptional circumstances the admission body's application may be refused without the existence of any disqualifying criteria.
 6. In exceptional circumstances, applications with disqualifying criteria may nevertheless be accepted, at the discretion of the administering authority, subject to any further requirements or restrictions that the administering authority may consider appropriate.

7.6 *Transferee Admission Bodies*

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

- (a) Applications will be approved if all the conditions of participation set out in the appendix are met and;
- The body falls into the category of “transferee admission body” highlighted in section 1 and does not have any of the disqualifying criteria set out below.
- (b) Applications will not be approved if;
- The application falls into the “transferee” admission category and the body has one or more of the following disqualifying criteria attached to it:-
 1. the body does not meet the conditions of participation detailed at the appendix; or
 2. There is no bond or indemnity (of the amount determined to the satisfaction of the transferring Scheme employer in conjunction with the administering authority) in place to cover potential liabilities as detailed in the relevant actuarial assessment.
 3. The transferring scheme employer is a participating employer within another LGPS Fund.

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

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

B – TERMINATION FUNDING POLICY

7.7 Termination Funding – Background

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

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

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

7.8 Termination Funding – Policy Statement

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

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

- Community Admissions

If potential liabilities are covered by a bond, then the amount of those liabilities will be recovered from the bond and/or the outgoing admission body.

Where a guarantor is in place all assets, liabilities and any funding deficit (not recovered from the outgoing body) will be subsumed by that guarantor assuming that they are also a Scheme employer within the Fund.

If there are surpluses at termination which cannot be refunded to the outgoing body then these will be subsumed by the Fund.

- Transferee Admissions

Transferee admission bodies generally will have a guarantor since the Regulations require that, in the event of any unfunded liabilities on the termination of the admission, the contribution rate for the relevant Scheme Employer should be revised.

On termination of a transferee admission, any orphan liabilities and the related assets in the Fund will be subsumed by the relevant Scheme Employer.

The Scheme Employer is required to carry out an assessment of the level of risk on premature termination of the contract. This assessment would normally be based on advice in the form of a “risk assessment report” provided by the actuary to the CLGPS. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the CLGPS the decision over the level (if any) of any bond requirement for the transferee admission body is the responsibility of the Scheme Employer.

- Older Admissions prior to 31 August 2010

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

Funding basis for termination calculations

The CLGPS policy is that a termination assessment will be made based on a least risk funding basis, unless the admission body has a guarantor within the Fund or a successor body exists to take over the admission body’s liabilities (including those for former employees) This is to protect the other employers in the Fund as, at termination, the admitted body’s liabilities will become “orphan liabilities” within the Fund, and there will be no recourse to the admission body if a shortfall emerges in the future (after the admission has terminated).

If, instead, the admission body has a guarantor within the Fund or a successor body exists to take over the admission body’s liabilities the CLGPS policy is that the valuation funding basis will be used for the termination assessment. In the case of admissions prior to 31 August 2010 where the employer is in danger of insolvency the Assistant Director-Finance may use their discretion to use the valuation basis and/or allow the deficit to be paid by instalments.

The guarantor or successor body (or the fund in respect of older admissions) will then, following any termination payment made, subsume the assets and liabilities of the admission body within the Fund. This may, if agreed by the successor body,

include the novation to the successor of any funding deficit on closure, in place of a termination payment being required of the admission body itself.

7.9 Notification of Termination

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

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

7.10 Admission & Termination Policy Appendix: Conditions of Participation

PAYMENTS

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

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

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

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

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

Where the Admission Body certifies that:

- an eligible employee is retiring by reason of redundancy or in the interests of efficiency; or
- an eligible employee is voluntarily retiring with the Admission Body's consent before age 60; or
- the deferred benefit of an eligible employee is brought into payment with the Admission Body's consent either (i) on or after age 55 and before age 60 where

they were a member of the LGPS on or before 31st March 2008; or (ii) on or after age 55 and before age 65 where they became a member on or after 1st April 2008;

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

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

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

ADMISSION BODY'S UNDERTAKINGS

The Admission Body undertakes:

- to provide or procure to be provided such information as is reasonably required by the Administering Authority relating to the Admission Body's participation in the Fund including (but not limited to) details of the pay and final pay of each eligible employee;
- to comply with the reasonable requests of the Administering Authority to enable it to comply with the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (as amended);
- to adopt the practices and procedures relating to the operation of the Scheme as set out in the Regulations and in any employer's guide published by the Administering Authority and provided by the Administering Authority to the Admission Body;
- to formulate and publish within 3 calendar months of commencement a statement concerning the Admission Body's policy on the exercise of its functions or discretions in accordance with the requirements of the Regulations and to keep such policy under review;
- to notify the Administering Authority of each occasion on which it exercises a discretion under the Regulations and the manner in which it exercises that discretion;
- to notify promptly the Administering Authority in writing of any material change in the terms and conditions of employment of any of the eligible employees which affects entitlement to benefits under the LGPS and of any termination of employment ;

- to immediately notify the Administering Authority and the Scheme employer in writing of any matter which may affect or is likely to affect its participation in the LGPS and of any actual or proposed change in its status which may give rise to a termination of the admission agreement or in the case of a transferee admission body which may give rise to a termination of the Contract between the admission body and the Scheme employer including but not limited to take-over reconstruction amalgamation liquidation receivership or a change in the nature of its business or constitution.

ACTUARIAL VALUATIONS

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

Upon termination of this Agreement the Administering Authority must obtain:

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

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

TERMINATION

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

This Agreement shall terminate automatically on the earlier of:

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

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

- the insolvency winding up or liquidation of the Admission Body;

- any breach by the Admission Body of any of its obligations under this Agreement provided that the Administering Authority shall if the breach is capable of remedy first afford to the Admission Body the opportunity of remedying that breach within such reasonable period as the Administering Authority may specify;
- the failure by the Admission Body to pay any sums due to the Administering Authority or to the Fund within the periods specified in this Agreement or in the Regulations or in any other case within 30 calendar days of receipt of a written notice from the Administering Authority requiring the Admission Body to do so;
- the failure by the Admission Body to renew or adjust the level of any bond/indemnity which is required to be in place.

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

8 DISCRETIONS POLICY - SEPTEMBER 2011

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

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

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

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

<u>Discretion</u>	<u>Regulation</u>	<u>Discretion Made By Cumbria County Council as Administering Authority</u>
Whether to agree to an admission agreement with a community body	A5(1) & A7(4)	Depending on circumstances, and only in accordance with the published Fund Admission Policy
Whether to approve / withdraw approval of a community admitted body under A5(2)(a)(ii)	A5(2)(a)(ii) & A5(3)	Exercised by Secretary of State
Whether to agree to an admission agreement with a transferee body	A6(1) & A6(10)(a) & A7(4)	Depending on circumstances, and only in accordance with the Fund Admission Policy
Define what is meant by "employed in connection with"	A6(12)	After taking guidance from the transferor employer, and in accordance with the Fund Admission Policy
Whether to approve / withdraw approval of a transferee admitted body under A6(2)(b)	A6(2)(b) & A6(4)	Exercised by Secretary of State
Agree terms of admission agreement	A7(2)	Exercised by all parties to the agreement
Whether to terminate a transferee admission agreement in the event of <ul style="list-style-type: none"> - insolvency, winding up or liquidation of the body - breach by that body of its obligations under the admission agreement - failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so 	ASch3, para 10	Yes as stated in termination policy. However in exceptional circumstances this may be varied.
Whether to set off against payments due to	ASch3, para	Exercised by Transferor Employer

a transferee admission body any sums due to the Fund by that body	12(b)	
Whether to agree to an admission agreement with a Care Trust or NHS Scheme employing authority	A12(6)	Depending on circumstances, and only in accordance with the Fund admission policy
Frequency of payment of member's contributions	B3(11)	The due date for employee contributions is the 19th of the month following the month in which they were deducted.
Whether to extend normal 12 month period following end of relevant reserve forces leave for "Cancelling notice" to be submitted requesting that the service should not be treated as relevant reserve forces service	A19(8)(b)	In exceptional circumstances
Agree method of paying for augmented membership granted under B12 or additional pension granted under B13	A40(2) & (4)	Augmented Pension will be paid for by means of a lump sum payment
Whether to extend the one month period within which a lump sum payment by the employer under A40(2) has to be made (to pay for any augmented membership granted under B12 or additional pension granted under B13)	A40(9)(b)	The invoice will be payable within one month of issue
Whether to require a satisfactory medical before agreeing to an additional regulation contribution (ARC) election or additional contributions for survivor benefits (ASBC) election under B14	A23(3) & A24(3)	Application from an employee will only be accepted if accompanied by a medical report provided by a registered medical practitioner stating that the employee is in reasonably good health. The employee must meet the cost of obtaining such a report.
Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC/SCAVC funds	A28(2)	Not to charge for work performed associated with the calculation of the membership credit for Additional Voluntary Contributions transfer into the Fund
Governance policy must state whether the admin authority delegates their function of part of their function in relation to maintaining a pension fund to a committee, a subcommittee or an officer of the admin authority and, if they do so delegate, state - the frequency of any committee or sub-committee meetings; - the terms of reference, structure and operational procedures appertaining to the delegation; - whether representatives of employing authorities or members are included and, if so, whether they have voting rights. The policy must also state the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the reasons for not complying.	A31*	A Governance Policy Statement was prepared and approved by the Pensions Committee held on 26 February 2008, with revisions approved on 1 March 2011.
Whether to set up a separate admission agreement fund	A32(1)	Not to set up a separate admission agreement fund
Decide on Funding Strategy for inclusion in	A35*	This was approved by the Pensions

funding strategy statement		Committee at the meeting held on the 1/2 March 2011
Whether to obtain revision of employer's contribution rate on termination of an admission agreement where underfunding not met by insurer, bond or indemnity	A38(3)	Only do this if advised to do so by the scheme actuary
Whether to obtain revision of employer's contribution rate with a view to ensure no underfunding by time admission agreement terminates	A38(4)	Only do this if advised to do so by the scheme actuary
Decide whether to obtain a new rates and adjustments certificate if the Secretary of State amends the Benefits Regulations as part of the "cost sharing" under A36A	A38A	Only do this if advised to do so by the scheme actuary
Whether to require any strain on Fund costs to be paid "up front" by employing authority following redundancy, flexible retirement, or the waiver (in whole or in part) of any actuarial reduction on flexible retirement (but not waiver of reduction in full on compassionate grounds). NB: there is no provision equivalent to that in regulation 80(5) of the 1997 Regulations which permits strain on Fund costs to be charged for early voluntary retirements (i.e. after age 50/55 and before age 60) or early payment of a deferred benefit on health grounds.	A41(2)	The strain on Fund costs to be paid up front following redundancy, flexible retirement, or waiver of any actuarial reduction on flexible retirement unless the Scheme Actuary advises otherwise.
Decide frequency of payments to be made over to Fund by employers and whether to make an admin charge.	A42(1) & (7)	The due date for employer contributions is the 19th of the month following the month to which they refer. Where invoices are issued for any payments the due date is one month from date of invoice. Administration charges are covered by the employer contribution rates.
Decide form and frequency of information to accompany payments to the Fund	A42(4)	Remittance advices required for all payments to the Fund.
Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	A43	Issue such a notice following advice by the scheme actuary
Whether to charge interest on payments by employers overdue by more than 1 month	A44(1)	The interest charge will be calculated in accordance with statutory requirements i.e. Base rate plus 1 %.
Extend time period for capitalisation of added years contract	TSch1 & L83(5)	Not to extend this time period
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	A45(3)	To adopt this
Can pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration	A52(2)	Requires Letters of Administration before it pays over death grant except in cases where a nomination form is held
Approve medical advisors used by employers (for ill health benefits)	A56(2)	To adopt this

Whether to extend six month period to lodge a stage one IDRPs appeal	A58(7)(b)	Exercised by Person Making stage one IDRPs decision
Decide procedure to be followed by admin authority when exercising its stage two IDRPs functions and decide the manner in which those functions are to be exercised	A60(8)	Procedure laid down
Whether admin. authority should appeal against employer decision (or lack of a decision)	A63(2)	Will decide this depending on the particular circumstances
Whether to extend six month period for admin. authority to lodge an appeal against an employer decision	A63(3)(b)	Exercised by Secretary of State
Specify information to be supplied by employers to enable admin. authority to discharge its functions	A64(1)(b)	The requirements for scheme employers have been laid down
Whether to have a written pensions administration strategy and, if so, the matters it should include	A65(1) & (2)	An administration strategy has been set out in the Governance Policy Statement
Communication policy must set out policy on communicating with members, representatives of members, prospective members and employing authorities and format, frequency and method of communications	A67*	A communications policy has been set out in the Governance Policy Statement
Date to which benefits shown on annual benefit statement are calculated	A68	To show benefits to the 1 st of April
Decide policy on abatement of pensions following re-employment	A70(1)* & A71(4)(c) & T12	To abate pensions following re-employment.
Whether to issue a forfeiture certificate	A72(1)	Exercised by Secretary of State
Agree to bulk transfer payment	A81(1)(b)	Take the advice of the scheme actuary
Agree set aside of bulk transfer assets / cash and acquisition of rights in new scheme	A81(4)(a)	Exercised by Fund actuary / new scheme actuary
Determine adjustments to bulk transfer payment	A82(2)	On advice from the scheme actuary
Determine who should bear bulk transfer actuarial costs (where more than one employing authority is involved in the transfer)	A82(5)	On advice from the scheme actuary
Allow transfer of pension rights into the Fund	A83(9)	Allow following advice from the scheme actuary
Agree bulk inter fund adjustment terms (where 10 or more members affected by a single event)	A86(3)	Exercised by Actuaries for both funds
Whether to extend normal time limit for acceptance of restitution transfer value beyond 12 months from joining the LGPS	TSch1 & L122A(2)(c)	Allow this
Where member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of	B10(2)	Always pay the highest benefit to a member of the scheme

the deceased member		
Whether to pay the whole or part of a child's pension to another person for the benefit of that child	B27(5)	Yes, depending on individual circumstances
Decide to whom death grant is paid	B23(2) & B32(2) & B35(2) & TSch1 & L155(4)	Rely on the nomination form or in its absence letters of administration unless there are exceptional circumstances
Decide evidence required to determine financial dependence of nominated co-habitee on scheme member or financial interdependence of nominated co-habitee and scheme member	B25	Rely on the nomination form
Decide to treat a dependent child who commences full time education or vocational training after the date of the member's death as an eligible child after the child attains age 18 and until age 23	B26(4)	Adopt this discretion
Decide to treat child as being in continuous education or training despite a break	B26(5)(a)	Adopt this discretion
Decide to suspend child's pension during a break in education or training	B26(5)(b)	Adopt this discretion unless there are exceptional circumstances
Decide to treat a dependent child who is disabled within the meaning of the DDA 1995 as being an eligible child	B26(6)	Adopt this discretion
Decide whether to commute small pension	B39 & T14(3)	Do this at the members request
Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	B42(1)(c)	Always pay the highest benefit to a member of the scheme
Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1.4.08)	TSch 1 & L23(9)	Always pay the highest benefit to a member of the scheme
Whether to accept a partial restitution payment	TSch1 & L122A(8)	Do this with the agreement of the individual
How to discharge Pension Credit liability	TSch1 & L147	Depending on individual circumstances.

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

<u>Discretion</u>	<u>Regulation</u>	<u>Discretion Made By Cumbria County Council as Administering Authority</u>
Make election on behalf of deceased non-councillor member with a certificate of protection of pension benefits i.e. determine	23(9)	Always pay the highest benefit to a member of the scheme

best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 01.04.08).		
Decide to whom death grant is paid in respect of post 31.03.98 / pre 01.04.08 leavers.	38(1) & 155(4)	Requires Letters of Administration before it pays over death grant except in cases where a nomination form is held.
Treat child as being in continuous education or training despite a break (children of post 31.03.98 / pre 01.04.08 leavers).	44(3)	Adopt this discretion
Apportionment of children's pension amongst eligible children of post 31.03.98 / pre 01.04.08 leavers.	47(1)	Adopt this discretion
Pay child's pension to another person for the benefit of the children of post 31.03.98 / pre 01.04.08 leavers).	47(2)	Yes, depending on individual circumstances
Agree to commutation of small pension (pre 01.04.08 leavers or pre 01.04.08 Pension Credit members).	49 & 156	Do this at the members request
Commute benefits due to exceptional ill-health (pre 01.04.08 leavers and pre 01.04.08 Pension Credit members).	50 & 157	Adopt this discretion
Whether to require any strain on Fund costs to be paid "up front" by employing authority following early payment of a deferred benefit on health grounds or from age 50 with employer consent (pre 01.04.08 leavers).	80(5)	Adopt this discretion
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits pre 01.04.08 leavers).	89(3)	Adopt this discretion
Timing of pension increase payments by employers to fund (pre 01.04.08 leavers).	91(6)	Pension increase payments will be invoiced quarterly or annually dependant on circumstances
Pay death grant due to personal representatives without need for grant of probate / letters of administration (death of pre 01.04.08 leaver).	95	Requires Letters of Administration before it pays over death grant except in cases where a nomination form is held
Approve medical advisors used by employers (re pre 01.04.98 preserved benefits payable on health grounds)	97(10)	Delegated to employers
Decide procedure to be followed by admin authority when exercising its IDRPs functions and decide the manner in which those functions are to be exercised (pre 01.04.08 leavers).	99	Procedure laid down
Appeal against employer decision, or lack of a decision (pre 01.04.08 leavers).	105(1)	Will decide this depending on the particular circumstances
Extend appeal period under reg 105	105(2)	Exercised by Secretary of State
Date to which benefits shown on annual deferred benefit statement are calculated	106A(5)	Normal retirement age
Abatement of pensions following re-employment (pre 01.04.08 leavers).	109* & 110(4)(b)	To abate pensions following re-employment.

Retention of CEP where member transfers out (pre 01.04.08 leavers).	118	To retain any CEP
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8.3 Discretions under the Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (as Amended)

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

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

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

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

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