Derbyshire Pension Fund

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Pension Fund Annual Report for the Year Ended 31 March 2019

County Hall, Matlock, Derbyshire, DE4 3AH
Administered by Derbyshire County Council

Derbyshire Pension Fund

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Pension Fund Annual Report for the Year Ended 31 March 2019

Glossary of Terms and Abbreviations

Abbreviation	Term
ABS	Annual Benefit Statement
AUM	Assets Under Management
AVCs	Additional Voluntary Contributions
Bps	Basis Points Charge
CARE	Career Average Revaluated Earnings
CIPFA	Chartered Institute of Public Finance Accountants
CPI	Consumer Price Inflation
CPS	Communications Policy Statement
DCC	Derbyshire County Council
DPF, Pension Fund or Fund	Derbyshire Pension Fund
ESG	Environmental, Social and Governance
FRC	Financial Reporting Council
FRS	Financial Reporting Statement
FSS	Funding Strategy Statement
GMP	Guaranteed Minimum Pension
HMRC	Her Majesty's Revenues & Customs
IAS	International Accounting Standard
IIMT	In-House Investment Management Team
IFRS	International Financial Reporting Standard
ISS	Investment Strategy Statement
LAPFF	Local Authority Pension Fund Forum
LGPS	Local Government Pension Scheme
LGPS Central	LGPS Central Pool
LGPS Central Partner Fund	The LGPS pension funds of Cheshire, Derbyshire Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Worcestershire and West Midlands; the collective owners of the LGPS Central Pool and the shareholders of LGPS Central Limited
LGPS Central JC	LGPS Central Pool Joint Committee
LGPS Central PAF	LGPS Central Pool Practitioners' Advisory Forum
LGPS Central SF	LGPS Central Pool Shareholders Forum

LGPSC	LGPS Central Limited
MiFID II	Markets in Financial Instruments Directive
MHCLG	Ministry of Housing Communities and Local Government
P&IC or Committee	Pensions and Investments Committee
PAS	Pensions Administration Strategy
RPI	Retail Price Inflation
PRIIPs	Packaged Retail and Insurance-based Investment Products
SAAB	Strategic Asset Allocation Benchmark
SAB	LGPS Shadow Advisory Board
SERPS	State Earnings-Related Pension Scheme
SLA	Service Level Agreement
SORP	Statement of Recommended Practice
SSC	Shared Service Centre
TpR	The Pensions Regulator

Introduction

Derbyshire Pension Fund's principal objective is to deliver secure, accurate and efficient administration of the Local Government Pension Scheme (LGPS), ensuring that sufficient assets are available to meet benefit payments for the Fund's members both now and in the future. Assets are accumulated in the Pension Fund through a combination of contributions from employees and employers within the scheme and from investment returns.

Derbyshire County Council (the Council) is the administering authority for the LGPS within Derbyshire, investing and administering the Fund on behalf of over 280 employers and over 100,000 members. The policies and strategies set out in this report have been agreed by Derbyshire's Pensions and Investments Committee (the Committee) and aim to support the delivery of the Fund's objectives.

The role of Derbyshire Pension Board (the Board), in assisting the Council with the governance and administration of the Pension Fund, has continued to develop during 2018/19. The Board encourages and supports the adoption of best practice and increasingly contributes to the robust governance arrangements surrounding the Fund.

The successful launch of www.derbyshirepensionfund.org.uk during 2018, has provided the Fund with a distinct on-line presence and has enhanced the ability of the Fund to communicate with all of its stakeholders. The website provides access to a wide range of information on the LGPS and to Fund specific information.

At the end of March 2019, the value of the Fund's assets was over £4.9bn. In a volatile year for markets, the Fund's investments provided a return of 5.6% in line with the Fund's benchmark return. A sharp sell-off in equity markets in the final quarter of 2018 was followed by a very strong recovery in the first quarter of 2019.

Over 3, 5 and 10 years, the returns were 10.1% p.a, 8.4% p.a and 10.5% p.a respectively, outperforming the Fund's benchmark over each of those time periods and comfortably ahead of the rate of inflation and the assumed long term investment return of 4% used in the last actuarial valuation to calculate the funding position of the Pension Fund.

Whilst domestically developments concerning Brexit caused volatility in asset prices, globally the focus has been on the future direction of interest rates, trade negotiations and geopolitics. Uncertainty about the sustainability of global economic growth, with the global cycle appearing to have peaked at the end of 2017, and uncertainty about the sustainability of company earnings and equity market valuations, continued to provide challenges to asset allocators.

Following a review of the Fund's Strategic Asset Allocation Benchmark (the Benchmark), the allocation to growth assets (largely equities) was reduced and the allocations to income assets (property, infrastructure and multi-asset credit) and protection assets (government & investment grade bonds and cash) were increased. The benefit of holding a diversified portfolio of assets was demonstrated during the period of equity market weakness in the fourth quarter of 2018 as returns from the Fund's investments in bonds, property and infrastructure remained positive.

The Fund has continued to work closely with its partners in the LGPS Central Pool, the LGPS pension funds of Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Worcestershire and West Midlands, to develop the oversight arrangements for LGPS Central Limited (LGPSC), the company established to manage investments on behalf of the participating pension funds. The Partner Funds and LGPSC have jointly developed a Product Development Protocol to ensure that the launch of LGPSC products fits in with the delivery of fund investment strategies and that all parties are involved at every stage of the product development lifecycle. It is anticipated that the transition of the Fund's assets into LGPSC products is likely to take several years.

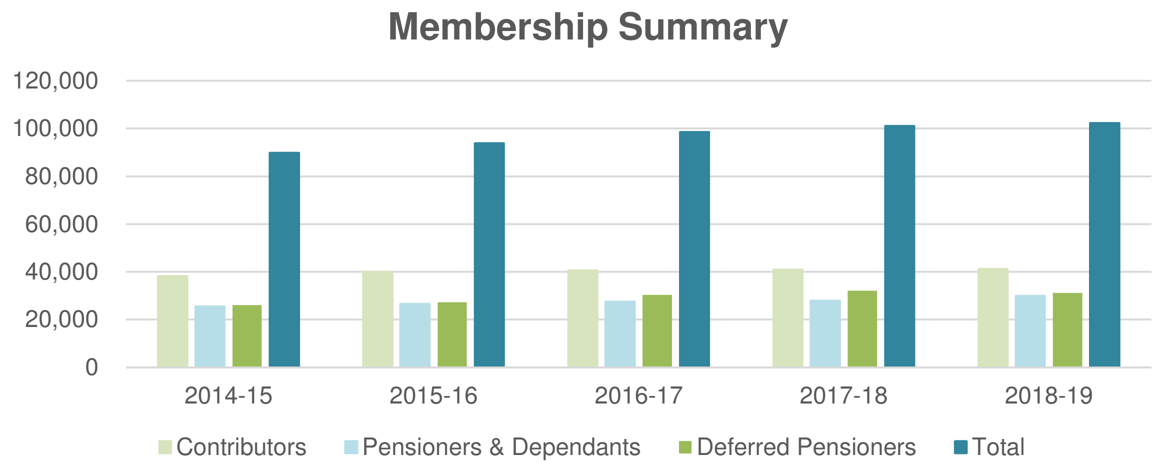
The Pension Administration Team implemented a new pension administration system during 2018/19 which went "live" in early March 2019. This was a complex project involving the migration of all the Fund's pension records following rigorous testing of the new system. The implementation was supported internally by a dedicated Project Team, the wider Pension Administration Team and officers from the Council's ICT section and was overseen by a comprehensive governance regime. The new system is expected to improve the quality of service for the Fund's members and employers and to lead to efficiency savings once the significant backlogs built up under the previous system have been addressed.

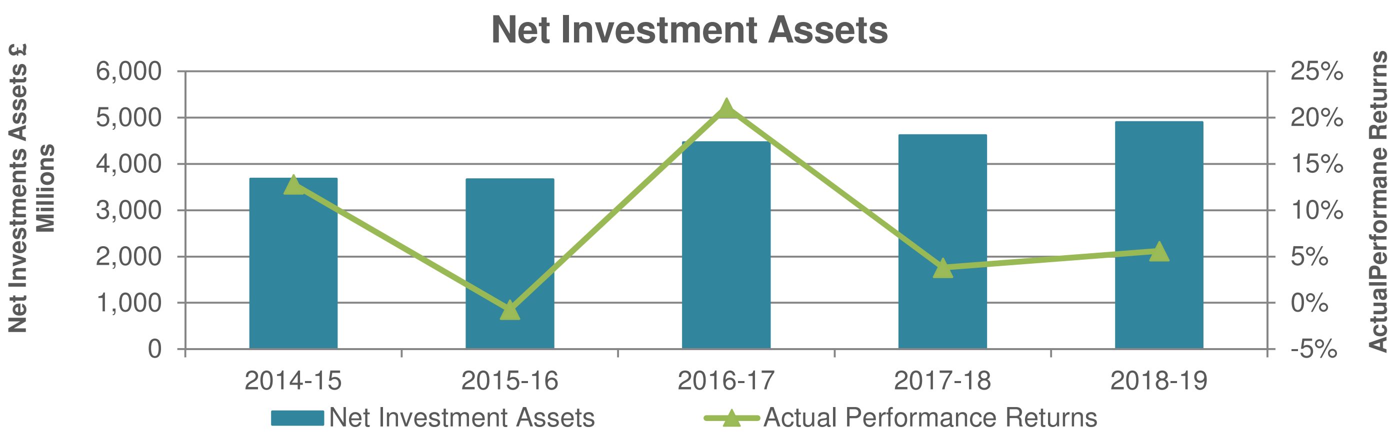
The complexity involved in administering the LGPS continues to grow. The investment horizon is currently dominated by uncertainties related to: Brexit; global economic growth; interest rates; global politics; trade negotiations and market valuations. Unresolved issues surrounding age discrimination legal challenges to other public sector schemes, which are likely to impact on the LGPS, and the delay to the implementation of the LGPS cost cap mechanism add to challenges facing the Fund in 2019/20. The governance arrangements of the Fund continue to develop to meet these challenges and the Fund's priorities for 2019/20 include:

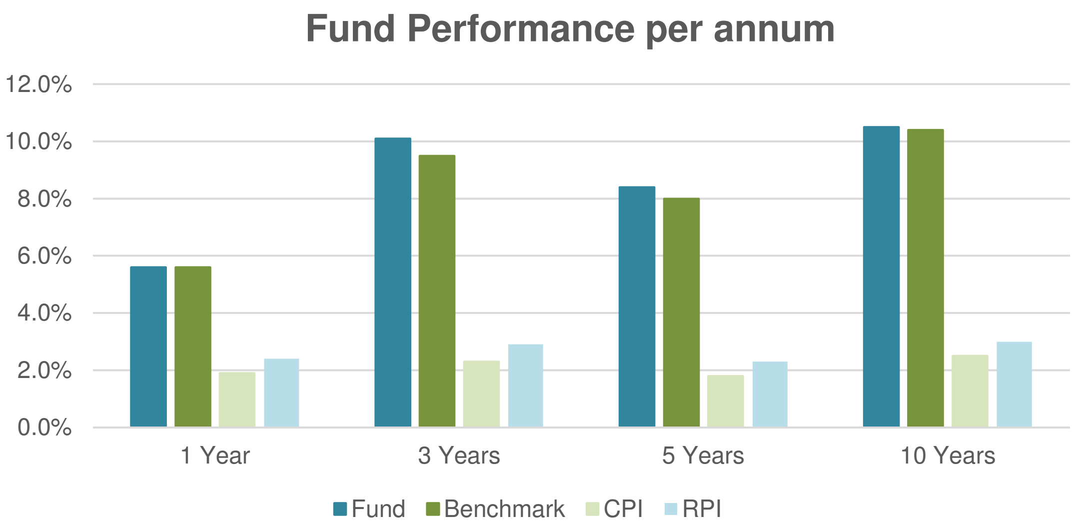
- management of the actuarial valuation process
- establishment of the new pension administration system & elimination of processing backlogs
- implementation of the Fund's new Benchmark
- development of a climate change strategy
- development and promotion of the Fund's website
- implementation of an employer automated data submission and validation service
- development of the LGPS Central Pool

The successful management of the Pension Fund relies on the continuing hard work of the Pension Fund Team, members of the Committee and the Pension Board, employers, the Fund's advisor and fund managers, who are all thanked for their contribution to the administration of the Local Government Pension Scheme in Derbyshire during the year.

KEY FUND STATISTICS







Governance

Derbyshire Pension Fund's governance arrangements are set out in the Governance Policy and Compliance Statement attached as Appendix 1.

Administering Authority

Derbyshire County Council

Derbyshire County Council Officers Responsible for the Fund

Director of Finance & ICT	Peter Handford
Head of Pension Fund	Dawn Kinley
Investments Manager	Neil Smith
Pensions Administration Manager	Nigel Dowey
Pension Fund Accountant	Rajwant Dosanjh

Derbyshire County Council Pensions and Investments Committee

Derbyshire County Council

Councillor Jim Perkins (Chair)
Councillor Ron Ashton
Councillor Neil Atkin (Vice-Chair)
Councillor John Boult
Councillor Peter Makin
Councillor Steve Marshall-Clarke
Councillor Ron Mihaly
Councillor Brian Ridgeway

Derby City

Councillor Mike Carr

Non-voting trade union representatives

Paul Beresford (Unison)
Mick Wilson (Unison)

Derbyshire Pension Board

Independent Chair	Ronald Graham
Member Representative	Karen Gurney
Member Representative	Nick Read (Unison)
Employer Representative	Andy Butler*
Employer Representative	Neil Calvert

*Oliver Fishburn replaced Andy Butler after the year end in May 2019.

Independent External Investment Adviser

Anthony Fletcher (MJ Hudson-Allenbridge)

Asset Pool and Asset Pool Operator
Asset Pool: LGPS Central Pool
Asset Pool Operator: LGPS Central Limited

Main Investment Managers
In House Investment Management Team: Multiple Asset Classes – details included in Investment Section
Colliers International: Property
LGPSC: UK Equities and advisory services in respect of Japanese Equities, Asia Pacific Equities and Emerging Market Equities
UBS Asset Management: European Equities (Passive)
Wellington Management: US Equities

Actuary
Hymans Robertson LLP

Auditor
Mazars

AVC Providers
Clerical Medical
Equitable Life
Prudential (Principal Provider)
Standard Life

Custodian
BNP Paribas Securities Services *
* Northern Trust from 1 July 2019 onwards

Banker
Lloyds Bank

Legal Advisers
Derbyshire County Council Legal Services

Performance Measurement
Performance Evaluation Limited

Property Valuation
Savills

Scheme Administrator
In-House Pension Administration Team

Voting Services
Institutional Shareholder Services

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Pensions and Investments Committee

Responsibility for discharging Derbyshire County Council's statutory functions as an employing authority and as the administering authority for Derbyshire Pension Fund is delegated to Derbyshire County Council's Pensions and Investments Committee. In discharging these statutory functions the Committee's responsibilities include:

- Approving and monitoring performance targets
- Reviewing and approving statements, strategies and policies, including: the Governance Policy and Compliance Statement; Investment Strategy Statement; Quarterly tactical asset allocation; Funding Strategy Statement; Treasury Management Strategy; and other statutory policies required by the LGPS Regulations and strategy/policy statements in line with best practice
- Reviewing and considering reports, including: triennial actuarial valuation report and annual funding report; annual report; administration and investment performance reports; and risk register
- Ensuring arrangements are in place for: communicating with the Fund's stakeholders; considering admission body applications; and the adjudication of applications under the Application of Disagreements Procedure (including the appointment of adjudicators)
- Making appointments for the Fund, including: the actuary; independent investment advisor; external fund managers for segregated mandates in advance of the management of the investment assets transitioning to the investment pool; and AVC providers
- Overseeing the Fund's involvement in investment pooling

Structure
The Committee comprises eight Elected Members representing the County Council and two Elected Members representing Derby City Council. The County Council members of the Committee reflect the political balance of the Council. Two trade union representatives are also entitled to attend meetings of the Pensions and Investments Committee as non-voting members.

Meetings
The Pensions and Investments Committee is required to carry out certain statutory functions on at least a quarterly basis – for example reviewing investments, reviewing transactions, reviewing fund performance. The Committee meets eight times a year and meetings are open to the public except for exempt and confidential items as defined by the Local Government Act 1972. Urgent matters which need to be addressed outside the committee timetable are dealt with by the County Council's Director of Finance & ICT in consultation with the Chair of the Pensions and Investments Committee as required.

The minutes of the Pensions and Investments Committee are presented to meetings of the Full County Council. A link to the public meeting papers and minutes is available on the Fund's website: https://www.derbyshirepensionfund.org.uk/about-the-fund/governance/pensions-and-investments-committee.aspx

A Member declaration of interest is made at the commencement of each Pensions and Investments Committee meeting. All Elected Members and officers are required to comply with Derbyshire County Council's Codes of Conduct which set out the standards of conduct required from Elected Members and employees, including the disclosure of conflicts of interest.

A register of attendance for 2018-19 is set out on the following page.

The day to day management of the Pension Fund is delegated to the Director of Finance & ICT who is supported by the Pension Fund Team which is comprised of the Head of Pension Fund and in house investment and administration teams.

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Register of Councillor Attendance at 2018-19 Pensions and Investment Committee Meetings

	25 Apr-18	13 Jun-18	1 Aug-18	11 Sept-18	31 Oct-18	12 Dec-18	23 Jan-19	12 Mar-19
DCC Councillors								
Ron Ashton	✓	✓	✗	✓	✓	✓	✓	✓
Neil Atkin (Vice Chair)	✓	✓	✓	✓	✓	✓	✓	✓
John Boult					✓	✓	✗	✓
Alison Fox	✓	✓	✗	✗				
Peter Makin	✓	✓	✗	✓	✓	✓	✓	✓
Steve Marshall-Clarke	✓	✗	✓	✓	✓	✓	✓	✗
Ron Mihaly	✓	✓	✓	✓	✓	✓	✓	✓
Jim Perkins (Chair)	✓	✓	✓	✓	✓	✓	✓	✓
Brian Ridgeway	✗	✓	✗	✓	✓	✓	✓	✓
Substitute Members	-	1	3	1	-	-	-	-
Derby City Councillors								
Mike Carr	✓	✓	✗	✓	✗	✗	✗	✗
Paul Hezelgrave	✗	✗	✗	✗				

Councillor John Boult replaced Councillor Alison Fox on the Committee in October 2018.

Councillor Paul Hezelgrave stood down from the Committee in October 2018. A replacement has yet to be nominated.

Derbyshire Pension Board

The Public Service Pensions Act 2013 introduced a framework for regulatory oversight by the Pensions Regulator and introduced a new governance structure for the LGPS which came into effect in April 2015.

The new governance structure was introduced to ensure better management and improved accountability in the LGPS. A national Scheme Advisory Board was established to provide advice on the Local Government Pension Scheme to both the Secretary of State and to administering authorities such as the County Council. The new governance structure also introduced the requirement for administering authorities to establish Local Pension Boards, which led to the establishment of Derbyshire Pension Board (the Board).

The role of the Pension Board
The role of the Pension Board is to assist the administering authority:

1. To secure compliance with:
    a. the Regulations;
    b. any other legislation relating to the governance and administration of the Scheme;
    c. any requirements imposed by the Pensions Regulator in relation to the Scheme; and also
2. To ensure the effective and efficient governance and administration of the Scheme.

The terms of reference for Derbyshire Pension Board include provisions regarding the term of office, termination of membership and meeting arrangements and can be found on the Fund's website. The Board's 2018/19 Annual Report is attached as Appendix 2.

Membership
Members of the Pension Board are appointed by the County Council as the Administering Authority. The Pension Board consists of two Scheme Member and two Scheme Employer representatives and an Independent Chair.

Membership at 31st March 2019:

Chair
Ronald Graham

Member Representatives

Karen Gurney	Employee of Derbyshire County Council
Nick Read	TU Rep, UNISON East Midlands LGPS Committee

Employer Representatives

Andy Butler	Derby City Council*
Neil Calvert	Northworthy Trust

*Andy Butler has subsequently left the Board and was replaced in May 2019 by Oliver Fishburn from Bolsover District Council.

Training

The Fund's Training Policy was adopted in August 2017 and applies to all members of the Pensions and Investments Committee, all members of the Derbyshire Pension Board and senior officers involved in the management and administration of the Fund.

In relation to training for those involved in the governance and the day to day management and administration of the Fund, Derbyshire County Council's objectives are to ensure that:

- Those persons charged with the financial management and decision making with regard to the Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them
- Those persons responsible for the day-to-day administration and running of the Fund have the appropriate level of knowledge and skills required to discharge their duties and responsibilities
- Those persons responsible for providing governance and assurance of the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, to ensure their decisions are robust and soundly based
- Members of Derbyshire Pension Board have sufficient knowledge and understanding to challenge any failure to comply with the Regulations and other legislation relating to the governance and administration of Derbyshire Pension Fund and/or any failure to meet the standards and expectations set out in the Regulator's Codes of Practice

To assist in achieving these objectives, the Fund aims to comply with:

- CIPFA Pensions Finance Knowledge and Skills Frameworks
- Knowledge and skills requirements of the Public Service Pensions Act 2013
- The Pensions Regulator's Code of Practice No. 14, Governance and Administration of Public Service Pension Schemes 2015

CIPFA responded to the implementation of Local Pension Boards by issuing an expanded Knowledge and Skills Framework which identified a requirement for knowledge of eight core technical areas for those involved in the governance of public sector pension funds:

1. Pensions legislation
2. Public sector pensions governance
3. Pensions administration
4. Pensions accounting and auditing standards
5. Financial services procurement and relationship management
6. Investment performance and risk management
7. Financial markets and product knowledge
8. Actuarial methods, standards and practices.

Members of the Committee and the Pension Board complete self-evaluation forms on an annual basis assessing their knowledge of the eight core areas and also their knowledge about individual investment asset classes. A Training Plan is then developed based on the results of these assessments and is supplemented, where appropriate, to cover matters arising in the course of managing the Fund (e.g. additional training in advance of the consideration of new asset classes).

Training is delivered jointly to members of the Committee and the Pension Board where possible. Pension Board attendance at training is set out in the Pension Board Annual Report. Members of the Committee attended the following internal training in 2018/19:

Councillors	LGPSC Responsible Investment – Apr 2018	Colliers Property Performance & Strategy – Jun 2018	LGPSC Corporate Bonds – Oct 2018	Actuarial Valuation – Hymans Robertson – Jan 2019
Ron Aston	✓	✓	✓	✓
Neil Atkin	✓	✓	✓	✓
John Boult	N/A	N/A	✓	✗
Alison Fox	✓	✓	N/A	N/A
Peter Makin	✓	✓	✓	✓
Steve Marshall-Clarke	✓	✗	✓	✓
Ron Mihaly	✓	✓	✓	✓
Jim Perkins	✓	✓	✓	✓
Brain Ridgeway	✗	✗	✓	✓
Substitute	N/A	✓	N/A	N/A
Mike Carr	✓	✓	✗	✗
Paul Hezelgrave	✗	✗	N/A	N/A

Mick Wilson from Unison also attended all of the above internal training sessions.

Training was provided externally by LGPS Central Ltd (LGPSC) at a Stakeholder Day in February 2019 which covered: progress on investment pooling; the global economy and global equity markets; property & infrastructure private markets; passive & factor based investment; responsible investment & active equities. LGPSC also updated stakeholders on the company's prospective launch of the Global Emerging Markets Sub-Fund (GEMs) and presentations were given by all of the selected GEMs fund managers.

Members of the Committee also attended conferences organised by the Local Authority Pension Fund Forum and the Local Government Pensions Committee.

Communication

The Pension Fund aims to deliver clear, timely and relevant communication to all stakeholders ensuring that its communications are:

- timely and relevant, and easy to read and understand
- tailored to meet the specific needs of the audience
- foster an improved understanding of the Local Government Pension Scheme to enable informed decision making

The successful launch of a dedicated website for the Fund during 2018, with distinct branding and a substantial refresh of the content, is expected to greatly enhance the Fund's ability to communicate with its stakeholders: https://www.derbyshirepensionfund.org.uk The website provides access to a wide range of information for active, deferred and pensioner scheme members, prospective members and scheme employers.

Details of the Fund's methods of communication are contained in the Communications Policy Statement attached as Appendix 3.

Risk Strategy and Risk Management

Derbyshire Pension Fund recognises the importance of effective risk management, including the identification and management of its key risks. Risk management is a process by which the Fund identifies, assesses and seeks, to the extent possible, to mitigate the risks associated with its activities. Effective risk management is a clear indicator of good governance and the Fund believes that maintaining a Risk Register is the primary document for identify, assessing and monitoring risks. The Fund's Risk Register is reviewed by the Director of Finance & ICT, the Pensions and Investments Committee and the Derbyshire Pension Board on a regular basis and identifies:

- The nature of the Risk
- The Cause and Effect
- A Risk Score
- Risk mitigation controls and procedures
- Risk Owner
- Directional movement since last update

The Risk Score is a combination of the risk occurring (probability) and the likely severity (financial impact). A low risk classification is based on a score of 4 or less; a medium risk score ranges between 5 and 11; and a high risk score is anything with a score of 12 and above. The Target Risk score shows the impact of the risk occurring once the planned risk mitigation procedures and controls have been completed.

The Fund's current identified high risk items, together with planned mitigation, are set out below:

Key Risk	Comments and mitigation
Funding and fluctuation in assets and liabilities	There is an inevitable risk for any pension fund that assets may be insufficient to meet liabilities and fluctuate from one valuation to the next, principally reflecting external risks around both market returns and the discount rate used to value the Fund's liabilities. The Fund was 86.7% funded at 31 March 2016 and the long term target as set out in the Funding Strategy Statement is to eliminate the deficit by 2032. The Fund introduced an annual assessment of the Fund's funding position in 2017 and a further assessment was carried out at December 2018. Whilst the Fund has a significant proportion of its assets in growth assets, the newly agreed Strategic Asset Allocation Benchmark introduced a lower exposure to growth assets with the aim of protecting the improvement in the Fund's funding level following strong market gains since the triennial valuation in March 2016.
LGPSC - performance deterioration / lost cost savings or duplicated costs caused by LGPSC transition delays	The transition of the Fund's assets into the products offered by LGPSC is likely to take several years and there is a risk of performance deterioration and/or lost costs savings or duplicated management costs caused by transition delays. The Fund continues to take a meaningful role in the development of LGPSC, and has input into the design of the potential product offering to ensure that it will allow the Fund to implement its investment strategy. A Product Development Protocol has been developed jointly by the Partner Funds and LGPSC to ensure that all parties are involved at every stage of the product development lifecycle. Investment performance will be monitored closely by Fund officers and will be reported to the Pensions and Investments Committee and to the LGPS Central Joint Committee.
Impact of McCloud judgement	The McCloud case relates to transitional protections given to scheme members in the judges and firefighters schemes which were found to be unlawful by the Court of Appeal on the grounds of age discrimination. In June 2019, it was announced that the Government had lost a case to appeal against the Court of Appeal ruling. It is anticipated that the outcome of the case could be accepted as applying to all public service schemes. The LGPS SAB announced a pause in the cost cap management process pending the outcome of the case. The SAB said it may resubmit the existing proposals or review the package, taking into account the cost of any remedy resulting from the McCloud case and the impact of backdating. The SAB has recognised the enormous challenge that would be faced by administering authorities and employers in potentially backdating scheme changes over such a significant period. The Government Actuary's Department has undertaken an initial review to assess the overall impact of the McCloud judgement on the public sector pension schemes, including the LGPS. Fund officers will continue to follow closely the developments in the McCloud case and the implications for the LGPS, taking into consideration updates from the SAB, the Local Government Association, the Government's Actuary's Department and the Fund's Actuary.

Investment risk is managed through the Pensions and Investments Committee's policy of holding different categories of investments (e.g. the strategic asset allocation between equities, bonds, property, alternatives and cash) and by holding a diversified equity spread by both geography and market sectors. The use of derivatives is currently restricted to hedging activity. Hedge Fund investment is not included in the Fund's strategic benchmark.

The strategic benchmark is designed to meet the Fund's target performance for the level of risk agreed by the Pensions and Investments Committee. The asset allocation is reviewed on a quarterly basis by the Committee for tactical purposes, supported by an external advisor and the Fund's investment managers. Each asset class is managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the benchmark asset allocation, whilst allowing for a degree of flexibility.

Third party risks (e.g. external investment managers and the custodian) are managed through the use of appropriate contractual arrangements and the on-going monitoring of service levels, including periodic performance review meetings.

The Fund's participating employers (e.g. Scheduled Bodies and Admission Bodies) are required to pay over the employee and employer contributions deducted each month, by the 19th of the following month. Receipt is monitored monthly and any delays are followed up and resolved promptly reducing the risk that the correct level of contributions are not received. The amounts received are reconciled against each employing authority's year-end return, which is due before the end of April each year.

The Fund is developing an Employer Risk Management Framework to identify, manage and monitor the employers risk associated with:

- the funding requirement with respect to an employer/pools of employers
- the employer's/pools of employers' legal obligations to the Fund
- the financial ability of an employer to meet its liabilities to the Fund

Employer Health Check forms were sent to all Tier 3 employers in May 2018. Tier 3 employers are those employers that do not benefit from local or national tax payer backing or do not have a full guarantee or other pass-through arrangement with a body with such backing. An update on employer risk management will be provided in next year's Annual Report.

Internal Audit Reviews
The Pension Fund forms part of the operations covered by the Derbyshire County Council internal audit Section.

Third Party Assurance Reports
The Pension Fund obtains and reviews copies of third party assurance reports (e.g. IASE 3402 (f AAF01/06) and SSAE 16/70) from each of its key external investment managers.

Membership of Bodies
The Fund is a member of the following bodies:

- Local Authority Pension Fund Forum and Pension
- Pensions and Lifetime Savings Association.

Financial Performance

The number of Members in the Pension Fund of has grown consistently over the last five years.

	2014-15	2015-16	2016-17	2017-18	2018-19
Contributors	38,230	40,030	40,640	41,010	41,157
Pensioners & Dependants	25,608	26,622	27,599	27,959	30,024
Deferred Pensions	26,030	27,240	30,327	32,099	31,136
Number of Members	**89,868**	**93,892**	**98,566**	**101,068**	**102,317**

Net additions from Dealing with Members (contributions received less pension benefits paid out), Employers and Others Directly involved in the Fund remained positive in 2018-19.

£ in Million	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Contributions	150.0	152.0	157.0	164.4	193.7
Transfers in from other Pension Funds	8.3	2.5	7.2	12.7	10.3
Benefits	(134.6)	(139.6)	(145.9)	(155.3)	(160.9)
Payments to and on Account of Leavers	(51.2)	(6.5)	(6.9)	(17.2)	(13.0)
Net Additions from Dealing with Members	**(27.5)**	**8.4**	**11.4**	**4.6**	**30.1**

The increase in Payments to and on Account of Leavers in 2014-15 reflected a transfer out in respect of all the members of the Derbyshire Probation Trust to the Greater Manchester Pension Fund following a national change in the pension arrangements for the National Probation Service. This resulted in a payment out of £46.4m in cash. On an adjusted basis, Dealing with Members reported a positive contribution of £18.9m. The increase in Contributions in 2018-19 reflected an employer deficit funding contribution of £25.3m from Derby City Council. On an adjusted basis, the positive contribution from Dealing with Members was £4.8m, comparable with the £4.6m reported in 2017-18.

Cost-per-Member is a key measure for assessing the Fund's cost effectiveness. The costs of managing Derbyshire Pension Fund over the last five years were as follows:

£ per Member	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Number of Members	89,868	93,892	98,566	101,068	102,317
Investment Management Expenses (£000)	13,355	15,272	18,898	22,602	24,829
Cost per Member	£148.61	£162.65	£191.73	£223.63	£242.67
As a % of Net Investment Assets	*0.36%*	*0.42%*	*0.42%*	*0.49%*	*0.51%*
Pensions Administration (£000)	1,482	1,450	1,547	2,056	2,085
Cost per Member	£16.49	£15.44	£15.70	£20.34	£20.38
Oversight & Governance (£000)	445	431	834	289 *	1,215
Cost per Member	£4.95	£4.59	£8.46	£2.86	£11.87

** Includes Actuarial-Audit fees of £85,865, equivalent to minus £0.84 per Member (2017-18: minus £0.25 credit per member). The 2017-18 credit reflects timing differences between settling actuarial fees and recharging the costs through to employers.*

The year-on-year increase in Investment Management Expenses per Member between 2014-15 and 2018-19 largely reflects the increase in the value of underlying investments and a shift in the Fund's asset mix to above average cost alternative investments, following on-going changes to the Fund's approved strategic benchmark, which have increased the proportion of the Fund's investments allocated to private equity, infrastructure and indirect property investments.

Pension Administration Costs per Member remained reasonably flat between 2014-15 and 2016-17 but increased to £20.34 per member in 2017-18. The increase principally reflected a combination of contractual payments in respect of the existing pension administration system and additional staffing resource to support the service. The cost per member remained relatively flat at £20.38 in 2018-19.

Oversight and governance costs fell by £0.545m in 2017-18, reflecting a combination of lower legal fees and the inclusion of an income accrual of £0.500m for the costs of setting up LGPS Central Limited (LGPSC), which was refunded in 2018-19. Oversight and governance costs increased by £0.926m in 2018-19, reflecting LGPSC governance, operator and product development costs. These will be recurring costs going forward.

Net Return on Investment totalled £282.5m in 2018-19.

£ in Million	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Investment income net of taxes	70.5	76.3	84.7	94.9	100.8
Investment returns (*)	343.3	(90.1)	725.9	96.9	181.7
Net Return on Investments	**413.8**	**(13.8)**	**810.6**	**191.8**	**282.5**
Actual Fund Investment Return	*12.8%*	*(0.7%)*	*21.1%*	*3.8%*	*5.6%*
Benchmark Fund Investment Return	*12.6%*	*(0.7%)*	*20.3%*	*3.2%*	*5.6%*

** Comprises Profits and Losses on Disposal of Investments and Changes in the Value of Investments*

Further details in respect of the Fund's investment performance in 2018-19, and over the longer term, are set out in the Investment section of this report.

Net Investment Assets totalled £4,900.7m at 31 March 2019, £281.3m higher than those reported at 31 March 2018, largely reflecting the Net Returns on Investments and Net Additions from Dealing with Members noted earlier.

£ in Million	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Investment Assets	3,685.7	3,667.4	4,469.1	4,626.2	4,905.6
Investment Liabilities	(6.4)	(1.6)	(5.0)	(6.8)	(4.9)
Net Investment Assets	**3,679.3**	**3,665.8**	**4,464.1**	**4,619.4**	**4,900.7**
Growth / (Reduction)	*12.5% **	*(0.4%)*	*21.8%*	*3.5%*	*6.1%*

** Adjusted to exclude the £46.4m transfer out in respect of all members of the Derbyshire Probation Trust to the Greater Manchester Pension fund in 2014-15.*

Derbyshire Pension Fund

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Net Non-Investment Assets totaled £27.8m at 31 March 2019. Year-on-Year changes in the value of Net Non-Investment Assets principally reflect changes in the Fund's operational cash balance.

£ in Million	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Current Assets	17.7	11.1	14.0	30.2	32.3
Current Liabilities	(2.6)	(5.2)	(5.5)	(5.5)	(4.5)
Net Non-Investment Assets	**15.1**	**5.9**	**8.5**	**24.7**	**27.8**

The table below shows the forecast and actual Fund Account for 2018-19.

£ in Million	**2017-18 Forecast**	**2018-19 Actual**
Contributions	179	204
Benefits	(167)	(174)
Net Additions from Dealing with Members, Employers and Others Directly involved in the Fund	**12**	**30**
Management Expenses	(27)	(28)
Net (Withdrawals)/Additions including Fund Management Expenses	**(15)**	**2**
Investment Income (net of taxes)	94	101
Net Increase in Net Assets Before Changes in Market Value	**79**	**103**
Profits and Losses on Disposal of Investments and Changes in Value of Investments	n/f	182
Net Increase in the Net Assets Available for Benefits During the Year	**n/f**	**285**

The Pension Fund does not make a forecast (n/f) for Profits and Losses of Investments and Changes in the Value of Investments as this is driven by market events which are outside of the Fund's control.

The actual Net Increase in Net Assets Before Changes in Market Value was £23m higher than forecast principally reflecting an unexpected employer deficit funding contribution of £25m from Derby City Council. On an adjusted basis, the actual Net Increase in Net Assets before Changes in Market Value was £2m lower than forecast.

The table below shows the forecast and actual Management Expenses for 2018/19.

£ in Million	**2017-18 Forecast**	**2018-19 Actual**
Fund Value based Management Fees	22.8	23.6
In-House Management Team Expenses	0.3	0.3
Transaction Costs	0.4	0.8
Custody Fees	0.1	0.1
Investment Management Expenses	**23.6**	**24.8**
Pensions Administration Costs	2.0	2.1
Oversight & Governance Costs	1.1	1.2
Management Expenses	**26.7**	**28.1**

Actual Management Expenses in 2018/19 were £28.1m, £1.4m higher than forecast, largely reflecting higher fund value based management fees. Variances in the level of expenses can arise for a variety of reasons including changes in asset allocation and the level of assets under management.

An analysis of Pension Fund Team Expenses, Pensions Administration Costs and Oversight & Governance Costs is set out below.

£ in Thousand	**2017-18 Actual**	**2018-19 Actual**
Staff costs	2,058	1,842
LGPSC costs	-	756
Supplies and services	735	631
Information technology	194	148
DCC recharges	92	117
Premises	12	102
Costs of democracy	11	42
Custody	43	40
Total	**3,145**	**3,678**

Combined Pension Fund Team Expenses, Pensions Administration Costs and Oversight & Governance Costs increased by £0.533m in 2018-19, principally reflecting LGPSC costs related to associated Governance, Operator Running and Product Development, for which there was no comparable charge in 2017-18.

The reduction in staff costs of £0.216m between 2017-18 and 2018-19 principally reflects a reduction in the size of the In-House Investment Management Team following the launch of LGPSC on 1 April 2019, partly offset by the full year effect of an increase in the Pensions Administration Team in 2017-18.

The increase in premises costs in 2018-19 reflects a costs catch-up.

Costs of democracy relate to costs in respect of the Pensions and Investments Committee and the Derbyshire Pension Board. The increase in costs between 2017-18 and 2018-19 reflects a costs catch-up.

Investment

Investment Policy

The primary objective of the Fund is to ensure that over the long term the Fund will be able to meet all benefit payments as and when the fall due. These payments will be met by contributions resulting from the funding strategy or asset returns and income resulting from the investment strategy. Therefore, the Pensions Fund's funding and investment strategies are inextricably linked. The Investment Strategy Statement, attached as Appendix 4, sets out the long term investment strategy of the Fund. Further details in respect of the Fund's funding strategy are set out in the Funding section of this report.

The Pensions and Investments Committee is responsible for formulating the investment strategy of the Fund, determining the Strategic Asset Allocation Benchmark and the quarterly tactical asset allocation positions. The day-to- day management of the Pension Fund's investments is delegated to the Director of Finance & ICT and the In-House Investment Management Team.

In 2018-19, a significant proportion of the Fund's investments were managed internally on an active basis by the Fund's In-House Investment Management Team which is part of the Commissioning, Communities and Policy Department or by LGPSC, a company established to manage investments on behalf of the LGPS Central Pool. Further details in respect of the LGPS Central Pool are set out later. Where the appropriate skills were not available internally, or through LGPSC, external managers were used.

Management of the Fund's Investment Assets

The Fund's investment assets were managed as follows in 2018-19:

In-House Investment Management Team: The internal team comprised of the Head of Pension Fund and the Investments Manager was responsible for managing: Sovereign Bonds (conventional and index-linked); Corporate Bonds; Multi-Asset Credit; Japanese Equities; Asia Pacific Equities; Emerging Market Equities; Indirect Property; Infrastructure; and Private Equity.

Collective investment vehicles were selected by the internal team for: Corporate Bonds; Multi-Asset Credit; Japanese, Asia Pacific and Emerging Market Equities; Indirect Property; Infrastructure; and Private Equity. LGPSC provide advisory services in respect of Japanese, Asia Pacific and Emerging Market Equities.

Direct Property: Colliers International

European Equities: UBS Global Investment Management (Passive)

UK Equities: LGPS Central Limited

US Equities: Wellington Management International

Investment Administration

The Pension Fund's dedicated In-house Investment Administration Team is responsible for day-to-day investment administration. This team forms part of the wider In-House Management Investment Team.

The Pension Fund's custodian in 2018-19 was BNP Paribas Security Services. On 1 July 2019, the Pension Fund's custodian was changed to Northern Trust. The Pension Fund's custodian is responsible for the custody and safekeeping of the Fund's directly held listed securities. Non-listed securities (e.g. investments in pooled vehicles and closed-ended limited partnerships; each of which have their own custodian appointed by the relevant investment manager) are managed and monitored by the In-House Investment Administration Team.

Responsible Investment

Responsible investment is an approach to investment that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long term returns.[1] The Fund's approach to Responsible Investment is set out in the Investment Strategy Statement (ISS).

The Pensions and Investments Committee believes that responsible investment covers both incorporating ESG factors into the investment process and Fund stewardship and governance through considered voting and engagement with investee companies.

Effective management of financially material ESG risks should support the requirement to protect investment returns over the long term. The Fund's In-House Investment Management Team seek to understand relevant ESG factors alongside conventional financial considerations within the investment process, and the Fund's external investment managers, including LGPSC, are expected to do the same. Non-financial factors may be considered to the extent that they are not detrimental to the investment return.

The Fund's approach to the management of the risks associated with Climate Change is also set out in the ISS. It is recognised that risks and opportunities related to climate change could be experienced across the whole of the Fund's investment portfolio and that the current understanding of the potential risks posed by climate change and the development of consistent climate related disclosures are still at an early stage. It also recognised that it will take time for companies to adapt to changing regulatory and market positions. The incorporation of ESG factors into the investment process and Fund stewardship and governance activities will seek to manage the risks associated with climate change.

The Fund is due to receive an in-depth review of the Fund's risk under different climate change scenarios across all asset classes from the Fund's pooling company, LGPS Central Ltd, during 2019/20. This will help the Fund to develop a more detailed climate change strategy and an annual stewardship plan taking into account the characteristics of the Pension Fund and the Fund's policy of engaging with companies to encourage the development of climate-resilient business strategies.

[1]UN Principles for Responsible Investing

The Pensions and Investments Committee recognises its responsibility to act in the best interest of the Fund’s employers and scheme members, whilst seeking to protect local tax payers and employers from unsustainable pension costs.

A strategy of engagement with companies to influence behaviour and enhance value, rather than negative screening to exclude stocks from the portfolio on ESG/ethical grounds, is more compatible with the administering authority’s fiduciary duties and supports responsible investment.

Membership of the Local Authority Pension Fund Forum (LAPFF) helps Derbyshire Pension Fund to engage with companies to understand relevant issues and to promote best practice. LAPFF was set up in 1991 and is a voluntary association of 79 Local Authority pension funds based in the UK with combined assets of over £250bn. It exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote high standards of corporate governance and corporate responsibility amongst the companies in which they invest.

Collective pressure from investors via organisations such as the LAPFF has helped to encourage listed companies to enhance their corporate governance and to improve their environmental and social impacts.

During 2018/19, the Fund ‘co-filed’ a Climate 100+ shareholder resolution to BP for consideration at the Company’s AGM in May 2019. Climate 100+ is an investor initiative to ensure the world’s largest corporate greenhouse gas emitters take necessary action on climate change. The resolution called on the company to set out a business strategy that is consistent with the goals of the Paris Agreement on Climate Change. The resolution received the support of the board of BP and was passed overwhelmingly.

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

The Pensions and Investments Committee has appointed Institutional Shareholder Services, a third party voting agency to provide voting services for its directly held UK equity investments. Voting is carried out in line with recommendations from Institutional Shareholder Services, whose voting principles cover four key tenets on accountability, stewardship, independence and transparency. The Fund also periodically receives voting alerts from the LAPFF on certain resolutions. If the voting alert from the LAPFF conflicts with the voting service recommendation, due consideration is given to all the arguments before the vote is cast. A report to review the Fund’s voting activity is taken to the Committee on a quarterly basis; copies of which can be found on the Derbyshire County Council website.

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

The Fund is a Tier 1 signatory to the Financial Reporting Council's UK Stewardship Code. The Code aims to enhance the quality of engagement management between investors and companies to help improve long-term risk-adjusted returns to shareholders. The Fund expects its external investment managers to support the UK Stewardship Code.

Following the launch of the LGPS Central Pool, an increasing portion of the Fund's investments will be transitioned into products managed by LGPSC. LGPSC has developed a Responsible Investment & Engagement Framework (the Framework) incorporating the Responsible Investment beliefs of the Pension Funds within the LGPS Central Pool which will be applied to both internally and externally managed investment mandates.

The Framework contains the following beliefs:

- Long-termism: A long-term approach to investment will deliver better returns and the long-term nature of LGPS liabilities allows for a long-term investment horizon.

- Responsible Investment: Responsible Investment is supportive of risk adjusted returns over the long-term, across all asset classes. Responsible investment should be integrated into the investment process of LGPSC and its investment managers.

- Diversification, risk management and stewardship: Diversification across investments with low correlation improves the risk return profile. A strategy of engagement, rather than exclusion, is more compatible with fiduciary duty and more supportive of responsible investment, because the opportunity to influence companies through stewardship is waived in a divestment approach. Even well-diversified portfolios face systematic risk. Systematic risk can be mitigated over the long-term through widespread stewardship and industry participation.

- Corporate governance and cognitive diversity: Investee companies and asset managers with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. There is clear evidence showing that decision-making and performance are improved when company boards and investment teams are composed of cognitively diverse individuals.

- Fees and remuneration: The management fees of investment managers and the remuneration policies of investee companies are of significance for LGPSC's clients, particularly in a low-return environment. Fees and remuneration should be aligned with the long-term interests of our clients, and value for money is more important than the simple minimisation of costs.

- Risk and opportunity: Risk premia exist for certain investments; taking advantage of these can help to improve returns. There is risk, but also opportunity in holding companies that have weak governance of financially material ESG issues.

Opportunities can be captured so long as they are aligned to LGPSC's objectives and strategy, and so long as there is a sufficient evidence base upon which to make an investment decision.

- Climate change: Financial markets could be materially impacted by climate change and by the response of climate policy-makers. Responsible investors should proactively manage this risk factor through stewardship activities, using partnerships of like-minded investors where feasible.

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Derbyshire Pension Fund

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Myners Principles

In line with best practice the Fund monitors, and reports on the extent to which it complies with the Myners Principles as set out in guidance published by the CIPFA in November 2012, entitled ‘‘Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012’’. Where this guide makes comments on examples of good practice in the light of the principles, its intention is to help funds to apply the principles, they are not expected to implement every element. The Fund’s compliance with the six principles is set out below.

<table>
<tr><th>Principle</th><th>Evidence of compliance</th></tr>
<tr><td>Effective Decision Making
Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implications.
Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</td><td>The Fund has established a Local Pension Board in accordance with the Public Service Pensions Act 2013.
The role of the Pensions and Investments Committee (the Committee) is defined in the Governance Policy & Compliance Statement.
The Committee meets eight times a year to discuss current issues and future policy; tactical asset allocation is discussed on a quarterly basis.
Suitably qualified internal investment managers have been appointed to manage the investments of the Fund and LGPSC, an FCA regulated company, has been established to manage investments on behalf of the LGPS Central Pool Partner Funds. Where appropriate skills are not available internally, or through LGPSC, external managers are used.
The Fund takes advice from its independent adviser and its Head of Pension Fund, both of whom attend the Committee.
Members’ declarations of interests are made at the commencement of each meeting of the Committee.
A training needs assessment programme has been established, and training is provided both internally and externally.
An annual Pension Fund Service Plan is considered by the Committee.</td></tr>
<tr><td>Clear Objectives
An overall investment objective(s) should be set out for the fund that takes account of the scheme’s liabilities, the potential impact on local tax</td><td>The Fund’s investment strategy objectives aim to maximise the returns from investments within acceptable levels of risk, to contribute to the Fund having sufficient asset to cover accrued benefits and to enable employer contributions to be kept as stable as possible.
The Fund’s asset allocation is specifically designed to achieve the Fund’s objectives, with tactical asset allocation reviewed quarterly at Committee. In determining the Fund’s asset allocation, the Committee consider all asset classes in terms of their suitability and diversification benefits.</td></tr>
</table>

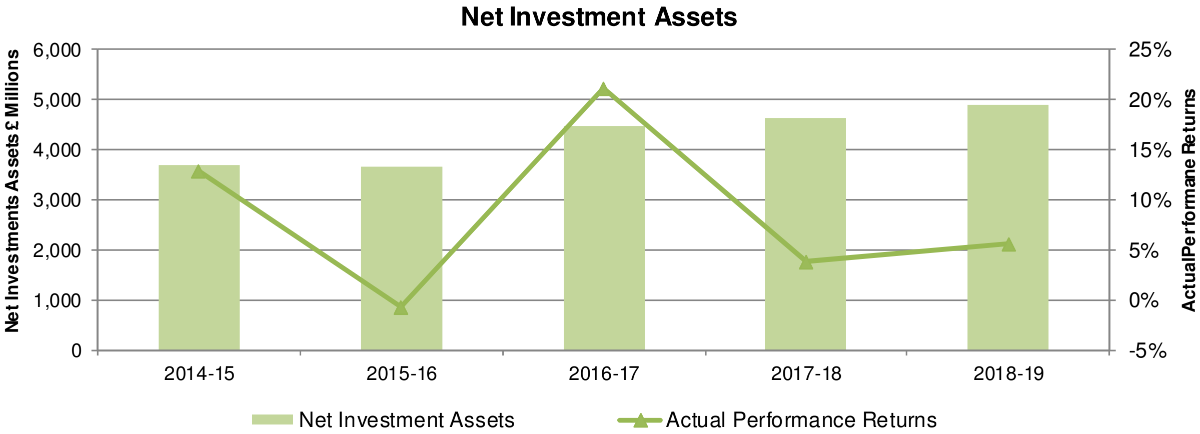
payers, the strength of the covenant for non-local-authority employers and the attitude to risk of both the administering authority and Scheme employers and these should be clearly communicated to advisers and investment managers.	• The Fund's objective is to generate a return that is at least equal to the discount rated used in the actuarial valuation to meet the Fund's liabilities. The actuarial valuation at 31st March 2016 was prepared on the basis of a discount rate of 4.0%. • Target performance and timescales have been set by the Committee. The managers are required to adopt an active style of management and a flexible approach whilst seeking to contain risks in accordance with agreed parameters. • Contracts for external investment managers specify targets, timescales and approach. • The Fund's Funding Strategy Statement can be found on the Fund's website.
Risk and Liabilities • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	• A description of the risk assessment framework used for potential and existing investments is included in the Investment Strategy Statement. • The Fund maintains a risk register and this is reviewed by the DCC Director of Finance & ICT, Pensions and Investments Committee and Local Pension Board on a regular basis. The risk register identifies the Fund's risk, including an assessment of the potential impact and probability, together with current and proposed mitigation controls and procedures. • An Asset Liability study was undertaken in 2018 to ensure that the Fund's asset allocation mix was appropriate in relation to its liability profile and the level of risk that the Committee was prepared to take. This led to the introduction of a new asset allocation in January 2019.
Performance Assessment • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to Scheme members.	• The Fund's performance is assessed on a quarterly basis, using data provided by Performance Evaluation Limited, a specialist performance measurement organisation. • The Fund's performance is reviewed by the Committee on a quarterly basis, including an independent review by the Fund's external advisor. • The asset class specific benchmarks are reviewed for appropriateness and approved by the Pensions and Investments Committee. • The Local Pension Board also assists the administering authority to ensure the effective and efficient governance and administration of the Scheme.

Responsible Owner • Recognise, and ensure that their partners in the investment chain adopt, the FRC's UK Stewardship Code. • Include a statement of their policy on responsible ownership in the Investment Strategy Statement. • Report periodically to Scheme members on the discharge of such responsibilities.	• The Fund's Investment Strategy Statement contains details on Responsible Investment. • The Fund has appointed a third party voting agency to provide voting services in the UK. Consideration is given to voting alerts from the LAPFF. Voting activity is undertaken in a number of overseas markets where votes are cast by the Fund's external investment manager in accordance with local practice. • Voting activity in the UK is reported on a quarterly basis to the Committee. Further details on the Fund's voting policy together with the quarterly voting reports are available on the Fund's website. • The Fund is a participating member of the LAPFF and receives information on environmental, social and governance issues. • The Fund is a Tier 1 signatory to the Financial Reporting Council's UK Stewardship Code.

Transparency & Reporting
• Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
• Provide regular communication to Scheme members in the form they consider most appropriate.
	• The Fund's website contains a link to the non-exempt Pensions and Investments Committee reports and minutes, including performance reports, on the County Council's website.
	• The following are published on the Fund's website:
	  o Investment Strategy Statement
	  o Pension Fund Annual Report, including the Statement of Accounts
	  o Governance Policy & Compliance Statement
	  o Communication Policy Statement
	  o Actuarial Valuation Report
	  o Funding Strategy Statement

Net Investment Assets

The chart below shows the Fund's Net Investment Assets at the last five period-ends, together with year-on-year change in value. Performance returns are the key driver of changes in value of net investment assets; net contributions from Dealing with Members have a limited impact.



Strategic Asset Allocation Benchmark

A new Investment Strategy Statement was approved on 31 October 2018, incorporating a revised Strategic Asset Allocation Benchmark which came in to force on 1 January 2019.

The Fund's asset classes are allocated into three categories:

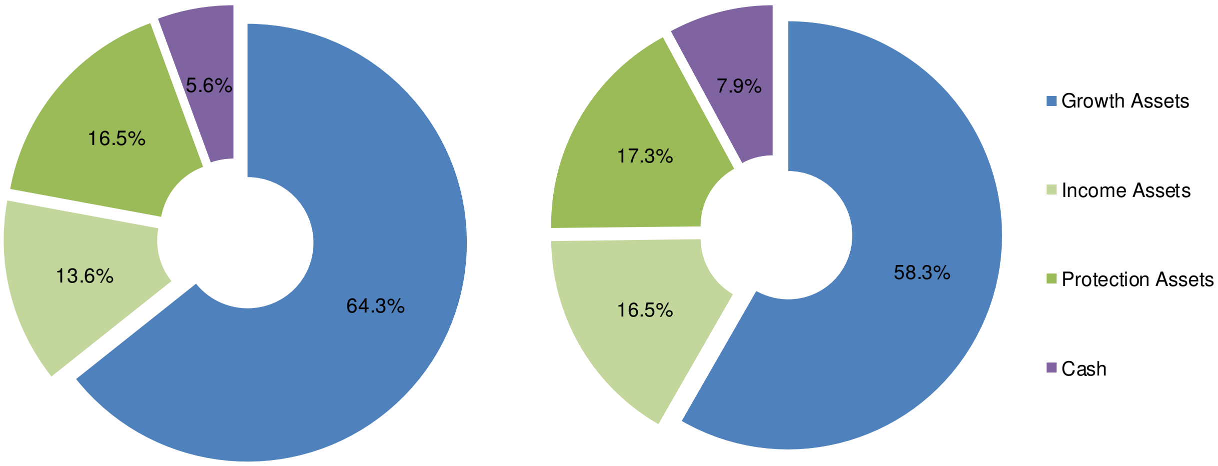
- **Growth Assets**: largely equities, plus other volatile higher return assets such as private equity.
- **Income Assets**: assets which are designed to deliver an excess return, but with more stable return patterns than Growth Assets because income represents a large proportion of the total return of these assets.
- **Protection Assets**: lower risk government or investment grade bonds, together with cash.

The Fund's Strategic Asset Allocation Benchmark, together with the actual asset class allocations at 31 March 2018 and 31 March 2019, are set out below.

	31 March 2018 Benchmark	31 March 2018 Permitted Range	31 March 2018 Actual	31 March 2019 Benchmark	31 March 2019 Permitted Range	31 March 2019 Actual
Total Quoted Equities	58.0%	± 8%	62.1%	53.0%	± 8%	55.6%
UK Equities	25.0%	± 6%	24.0%	16.0%	± 4%	18.0%
US Equities	12.0%	± 4%	11.2%	12.0%	± 4%	11.2%
European Equities	9.0%	± 4%	10.3%	8.0%	± 3%	10.0%
Japanese Equities	5.0%	± 2%	7.1%	5.0%	± 2%	6.3%
Asia-Pacific Equities	4.0%	± 2%	5.5%	4.0%	± 2%	5.2%
Emerging Market Equities	3.0%	± 2%	4.0%	5.0%	± 2%	4.9%
Global Sustainable Equities	-	-	-	3.0%	± 2%	-
Private Equity	4.0%	± 2%	2.2%	4.0%	± 3%	2.7%
Growth Assets	**62.0%**	**n/a**	**64.3%**	**57.0%**	**± 8%**	**58.3%**
Infrastructure	5.0%	± 2%	3.2%	8.0%	± 3%	4.0%
Direct Property	5.0%	± 2%	4.3%	5.0%	± 3%	4.7%
Indirect Property	4.0%	± 2%	3.1%	4.0%	± 3%	3.3%
Multi-Asset Credit	4.0%	± 2%	3.0%	6.0%	± 2%	4.5%
Income Assets	**18.0%**	**n/a**	**13.6%**	**23.0%**	**± 6%**	**16.5%**
Conventional Bonds	5.5%	± 3%	5.5%	6.0%	± 2%	5.6%
Index-Linked Bonds	6.5%	± 3%	5.7%	6.0%	± 2%	5.7%
Corporate Bonds	6.0%	± 3%	5.3%	6.0%	± 2%	6.0%
Protection Assets	**18.0%**	**n/a**	**16.5%**	**18.0%**	**± 5%**	**17.3%**
Cash	**2.0%**	**0 – 8%**	**5.6%**	**2.0%**	**0 – 8%**	**7.9%**

The new Benchmark reduced the allocation to Growth Assets (62% to 57%), increased the allocation to Income Assets (18% to 23%), and maintained the allocations in respect of Protection Assets and Cash at 18% and 2%, respectively.

The Fund's actual asset allocation at 31 March 2018 and 31 March 2019 are set out below:



The Pension Fund reduced its actual weightings in respect of Growth Equities (64.3% to 58.3%) and increased its actual weightings in respect of Income Assets (13.6% to 16.5%), Protection Assets (16.5% to 17.3%) and Cash (5.6% to 7.9%). The actual weights reflect invested capital and are before commitments to closed-ended funds which have yet to be drawn-down by the managers. These investment commitments totaled £421.6m at 31 March 2019, and related to Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments.

The asset classes shown in the Strategic Asset Allocation Benchmark are managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the benchmark asset allocation, whilst allowing for a degree of flexibility.

The Fund was slightly outside of the permitted range in respect of Japanese Equities (7.1% vs. 7.0%) at 31 March 2018, reflecting a passive breach caused by relative market strength. This was corrected in the following quarter.

The new Strategic Asset Allocation Benchmark has introduced an allocation to Sustainable Equities with a neutral weighting of 3%. This allocation will target investments in global companies that are sustainable in financial, environmental, social and governance terms and, where appropriate, that are providing solutions to sustainability challenges. Collaborative work is ongoing across the LGPS Central Pool base to launch a product solution in 2019-20 to allow Partner Funds to deploy capital to this asset class.

The Fund was outside of the permitted range in respect of Infrastructure (4.0% vs. 5.0%) at 31 March 2019, reflecting a timing delay between making commitments to infrastructure funds and the capital being drawn-down by the managers. On a committed basis, the Infrastructure weighting was in excess of 8.0% at 31 March 2019, a sizeable proportion of which was subsequently drawn-down on 1 April 2019.

Investment Performance

The Fund's Performance Target
The Fund's objective is to generate a return over the long term that is at least equal to the discount rated used in the actuarial valuation to meet the Fund's liabilities. The actuarial valuation at 31st March 2016 was prepared on the basis of a discount rate of 4.0%.

The Fund's Long Term Performance

% per Annum	1 Year	3 Year Average	5 Year Average	10 Year Average
The Fund	5.6%	10.1%	8.4%	10.5%
Benchmark	5.6%	9.5%	8.0%	10.4%
Excess Return	-	0.6%	0.4%	0.1%
Consumer Price Index	1.9%	2.3%	1.8%	2.5%
Retail Price Index	2.4%	2.9%	2.3%	3.0%

Source: Performance Evaluation Limited

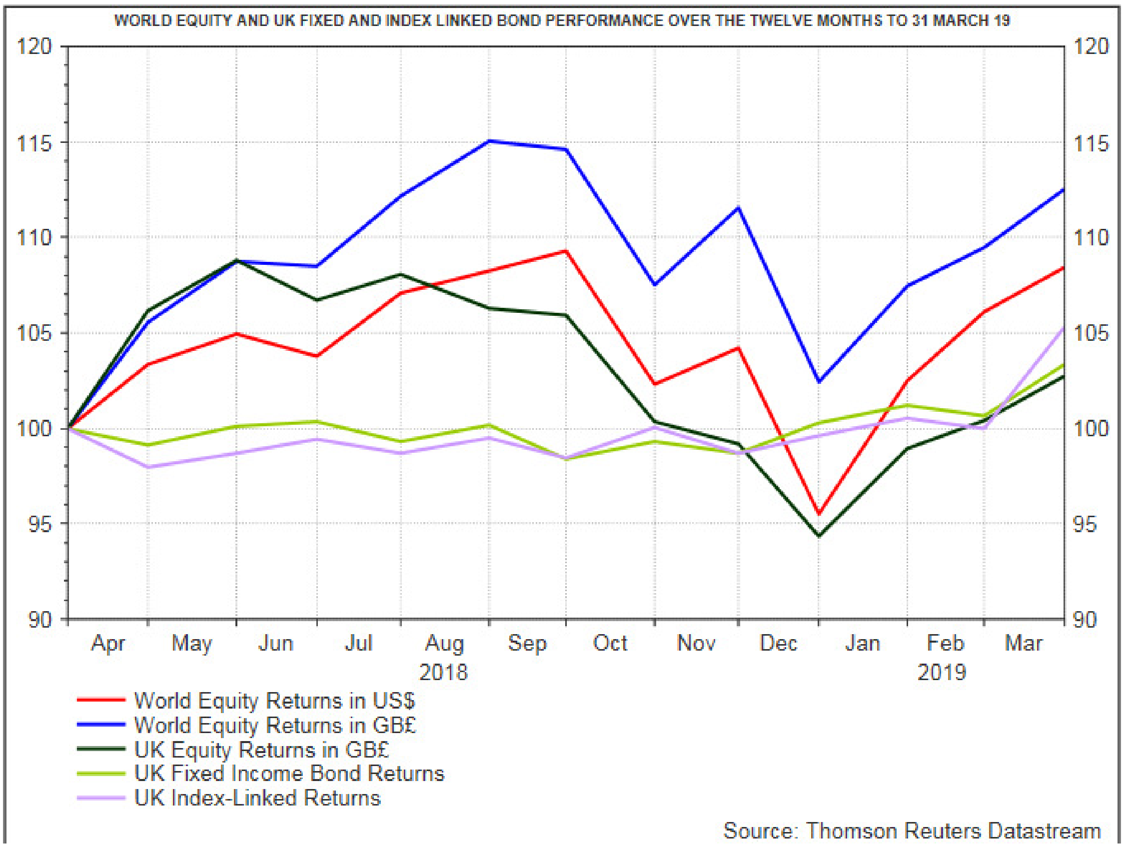
Investment performance, including a comparison against the Benchmark Return, is calculated independently by Performance Evaluation Limited on a quarterly basis. Results are considered by the Pensions and Investments Committee as they become available and are reported to Fund Members on an annual basis as part of this report.

The Fund's returns were comfortably ahead of inflation, delivering real returns, over all periods and ahead of the assumed long term investment return of 4% used in the last actuarial valuation to calculate the funding position of the Pension Fund. The 2018-19 return of 5.6% was in line with the Fund's benchmark, and compared with a return of 3.8% in 2017-18.

Market Background 2018-19
In the twelve months to March 2019, equity returns to Sterling investors ranged from -0.9% in Japan to 17.5% in the United States, with overseas equity returns being positively impacted, on translation, by a weaker pound relative to the US dollar. Whilst domestically focused UK equity returns were adversely affected by the uncertainty caused by the Brexit negotiations, UK large cap stocks which generate a significant proportion of their revenues in US dollars, benefited from the strength of the US dollar.

Overseas equity returns in local currency ranged from -5.4% in Emerging Markets, to 9.1% in the United States. Emerging Markets were impacted by fears over a global trade war, concerns over the health of the Chinese economy and the strength of the US dollar. US stocks benefited from continued economic growth, robust earnings growth (in part reflecting the beneficial impact of tax cuts) and a more dovish tone from the US Federal Reserve towards the end of 2018-19, which suggested a reduced likelihood of a rise in US interest rates in 2019.

Notwithstanding the positive returns generated by global equities in 2018-19, equity markets were volatile, as evidenced by a sharp sell-off in the fourth quarter of 2018 (global equities fell by -10.5% in Sterling terms), followed by a strong recovery in the first quarter of 2019 (global equities rose by 12.2% in Sterling terms).



Bond returns were also positive in 2018-19, with UK Gilts returning 3.7%, UK Index-Linked Bonds returning 5.5% and Corporate Bonds returning 4.0%, reflecting investor caution, Brexit uncertainty and receding expectations of near term interest rate rises.

Property (55% direct & 45% indirect) returned 4.3% in 2018-19, reflecting a combination of continued capital growth and rental income. Property returns were strongest in the industrial sector and weakest in the retail sector.

Derbyshire Pension Fund

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The Fund's Performance by Asset Class

The table below sets out the Fund's performance by asset class in 2018/19 against the Benchmark Return.

Net Annualised Returns	Investment Assets		Year to Mar-19		3 Years to Mar-19		5 Years to Mar-19	
	Mar-18 £m	Mar-19 £m	Fund Return	Benchmark Return	Fund Return	Benchmark Return	Fund Return	Benchmark Return
United Kingdom Equities	1,107.8	884.6	6.0%	6.4%	9.9%	9.5%	6.3%	6.1%
Discretionary Mandate	**1,107.8**	**884.6**						
Japanese Equities	329.7	310.4	(5.3%)	(0.9%)	12.5%	12.3%	11.7%	11.7%
Asia Pacific Equities	252.7	253.0	6.8%	4.0%	15.3%	14.7%	11.5%	9.3%
Emerging Market Equities	187.3	173.7	1.4%	1.9%	14.1%	14.5%	8.1%	9.8%
Advisory Mandates	**769.7**	**737.1**						
Total Pool Managed Assets	**1,877.5**	**1,621.7**						
United States Equities	517.0	547.0	16.9%	17.5%	17.0%	17.1%	16.7%	15.8%
European Equities	476.4	489.3	2.7%	2.7%	11.0%	11.0%	10.1%	10.5%
Emerging Market Equities *	-	67.5	1.9%	1.9%	-	-	-	-
Private Equity	101.8	134.0	13.1%	7.4%	13.8%	10.5%	14.3%	6.8%
Infrastructure	149.3	196.5	10.0%	2.8%	7.7%	2.5%	13.9%	2.0%
Property	340.9	391.6	6.4%	4.3%	8.1%	6.0%	11.0%	9.4%
Multi-Asset Credit	136.8	222.5	3.7%	3.8%	7.1%	3.5%	-	-
Conventional Bonds	253.6	273.6	4.1%	3.7%	3.6%	3.6%	5.6%	5.5%
Index-Linked Bonds	264.6	280.8	5.1%	5.5%	6.7%	8.3%	7.7%	8.9%
Corporate Bonds	244.7	295.3	3.8%	4.0%	5.5%	5.5%	5.7%	6.0%
Cash	263.6	385.8	0.4%	0.5%	0.3%	0.3%	0.6%	0.3%
Total Non-Pool Managed Assets	**2,748.7**	**3,283.9**						
Total Investment Assets	**4,626.2**	**4,905.6**	**5.6%**	**5.6%**	**10.1%**	**9.5%**	**8.4%**	**8.0%**

Source: Performance Evaluation Limited
** Relates to a proportion of the Emerging Market Equity allocation managed passively*
Green: reflect periods prior to the launch of LGPSC on 1 April 2018, and as such are not attributable to LGPSC.

Derbyshire Pension Fund

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Pool Managed Investment Assets

Total pool managed assets increased from £nil at 31 March 2018 to £1.6bn at 31 March 2019, accounting for 33% of total investment assets. The investment assets managed by LGPSC at 31 March 2019 were as follows:

- The Fund entered into a discretionary management agreement with LGPSC for the management of the Fund's UK Equity portfolio on 3rd April 2019.

- The Fund entered into an advisory management agreement with LGPSC for advisory services in respect of Japanese Equities, Asia Pacific Equities and Emerging Market Equities on 11th September 2018.

A Product Development Protocol has been developed jointly by the Partner Funds and LGPSC to ensure that all parties are involved at every stage of the product development lifecycle. The Fund is currently working closely with LGPSC, and the other Partner Funds, on several forthcoming LGPSC product launches, and anticipates that the level of investments assets managed by LGPSC will increase in 2019-20.

Gross & Net Performance Returns

The performance returns by asset class shown in the table on the previous page are net of investment management expenses. The gross returns by asset class calculated by the Fund's third party performance measurement provider, Performance Evaluation Limited, only add back cash settled investment management expenses, and do not add back fees deducted at source in respect of pooled vehicles and closed ended limited partnerships. As a result, the gross returns by asset class reported by Performance Evaluation Limited are understated and have therefore not been presented. The Fund is currently working with Performance Evaluation Limited to ensure that the gross return calculations by asset class include all fees, and anticipates that both gross and net returns by asset class will be reported in the Fund's Annual Report from 2019-20 onwards.

Total investment management expenses in 2018-19 were £24.8m (2017-18, £22.6m), equivalent to 51 basis points of total net investment assets at 31 March 2019 (2017-18, 49 basis points). The two basis points increase in 2018-19 largely reflects the shift in the Fund's investment asset mix to above average cost alternative assets following ongoing changes to the Fund's approved Strategic Asset Allocation Benchmark. These changes have increased the proportion of the Fund's investment assets required to be invested in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property. The transition of the UK Equity portfolio from in-house management to a discretionary mandate managed by LGPSC has also contributed to the increase in total investment management expenses.

The Fund is responding to the LGPS Scheme Advisory Board's Transparency Code by working together with other LGPS Central Pool Partner Funds to commission an external cost transparency review, and will seek to obtain SAB template report submissions from each of the Fund's external managers from 2019-20 onwards.

Derbyshire Pension Fund

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Investment Management Expenses

£ in Thousands	LGPSC UK Discretionary Management *	LGPSC Advisory Management *	Active External Manager **	Passive External Manager *	Active IIMT Management ***	IIMT Managing & Monitoring ***	Transaction Costs	Total Investment Management Assets
LGPSC Mandates:								
UK Discretionary Mandate								
Management Expenses	728.9	-	736.6	-	-	74.1	644.8	2,184.4
Investment Assets (£m)	884.6	-	60.0	-	-	884.6	884.6	884.6
Basis Points Charge	8.2	-	122.8	-	-	0.8	7.3	24.7
Advisory Mandates								
Management Expenses	-	35.1	7,579.6	-	-	61.7	-	7,676.5
Investment Assets (£m)	-	737.1	737.1	-	-	737.1	737.1	737.1
Basis Point Charge	-	0.5	102.8	-	-	0.8	-	104.1
LGPSC Pool Mandates								
Management Expenses	728.9	35.1	8,316.2	-	-	135.8	644.8	9,860.8
Investment Assets (£m)	884.6	737.1	797.1	-	-	1,621.7	1,621.7	1,621.7
Basis Point Charge	8.2	0.5	104.3	-	-	0.8	4.0	60.8
Non Asset Pool								
Management Expenses	-	-	14,369.2	202.6	46.4	196.3	153.7	14,928.2
Investment Assets (£m)	-	-	2,172.8	556.8	554.3	2,729.7	3,284.0	3,284.0
Basis Point Charge	-	-	66.1	3.6	0.8	0.7	0.5	45.5
Total								
Management Expenses (****)	**728.9**	**35.1**	**22,685.4**	**202.6**	**46.4**	**332.1**	**798.5**	**24,789.0**
Investment Assets (£m)	**884.6**	**737.1**	**2,969.9**	**556.8**	**554.3**	**4,351.4**	**4,905.7**	**4,905.7**
Basis Point Charge	**8.2**	**0.5**	**76.4**	**3.6**	**0.8**	**0.8**	**1.6**	**50.5**

Note: IIMT = In-House Investment Management Team
* Ad valorem only including research and PRIIPS compliance
** Ad valorem plus performance fees including research and PRIIPS compliance
*** IIMT Fixed cost allocation
**** Excludes custody fees of £0.040m; equivalent to 0.1bps of Investment Assets

In 2018-19, LGPSC investment management fees totaled £0.764m in respect of a UK Discretionary management mandate and three Advisory management mandates in respect of Japanese, Asia Pacific and Emerging Market Equities. A proportion of the UK Equity portfolio (£60m at 31 March 2019), together with all of the underlying advisory mandate portfolios (£737m at 31 March 2019), were managed through the use of pooled vehicles in 2018-19, the cost of which is included in active external manager fees column.

Active external manager fees of £22.7m relate to the investment management expenses incurred in respect the Japanese, Asia Pacific and Emerging Market Equities pooled vehicles noted above, together with the external investment management expenses incurred in connection with the US Equities, Corporate Bonds, Multi-Asset Credit, Private Equity, Infrastructure, Direct Property and Indirect Property portfolios.

Passive external manager fees of £0.2m relate to the passive management of the European Equity portfolio and a proportion of the Emerging Market Equity allocation.

The in-house investment management team expenses of £0.05m relate to the management of the Fund's sovereign bond portfolio, together with the management and monitoring of the performance of both LGPSC and other external managers.

The Fund principally invests through primary funds and has limited exposure to fund of fund structures.

Direct comparison of investment management expenses by party can be misleading as the level of fees payable does not take into account the different characteristics of the asset classes such as: investment style (e.g. active vs. passive); the complexity and liquidity of the asset class; and the stage of investment (e.g. commitment period vs. distribution phase), particularly with regard to the alternative asset classes. Costs should always be considered in relation to net performance and value for money.

Analysis of the Fund's Assets at the Reporting Date

The Fund's net investment assets at 31 March 2019 are detailed below:

£ in Million	**UK**	**Non-UK**	**Total**
Equities	886.0	1,840.9	2,726.9
Bonds	804.7	266.5	1,071.2
Direct Property	229.4	-	229.4
Indirect Property	113.5	48.8	162.3
Alternatives	194.2	136.4	330.6
Cash and cash equivalents	364.9	6.2	371.1
Other	7.4	1.8	9.2
Total	**2,600.1**	**2,300.6**	**4,900.7**

Largest Direct Equity Holdings

The Fund's 10 largest direct UK Equity holdings at 31 March 2019, together with the comparable holdings at 31 March 2018, were as follows:

Value of Holding in £000s	31 March 2018	31 March 2019
Royal Dutch Shell plc	88,368	69,892
BP plc	50,306	47,799
AstraZeneca plc	37,936	38,651
HSBC plc	51,893	37,554
GlaxoSmithKline plc	43,981	36,526
Diageo plc	36,180	34,518
British American Tobacco plc	43,375	28,618
Lloyds Banking Group plc	33,623	26,339
Prudential plc	33,791	21,986
Reckitt Benckiser Group plc	24,727	21,188

The Fund's largest direct US Equity holdings at 31 March 2019, together with the comparable holdings at 31 March 2018, were as follows:

Value of Holding in £000s	31 March 2018	31 March 2019
Amazon Con Inc	12,807	24,617
Microsoft Corp	12,545	20,222
Alphabet Inc	14,577	17,122
Bank of America Corp	19,229	15,367
Exxon Mobile Corp	426	11,456
Facebook Inc	12,320	10,946
Coca-Cola Co	-	9,241
McDonald's Corp	2,539	9,146
Abbott Laboratories	3,860	9,063
Comcast Corp	6,385	9,020

The Fund's largest indirect holdings at 31 March 2019, together with the comparable holdings at 31 March 2018, were as follows:

Value of Holding in £000s	Asset Class	31 March 2018	31 March 2019
UBS Life Europe	European Equities	476,430	489,312
Royal London	Corporate Bonds	125,910	151,127
Kames UK	Corporate Bonds	118,770	144,186
Janus Henderson	Multi-Asset Credit	76,974	104,367
Stewart Investors	Asia-Pacific Equities	76,751	80,780
Ballie Gifford	Japanese Equities	72,814	72,070
LGIM	Emerging Market Equities	-	67,459
Legg Mason	Japanese Equities	53,575	50,188
JP Morgan	Asia-Pacific Equities	40,940	43,480
CQS	Multi-Asset Credit	-	40,626

LGPS Central Pool

Derbyshire Pension Fund has partnered with the LGPS pension funds of Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Worcestershire and West Midlands to form a collective investment pool, known as LGPS Central, in accordance with Government requirements for pooling the management of LGPS investment assets. These pension funds (collectively known as the Partner Funds) currently manage over £40bn of assets. Collective investment management offers the potential for substantial savings in investment management fees, increased opportunities for investor engagement and access to a shared pool of knowledge and expertise.

LGPSC, the company established to manage investments on behalf of the LGPS Central Pool, received authorisation from the Financial Conduct Authority in 2017-18. Four members of Derbyshire County Council's In-House Investment Management Team transferred to the company on 1 April 2018.

The contact details for LGPSC are as follows:

LGPS Central Limited
Mander House
Wolverhampton
WV1 3NB
FCA Registration Number: 10425159

The total set up costs including funding in respect of LGPSC totalled £16.1m, comprising set-up costs of £4.1m and net funding of £12.0m. The set-up costs and net funding were shared equally between the eight Partner Funds forming the LGPS Central Pool. These are analysed as follows:

£ in Thousands	**Total Pool**	**Fund Share**
Recruitment	215	27
Procurement	20	2
Professional fees	1,491	187
Information technology	779	97
Staff costs	1,131	142
Premises	395	49
Other	80	10
Set-Up Costs Before Transition Costs	**4,111**	**514**
Net Funding (see below)	11,984	1,498
Total Set-Up Costs Including Net Funding	**16,095**	**2,012**
Transition Costs		-
Set-Up Costs After Transition Costs		**2,012**
Share Capital		1,315
Debt		685
Total Funding		**2,000**
Repayment of set-up costs		(502)
Net Funding		**1,498**

By Financial Year		
2016/17		95
2017/18		1,510
Set-Up costs After Transition Costs		**2,012**

The set-up costs relate entirely to directly attributable costs only, incurred either by the Partner Funds (e.g. seconded staff and costs prior to the incorporation of LGPSC) or LGPSC following its incorporation. Whilst each of the Partner Funds also incurred additional indirect costs (e.g. on-going staff and resources deployed to set-up the LGPS Central Pool) these have not been captured.

The total set up costs including funding of £16.1m (£4.1m of implementation costs and £12m of injected capital) compare to an estimate of £3.4m for implementation costs and £10m for regulatory capital included in the detailed business case submission to MHCLG in June 2016. The extra implementation costs largely related to additional professional fees and technology costs. An Internal Capital Adequacy Assessment Process was undertaken during 2017 to assess the level of capital necessary to adequately support relevant business risks within LGPS Central Ltd. The Partner Funds injected sufficient capital to cover: the regulatory capital requirement plus a buffer; operational liquidity and repayment of the implementation costs.

The Fund has incurred no transition costs to date but expects to incur such costs from 2019-20 onwards, as the investment assets of the Fund are transitioned into pooled products launched by LGPSC. The transition of the Fund's remaining assets into products offered by LGPSC is likely to take several years.

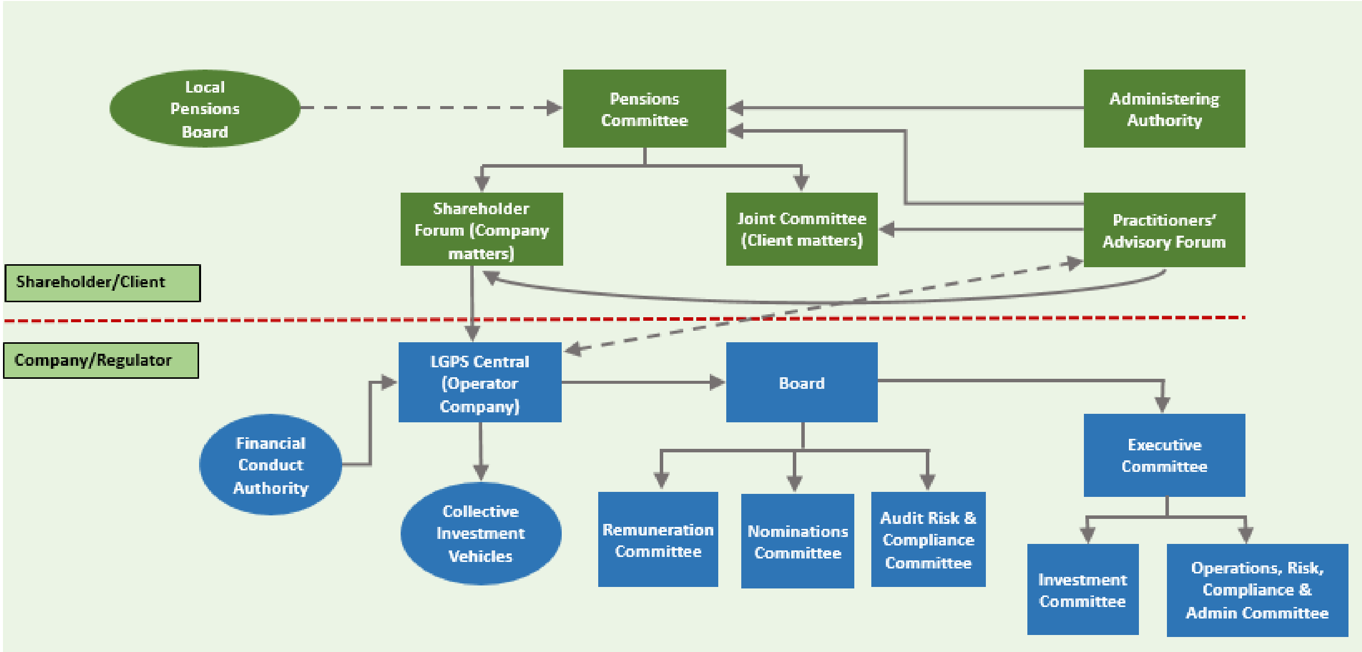
The Council entered into a discretionary management agreement with LGPSC on 3rd April 2018 in respect of the Fund's UK Equity portfolio. LGPSC has also provided advisory investment management services in respect of the Fund's Japanese, Asia Pacific and Emerging Market Equities since 11th September 2018. The charges in respect of these services totaled £0.764m in 2018-19 (2017-18, £nil).

The Fund also incurred £0.756m in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2018/19 (2017-18, £nil).

Whilst collective investment management offers the potential for substantial savings in investment management fees, it is too early to assess pooling cost savings for Derbyshire Pension Fund. The Fund has incurred its share of the cost of setting up the pooling company but will only start to transition assets into LGPSC products during 2019-20 as relevant products are developed and launched. However, there are positive early indicators based on fee rates achieved by LGPSC to date. Pooling has also exerted downward pressure on investment management fees generally. The Fund anticipates being able to provide the relevant cost savings analysis from 2019-20 onwards.

Derbyshire Pension Fund

LGPS Central Pool Governance Arrangements



The governance arrangements of the LGPS Central Pool include the following bodies:

Joint Committee: to provide oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the LGPSC business case and to deal with common investor issues. The Joint Committee provides assistance, guidance and recommendations to the individual Councils, taking into consideration the conflicting demands and interests of the participants within the Pool. The Joint Committee does not have delegated authority to make binding decisions on behalf of the participating Councils.

Membership of the Joint Committee consists of one elected member from each participating council. The Vice Chair of the Pensions and Investments Committee represents Derbyshire on the LGPS Central Joint Committee.

The Joint Committee meet twice in 2018-19; a link to the minutes of the LGPS Central Joint Committee can be found on the Fund's website:
https://www.derbyshirepensionfund.org.uk/about-the-fund/investments/lgps-central-pool.aspx

Shareholders' Forum: to oversee the operation and performance of LGPSC and to represent the ownership rights and interests of the shareholding councils with the LGPS Central Pool. Collective shareholder discussions take place in the Shareholders' Forum and aim to ensure that the Councils act in a unified way in company meetings, having agreed to a common set of principles. Unanimous decisions are required for certain reserved company matters. Shareholders' Forum meetings are distinct from LGPSC company meetings, however members of the Shareholders' Forum also represent the councils at company meetings.

Membership of the Shareholders' Forum consists of one representative from each shareholding council. The Chair of the Pensions and Investments Committee represents Derbyshire at the Shareholders' Forum and at LGPSC company meetings. Decisions are made in advance of the Shareholders' Forum and company meetings to enable the Council's representative to vote at these meetings. Wherever possible, any matter regarding LGPSC which requires a shareholder decision will be taken to the Pensions and Investments Committee for consideration. Where the timetable does not allow for this, decision making is delegated to the Director of Finance and ICT following consultation with the Chair of the Pensions and Investments Committee.

There were two meetings of the Shareholders' Forum in 2018-19.

Practitioners' Advisory Forum: a working group of officers appointed by the shareholding councils within the Pool to support the delivery of the objectives of the Pool and to provide support for the Pool's Joint Committee and Shareholders' Forum. The Director of Finance and ICT, the Head of Pension Fund and the Investments Manager represent Derbyshire on the Practitioners' Advisory Forum as required.

Asset Pool Training

The Fund's officers provide regular update reports to the Pensions and Investments Committee on the progression of the LGPS Central Pool. LGPSC officers have also provided update presentations to the Pensions and Investments Committee in 2018-19, and Committee Members receive invites to on-going LGPSC events, including an annual Stakeholder Day and a Responsible Investor Day.

Identified Risks

Monitoring and managing the risks associated with pooling form part of the Fund's overall risk management procedures as set out in the Governance, Management and Financial Performance Section.

The Fund has identified one high risk item in respect of the LGPS Central Pool - LGPSC performance deterioration/ lost cost savings or duplicated costs caused by LGPSC transition delays –which is included in the Fund's Risk Register.

Derbyshire Pension Fund

Funding

Benefit payments in the LGPS are guaranteed by regulations and are meet by contributions from employees and employers and from investment asset returns. Employee contribution rates are fixed and investment returns depend on market conditions and manager performance. Employers pay the balance of the cost of delivering benefits to members of the scheme and their dependants. The Funding Strategy Statement, which is set out at Appendix 5, focuses on how employer liabilities are measured, the pace at which those liabilities are funded, and how employers or pools of employers pay for their own liabilities.

The objectives of the Funding Strategy Statement are:

- To ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment
- To ensure that employer contribution rates are reasonably stable where appropriate
- To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers)
- To reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years
- To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations

The Fund's actuary, Hymans Robertson, carries out a valuation of the Fund every three years in line with LGPS regulations. The purpose of the valuation is to review the financial position of the Fund and to set employer contribution rates and is effectively the Fund's triennial budgeting exercise.

A copy of the annual report produced by Hymans Robertson, setting out the Pension Fund's overall level of funding as reported in the last triennial valuation at 31 March 2016 is set out overleaf. A copy of the full triennial valuation at 31 March 2016 is set out at Appendix 6.

The Pension Fund's funding level at 31st March 2016 was 86.7% up from a level of 82.5% at the end of March 2013; the funding level demonstrates the extent to which the assets held by the Fund cover the accrued benefits at a particular point in time. The Fund introduced an annual assessment of the funding position in 2017 where the financial assumptions used in the valuation were updated to reflect known changes in market conditions. At the end of December 2017, the funding level was estimated to have improved due to strong investment returns, and at the end of 2018 it was estimated to have fallen back again following the weakness in markets in the final quarter of 2018.The next triennial valuation will be carried out as at 31 March 2019 and the recovery in markets in early 2019 will be reflected in the funding level at that time.

The main purpose of the triennial actuarial valuation is to set employer contribution rates that, together with future investment returns on the assets within the Fund, have a high likelihood of ensuring that there are sufficient assets to pay members' benefits as they fall due. The employer contribution rates determined as part of the March 2019 valuation will take effect from 1st April 2020.

The Pension Fund's funding strategy will be reviewed as part of the actuarial valuation process. The Fund's stakeholders will be consulted on any proposed changes to the funding strategy.

HYMANS ROBERTSON LLP

Derbyshire Pension Fund (“the Fund”)

Actuarial Statement for 2018/19

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 19 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is around a 66% chance that the Fund will return to full funding over 19 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme

Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund’s assets, which at 31 March 2016 were valued at £3,672 million, were sufficient to meet 87% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £564 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	2.7%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.9 years	24.4 years
Future Pensioners*	23.9 years	26.5 years

*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Barry Dodds FFA
For and on behalf of Hymans Robertson LLP
9 April 2019

Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

Derbyshire Pension Fund

lgps

Scheme Administration

The Fund is administered in-house on a day to day basis by the Pension Administration Team which is part of the Commissioning, Communities and Policy Department and is led by Nigel Dowey, the Pensions Administration Manager.

The LGPS is a statutory scheme with regulations made under the Superannuation Act 1972 and the Public Service Pensions Act 2013. The LGPS is a defined benefits scheme based, since 1 April 2014, on 'Career Average Revaluated Earnings' (CARE). Members' benefits are determined strictly in accordance with the scheme regulations and are not subject to changes affecting the Fund's assets. Where members joined the scheme before 1 April 2014, protections are in place for their benefits to be based on accrued scheme membership to that date and their full-time equivalent pensionable pay at retirement.

During 2018-19, Scheme members were required to pay a contribution rate of between 5.5% and 12.5% of their pensionable pay, depending on their pay banding. Employer contribution rates, also expressed as a percentage of pensionable pay, and tailored specifically to each employer, were applied to cover the accrual of new benefits earned by members. The contribution to fund any past service deficit was expressed as a cash sum or a supplementary percentage of pensionable pay.

The triennial scheme valuation completed by the scheme Actuary as at 31 March 2016, determined employer contribution rates for the three years from 1 April 2017 until 31 March 2020.

As an administering authority under the Local Government Pension Scheme Regulations 2013, the Council is responsible for administering the LGPS for all local authority employers in the county and certain other organisations. Some employers participate under admission agreements. A full list of employers is given at Appendix 7.

Administration

Pension administration broadly comprises:

- maintaining a database of:

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

- providing Annual Benefit Statements to active and deferred Scheme members

- providing estimates of benefits

- the calculation and payment of retirement benefits
- the calculation and payment of transfer values to other schemes
- processing transfer values from “club” and local government schemes
- providing valuations and splitting pensions in divorce cases
- communicating with employers and Scheme members on scheme changes and pensions issues
- onboarding new Scheme employers
- supporting employers to carry out their responsibilities under the LGPS Regulations
- reconciling employers’ monthly and annual contribution rates
- providing Pension Savings Statements to Scheme members as appropriate
- providing data for triennial valuations and annual FRS17 disclosures
- reporting to the Pensions and Investment Committee on scheme changes, discretions and disputes
- replying to queries from Scheme members and employers

The Fund has four administration teams designed to deal with specific areas and managed by Pension Team Managers:

Two Benefits Teams	Sue Hubbleday and Wayne Stone
Technical and Finance Team	Rachel James
Regulations and Communications Team	Steve Webster

During 2018-19, a further temporary Project Team was created to manage the migration to and the implementation of the new pension administration system, led by Emma Whysall.

No significant services are outsourced with the exception of the pensioner payroll service which is provided by Derbyshire County Council’s Shared Services Centre (SSC). SSC work to a Service Level Agreement set up by the Fund, and the cost of the service to the Fund is reviewed each year.

Pension Administration System
The performance achieved using the Civica UPM System, which had been in use since December 2014, did not reach the desired levels, and approval was granted in April 2017 to tender for a replacement pension administration system in collaboration with Leicestershire County Council (LCC). The procurement, the subsequent migration of data and the implementation of the replacement system has been the main focus of the administration team during 2017-18 and 2018-19.

The contract for the provision of the system was awarded to Heywood in June 2018 for a maximum term of ten years, and the Fund went 'live' on Heywood's Altair system on 4th March 2019. Data conversion and mapping difficulties experienced by the supplier during the project and an enhanced focus on data cleansing as part of the implementation, impacted the ability of the administration team to reduce the significant backlogs that had built up under the previous system. However, once the backlogs have been addressed, the new system is expected to provide efficiency savings and an improved quality of service for scheme members and employers.

Costs of Administering the Fund

There were 42.3 full-time equivalent members of staff at 31 March 2019 (2017-18, 44) and the cost of administration, excluding actuarial and audit fees, was £2.085m (2017-18, £2.056m) comprising staffing costs, IT, central charges and the cost of providing a pensions payroll for pensioners. A breakdown is shown below.

£ in Thousand	**2017-18 Actual**	**2018-19 Actual**
Staff costs	1,401	1,554
Supplies and services	454	303
Information technology	192	146
Premises	9	82
Total	**2,056**	**2,085**

The total cost of administration expressed as a cost per member for the past five years has been:

£ per Member	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
The Fund	£16.49	£15.44	£15.70	£20.34	£20.38
Shire County Average	£22.41	£17.96	£18.48	£19.35	(*)
All English Authorities	£24.98	£20.00	£20.25	£20.41	(*)

(*) not available until October 2019

The cost per member remained relatively flat between 2014-15 and 2016-17 but increased by £4.64 to £20.34 in 2017-18 to support:

- remedial work to cleanse data and complete cases outstanding as a result of difficulties with the previous pension administration system
- the increasing complexity of pension administration and the need to demonstrate good governance in line with the Pension Regulator's Code of Practice 14
- the increasing number of employing authorities in the Fund, due to academisation and the contracting out of services previously provided by Councils or schools
- to manage the migration of data to the new system and its implementation

Cost per member stabilized in 2018-19, and the Fund believes that the ongoing investment in headcount (see below), together with the recent change in the pension administration system, leaves the Fund well positioned to improve service levels, drive efficiency savings and demonstrate value for money.

The table below shows the year-end number of full-time equivalent staff over the last five years:

Year-End Number	2014-15	2015-16	2016-17	2017-18	2018-19
Full-Time Equivalent Staff (FTE)	34	36	38	44	42

The number of full-time equivalent staff increased throughout the four years to 31 March 2018 in support of higher service levels. The modest reduction in 2018-19 was due to staff turnover.

Performance

Operational performance is reported quarterly to the Pensions and Investments Committee and the Derbyshire Pension Board. Software issues continued to limit the Fund's ability to optimize its operational performance during 2018-19. This has had a particular impact on the notification of deferred benefits which, because there is no immediate payment of benefit involved, were given a lower priority than cases where members' benefits are payable immediately. The following performance levels have been measured against The Occupational Pension Schemes (Disclosure of Information) Regulations for 2017-18.

Operation	Target for completion	Processed within target
Payment of retirement benefits	1 month	92%
Completion of death cases	2 months	92%
Notification of deferred benefits	2 months	3%
Provision of retirement estimates	2 months	98%
Payment of Transfer Out	6 months	92%
Provision of Transfer Out quote	3 months	90%
Provision of Transfer In quote	2 months	100%
Payment of contributions refund	2 months	100%

Following the successful implementation of the new pension administration system, the Fund plans to make the operational performance targets more challenging to reflect the improvements in efficiency that the new system should support. It is anticipated that these new targets will be finalized in 2019-20 and will be reported to the Pensions and Investments Committee on a quarterly basis thereafter.

In other areas of activity, during 2018-19 the Fund has:

- onboarded 49 new academies
- onboarded 9 new admitted bodies
- further to the GMP reconciliation exercise, rectified the 850 pensions in payment that were identified as incorrect
- completed an address tracing exercise for 'gone away' deferred beneficiaries which resulted in the correction of 800 address records
- produced and distributed IAS19 and FRS102 Accounting Disclosure Reports for 117 employing authorities
- produced and distributed Annual Benefit Statements to 90% of the Fund's active and deferred members (80.9% by 31st August 2018)

- monitored and fed back on employer performance in the areas of retirements, deaths in service and refunds

Data accuracy figures at the end of 2017-18 were Common data 95% and Conditional Data 85%. As part of the subsequent data migration project, much of the inaccurate data was corrected. However, the new figures have yet to be measured. Heywood has been commissioned to carry out annual Common and Conditional data checks for 2018-19.

Services provided
A major achievement during 2018-19 was the launch of a new brand image for the Derbyshire Pension Fund along with a bespoke Fund specific website independent of Derbyshire County Council's website; www.derbyshirepensionfund.org.uk

The website provides information and guidance for active, deferred and pensioner members as well as for employing authorities. It also incorporates a benefit estimate calculation service that was used by members to carry out 36,755 calculations during 2018-19.

Further services provided to Fund members during 2018-19 included:

- a one-stop Pension Fund Helpline service, as well as the facility to contact the Fund via email.
  - telephone 01629 538900
  - email pensions@derbyshire.gov.uk
- member drop-in sessions at locations across the County designed to help members to understand their Annual Benefit Statements, although all aspects of membership are covered
- member presentations to either help communicate significant changes in the LGPS Regulations or to assist where the members' employer is restructuring or outsourcing and Fund members may be affected
- newsletters for active and deferred members produced in collaboration with other Funds to ensure accuracy and to share costs and resource

Specific services provided to Fund employing authorities included:

- early intervention / support with contracting out exercises and risk-sharing arrangements
- a regular Employers' Newsletter emailed to employer contacts – the receipt and opening of the newsletters was monitored and follow up action taken as necessary
- site visits and training sessions where issues were identified or requests were made
- employer forums were held for all employers and, on some occasions, targeted at specific groups of employers such as academies

Feedback was requested at all member presentations and employer forums and has proved positive overall. Improvement suggestions tended to concern logistics (e.g. the venues) rather than the content of the sessions, and have been taken on board.

Dealing with Employer Bodies

The Pension Fund maintains a Pension Administration Strategy (PAS), in line with Regulation 59 of the LGPS Regulations 2013, which is reviewed and revised annually. The PAS is circulated to all employers and published on the Pension Fund website. It sets out the roles and the service standards to be achieved by the Fund and by the employers to enable the efficient administration of Fund members' records. This includes details of how administrative underperformance by employers will be monitored and managed.

The Fund maintains an up to date list of named contacts for each employer along with a list of authorised signatories. This is held on the Fund's 'Employer Database' with other relevant information to assist in dealing with employer bodies.

Employers were required from May 2018 to update their discretions policy documents. The Fund has assisted employers throughout 2018-19 by providing training events, together with the provision of a document template and guidance notes.

The Fund also works closely with employers seeking to contract out services where TUPE transfers of Fund members are involved. Communication efforts to encourage employers to involve the Fund at the planning stage have been successful, and the Fund has worked with a number of employers and staff groups in 2018-19 to share knowledge and experience and to support smooth transfers and fully informed funding decisions.

Details regarding the development of a new Employer Risk Management Framework were set out in the Governance section of this report.

Appeals & Ombudsman Escalations

Set out below are some tables which show the numbers of Stage 1 and Stage 2 adjudications which were adjudicated by the Administering Authority in 2018-19. The tables also show the number of cases submitted to The Pensions Ombudsman in respect of cases escalated following the two-stage adjudication process.

Stage 1 Appeals against the administering authority: 2018-19

Total	Appeals upheld	Appeals dismissed	Progressed to Stage 2
3	1	2	1

Stage 2 Appeals adjudicated by administering authority: 2018-19

Total	Appeals upheld	Appeals dismissed	Progressed to Ombudsman
7	3	4	2

Complaints escalated to The Pensions Ombudsman: 2018-19

Total	Upheld	Dismissed	Awaiting determination
7	2	2	3

(Note – This includes five cases which were considered by the Committee at Stage 2 during 2017-18)

Of the seven cases which were escalated to the Ombudsman in 2018-19, two were determined by the Ombudsman as including errors or inadequate consideration by the Pension Fund, and one resulted in a compensatory award payable by the relevant Scheme Employer. Of the remaining four cases escalated to the Ombudsman in 2018-19, one case was dismissed and the other three cases have yet to be determined.

In those cases where the adjudication and/or the Ombudsman noted and identified errors or inadequate processes by the Pension Fund, officers have reviewed procedures and made any necessary changes to ensure as far as possible that similar appeals are avoided.

Schedule of Contributions

A schedule of contributions for the year showing the amounts paid by individual employers and their employees is given at Appendix 7.

Arrears of Contributions

Employers are required to collect contributions from active Scheme members and pay these together with their employer's contribution to the County Council not later than the 19th of the following month to which the contributions relate. The Fund fully reconciles each employers' monthly contributions to their annual year-end return.

The Fund monitors collections each month and reports late payments to the Pensions and Investments Committee on a quarterly basis. The Fund can levy a late payment fee on employers for under-performance (e.g. late payment of contributions; late submission of a year-end return; etc.) based on a sliding scale linked to the frequency of under-performance. In 2018-19, 88.5% of expected returns were received on time. Late returns were actively discussed with Scheme Employers to improve return rates, and no late payment fees were levied in 2018-19.

Fund Activity

Membership:

	31/03/15	**31/03/16**	**31/03/17**	**31/03/18**	**31/03/19**
Contributors	38,230	40,030	40,640	41,010	41,157
Deferred Pensions	26,030	27,240	30,327	32,099	31,136
Pensioners / Dependants	25,608	26,622	27,599	27,959	30,024
Total	**89,868**	**93,892**	**98,566**	**101,068**	**102,317**

Retirements from Active Status:

	31/03/15	31/03/16	31/03/17	31/03/18	31/03/19
Ill Health	29	26	42	39	32
Age retirement	524	621	644	593	564
Flexible	56	59	77	86	79
Redundancy	108	119	138	94	75
Efficiency	51	53	34	28	14
Employer Consent	0	0	0	0	0
Total	**768**	**878**	**935**	**840**	**764**

Retirements from Deferred Status:

	31/03/15	31/03/16	31/03/17	31/03/18	31/03/19
Ill Health	5	16	5	12	7
Age retirement	450	423	479	552	687
Employer Consent	0	0	0	0	0
Total	**455**	**439**	**484**	**564**	**694**

Deaths in Service:

	31/03/15	31/03/16	31/03/17	31/03/18	31/03/19
Deaths in service	30	30	28	26	29

Deaths of Deferred Beneficiaries:

	31/03/15	31/03/16	31/03/17	31/03/18	31/03/19
Deaths of deferred beneficiaries	15	26	26	31	42

Deaths of Pensioners / Dependants:

	31/03/15	31/03/16	31/03/17	31/03/18	31/03
Deaths of pensioners & dependants	655	554	639	682	693

Transfers-in:

	31/03/15	31/03/16	31/03/17	31/03/18	31/03/19
Inter-fund Transfers (from the LGPS)	54	26	153	266	221
Club Transfer (Public Sector Transfer Club)	11	2	3	32	40
Non Club	0	0	2	0	0
Personal Pension	0	0	0	0	0
Total	**65**	**28**	**158**	**298**	**261**

Transfers-out:

	31/03/15	31/03/16	31/03/17	31/03/18	31/03/19
Inter-fund Transfers (from the LGPS)	33	45	42	198	171
Club Transfer (Public Sector Transfer Club)	20	37	21	42	25
Non Club	10	12	17	57	31
Personal Pension	0	2	0	1	4
Overseas	4	0	3	1	1
Total	**67**	**96**	**83**	**299**	**232**

Trivials:

	31/03/15	31/03/16	31/03/17	31/03/18	31/03/19
From active status	1	7	2	3	0
From deferred status	3	13	8	52	70
From pension in payment	9	1	0	2	**2**
Total	**13**	**21**	**10**	**57**	**72**

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

Summary of Fund Employers

	Active at 31 March 2019	Ceased in 2018-19	Total
Scheduled body	196	0	196
Admitted body	60	4	64
Total	**256**	**4**	**260**

Statement of Accounts Derbyshire Pension Fund 2018-19

PENSION FUND ACCOUNTS
EXPLANATORY FOREWORD

Derbyshire County Council administers the Local Government Pension Scheme (LGPS) for employees, pensioners and dependents of a variety of bodies in Derbyshire, including: Councils; Police and Fire Authorities (for civilian employees); the University of Derby, Colleges and Academies (non-teaching staff); Charities and some private companies providing services to local councils.

Derbyshire Pension Fund (the Fund) has over 280 participating employers and over 100,000 members, either active contributors, pensioners or deferred pensioners (people who have stopped paying into the scheme but are not yet receiving a pension).

The benefits payable to members within the Fund are determined by regulations and are guaranteed. Assets in the Fund meet members' benefit payments when they fall due and are accumulated through a combination of contributions from employees and employers within the Fund and from investment returns (both income and capital). The Fund continues to be cashflow positive, with contributions and investment income exceeding benefit payments.

At the end of March 2019, the value of the Fund's assets was over £4.9bn. The investment return in the year to March 2019 was 5.6%, with a sharp sell-off in equity markets in the final quarter of 2018 followed by a very strong recovery in the first quarter of 2019.

LGPS Central Limited (LGPSC), the company established to manage investments on behalf of nine LGPS funds including Derbyshire Pension Fund, has been managing the Fund's UK Equity portfolio under a discretionary agreement since April 2018, in advance of the launch of a suitable collective vehicle. LGPSC has also been providing advice to the Fund in respect of the Japanese, Asia Pacific and Emerging Markets Equities portfolios since September 2018. An Emerging Markets Equity product is due to be launched by LGPSC in the first half of 2019-20; the Fund is currently undertaking due diligence on this product.

During the year, Altair, a new pension administration system, was implemented. Data conversion and mapping difficulties experienced by the supplier pushed the implementation date of Altair into the first quarter of 2019. A comprehensive project governance regime was maintained throughout the life of the project and the new system went live in March 2019. Altair is expected to contribute to an improved level of service to Fund members and employers. However, it is likely to take some time for the new system to have a meaningful impact on the outstanding administration backlogs that built up under the previous system.

A separate Annual Report is produced for the Fund which, in addition to the Fund's accounts, includes the governance arrangements for the Fund, detailed performance information and the Fund's approved policy statements. The Annual Report is available on the Derbyshire Pension Fund's website:

https://derbyshirepensionfund.org.uk/about-the-fund/annual-report/annual-report.aspx

Membership Statistics

	Actuals		
	31 Mar 2017	31 Mar 2018	31 Mar 2019
Contributors	40,640	41,010	41,157
Pensioners and Dependants	27,599	27,959	30,024
Deferred Pensioners	30,327	32,099	31,136

Employers' Contributions

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

Council	2018-19	2019-20
Derbyshire County	14.5% plus £15.382m	14.5% plus £15.536m
Derby City	13.5% plus £6.912m	13.5% plus £6.981m
Amber Valley Borough	14.0% plus £1.047m	14.0% plus £1.057m
District of Bolsover	13.9% plus £0.953m	13.9% plus £0.962m
Chesterfield Borough	14.2% plus £1.971m	14.2% plus £1.991m
Derbyshire Dales	13.6% plus £0.639m	13.6% plus £0.645m
Erewash Borough	13.1% plus £1.114m	13.1% plus £1.125m
High Peak Borough	12.4% plus £1.815m	12.4% plus £1.833m
North East Derbyshire	13.7% plus £1.512m	13.7% plus £1.527m
South Derbyshire	13.8% plus £0.671m	13.8% plus £0.678m

The percentage rates that were determined by the Actuary in the valuation of the Fund at 31 March 2016, for 2017-18 onwards, are intended to cover the cost of future service of active Fund members, with the past service deficit being addressed by an annual fixed cash amount.

Members' Contributions

For 2018-19 the contribution rates payable by members into the Fund are determined by The Local Government Pension Scheme 2013 Regulations. The rates are between 5.5% and 12.5% of members' pay, including non-contractual overtime, depending on their pay banding.

Investment Policy

During 2018-19 responsibility for policy matters rested with a Pensions and Investments Committee which is comprised of eight County Councillors, two Derby City Councillors and two non-voting Trade Union representatives. The Pensions and Investments Committee received advice from the Director of Finance & ICT and from one independent external adviser.

Day-to-day management of the Fund is delegated to the Director of Finance & ICT and his in-house staff, operating within a policy framework laid down by the Committee.

Policy is determined by reference to The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which require that advice is taken at regular intervals and place an onus on administering authorities to determine the balance of their investments and take account of risk.

The Fund has a central (strategic) benchmark asset allocation which is designed to meet the performance requirements for the level of risk agreed by the Pensions and Investments Committee. The benchmark allocation was reviewed part way through 2018-19, with a re-balancing of the Fund's assets from Growth Assets (e.g. Equities and Private Equity) to Income Assets (e.g. Infrastructure, Multi Asset Credit and Property). The Pensions and Investments Committee has a degree of flexibility around the central benchmark allocation and decides the specific allocations (weights) for each asset class at its quarterly meetings. In the table below, the column showing the benchmark return is what would have been achieved via neutrally weighted index returns, whereas the actual Fund returns are a function of both active asset allocation and active stock selection decisions.

The table below shows the Fund's returns over 1, 3, 5 and 10 years to 31 March 2019, compared to those of its strategic benchmark, as well as the impact of inflation on Fund returns.

	Return		**Inflation**		**Fund Real Return**	
Periods to 31 Mar 2019	**Derbyshire Fund**	**Benchmark**	**CPI**	**RPI**	**Versus CPI Inflation**	**Versus RPI Inflation**
	% pa	**% pa**	**%**	**%**	**%**	**%**
1 Year	5.6	5.6	1.9	2.4	3.7	3.2
3 Years	10.1	9.5	2.3	2.9	7.8	7.2
5 Years	8.4	8.0	1.8	2.3	6.6	6.1
10 Years	10.5	10.4	2.5	3.0	8.0	7.5

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

The Fund performed in line with benchmark over the one year period, and out-performed over the three, five and ten year periods. It is important to note that the Fund delivered real returns over these periods, with returns ahead of inflation in each period.

The 2018-19 return of 5.6% compared with 3.8% in 2017-18. In the twelve months to March 2019, equity returns to Sterling investors ranged from -0.9% in Japan to 17.5% in the United

States, with overseas equity returns being positively impacted, on translation, by a weaker pound relative to the US dollar. Whilst domestically focused UK equity returns were adversely affected by the uncertainty caused by the Brexit negotiations, UK large cap stocks which generate a significant proportion of their revenues in US dollars, benefited from the strength of the US dollar. Overseas equity returns in local currency ranged from -5.4% in Emerging Markets, to 9.1% in the United States. Emerging Markets were impacted by fears over a global trade war, concerns over the health of the Chinese economy and the strength of the US dollar. US stocks benefited from continued economic growth, robust earnings growth (in part reflecting the beneficial impact of tax cuts) and a more dovish tone from the US Federal Reserve towards the end of 2018-19, which suggested a reduced likelihood of a rise in US interest rates in 2019. Notwithstanding the positive returns generated by global equities in 2018-19, equity markets were volatile, as evidenced by a sharp sell-off in the fourth quarter of 2018 (global equities fell by -10.5% in Sterling terms), followed by a strong recovery in the first quarter of 2019 (global equities rose by 12.2% in Sterling terms).

Bond returns were also positive in 2018-19, with UK Gilts returning 3.7%, UK Index-Linked Bonds returning 5.5% and Corporate Bonds returning 4.0%, reflecting investor caution, Brexit uncertainty and receding expectations of near term interest rate rises. Property (55% direct/45% indirect) returned 4.3% in 2018-19, reflecting a combination of continued capital growth and rental income.

Actuarial Position of the Fund

Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of The Local Government Pension Scheme Regulations 2013. The purpose of the valuation is to determine the solvency of the Fund and to set the level of contributions payable by each participating employer for the following three years. A valuation of the Fund was undertaken as at 31 March 2016 to set the level of employer contributions for the three years commencing 1 April 2017.

At 31 March 2016 the Net Assets of the Fund were £3.672bn and the Past Service Liabilities were £4.236bn. The Fund's deficit of £0.564bn is being recovered in accordance with its Funding Strategy Statement, which is available on the Council's website at:
https://www.derbyshirepensionfund.org.uk/about-the-fund/policies-strategies-and-statements/investment-strategy.aspx

The funding level is the Fund's ratio of assets to liabilities at the valuation date. The funding level at the 2016 valuation was 86.7%, an improvement on the funding level at the 2013 valuation of 82.5%.

A number of factors, both positive and negative, impacted on the funding level. The overall funding level improved because the market value of the Fund's assets increased by more than the increase in the cash value of the Fund's past service liabilities. Actual investment returns were approximately 4% greater than the expected three-year return assumed in the 2013 actuarial valuation, improving the funding level. The overall impact of demographic experience also improved the funding level but this was off-set by changes in financial assumptions which have worsened it, including a decrease in the real discount rate between 2013 and 2016.

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

	Assumption %
Asset Out-Performance*	1.80
Discount Rate (Pre Retirement)	4.00
Discount Rate (Post Retirement)	4.00
CPI Price Inflation	2.10
Real Earnings Inflation (Over CPI Inflation)	0.60
Salary Increases**	2.70
Pension Increases (except pre 88 GMP***)	2.10
Revaluation of deferred pension	2.10

* Asset Out-Performance assumptions represent the expected out-performance of investment returns relative to gilts.
** An allowance is also made for promotional pay increases.
*** The Guaranteed Minimum Pension (GMP) is the minimum pension which a United Kingdom occupational pension scheme has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997. Different rules applied to GMP annual inflation-linked increases in two distinct periods; 1978 to 1988 and 1988 to 1997. This means that GMP can rise at different rates depending on when a pension entitlement is built up. For service before 1988 there is no duty on a scheme to provide inflation-linked increases, whilst for service between 1988 and 1997 a scheme has to provide inflation-linked increases up to a cap of 3 per cent.

The contribution rates required have been determined using a “risk based” approach. The level of contribution rate to give an appropriate likelihood of meeting an employer’s funding target (usually a 100% funding level), within the agreed timeframe, is determined for each employer. The full rate of an employer’s contribution provides for the cost of year-by-year accrual of benefits in respect of current Fund members and the amount required to meet a shortfall in respect of the assets required for pensions in payment (including those payable to survivors of former members) and benefits accrued by other members, which will become payable in the future (known as a past service deficiency).

Further Information

Derbyshire Pension Fund’s Investment Strategy Statement, Funding Strategy Statement, Actuarial Valuation Report, Governance Compliance Statement, Communications Policy Statement and Annual Report are available on the Derbyshire Pension Fund's website at:
http://www.derbyshirepensionfund.org.uk

PENSION FUND ACCOUNTS
FUND ACCOUNT

FUND ACCOUNT

2017-18 £m		Note	2018-19 £m
	Dealings with Members, Employers and Others Directly Involved in the Fund		
164.420	Contributions	6,23	193.715
12.724	Transfers in from Other Pension Funds	7	10.324
177.144			**204.039**
(155.380)	Benefits	8,23	(160.930)
(17.210)	Payments to and on Account of Leavers	9	(12.976)
(172.590)			**(173.906)**
4.554	**Net Additions from Dealings with Members, Employers and Others Directly Involved in the Fund**		**30.133**
(24.947)	Management Expenses	10	(28.129)
(20.393)	**Net (Withdrawals)/Additions Including Fund Management Expenses**		**2.004**
	Returns on Investments		
94.882	Investment Income	11	100.816
0.048	Taxes on Income	12	0.033
96.925	Profits and Losses on Disposal of Investments and Changes in Value of Investments	13	181.703
191.855	**Return on Investments**		**282.552**
171.462	**Net Increase in the Net Assets Available for Benefits During the Year**		**284.556**
4,472.569	Opening Net Assets of the Fund		4,644.031
4,644.031	**Closing Net Assets of the Fund**		**4,928.587**

PENSION FUND ACCOUNTS
NET ASSETS STATEMENT

NET ASSETS STATEMENT

31 Mar 2018 £m		Note	31 Mar 2019 £m
4,626.179	Investment Assets	13-15	4,905.599
(6.803)	Investment Liabilities	13-15	(4.874)
30.195	Current Assets	17	32.336
(5.540)	Current Liabilities	18	(4.474)
4,644.031	**Net Assets of the Scheme Available to Fund Benefits at the Period End**		**4,928.587**

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

PENSION FUND ACCOUNTS
NOTES TO THE PENSION FUND ACCOUNTS

Derbyshire Pension Fund ("the Fund") is administered by Derbyshire County Council and is governed by Local Government Pension Scheme Regulations and associated pension legislation. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

1. Basis of preparation

The accounts have been prepared on a going concern basis, in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), which require the Fund's accounts to comply with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations for the Public Sector detailed in the Code and the Statement of Recommended Practice 2015 ("SORP"): Financial Reports of Pension Schemes insofar as it is relevant.

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

The amount of separately invested Additional Voluntary Contributions ("AVCs") paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with Regulation 4 (1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

2. Accounting policies

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

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

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

Management expenses
Management expenses are accounted for on an accruals basis. They are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs (2016)".

Investment income
Dividends from quoted securities are accounted for when the securities are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statements as an investment asset. Rent is accounted for in accordance with the terms of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Interest on cash and bonds is accrued on a daily basis. Income arising on the underlying investments of accumulation funds is accounted for within change in market value of investments.

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

Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies are accounted for at the market exchange rate at the date of transaction. End of year market exchange rates are used to value overseas assets at the end of the accounting period.

Exchange gains and losses relating to the translation of investments are accounted for as part of change in market value included in the Fund Account and those relating to current assets and liabilities are accounted for within the Fund Account under an appropriate heading.

Cash and cash equivalents
Cash comprises cash in hand and on-demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Basis of valuation

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (Note 15). The basis of valuation of each class of financial investment asset and liability is set out in Note 15.

3. Accounting Standards issued and not yet applied

At the balance sheet date the following interpretations, new standards and amendments to existing standards have been published but not yet adopted by the Code:

- Amendments to IAS 40 Investment Property – Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This is not expected to impact on the Fund's accounts.
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle makes amendments to IFRS 1 (First-time Adoption of International Reporting Standards, deleting expired short-term exemptions), IFRS 12 (Disclosure of Interests in Other Entities, covering subsidiaries, joint arrangements and associates) and IAS 28 (Investments in Associates and Joint Ventures) and the improvements would have had no impact on the Fund's 2018-19 accounts.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Fund does not have any material transactions within the scope of the amendment.
- IFRIC 23 Uncertainty Over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the Fund's accounts.
- Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Fund has no loans to which this will apply.
- IFRS 16 Leases will require organisations, in their capacity as a lessee, to recognise leases on their balance sheet as right-of-use assets, with corresponding lease liabilities, with the exception of leases with a term of 12 months or less or where the underlying asset is of low value. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020. This will have no impact on the Fund's accounts.

4. Critical judgements made in applying the accounting policies

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

5 Assumptions made and other estimation uncertainty

Actuarial present value of promised retirement benefits

These accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year, however, the actuarial present value of promised retirement benefits is disclosed in these accounts. Estimation of the net liability to pay pensions depends on several complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund investments. The Fund has engaged Hymans Robertson LLP as its Actuary to provide expert advice about the assumptions to be applied. The effect of changes in these estimates on the Fund's actuarial present value of promised retirement benefits is disclosed in the Report of the Actuary, in Note 22.

Impact of McCloud judgement

When the Local Government Pension Scheme (LGPS) benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's Actuary has adjusted GAD's estimate to better reflect the Derbyshire Pension Fund's (Fund) local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to the Fund is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be around 0.4% higher as at 31 March 2019, an increase of approximately £26.7m. The Actuary has made an allowance for this potential increase in liabilities in its disclosure of the actuarial present value of promised retirement benefits, in Note 22, the Report of the Actuary.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions. The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

Impact of GMP equalisation

Guaranteed Minimum Pension (GMP) was accrued by members of the LGPS between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The Fund Actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of the Fund for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimate as it applies to the Fund is that total liabilities could be 0.1% higher at 31 March 2019, an increase of approximately £5.9m. The Actuary has made an allowance for this potential increase in liabilities in its disclosure of the actuarial present value of promised retirement benefits, in Note 22, the Report of the Actuary. These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

Britain leaving the European Union
There remains a high level of uncertainty around the implementation of the 2016 Brexit referendum result. Brexit developments have caused volatility in asset prices and hence also in bond yields. At the year end, bond yields, on which the discount rate and RPI rate used to value the liabilities for the balance sheet are based, fell on the third rejection of the Government's Withdrawal Agreement. It is not possible to predict future Brexit developments with any degree of certainty but they are likely to cause further volatility in asset prices and bond yields, and therefore impact future actuarial assumptions. However, pronouncements from the US Federal Reserve on the future direction of US interest rates and developments in global politics have the potential to cause similar levels of volatility in asset prices and bond yields and to materially impact future actuarial assumptions.

6. Contributions

	2017-18	2018-19
	£m	£m
Employers		
Normal	90.665	96.261
Deficit Funding	35.700	57.276
Members		
Normal	38.055	40.178
	164.420	**193.715**

Employers' contributions rates payable in 2017-18 and 2018-19 were set as part of the 2016 valuation which revealed an overall funding level of 86.7%.

On 12 June 2018 Derby City Council paid employer contributions of £39.716m to the Fund, covering the period May 2018 to March 2020. During 2018-19, normal employer contributions due from Derby City Council amounted to £14.429m. The balance of Derby City's employer contributions received during 2018-19 has been included in these accounts as deficit funding employer contributions.

7. Transfers in from other pension funds

	2017-18	2018-19
	£m	£m
Individual transfers in from other pension funds	**12.724**	**10.324**

8. Benefits

	2017-18	2018-19
	£m	£m
Pensions	119.980	127.949
Commutation of pensions and lump sum retirement benefits	30.806	29.033
Lump sum death benefits	4.594	3.948
	155.380	**160.930**

9. Payments to and on account of leavers

	2017-18	2018-19
	£m	£m
Refund of contributions to members leaving the Fund	0.543	0.650
Group transfers out to other pension funds	1.008	0.048
Individual transfers out to other pension funds	15.659	12.278
	17.210	**12.976**

Group transfers out in 2018-19 relates to the transfer of members from Derby City Council to the Department of Education. Of the group transfers in 2017-18, £1.006m related to the transfer of members who were past and present employees of Derby College to Manchester College, which is part of the Greater Manchester Pension Fund (GMPF).

Individual transfers out to other pension funds have decreased in 2018-19; transfers out in 2017-18 were higher than is typical.

10. Management expenses

Management expenses are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs (2016)".

	2017-18	2018-19
	£m	£m
Investment management expenses	22.602	24.829
Administrative costs	2.056	2.085
Oversight and governance costs	0.289	1.215
	24.947	**28.129**

Oversight and governance costs increased by £0.926m in 2018-19, reflecting LGPSC governance, operator and product development costs. No services were provided by LGPSC in 2017-18. Oversight and governance costs includes audit fees of £0.022m (2017-18: £0.029m).

Administration costs increased by £0.029m in 2018-19. Pension administration costs per member were £20.38 in 2018-19 (2017-18: £20.34).

Investment management expenses are analysed below:

	2017-18	2018-19
	£m	£m
Fund value based management fees	20.393	23.653
In house management fees	0.757	0.338
Transaction costs	1.409	0.798
Custody fees	0.043	0.040
	22.602	**24.829**

Fund value based management fees increased by £3.260m, to £23.653m in 2018-19, reflecting an increase in the value of underlying investments and an ongoing shift in the Fund's asset mix to above average cost alternative investments. This followed revisions to the Fund's approved Strategic Asset Allocation Benchmark in July 2015, March 2017 and January 2019, which increased the proportion of the Fund's investments assets to be allocated to private equity, infrastructure, multi-asset credit and indirect property investments, from 5% to 22%. Fund value based management fees expressed as a proportion of investment assets increased from 0.44% in 2017-18 to 0.48% in 2018-19.

Transaction costs relate to the following asset classes:

	2017-18	2018-19
	£m	£m
Equities	1.389	0.797
Bonds	0.020	0.001
	1.409	**0.798**

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment financial asset or liability. An incremental cost is one that would not have been incurred if the scheme had not acquired or disposed of the financial instrument. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

Commissions decreased by £0.554m in 2018-19. This reduction in commissions largely reflects the impact of the introduction of a revision of the “Markets in Financial Instruments Directive”, in January 2018, known as MiFID II. MiFID II required investment brokers to unbundle research costs from their commissions and charge for research as a standalone item and has resulted in a sizeable reduction in the commissions paid by the Fund. However, the Fund now has to pay a separate research cost budget (2018-19, approximately £0.300m), which is now included in fund value based management fees.

Directly held investment properties are not financial assets and transaction costs in respect of them are capitalised into their initial cost, rather than expensed.

Direct transaction costs do not include debt premiums or discounts, financing costs or internal administration or handling costs.

Costs are incurred indirectly by the Fund on sales and purchases of pooled investment vehicles through the difference between the highest price a buyer of a security or other asset is willing to pay and the lowest price a seller is willing to offer (bid-offer spread).

Such costs are not separately identifiable but are reflected in the cost of these investment purchases and in the proceeds from their sale (Note 13).

11. Investment income

	2017-18	2018-19
	£m	**£m**
Income from equities	68.289	65.274
Income from bonds	9.432	9.623
Net rents from properties	9.299	10.087
Income from pooled investment vehicles	6.981	13.491
Interest on cash deposits	0.881	2.341
	94.882	**100.816**

Rents from properties are net of £0.528m of property expense (2017-18, net of £0.576m of property expense). The income or expense each year is the net of property management expenses recovered by service charges to tenants and irrecoverable property management expenses, for instance, rates on vacant properties.

12. Taxes on income

	2017-18	2018-19
	£m	**£m**
Taxation receivable	**(0.048)**	**(0.033)**

From 6 April 2016 there are no notional tax charges for UK dividends. The tax credits in 2017-18 and 2018-19 relate to reclaimed withholding taxes in respect of overseas investment income, which are recoverable by the Fund.

13. Investment assets and liabilities

	Value at 31 Mar 2018	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31 Mar 2019
	£m	£m	£m	£m	£m
Investment assets					
Equities	1,991.038	487.563	(794.855)	110.904	1,794.650
Bonds	517.172	159.226	(144.726)	21.700	553.372
Pooled investment vehicles	1,656.922	316.257	(81.695)	51.394	1,942.878
Properties	199.175	25.450	-	4.725	229.350
	4,364.307	*988.496*	*(1,021.276)*	*188.723*	*4,520.250*
Cash deposits & short term loans	247.698			-	371.103
Other investment balances	14.174			-	14.246
	4,626.179			**188.723**	**4,905.599**
Investment liabilities					
Currency hedging contracts	(0.500)	335.509	(329.523)	(7.020)	(1.534)
Other investment balances	(6.303)			-	(3.340)
	(6.803)			**(7.020)**	**(4.874)**
	4,619.376			**181.703**	**4,900.725**

The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has increased the Fund's value by £181.703m during 2018-19 (2017-18, £96.925m increase). This total includes all increases and decreases in the market value of investments held at any time during the year and profits and losses realised on sales of investments during the year.

At 31 March 2019 the value of the Fund's investment in the UBS Life Europe Ex-UK Equity Tracker Fund was £489.312m, representing 9.9% (2018, £476.430m, 10.3%) of the total value of the Fund's net assets available for benefits.

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts relating to sovereign fixed income holdings. The Fund's objective is to decrease risk in the portfolio by entering into forward contracts to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets.

At the year end, there was one currency hedging contract, with less than six months to expiry, with a gross contract value of £93.094m (2018, one contract, with less than six months to expiry, with a gross contract value of £68.116m).

Investment assets are further analysed below:

	31 Mar 2018	31 Mar 2019
	£m	**£m**
Equities		
UK quoted	1,210.882	1,014.080
UK unquoted	1.315	1.315
Overseas quoted	778.841	779.255
	1,991.038	**1,794.650**
Bonds		
UK quoted	446.894	455.958
UK unquoted	0.685	0.685
Overseas quoted	69.593	96.729
	517.172	**553.372**
Pooled Investment Vehicles		
Property – unquoted	119.941	139.751
Property - quoted	22.149	22.502
Other quoted	1,002.306	1,010.635
Other unquoted	512.526	769.990
	1,656.922	**1,942.878**
Properties		
UK freehold	145.850	177.750
UK leasehold	53.325	51.600
	199.175	**229.350**
Cash deposits and short term loans		
Sterling cash deposits	27.544	34.215
Other Sterling short term loans	211.000	330.700
Foreign currency	9.154	6.188
	247.698	**371.103**

The proportion of the market value of net investment assets managed in-house and by each external manager at the year end is set out below.

	31 Mar 2018		31 Mar 2019	
	£m	%	£m	%
In-house	3,418.573	74.0	2,742.741	56.0
Colliers Capital Holdings Ltd	200.888	4.4	230.869	4.7
LGPS Central Ltd	-	-	885.126	18.1
UBS Global Asset Management Life Ltd	476.430	10.3	489.312	10.0
Wellington Management International Ltd	523.485	11.3	552.677	11.2
	4,619.376	**100.0**	**4,900.725**	**100.0**

LGPSC launched its first products on 1 April 2018 and since 3 April 2018 has managed the Fund's UK Equity portfolio on a discretionary basis. For more information refer to Note 19.

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

Fund	**Country of registration of fund manager**
Aberdeen Global Japan Smaller Companies Fund	Luxembourg
AMP Capital Infrastructure Debt Fund III	Luxembourg
Barings Global Private Loan Fund I	Luxembourg
Barings Global Private Loan Fund II	Luxembourg
Barings Global Private Loan Fund III	Luxembourg
Fidelity Eurozone Select Real Estate Fund	Luxembourg
Invesco Real Estate Europe Fund	Luxembourg
J P Morgan Funds Latin American Equity Fund	Luxembourg
M&G European Property Fund	Luxembourg
Polunin Emerging Markets Developing Countries Fund	Luxembourg
SL Capital Infrastructure Fund II	Luxembourg
Baring Australia Fund	Republic of Ireland
CQS Credit Multi Asset Fund	Republic of Ireland
FPP Global Emerging Markets Fund	Republic of Ireland
JO Hambro Capital Management Japan Fund	Republic of Ireland
Legg Mason Martin Currie Greater China Fund	Republic of Ireland
Montanaro UK Smaller Companies Fund	Republic of Ireland
Adam Street 2017 Global Fund Program	Cayman Islands
3i Infrastructure Plc	Channel Islands
Baird Capital Partners Europe Fund	Channel Islands
Epiris II LP Fund	Channel Islands
Foresight Solar	Channel Islands
HICL Infrastructure Company Limited	Channel Islands
International Public Partnerships Limited	Channel Islands
Macquarie European Infrastructure Fund 5 (MEIF 5)	Channel Islands

Macquarie European Infrastructure 5 Co Investment Fund	Channel Islands
Macquarie European Infrastructure Fund 6 (MEIF 6)	Channel Islands
Macquarie European Infrastructure 6 Co Investment Fund	Channel Islands
Partners Group – Global Value 2008 Fund	Channel Islands
Princess Private Equity Holding Limited	Channel Islands
The Renewables Infrastructure Group Limited	Channel Islands

14. Fund investments by geographical sector (at market value)

	31 Mar 2018		31 Mar 2019	
	£m	%	£m	%
UK	2,618.553	56.7	2,600.120	53.1
N America	625.613	13.5	775.745	15.8
Europe	594.509	12.9	703.542	14.4
Asia and other	780.701	16.9	821.318	16.7
	4,619.376	**100.0**	**4,900.725**	**100.0**

UK investments fell in both absolute terms and as a percentage of total investment assets between 31 March 2018 and 31 March 2019 as on-going changes to the asset allocation reduced the Pension Fund's exposure to UK investment assets. As the proportion of UK investment assets fell, allocations to North American and European investment assets increased, driven by higher levels of Private Equity, Infrastructure, Multi-Asset Credit and Indirect Property fund draw-downs. The North American geographical allocation also benefited from stronger relative returns. The geographical allocation to Asia and other remained relatively flat year-on-year.

15. Fair value – Basis of valuation

The basis of valuation of each class of financial investment asset and liability is set out below. There has been no change in the valuation techniques used during the year. All investment assets and liabilities have been valued using fair value techniques as follows:

- Market quoted investments, where there is a readily available market price, are valued at the bid market price on the final day of the accounting period.
- Quoted bonds are valued at net market value excluding accrued income.
- Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price. For unquoted pooled investment vehicles this is at the price advised by the fund manager.
- Unquoted investments are valued at fair value, at the price or net asset value advised by the fund manager, or for private equity investments, based on the Fund's share of net assets at the year end, using the latest financial information available from the respective fund managers, adjusted for drawdowns and distributions to the final day of the accounting period, if the latest financial information is not produced to that date.

- Property is included at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. The property portfolio was independently valued by Savills, Property Advisers.
- Fair value for investment property is calculated using the investment method of valuation, the premise of which is that all current and future income streams are capitalised at a rate or rates compared against yields achieved in market investment transactions and adjusted for individual characteristics of the subject property, based on valuer's opinions, wholly derived from observable prices achieved in market transactions.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract on that date.

Financial investment assets and liabilities valued using fair value techniques have been classified into the three levels of what is known as a fair value hierarchy. The hierarchy is ordered according to the quality and reliability of information used to determine recurring fair values, with Level 1 being of the highest quality and reliability.

- Level 1 – Assets and liabilities assigned to Level 1 in the fair value hierarchy are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Fund's investments classified as Level 1 are quoted UK and Overseas Equities and quoted UK and Overseas Bonds issued by governments.
- Level 2 – Assets and liabilities assigned to Level 2 in the fair value hierarchy are those where quoted market prices are not available, for instance in a market that is not considered to be active, or where observable valuation techniques are used to determine fair value. The Fund's investments classified as Level 2 are quoted Pooled Investment Vehicles, Currency Hedging Contracts and unquoted LGPSC Bonds and Equities.
- Level 3 – Assets and liabilities assigned to Level 3 in the fair value hierarchy are those where at least one input which could have a significant effect on an instrument's valuation is not based on observable market data. The Fund's investments classified as Level 3 are unquoted Pooled Investment Vehicles and Properties.

The Fund's fair value hierarchy of investment financial assets, loans and receivables and financial liabilities is as follows:

	31 Mar 2018	31 Mar 2019
	£m	£m
Financial Assets		
Level 1		
UK quoted equities	1,210.882	1,014.080
Overseas quoted equities	778.841	779.255
UK quoted bonds	446.894	455.958
Overseas quoted bonds	69.593	96.729
	2,506.210	**2,346.022**

	31 Mar 2018	31 Mar 2019
	£m	**£m**
Level 2		
Property - quoted pooled investment vehicles	22.149	22.502
Other quoted pooled investment vehicles	1,002.306	1,010.635
UK unquoted equities	1.315	1.315
UK unquoted bonds	0.685	0.685
	1,026.455	**1,035.137**
Level 3		
Property – unquoted pooled investment vehicles	119.941	139.751
Other unquoted pooled investment vehicles	512.526	769.990
UK freehold properties	145.850	177.750
UK leasehold properties	53.325	51.600
	831.642	**1,139.091**
Loans and Receivables at Amortised Cost		
Sterling cash deposits	27.544	34.215
Other Sterling short term loans	211.000	330.700
Foreign currency	9.154	6.188
Other investment balances	14.174	14.246
	261.872	**385.349**
Financial Assets	**4,626.179**	**4,905.599**
Financial Liabilities		
Level 2		
Currency hedging contracts	(0.500)	(1.534)
	(0.500)	**(1.534)**
Loans and Receivables at Amortised Cost		
Other investment balances	(6.303)	(3.340)
	(6.303)	(3.340)
Financial Liabilities	**(6.803)**	**(4.874)**
	4,619.376	**4,900.725**

Derbyshire Pension Fund

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Below is a reconciliation of the movement in fair value measurements within Level 3 of the fair value hierarchy from the start to the end of 2018-19:

	Value at 31 Mar 2018	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	Value at 31 Mar 2019
	£m	£m	£m	£m	£m	£m
Financial Assets						
Level 3						
Pooled investment vehicles						
Property – unquoted	119.941	47.130	(30.657)	3.092	0.245	139.751
Other unquoted	512.526	268.891	(40.409)	25.107	3.875	769.990
Properties						
UK freehold	145.850	25.450	-	6.450	-	177.750
UK leasehold	53.325	-	-	(1.725)	-	51.600
	831.642	**341.471**	**(71.066)**	**32.924**	**4.120**	**1,139.091**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal of investments and changes in value of investments line of the fund account.

Having analysed historical data and current market levels, the Fund has determined that the Level 3 values at 31 March 2019 above are likely to be accurate to within the ranges set out in the sensitivity analysis below:

	Value at 31 Mar 2019	Assessed valuation range	Value on increase	Value on decrease
	£m	%	£m	£m
Level 3 sensitivity				
Direct property	229.350	5	240.818	217.883
Indirect property	139.751	10	153.726	125.776
UK unquoted corporate bonds	295.313	7	315.985	274.641
Infrastructure	119.154	15	137.027	101.281
Private equity	65.562	15	75.396	55.728
Emerging markets equity	67.459	10	74.205	60.713
Diversified multi-asset credit funds	144.993	10	159.492	130.494
Private debt	77.509	10	85.260	69.758
	1,139.091		**1,241.909**	**1,036.274**

Derbyshire Pension Fund

lgps

16. Additional Voluntary Contributions

In accordance with Regulation 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Accounts do not include employees' Additional Voluntary Contributions ("AVCs"). The amounts involved are not material in relation to the size of the overall Pension Fund.

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

	31 Mar 2018	31 Mar 2019
	£m	£m
Equitable Life Assurance Society		
With profits fund	0.219	0.182
Unit-linked funds	0.441	0.413
Total Equitable Life Assurance Society	*0.660*	*0.595*
Standard Life		
Managed fund	0.743	0.761
Multi asset managed fund	0.059	0.082
Protection fund	0.071	0.084
Ethical fund	0.104	0.104
With profits fund	0.296	0.326
Total Standard Life	*1.273*	*1.357*

	31 Mar 2018	31 Mar 2019
	£m	£m
Prudential Assurance Company Ltd		
Deposit fund	2.822	2.427
With profits cash accumulation fund	3.454	4.111
Blackrock Aquila	0.000	0.040
Cash fund	0.094	0.130
Discretionary fund	0.570	0.689
Dynamic growth funds	0.000	0.072
Fixed interest fund	0.077	0.091
Global equity fund	0.333	0.394
Index-linked fund	0.312	0.326
International equity fund	0.291	0.413
Property fund	0.212	0.227
Retirement protection fund	0.205	0.195
Socially responsible fund	0.072	0.116
UK equity fund	0.158	0.187
UK equity (passive) fund	0.238	0.333
Total Prudential Assurance	*8.838*	*9.751*
Clerical Medical		
With profits fund	0.344	0.218
Unit linked fund	0.049	0.158
Total Clerical Medical	*0.393*	*0.376*
Total AVC Investments	**11.164**	**12.079**
Death in Service Cover		
Equitable Life	**0.117**	**0.117**

Death in Service cover is payable by the AVC provider where an employee has opted to pay an extra life insurance sum. The Local Government Pension Scheme Regulations 2013 require the death grant payable for contributors into the LGPS to be three times their “final pay” (in the case of a part-time employee it is three times their actual pensionable pay). The Inland Revenue limit for death in service cover is four times “final pay”, so the maximum extra amount insurable is, therefore, restricted to an amount equivalent to one times “final pay” and in the case of a part-time contributor, their actual pensionable pay. “Final pay” is defined in the above Regulations.

	Equitable Life £m	Prudential £m	Standard Life £m	Clerical Medical £m	Total £m
Value at 31 Mar 2018	**0.660**	**8.838**	**1.273**	**0.393**	**11.164**
Income					
Contributions received	0.002	2.425	0.021	0.006	2.454
Interest and bonuses and change in market value	0.032	0.198	0.086	0.008	0.324
Transfers in		0.032	-	-	0.032
Expenditure					
Life assurance premiums	(0.001)	-	-	-	(0.001)
Retirement benefits	(0.094)	(1.742)	(0.017)	(0.031)	(1.884)
Transfers out and withdrawals	(0.004)	-	(0.006)	-	(0.010)
Value at 31 Mar 2019	**0.595**	**9.751**	**1.357**	**0.376**	**12.079**

17. Current assets

	31 Mar 2018 £m	31 Mar 2019 £m
Employers' contributions due	6.135	5.374
Employees' contributions due	1.546	1.924
Amounts owed by Derbyshire County Council	3.243	3.899
Sundry debtors	1.280	0.864
Cash balance	17.991	20.275
	30.195	**32.336**

Employers' and employees' contributions due at 31 March 2019 have been received since the year-end.

18. Current liabilities

	31 Mar 2018	31 Mar 2019
	£m	£m
Unpaid benefits	2.551	1.768
Sundry creditors	2.989	2.706
	5.540	**4.474**

19. Related party transactions

Derbyshire County Council
The Council is the administering authority for the purposes of the Fund under The Local Government Pension Scheme Regulations 2013.

Included in management expenses in 2018-19 are charges from the Council of £2.269m (2017-18, £2.471m) for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments.

At 31 March 2019 the Council owed the Fund £3.899m (2018, the Council owed the Fund £3.243m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 33 and 34 of the Council's Statement of Accounts.

LGPS Central Limited
LGPSC has been established to manage investment assets on behalf of nine LGPS funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPSC Pool, of which the Council, as the administering authority for the Fund, is one of the shareholders.

In 2017-18 the Fund incurred set-up costs in relation to LGPSC of £0.502m. At 31 March 2018 the Fund accrued income of £0.500m for the recovery of these costs. These set-up costs were reimbursed by LGPSC to the Fund in 2018-19. The Fund invested £1.315m in share capital and £0.685m in a loan to LGPSC in 2017-18. These remain the balances at 31 March 2019. The Fund was owed interest of £0.043m on the loan to LGPSC at 31 March 2019 (2017-18, £nil).

LGPSC launched its first products on 1 April 2018 and since 3 April 2018 has managed the Fund's UK Equity portfolio on a discretionary basis. LGPSC has also provided advisory investment management services in respect of the Fund's Japanese Equities, Asia Pacific Ex-Japanese Equities and Emerging Market Equities since 11 September 2018. The charges in respect of these services totalled £0.764m in 2018-19 (2017-18, £nil), of which £0.211m was payable to LGPSC at 31 March 2019 (31 March 2018, £nil).

The Fund incurred £0.756m in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2018-19 (2017-18, £nil), of which £0.125m was payable to LGPSC at 31 March 2019 (31 March 2018, £nil).

LGPSC leases office space from the Council. The lease commenced on 14 June 2018 and is for a duration of five years, with a break clause at 30 June 2021. The rental income received and receivable by the Council from LGPSC in 2018-19 amounted to £0.014m. For the duration of the lease term, subsequent years' rentals will be subject to an annual increase of 2.8%.

20. Investment commitments

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

	31 Mar 2018	31 Mar 2019
	£m	£m
Unquoted investments	253.985	421.617
Other Sterling short-term loans	5.000	40.000
	258.985	**461.617**

Unquoted investments commitments are commitments to invest in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments, not yet drawn-down by the managers. Revisions to the Fund's approved Strategic Asset Allocation Benchmark between July 2015 and January 2019 increased the proportion of the Fund's investments required to be invested in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments from 5% to 22%.

This has resulted in an ongoing increase in the level of unquoted investment commitments which will be drawn-down over the next few years, as action is taken to increase the weightings in these asset classes.

Since the year-end, the Fund has signed-up to an additional €28m infrastructure commitment.

The Other Sterling short-term loans commitments are commitments to make short-term investments at the year-end. There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at 31 March 2019. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact on the financial position reported.

There were four such commitments at 31 March 2019 (2018, one), which were secured to take advantage of higher rates available at that time because of a cash shortage in the market.

21. Financial instruments

Many requirements of the financial instruments standards (IAS 39, IAS 32, IFRS 7 and IFRS 9), which govern the recognition, measurement, presentation and disclosure of financial instruments, are not applicable to the Fund's accounts, since all material financial instruments are carried in the net assets statement at fair value.

Nature and extent of risks arising from financial instruments

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

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

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

Responsibility for Fund investments has been delegated to the Council's Pensions and Investments Committee (the Committee). Day to day responsibility for the management of the Fund is delegated to the Director of Finance and ICT; the investments are managed by a combination of internal and external investment managers and investment advice is provided by an independent investment advisor. The Fund's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks.

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

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

Credit risk

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

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

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

The Treasury Management Investment Strategy for 2018-19 was approved by Full Council on 7 February 2018 and by the Pensions and Investments Committee on 25 April 2018.

The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments and operating cash in banks, building societies, money market funds and UK local authorities of £391.378m (2018, £265.689m) cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, generally, for such entities to be unable to meet their commitments; the approach to risk assessment taken by the Fund makes this remote.

A risk of non-recovery applies to all of the Fund's deposits, but there was no evidence at 31 March 2019 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. At 31 March 2019, the Fund had £20.275m in its operational account with Lloyds Bank.

Forward currency contracts - Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the currency risk on overseas bonds, the value of which comprise 2% (2018, 2%) of investment assets at the year end and by selecting large banks as the counterparties. The forward currency contract at the year end was with Bank of New York Mellon.

The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when the settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund. At the year end, there was one currency hedging contract, with less than six months to expiry, with a gross contract value of £93.094m (2018, one contract, with less than six months to expiry, with a gross contract value of £68.116m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to this contract.

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

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

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

Liquidity risk

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

The majority of the Fund's investments are readily marketable and may be easily realised, if required. Emphasis is placed on treasury deposits of up to six months' duration to ensure that longer term investment strategy is not compromised by lack of liquidity. Listed equities may also be liquidated at short notice, normally two working days. Holdings of investments which may be less easy to realise are limited. Current Pensions and Investments Committee guidelines limit investments in property to 12%, multi asset credit to 8%, infrastructure to 11% and private equity to 6%.

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

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

Maturity analysis for liabilities at the year end:

- There were no financial liabilities within the portfolio at the year end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.

- There were one derivative financial liability held at the year-end in respect of the currency hedging contract referred to above (2018, one).

Market risk

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

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

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

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

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

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

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

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

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

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

The table below quantifies the level of price risk that the Fund's investment assets and liabilities at 31 March 2019 are potentially exposed to. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The volatility shown for total investment assets and liabilities in both tables below incorporates the impact of correlation across asset classes, which dampens volatility, therefore the value on increase/decrease figures of the asset classes will not sum to the total assets figure.

	Value at 31 Mar 2019 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
UK Government bonds	229.952	6.09	243.956	215.948
UK index-linked	226.006	9.00	246.347	205.665
UK corporate bonds	295.998	4.89	310.472	281.524
Overseas index-linked	54.394	7.47	58.457	50.331
Overseas bonds	263.303	3.29	271.966	254.640
UK equities	885.964	9.35	968.802	803.126
Overseas equities	1,840.945	10.15	2,027.801	1,654.089
Alternatives	330.551	5.09	347.376	313.726
Cash	371.103	0.12	371.548	370.658
Other investment balances	10.906	-	-	-
Properties (non-financial instruments)	391.603	2.96	403.194	380.012
Total investment assets and liabilities	**4,900.725**	**6.33**	**5,210.941**	**4,590.509**

Currency risk - The Fund is exposed to currency risk through its overseas equity shares, its overseas bonds and its foreign currency holdings. The overseas equity exposure is not hedged; if Sterling weakens this currency exposure will make a positive contribution to the Fund's performance in Sterling terms. The overseas bond exposure is hedged.

The table below quantifies the level of currency risk that the Fund's overseas investment assets at 31 March 2019 are potentially exposed to. Currency risk on overseas sovereign bonds is managed using forward currency contracts, therefore sovereign overseas bonds have been excluded from the table. Potential aggregate currency exposure within the Fund at 31 March 2019 is determined using a currency "basket" based on the Fund's currency mix at that date. The weight of each currency multiplied by the change in its exchange rate relative to Sterling is summed to create the aggregate currency change of the basket. The outcomes are then applied to all unhedged overseas assets.

	Value at 31 Mar 2019 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
Overseas equities	1,840.945	11.02	2,043.817	1,638.073
Overseas bonds	10.547	11.02	11.709	9.385
Overseas cash	6.188	10.31	6.826	5.550
Overseas investment assets	**1,857.680**	**11.02**	**2,062.396**	**1,652.964**

22. Actuarial Present Value of Promised Retirement Benefits

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

"The promised retirement benefits at 31 March 2019 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises. The figures below include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

	31 Mar 2018 £m	***31 Mar 2019 £m***
Active members	*3,153.000*	*3,847.000*
Deferred members	*1,163.000*	*1,309.000*
Pensioners	*1,947.000*	*1,956.000*
Present Value of Promised Retirement Benefits	***6,263.000***	***7,112.000***

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £547m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	***31 Mar 2018 %***	***31 Mar 2019 %***
Pension Increase Rate	*2.40*	*2.50*
Salary Increase Rate	*2.90*	*3.00*
Discount Rate	*2.70*	*2.40*

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	***Females***
Current Pensioners	*21.9 years*	*24.4 years*
*Future Pensioners**	*23.9 years*	*26.5 years*

**Future pensioners are assumed to be aged 45 at the most recent formal valuation as at 31 March 2016.*

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

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

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 Mar 2019	***Approximate increase to liabilities %***	***Approximate monetary amount £m***
0.5% p.a. increase in the Pension Increase Rate	*8*	*593*
0.5% p.a. increase in the Salary Increase Rate	*2*	*115*
0.5% p.a. decrease in the Real Discount Rate	*11*	*757*

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%."

Barry Dodds FFA
12 July 2019
For and on behalf of Hymans Robertson LLP

23. Participating Employers

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

Contributions and benefits, by participating employer type, in respect of the year, are as follows:

	2017-18		**2018-19**	
	Benefits	**Contributions**	**Benefits**	**Contributions**
	£m	**£m**	**£m**	**£m**
Derbyshire County Council	73.616	69.575	77.156	69.871
Scheduled Bodies	76.104	90.472	78.346	119.592
Admission Bodies	5.660	4.373	5.428	4.252
	155.380	**164.420**	**160.930**	**193.715**

The contribution rates payable by the County, Unitary and District Councils expressed as a percentage of pensionable payroll and fixed cash amounts are:

Council	2018-19	2019-20
Derbyshire County	14.5% plus £15.382m	14.5% plus £15.536m
Derby City	13.5% plus £6.912m	13.5% plus £6.981m
Amber Valley Borough	14.0% plus £1.047m	14.0% plus £1.057m
District of Bolsover	13.9% plus £0.953m	13.9% plus £0.962m
Chesterfield Borough	14.2% plus £1.971m	14.2% plus £1.991m
Derbyshire Dales	13.6% plus £0.639m	13.6% plus £0.645m
Erewash Borough	13.1% plus £1.114m	13.1% plus £1.125m
High Peak Borough	12.4% plus £1.815m	12.4% plus £1.833m
North East Derbyshire	13.7% plus £1.512m	13.7% plus £1.527m
South Derbyshire	13.8% plus £0.671m	13.8% plus £0.678m

The contribution rates payable by other Scheduled Bodies, expressed as a percentage of pensionable payroll are:

	Total contribution rate % of pensionable payroll	
	2018-19	2019-20
Scheduled Bodies		
Peak District National Park Authority	14.0 plus £0.221m	14.0 plus £0.224m
Chesterfield Crematorium	17.8 plus £0.029m	17.8 plus £0.020m
Derbyshire Police Authority	12.9 plus £1.451m	12.9 plus £1.465m
Derbyshire Fire & Rescue	13.2 plus £0.168m	13.2 plus £0.170m
Derby Homes Limited	13.4 plus £0.287m	13.4 plus £0.290m
Rykneld Homes	16.4	16.4
University of Derby	12.7 plus £0.738m	12.7 plus £0.745m

Derbyshire Pension Fund

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	Total contribution rate % of pensionable payroll	
	2018-19	2019-20
Chesterfield College	12.9 plus £0.156m	13.9 plus £0.158m
Derby College	13.7 plus £0.437m	13.7 plus £0.441m
Landau Forte College	12.3 plus £0.003m	12.3 plus £0.003m
Akaal Academy Trust Derby	19.5	19.5
Aldecar Infant School - from 1 December 2018	21.0	21.0
Allenton Primary	27.9	27.9
All Saints Infants School	21.0	21.0
All Saints Junior School	21.0	21.0
All Saints Catholic Voluntary Academy (Glossop) - from 1 September 2018	21.0	21.0
Alvaston Junior Academy - from 1 September 2018	21.0	21.0
Arboretum Primary School - from 1 February 2019	21.0	21.0
Ash Croft Primary Academy - from 1 June 2018	21.0	21.0
Ashwood Spencer Academy - from 1 November 2018	21.0	21.0
Bishop Lonsdale Church of England Primary School	25.8	25.8
Bolsover Church of England Junior	21.0	21.0
Breadsall Hill Top Primary	21.0	21.0
Brimington Infant School	18.9	18.9
Brimington Junior School	18.3	18.3
Brookfield Academy	20.0	20.0
Cavendish Close Junior	21.0	21.0
Cavendish Multi-Academy Trust	19.3	19.3
Chaddesden Park Primary - from 1 April 2018	21.0	21.0
Chellaston Academy	20.9	20.9
Christ Church Church of England Primary School	21.5	21.5
Christ The King Catholic Voluntary Academy (Alfreton) - from 1 September 2018	21.0	21.0
Cloudside Junior	21.0	21.0
Cotton Farm Primary Academy - from 1 September 2018	21.0	21.0
Da Vinci Academy	21.0	21.0
Darley Churchtown Primary	21.0	21.0
David Neiper Academy	17.8	17.8
Derby Cathedral School - from 1 September 2018	21.0	21.0

	Total contribution rate % of pensionable payroll	
	2018-19	2019-20
Derby Manufacturing University Technical College	21.1	21.1
Derby Moor Community Sports College	21.0	21.0
Derby Pride Academy	15.5	15.5
Derby St Chads C of E (VC) Nursery and Infant School - from 1 December 2018	21.0	21.0
Derwent Primary	21.0	21.0
Djanogly Learning Trust (Multi-Academy Trust) - from 1 January 2019	21.0	21.0
Dovedale Primary School (Willows Academy Trust)	20.9	20.9
Ecclesbourne Academy	22.6	22.6
Eckington Junior	19.4	19.4
Eckington School - from 1 April 2018	21.0	21.0
English Martyrs Catholic Voluntary Academy	18.5	18.5
Esteem Multi-Academy Trust - from 1 August 2018	21.0	21.0
Firs Estate Primary School	21.0	21.0
Frederick Gent	21.0	21.0
Friesland School - from 1 June 2018	21.0	21.0
Gamesley Primary School - from 1 December 2018	21.0	21.0
Grampian Primary Academy	19.2	19.2
Granville Sports College	21.0	21.0
Griffe Field Primary School - from 1 December 2018	21.0	21.0
Hardwick Primary	21.0	21.0
Heanor Gate Science College	20.5	20.5
Heath Primary School - from 1 December 2018	21.0	21.0
Heritage High School	21.0	21.0
Hilton Primary School - from 1 October 2018	21.0	21.0
Holbrook Primary School	22.4	22.4
Hope Valley College	23.3	23.3
Horsley Woodhouse Primary School - from 1 December 2018	21.0	21.0
Howitt Primary Community School - from 1 December 2018	21.0	21.0
Inkersall Primary School	20.2	20.2

	Total contribution rate % of pensionable payroll	
	2018-19	2019-20
Immaculate Conception Academy Trust	20.7	20.7
Ironville and Codnor Park Primary	21.0	21.0
John King Infant	21.0	21.0
John Port Academy	20.4	20.4
John Flamsteed Community School	20.2	20.2
Kilburn Junior School - from 1 December 2018	21.0	21.0
Kirk Hallam Academy	18.4	18.4
Kirkstead Junior Academy	21.0	21.0
Lakeside Community Primary School - from 1 January 2019	21.0	21.0
Landau Forte Moorhead Academy	19.6	19.6
Langwith Basset Junior Academy - from 1 June 2018	21.0	21.0
Leesbrook School	19.7	19.7
Longwood Community Infant	21.0	21.0
Loscoe C of E Primary School and Nursery - from 1 November 2018	21.0	21.0
Mary Swanwick Primary	21.0	21.0
Merrill Academy	22.5	22.5
Newbold Church of England Primary School	17.3	17.3
New Whittington Primary	21.0	21.0
Noel Baker School	21.0	21.0
Odyssey Trust (Multi-Academy Trust) - from 1 March 2019	21.0	21.0
Outwood Academy Newbold	20.2	20.2
Peartree Junior	21.0	21.0
Pennine Way Junior Academy	19.7	19.7
QEGS Multi-Academy Trust	21.6	21.6
Redhill Primary School	20.7	20.7
Reigate Park Primary Academy - from 1 September 2018	21.0	21.0
Sawley Infant School (Willows Academy Trust)	20.0	20.0
Sawley Junior School (Willows Academy Trust)	21.2	21.2
Scargill Primary	21.0	21.0
Shardlow Primary School (Willows Academy Trust)	23.3	23.3
Shirebrook Academy	20.4	20.4

	Total contribution rate % of pensionable payroll	
	2018-19	**2019-20**
Somercotes Infant School	21.0	21.0
Somerlea Park Junior	21.0	21.0
St Alban's Catholic Voluntary Academy (Derby) - from 1 September 2018	21.0	21.0
St Anne's Catholic Voluntary Academy (Buxton) - from 1 September 2018	21.0	21.0
St Benedict Voluntary Catholic Academy	22.0	22.0
St Charles' Catholic Primary Voluntary Academy (Hadfield) - from 1 September 2018	21.0	21.0
St Edward's Catholic Academy	20.0	20.0
St Elizabeth's Catholic Voluntary Academy (Belper) - from 1 September 2018	21.0	21.0
St George's Primary (New Mills)	21.0	21.0
St George's Voluntary Catholic Academy	20.1	20.1
St Giles Church of England Aided Primary School	20.3	20.3
St Giles Primary (Killamarsh)	21.0	21.0
St John Fisher Catholic Voluntary Academy	21.7	21.7
St John Houghton Catholic Voluntary Academy	20.6	20.6
St Joseph's Catholic Primary School (Matlock)	20.0	20.0
St Joseph's Catholic Primary School Voluntary Academy	17.6	17.6
St Joseph's Catholic Voluntary Academy (Derby) - from 1 September 2018	21.0	21.0
St Laurence Primary School	21.2	21.2
St Margaret's Catholic Voluntary Academy (Glossop) - from 1 September 2018	21.0	21.0
St Mary's Catholic High School Academy Trust	21.4	21.4
St Mary's Catholic Voluntary Academy (Derby) - from 1 September 2018	21.0	21.0
St Mary's Catholic Voluntary Academy (Glossop) - from 1 September 2018	21.0	21.0
St Mary's Catholic Voluntary Academy (New Mills) - from 1 September 2018	21.0	21.0
St Philip Howard Catholic Voluntary Academy	20.2	20.2
St Thomas Catholic Voluntary Academy (Ilkeston) - from 1 September 2018	21.0	21.0

	Total contribution rate % of pensionable payroll	
	2018-19	2019-20
St Thomas More Catholic Voluntary Academy (Buxton) - from 1 September 2018	21.0	21.0
Street Lane Primary School - from 1 May 2018	21.0	21.0
Swanwick Hall School	20.2	20.2
Temple Normanton Primary	21.0	21.0
The Bolsover Academy	20.9	20.9
The Long Eaton Academy	19.9	19.9
The Ormiston Ilkeston Enterprise Academy	23.7	23.7
The Pingle Academy	21.0	21.0
The Ripley Academy	25.0	25.0
Turnditch Church of England Primary School	20.2	20.2
Village Primary School - from 1 May 2018	21.0	21.0
Walter Evans Primary School	21.0	21.0
Walton On Trent C of E Primary and Infant School - from 1 December 2018	21.0	21.0
West Park Academy	21.2	21.2
William Gilbert Endowed (C of E) Primary School	21.2	21.2
Wilsthorpe School - from 1 December 2018	21.0	21.0
Woodlands School	19.9	19.9
Wyndham Primary Academy (Boulton Primary School)	16.7	16.7
Zaytouna Primary School (previously Al-Madinah School)	20.0	20.0
Town and Parish Councils - Group 1	23.8	23.8
Town and Parish Councils - Group 2	17.2	17.2

Town and Parish Councils

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

The contribution rates payable by Admission Bodies, expressed as a percentage of pensionable payroll are:

	Total contribution rate % of pensionable payroll	
	2018-19	2019-20
7 Hills Leisure Trust	25.3	25.3
Waterloo Housing Group	28.1 plus £0.018m	28.1 plus £0.018m
Action for Children	28.1	28.1
Active Nation	28.2 plus £0.002m	28.2 plus £0.002m
Alliance Environmental Services Ltd	16.9	16.9
Amber Valley Schools Sports Partnership	21.0	21.0
Arvato Government Services Ltd (Derbyshire Dales)	13.8	13.8
Arvato Government Services (Sefton) Ltd	14.5	14.5
Aspens Services Ltd	28.2 plus £0.001m	28.2 plus £0.001m
Balfour Beatty Power Networks Ltd	16.5	16.5
Balfour Beatty (Derby BSF)	20.6	20.6
Barnados	21.1	21.1
Belper Leisure Centre Ltd	31.4	31.4
Brookwood - to 31 August 2018	14.4	0.0
Caterlink Ltd (Abercrombie) - from 10 April 2018	0.0	27.8
Caterlink Ltd (Lea Primary)	30.2	30.2
Caterlink Ltd (Reigate Primary)	27.9	27.9
Caterlink Ltd (Shirebrook/Stubbin Wood)	31.0	31.0
Caterlink Ltd (St Marys)	31.2	31.2
Caterlink Ltd (St Marys High School) - from 1 August 2018	0.0	31.8
Caterlink Ltd (Swanwick Hall)	32.6	32.6
Chesterfield Care Group	25.2	25.2
Churchill Contractor Services (St Marys) - from 1 September 2018	0.0	33.9
Clean Slate (UK) Ltd (Pottery)	30.4 plus £0.001m	30.4 plus £0.001m
Compass Contract Services (UK) Ltd	10.3	10.3
Compass Services Ltd (DCC)	16.5	16.5
Connex Community Support	33.3	33.3
CSE Education	29.0	29.0
Derby County Community Trust	23.1	23.1
Derby Museums & Arts Trust	19.2	19.2
Derbyshire Building Control	23.2	23.2

	Total contribution rate % of pensionable payroll	
	2018-19	2019-20
Derbyshire Student Residences Ltd	25.8	25.8
Elite Cleaning and Environmental Services	32.8	32.8
EMH Homes	22.3 plus £0.161m	22.3 plus £0.161m
Futures Homescape Ltd	23.9 plus £0.103m	23.9 plus £0.103m
Interserve Catering Services Ltd	20.2	20.2
Interserve Integrated Services Ltd	7.1	7.1
KCLS Ltd (Tibshelf Infant)	34.4	34.4
Kier Ltd	13.8	13.8
Leisure Amber Valley BC	13.8	13.8
Leisure High Peak BC	1.4	1.4
Macintyre Care Ltd	2.0	2.0
Mellors Catering	25.7	25.7
Mellors Catering (Murray Park)	31.7	31.7
Mitie Facilities Services Ltd	37.7	37.7
Norwest Holst Ltd (previously Vinci plc)	33.0	33.0
NSL Ltd	22.3	22.3
Office Care Ltd (Brookfield Academy)	29.5	29.5
RM Education Ltd	28.8	28.8
SIV Enterprises Ltd	4.6	4.6
Superclean Services Wothorpe Ltd (Fire)	11.2	11.2
Taylor Shaw	34.7	34.7
Tramway Museum Society	24.0 plus £0.015m	24.0 plus £0.015m
Veolia (Amber Valley Refuse)	6.1	6.1
Veolia (Chesterfield Refuse)	17.5	17.5
Vinci Construction - to 30 June 2018	18.8	0.0
Vinci Construction UK (Ashcroft & Portway)	31.7	31.7
Vinci plc (Ravensdale)	29.9	29.9
Ward Recycling - from 28 April 2018 to 18 November 2018	0.0	88.6
Wealdon Leisure - from 1 August 2018	0.0	24.5

AUDITOR'S OPINION – PENSION FUND ACCOUNTS

Independent auditor's report to Members of Derbyshire County Council

Opinion on the Pension Fund financial statements

We have audited the financial statements of Derbyshire Pension Fund for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance & ICT's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance & ICT has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance & ICT is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of the Director of Finance & ICT for the financial statements
As explained more fully in the Statement of the Director of Finance & ICT's Responsibilities, the Director of Finance & ICT is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Director of Finance & ICT is also responsible for such internal control as the Director of Finance & ICT determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance & ICT is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance & ICT is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice
We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report
This report is made solely to the members of Derbyshire County Council, as a body and as administering authority for the Derbyshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Lucy Nutley

Lucy Nutley
For and on behalf of Mazars LLP
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NG1 5DW
31 July 2019

Derbyshire Pension Fund

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Governance Policy and Compliance Statement

July 2019

County Hall, Matlock, Derbyshire, DE4 3AH
Administered by Derbyshire County Council

lgps

Introduction

This is the Governance Policy and Compliance Statement (the Statement) for Derbyshire Pension Fund (the Fund) which is part of the Local Government Pension Scheme (the LGPS). The Fund is managed and administered by Derbyshire County Council (the Council) in accordance with the Local Government Pension Scheme Regulations 2013 (2013 Regulations). At a national level, the LGPS is governed by the Ministry of Housing, Communities and Local Government (MHCLG) and the LGPS Advisory Board.

The 2013 Regulations require an administering authority, after consultation with such persons as it considers appropriate, to prepare, publish and keep under review, a written statement setting out:

- whether it delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
- the terms, structure and operational procedures of any such delegations;
- the frequency of any committee or sub-committee meetings;
- whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether these representatives have voting rights;
- the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- details of the terms, structure and operational procedures relation to the local pension board.

Governance Objectives

The Pension Fund's governance objectives are to:

- Meet the highest standards of good governance through the application of the key principles of openness and transparency, accountability, integrity, clarity of purpose and effectiveness.
- Ensure robust governance arrangements are in place to facilitate informed decision making supported by appropriate advice, policies and strategies, which do not unreasonably favour one group of stakeholders over another.
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise.
- Comply with all appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance.

The identification and management of conflicts of interest is integral to the Fund achieving its governance objectives. A Conflicts of Interest Policy is, therefore, being developed for the Pension Fund.

Governance Arrangements

Under the terms of the Council's Constitution, responsibility for the functions of the Council as the administering authority of Derbyshire Pension Fund is delegated to the Pensions and Investments Committee. A Local Pension Board, set up in 2015 in accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, assists the Council with the governance and administration of the Fund.
The day to day management of the Pension Fund is delegated to the Director of Finance & ICT who is supported by the Head of Pension Fund and in house investment and administration teams.

Pensions and Investments Committee

The Committee comprises eight voting Councillors representing the County Council and two voting Councillors representing Derby City Council. The County Council members of the Committee reflect the political balance of the Council. Two trade union representatives are also entitled to attend meetings of the Pensions and Investments Committee as non-voting members.

Officers of the Council and an independent investment adviser also attend meetings to provide advice and support to members of the Committee. Other experts attend Committee to provide advice as required.

The Committee meets eight times a year and its responsibilities include reviewing and approving the Fund's:

- Governance Policy and Compliance Statement
- Investment Strategy Statement
- Funding Strategy Statement
- Treasury Management Statement
- Quarterly tactical asset allocation
- Other statutory policies required by the Local Government Pension Scheme Regulations and strategy/policy statements in line with best practice

The Committee also receives and considers the Fund's:

- Triennial actuarial valuation report and annual funding reports
- Annual Report
- Administration and investment performance reports
- Risk Register

The Committee ensures arrangements are in place for:

- Communicating with the Fund's stakeholders
- Considering admission body applications

- The adjudication of applications under the Application for Adjudication of Disagreements Procedure (AADP) (including the appointment of adjudicators)

The Committee is responsible for appointing the Fund’s:

- Actuary
- Independent investment adviser
- External fund managers for segregated mandates in advance of the management of the investment assets transitioning to the investment pool
- AVC providers

To oversee the Fund’s involvement in investment pooling, the Committee:

- Ensures that the Fund is effectively represented in the Pool’s governance structure
- Determines what is required from the Pool to enable the Fund to deliver its Investment Strategy
- Is responsible for the selection, appointment and dismissal of an investment pooling operator (the Operator) to manage the Fund’s assets
- Monitors the performance and effectiveness of the Operator both as a shareholder in the Operator and as an investor in the Operator’s products
- Ensures that appropriate measures are in place to monitor and report on the ongoing costs and cost savings of investment pooling
- Ensures that the responsible investment, corporate governance and voting policies of the Fund are delivered effectively
- Receives and considers reports and recommendations from the Pool’s Joint Committee, Shareholders’ Forum and Practitioners’ Advisory Forum

Derbyshire Pension Board

The Public Service Pensions Act 2013 introduced a framework for regulatory oversight by the Pensions Regulator and introduced a new governance structure for the LGPS which came into effect in April 2015 and included the requirement for administering authorities to establish Local Pension Boards.

Derbyshire Pension Board (the Board) consists of two Scheme Member representatives and two Scheme Employer representatives together with a non-voting Independent Chair.
Officers of the Council attend Pension Board meetings to provide advice and support to members of the Board.

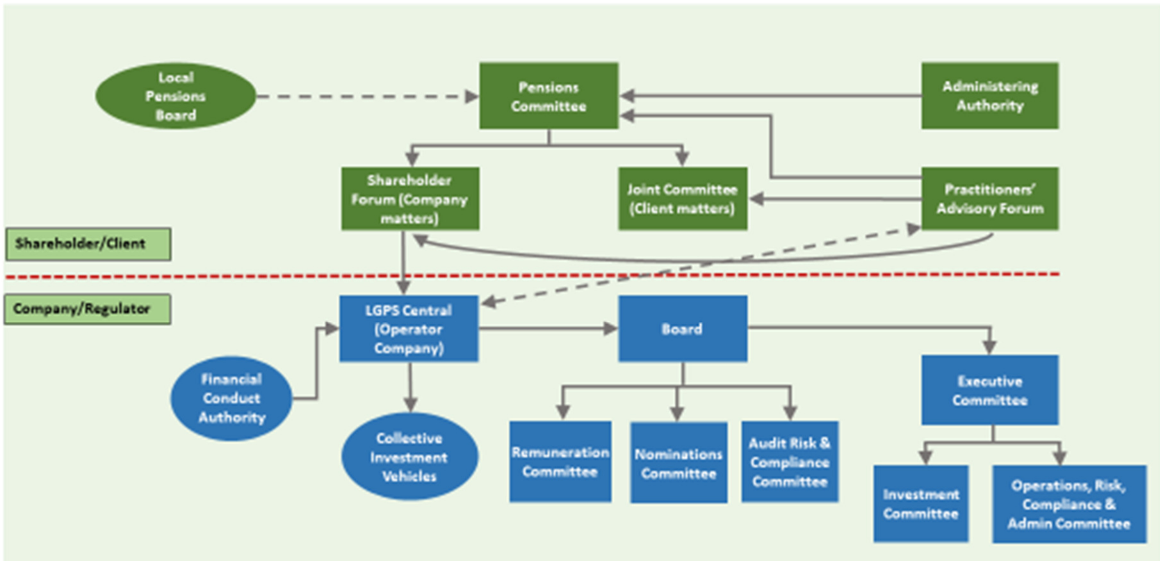
The role of the Pension Board is to assist the administering authority to ensure the effective and efficient governance and administration of the LGPS, including:

- Securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme
- Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme

LGPS Central Pool

Derbyshire Pension Fund has partnered with the LGPS pension funds of Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Worcestershire and West Midlands to form a collective investment pool, known as LGPS Central (the Pool), in accordance with Government requirements for the pooling of LGPS investment assets.

LGPSC Governance Arrangements



The governance arrangements of the Pool include the following bodies:

Joint Committee: to provide oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the LGPS Central business case and to deal with common investor issues. The Joint Committee provides assistance, guidance and recommendations to the individual Councils, taking into consideration the conflicting demands and interests of the participants within the Pool. The Joint Committee does not have delegated authority to make binding decisions on behalf of the participating Councils.

Membership of the Joint Committee consists of one elected member from each participating council. The Vice Chair of the Pensions and Investments Committee represents Derbyshire on the LGPS Central Joint Committee.

Shareholders' Forum: to oversee the operation and performance of LGPS Central Ltd and to represent the ownership rights and interests of the shareholding councils with the LGPS Central Pool. Collective shareholder discussions take place in the Shareholders' Forum and aim to ensure that the Councils act in a unified way in company meetings, having agreed to a common set of principles. Unanimous decisions are required for certain reserved company matters. Shareholder Forum meetings are distinct from LGPS Central Ltd company meetings, however members of the Shareholders' Forum also represent the councils at company meetings.

Membership of the Shareholders' Forum consists of one representative from each shareholding council. The Chair of the Pensions and Investments Committee represents Derbyshire at the Shareholders' Forum and at LGPS Central Ltd company meetings. Decisions are made in advance of the Shareholders' Forum and company meetings to enable the Council's representative to vote at these meetings. Wherever possible, any matter regarding LGPS Central Ltd which requires a shareholder decision will be taken to the Pensions and Investments Committee for consideration. Where the timetable does not allow for this, decision making is delegated to the Director of Finance and ICT following consultation with the Chair of the Pensions and Investments Committee; delegated decisions will be reported to the following meeting of the Pensions and Investments Committee.

Practitioners' Advisory Forum: a working group of officers appointed by the shareholding councils within the Pool to support the delivery of the objectives of the Pool and to provide support for the Pool's Joint Committee and Shareholders' Forum. The Director of Finance and ICT, the Head of Pension Fund and the Investment Manager represent Derbyshire on the Practitioners' Advisory Forum as required. PAF is supported by four individual working groups: Client Oversight & Governance Group; Finance Working Group; Investment Working Group; and Responsible Investment Working Group.

Review and Compliance with Best Practice

This Governance Policy and Compliance Statement will be reviewed annually and will be revised following any material change in the governance arrangements of the Pension Fund. The 2013 Regulations require Administering Authorities to prepare and publish a statement which sets out the extent to which the governance arrangements of the Fund comply with statutory guidance issued by the Secretary of State which is based on best practice principles. The Fund's statement is set out below:

Principle	Compliance
Structure	
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	**Compliant** The Pensions and Investments Committee is responsible for these functions under the Terms of Reference included in the Council's constitution.
The representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee.	**Partially Compliant** Membership of the Pensions and Investments Committee includes two representatives from Derby City and two non-voting Trade Union representatives as well as eight representatives from the administering authority (also the largest employing body). In practice the Trade Union representatives tend to represent the interests of all scheme members. Membership and employer representation will be kept under review.

That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**Not applicable**
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	**Not applicable**
Representation	
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: • Employing authorities (including non-scheme employers e.g. admitted bodies) • Scheme members (including deferred and pensioner scheme members) • Where appropriate, independent professional observers • Expert advisors (on an ad-hoc basis)	**Partially Compliant** Membership of the Pensions and Investments Committee includes two representatives from Derby City and two non-voting Trade Union representatives, as well as eight representatives from the administering authority (also the largest employing body). In practice the Trade Union representatives tend to represent the interests of all scheme members. Membership and employer representation will be kept under review. The Fund's Independent Investment Advisor attends the investment related Pensions and Investments Committee meetings. Other independent experts attend meetings of the Committee as required e.g. the Fund's Actuary attends to discuss the triennial valuation. Derbyshire Pension Board (the Board) includes two employer representatives (currently one represents a District Council and one represents a Multi-Academy Trust) and two member representatives. The Board has an independent Chair.
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to reports, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	**Partially Compliant** All members of the Pensions and Investments Committee, the Pension Board and trade union representatives receive the same Committee meeting reports and have access to the same training that is delivered locally. Certain members of the Committee and the Board have accessed the LGA Fundamentals Training. This training will, in future, be offered to all new members of the Committee and the

	Board. All voting and non-voting members of the Committee are given full opportunity to contribute to the decision making process.
Selection and Role of Lay Members	
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	**Compliant** All members of the Pensions and Investments Committee receive training on the status, role and function they are required to perform when they join the Committee.
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.	**Compliant** Declarations of interest are required at each Pensions and Investments Committee meeting and recorded in the minutes of the meeting.
Voting	
The policy on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	**Compliant** The policy on voting rights is clear and transparent. All elected members on the Pensions and Investments Committee have voting rights. The elected members represent employers, local taxpayers and scheme beneficiaries.
Training/Facility Time/Expenses	
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.	**Compliant** The Fund has a training policy which applies to all members of the Pensions and Investments Committee and the Pension Board. A training plan has been developed based on self-assessment forms completed by the members of both bodies and a log of all training is maintained. The reimbursement of member expenses is in line with the County Council's policy of member reimbursement.
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.	See above.
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	See above.
Meetings	
That an administering authority's main committee or committees meets at least quarterly.	**Compliant** The Pensions and Investments Committee meets eight times a year.

That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	**Not applicable**
That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	**Not applicable** However, an annual Employers' Forum is held to which all employing bodies are invited.
Access	
That subject to any rules in the Council's constitution, all members of the main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	**Compliant** All members of the Pensions and Investments Committee (and the Pension Board) have the same access to committee papers, documents (excepting papers and documents relating to Derbyshire County Council employer matters which are only available to members of the Pensions and Investments Committee) and advice to be considered at the Pensions and Investments Committee.
Scope	
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	**Compliant** The Pensions Committee and the Investments Committee have been combined into the Pensions and Investments Committee which covers all aspects of investment, administration and governance. The Committee is now also supported by the Pension Board which assists with governance and administration matters.
Publicity	
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	**Compliant** The Governance Policy and Compliance Statement is published on the Pension Fund's website. Vacancies for Derbyshire Pension Board are advertised on the website.

DERBYSHIRE PENSION BOARD ANNUAL REPORT 2018/19

Introduction

Derbyshire Pension Board (the Board) was established as part of the new governance structure for the LGPS which came into effect in April 2015. This is the third annual report for the Board covering the year to 31 March 2019.

The Board has continued to develop its important role in assisting Derbyshire County Council (the Council), the administering authority, with the governance and administration of Derbyshire Pension Fund (the Fund) and with ensuring compliance with pension legislation and with the provisions of the Pension Regulator's Code of Practice 14 (COP 14). The Board has also continued to encourage and support the administering authority as it seeks to adopt best practice.

Membership of the Fund continued to grow in 2018/19 rising to over 102,000 members, and the number of active participating employers grew from 216 at the end of March 2018 to 256 at the end of March 2019. The increasing number and diversity of employers have added to the challenges of administering the Fund.

The Board has continued to ensure that the administering authority has adequate oversight of individual employers and has mechanisms and procedures for identifying issues promptly. An enhanced procedure for identifying and reporting on breaches has been introduced during the past year to help to monitor the performance of the administering authority and the Fund's employers. The Board has supported the development of the enhanced breaches procedure which will ensure consistency of approach, demonstrate compliance with pension legislation and COP 14, and enable emerging issues to be quickly identified and managed.

A new pension administration system was implemented during the year to increase the efficiency of the Fund's administration and went live on 4th March 2019. The Board monitored the work of the project oversight board throughout the implementation and were reassured by the level of project governance. The new system is expected to lead to the adoption of more challenging service standards. However, the Board recognises that data conversion and mapping difficulties experienced by the supplier during the project, and an enhanced focus by the in house administration team on data cleansing as part of implementation, will impact on the timing of the service improvements.

The Fund's investment return was 5.6% in 2018/19 in line with the Fund's benchmark delivering a return that was comfortably ahead of inflation during a period which experienced bouts of market volatility.

The Board has continued to monitor closely the Fund's participation in the LGPS Central Pool and has supported the application of robust governance arrangements with respect to the Pool and to oversight of LGPS Central Ltd (LGPSC), the company established to manage investments on behalf of the nine LGPS pension funds within the Pool.

Following the TUPE transfer of a number of the Fund's investment staff into LGPSC at the start of 2018/19, the size of the in house investment team has been much reduced. The transfer of staff anticipated the transfer of the investment management of the majority of the Fund's assets to the Pool. It is now expected that the transition of assets to the Pool will take several years and governance of the pooling arrangements is accounting for a significant proportion of Fund officers' time. The Board will continue to monitor the Central Pool as it develops and will continue to monitor the impact of pooling on Fund resources. The Chairs of the Local Pension Boards of the funds within the LGPS Central Pool held an initial meeting in October 2018 and will continue to meet to support the collaboration between the participating pension funds.

Board members recognised the launch of the Fund's distinct website during the year as a significant boost to communications with all stakeholders. Members look forward to the increased opportunity to demonstrate the activities of the Board on: https://www.derbyshirepensionfund.org.uk/about-the-fund/governance/derbyshire-pension-board.aspx

Board Members

The Board is made up of five members, with an independent, non-voting Chair, two representatives of scheme members and two representatives of employer organisations. Membership in the year to 31st March 2019:

Chair
Ronald Graham

Member Representatives

Karen Gurney	Employee of Derbyshire County Council
Nick Read	TU Rep, UNISON East Midlands LGPS Committee*

Employer Representatives

Andy Butler	Derby City Council**
Neil Calvert	Northworthy Trust***

*Nick Read was re-appointed to the Board in June 18, when he came to the end of his initial term of office, following a recruitment process.

**Andy Butler was on the Board from September 2018 to the end of March 2019 when he left his employment at Derby City Council; Andy was thanked for his support of the Board during his tenure.

***Neil Calvert from the Northworthy Trust joined the Board in September 2018; Neil was warmly welcomed to the Board.

Two of the Board's founder employer representatives, Mike Nelson and Jim Watson, left the Board during the year; Mike's association with a Fund employing authority came to an end and Jim reached the end of his term of office on the Board and decided not to seek re-appointment. Mike and Jim were both thanked for their significant contribution to the development of Derbyshire Pension Board.

It was agreed in December 2017, that the term of the Chair's contract would be for a maximum of four years with review breaks at 12 and 36 months. Following a successful 12 month review, Ronald Graham has continued as the Chair of the Board. The terms of office for the Member and Employer Representatives at 31st March 2019 were as follows:

Role	Name	Start Date	Term	Expiry
Member Rep	Karen Gurney	June 2015	4 Years	June 2019
Member Rep	Nick Read	June 2018	4 Years	June 2022
Employer Rep	A Butler	Sept 2018	4 Years	Sept 2022
Employer Rep	N Calvert	Sept 2018	4 Years	Sept 2022

Since the 2018/19 year end, Oliver Fishburn from Bolsover District Council has joined the Board as an Employer Representative with a term of four years to May 2023. Oliver is warmly welcomed to the Board.

Meeting Attendance

Members of the Board attended the following Pension Board meetings in 2018/19:

Member	1st May 2018	11th Sept 2018	8th Nov 18	6th Feb 19
Ronald Graham	√	√	√	√
Andy Butler	N/A	N/A	√	√
Neil Calvert	N/A	√*	√	√
Karen Gurney	√	√	√	√
Nick Read	√	√	√	√
Mike Nelson	√	√	N/A	N/A
Jim Watson	√	√	N/A	N/A

*Neil Calvert attended the September 2018 meeting as an observer.

Conflicts of Interest

At each meeting members are required to declare any new conflicts of interest. Aside from holding the status that permits the employer / employee members to be Board members under the terms of the Regulations, no conflicts have been declared during the year.

Training

The Pensions and Investments Committee approved a Training Policy in August 2017 which applies to all members of the Committee, all members of Derbyshire Pension Board and senior officers involved in the management and administration of the Fund.

The Fund aims to comply with:

- CIPFA Pensions Finance Knowledge and Skills Framework
- Knowledge and skills requirements of the Public Service Pensions Act 2013
- The Pensions Regulator's Code of Practice No.14, Governance and Administration of Public Service Pension Schemes 2015

Training Attendance
Members of the Board attended the following training in 2018/19:

Internal

Member	Induction Session with Fund Officers	LGPSC Responsible Investment – Apr 2018	Actuarial Valuation – Hymans Robertson Jan 2019
Ronald Graham	N/A	x	x
Andy Butler	x	N/A	x
Neil Calvert	√	N/A	√
Karen Gurney	N/A	√	√
Nick Read	N/A	x	√

External
Ronald Graham: May 18 PLSA Local Authority Conference & North West Association of Pension Lawyers Conference; Oct 18 PLSA Annual Conference & Exhibition & LGPS Central Pool Board Chairs Meeting; Nov 18 PLSA LGPS Update; Feb 19 LGPSC Stakeholder Day
Neil Calvert: Sept 18 Eversheds Public Sector Pensions Conference; Feb 19 LGPSC Stakeholder Day; March 19 CIPFA LPB Spring Seminar & Mrch 19 TPR Online Training
Karen Gurney: Sept 18 Hymans Robertson LGPS Governance; Feb 19 LGPSC Stakeholder Day
Nick Read: Nov 18 Schroders Trustee Training

2018/19 Summary of Activities

Below is a summary of the Board's activities during the year to 31st March 2019:

- Input into the development of the Fund's Governance Policy and Compliance Statement and the Fund's Breaches Log
- Continued input into the development of the Fund's Quarterly Pensions Administration Performance Report
- Consideration of the Fund's progress on the issuance of Annual Benefit Statements, data improvement and GDPR requirements
- Quarterly review of the Fund's Risk Register
- Consideration of the governance arrangements for the implementation of the new pension administration system
- Consideration of the Fund's pooling arrangements

Members of the Board have received regular updates on pension administration, LGPS asset pooling and on investment performance and they would like to record their thanks for the co-operation and help in the discharge of their duties that they have received from the officers of the Council.

Costs and Expenses

2018/19	**£**
Members' Allowances (Travel)*	1,854.90
Training Costs & Subscriptions	816.00
Chairman's Services*	30,500.00
Total	**33,170.90**
*£489.55 of travel expenses and £15,000 Chairman's fees & expenses relating to 17/18 are included in the pension fund accounts for 2018/19.	

Future Work Plan

The Board's work plan for 2019/20 includes:

- Input into the development of the Fund's Employer Risk Management Framework
- Consideration of the preparations for the 2019 triennial valuation and of the results of the valuation and the implications for the Fund
- Input into the development of communications with members and employers
- Overseeing the progress of ongoing work to ensure the retention and storage of historical records complies with data protection legislation
- Supporting initial planning for implementation of any actions resulting from the outcome of the McCloud case and its implications for the LGPS
- Continued monitoring of the administrative performance of the Fund, particularly in the light of the adoption of the new administration system
- Regular reviews of the Fund's compliance with the requirements of the Pension Regulator's Code of Practice 14
- Fostering relationships with the Pension Boards of other LGPS funds (both through the joint committee of Central Pool participant boards' Chairs and otherwise) to promote and ensure best practice.

Derbyshire Pension Fund

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Communications Policy Statement 2019

Date: May 2019

County Hall, Matlock, Derbyshire, DE4 3AH
Administered by Derbyshire County Council

lgps

Contents

Communications Policy Statement

Introduction

This is the Communications Policy Statement (the Statement) of Derbyshire Pension Fund (the Fund), which is managed and administered by Derbyshire County Council. The Fund is part of the Local Government Pension Scheme which provides pension benefits to eligible public sector workers, including those employed by councils, universities, colleges, academies, charities and private companies who deliver public services.

One of the Fund's core objectives is to deliver clear, timely and relevant communication to all stakeholders. This Statement sets out how the Fund communicates with its members, employers, staff and wider stakeholders and has been produced in accordance with the Local Government Pension Scheme Regulations 2013 (Regulation 61). This requires authorities that administer the Local Government Pension Scheme (LGPS) to prepare, maintain and publish a statement of policy concerning communications with:

- members;
- representatives of members;
- prospective members; and
- Scheme employers.

The statement must set out the policy with regard to:

- the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- the format, frequency and method of distributing such information or publicity; and
- the promotion of the Scheme to prospective members and their employers.

The Fund aims to ensure that its communications:

- are timely and relevant, and are easy to read and understand;
- are tailored to meet the specific needs of the audience; and
- foster an improved understanding of the Local Government Pension Scheme to enable informed decision making.

Derbyshire Pension Fund currently has around 280 participating employers and around 100,000 members. A dedicated team has been established to focus on the interpretation of legislative and governance requirements and to communicate Scheme information to all of the Fund's stakeholders.

Audience

The Fund has a varied audience of stakeholders with whom it communicates, including:

- Scheme members (active/deferred/pensioner) and their representatives;
- Prospective scheme members;
- Scheme employers;
- Pensions Fund staff; and
- Other bodies, for example Pensions & Investments Committee and Pension Board.

In addition, there are a number of other bodies with whom the Fund communicates on a regular basis, such as Her Majesty's Revenue and Customs (HMRC), the Ministry of Housing, Communities and Local Government (MHCLG), the LGPS Scheme Advisory Board (SAB), the Pensions Regulator (TPR), the Pensions Advisory Service, and other pension providers.

Objectives

The Fund's overriding objective is to ensure that it delivers clear, timely and accessible communications to its stakeholders. To achieve this, the Fund will:

- Communicate information about the Scheme's rules and regulations in an effective, jargon-free and timely manner to the different groups of customers and stakeholders to enable them to make fully informed pensions decisions;
- Keep customers and stakeholders informed about the management and administration of the Fund;
- Consult with key stakeholders on changes to policies and procedures that affect the Fund and its stakeholders;
- Seek to continually improve the Fund's communication methods by requesting and analysing feedback;
- Promote the LGPS as an attractive benefit to Scheme members and an important tool in recruitment to employers;
- Work with employers to enable them to fulfil their responsibility to communicate and share information with members in relation to the Scheme;
- Communicate with stakeholders in a cost effective manner, utilising technology to its fullest potential;
- Maintain the Fund's commitment to regional and national initiatives, taking advantage of partnership working and innovative communication methods developed and tested elsewhere, and sharing the Fund's own experience in return;
- Enable equality of access to Pension Fund communications; and

- Manage information securely to the standards required by the Data Protection Act 2018.

Accessibility

The Fund aims to ensure that all members can access its services, whatever their needs, and is committed to increasing digital access and delivery of services; making the best use of technology. The Fund's website is designed to meet the World Wide Web Consortium Accessibility Guidelines (version two) “Double-A” standard, which is currently the recommended minimum standard for all council websites. However, more traditional methods of communications will continue to be offered as required.

All print and electronic communications are designed with consideration for those with additional needs. A phone contact number (01629 538704) is available for anyone experiencing difficulty in understanding any of the Fund's documents.

A distinct identity has been developed for Derbyshire Pension Fund to provide Fund members and other stakeholders with additional clarity on the role of the County Council as the administering authority.

Communication methods

The Fund has developed a variety of communication methods to ensure that all stakeholders are informed and up to date. A number of these communication methods are targeted at specific stakeholder groups and are set out later in this Statement. The following methods are used to communicate with all stakeholders:

- **Derbyshire Pension Fund website**

  Via the website, www.derbyshirepensionfund.org.uk, the Fund provides access to an extensive range of information for active, deferred and pensioner Scheme members, prospective members and Scheme employers. The website is the prime source of information on the Pension Scheme and ensures timely, up-to-date and easy-to-access information for all the Fund's audiences. It contains links to other relevant organisations and is regularly updated with all new legislation and relevant information.

  As well as an information resource on the LGPS, the website contains downloadable forms and factsheets for members on a range of topics, including the Scheme guide, Additional Voluntary Contributions (AVCs), transfers etc. This is a valuable resource centre for all stakeholders including Pension Fund staff. It will also be used as the portal for the Fund's online member self-service facility which is expected to go live in 2020.

  The website includes a general enquiry form to enable members to easily submit queries to the Fund, a feedback form for members to express opinion on the service delivered to them, and also a death notification form for family and/or employers to inform the Fund in writing of the death of a member. All forms are securely transferred to our main inbox for action.

  Additionally, information relating to the business of both the Derbyshire County Council Pensions and Investments Committee and Pension Board can be found on or via the Fund's website.

The Fund will continue to maintain and develop this key resource.

- **Email**

  The Fund has a generic email address for all enquiries: pensions@derbyshire.gov.uk.

- **Telephone**

  The fund has a dedicated Pensions Helpline number, 01629 538900, which is available Monday to Friday 8.30am to 5.00pm.

- **Annual Report**

  An Annual Report will continue to be produced and published by the Fund. This report sets out the governance, operational, financial and investment management arrangements of the Fund during the financial year. It also includes a copy of the most up to date Actuarial Valuation of the Fund, together with the Fund's key policy statements and the Fund's Statement of Accounts for the financial year.

  The Annual Report is available on request. However, it can be accessed via the Fund's website. All participating employers are notified when the Annual Report has been published.

- **Funding and Investment Strategy Statements**

  The Funding Strategy Statement focuses on how employer liabilities are measured, the pace at which the liabilities are funded and how employers, or pools of employers, pay for their own liabilities. It is prepared by the County Council as the administering authority of the Pension Fund in collaboration with the Fund's actuary and following consultation with the Fund's employers and other stakeholders.

  The Investment Strategy Statement sets out long term investment strategy of the Pension Fund. It is prepared by the County Council, as the administering authority of the Pension Fund in collaboration with the Fund's independent investment adviser and following consultation with the Fund's stakeholders.

  A core objective of the Fund is to ensure sufficient assets are available to meet members' benefit payments. These payments are guaranteed by regulations and will be met by contributions resulting from the funding strategy or asset returns and income resulting from the investment strategy. As key documents, both are made available to all stakeholders via the Fund's website and will be reviewed regularly.

Communications to our members

There are 3 categories of Scheme member;

- Active members who are contributing to the Scheme;
- Deferred members who have left the Scheme, but have not yet accessed their pension benefits; and
- Pensioner members who are in receipt of their pension.

It is recognised that communication with each category requires a different, specific approach.

- **Communication with active members**

  On joining the scheme, new active members are provided with a Membership Certificate, a link to the Scheme information on the website, and forms and information to enable them to request a transfer-in of any previous pensionable service.

  Thereafter, Annual Benefit Statements are provided, summarising each member's pension account balance, together with a projection of entitlement to their normal pension age. These statements are currently posted to the members' home addresses.

  The Fund also produces an Active Members' Newsletter each year and publishes it on the Fund website. Active members are directed to the newsletter via a link provided in their Annual Benefit Statement. The content comprises current pension topics within the LGPS and the pensions industry in general, plus important repeated messages.

  Face to face communications with active members are carried out via Member Presentations and Drop-in Sessions at various venues around the County. The presentations are used to help explain a significant change in the LGPS Regulations, or to assist where the members' employer is going through a restructuring or outsourcing exercise that will have pension-related implications. The Drop-In sessions are targeted to coincide with particular events, such as the issue of the Annual Benefit Statements.

- **Communication with deferred members**

  Annual Benefit Statements are provided, summarising each member's pension account balance, together with a projection of entitlement to their normal pension age. These statements are currently posted to members' home addresses.

  The Fund also produces a Deferred Members' Newsletter each year and publishes it on the Fund website. Deferred members are directed to the newsletter via a link provided in their Annual Benefit Statement. The content comprises current pension topics within the LGPS and the pensions industry in general, plus important repeated messages.

- **Communication with pensioner members**

  The Fund issues pay advice slips to pensioners each March, April and May notifying them of the percentage rate of annual Pensions Increase and explaining how it is applied. Pensioners are also alerted to any variations in their net monthly amount of 1% or more by the issue of a payslip. The Fund issues P60s annually in respect of the pension received in the previous financial year.

  Life certificates are issued each year to pensioners living abroad to ensure that they maintain eligibility for benefit. With regard to domestic pensioners, the Fund participates in the National Fraud Initiative and may share information with other bodies responsible for auditing or administering public funds for the purpose of preventing and detecting fraud.

- **Communication with prospective members**

  Communication with prospective Scheme members is initially achieved via their employers. Employers are supported in promoting the scheme to all of their staff and information is provided by employers within contracts of employment directing employees to the Fund website and the benefits of LGPS membership.

Communications with scheme employers

The Fund published the Derbyshire Pension Fund Pensions Administration Strategy in 2015, and updated it in 2018 in accordance with the LGPS Regulations. The Pensions Administration Strategy sets out the standards of performance and best practice that the Fund and Scheme employers should aim to meet when carrying out their Scheme functions and responsibilities. It also sets out the approach the Fund will take to underperformance by employers, including a structure for the charging of avoidable administration costs.

Regular, large-scale employer events are provided at various venues, some aimed at all employers and others targeted at particular groups, such as academies. Site visits and workshops are also undertaken to assist individual employers with specific issues and / or provide direct training to their staff. The visits are often requested by employers, but the Fund will also be proactive where it identifies that a particular employer would benefit from assistance.

Employers are invited to events and kept up to date with developments that impact on their application of the LGPS regulations by Employer Newsletters which are emailed to key contacts. At least one Newsletter is produced each quarter and both the receipt and the opening of the email are monitored, which assists the Fund in maintaining an up to date circulation list of employer contacts.

Communications with Pension Fund staff

It is important to ensure that all Pension Fund staff have access to the relevant information and technical knowledge to enable them to perform their duties. This is achieved via use of email, internal meetings, as well as internal and external training events on specific topics.

Communications with other key stakeholders

The Pensions and Investments Committee is responsible for the management and administration of the Fund on behalf of the County Council and meets eight times each year. Pension Fund staff work closely with the Chair, Deputy Chair and Members of the Committee to ensure that they are fully informed about Pension Fund matters and that they are fully supported in fulfilling their duties and responsibilities. Two trade union representatives are entitled to attend meetings of the Committee as non-voting members and to receive all of the Committee papers.

The Derbyshire Pension Board was set up in 2015 (in accordance with the Public Services Pensions Act 2013) to assist Derbyshire County Council in its role as the administering authority in complying with Scheme governance and administration responsibilities and complying with the requirements of the Pensions Regulator’s code of practice for the governance and administration of public service pension schemes. The Board comprises a Chair, two Employer Representatives and two Fund Member Representatives. Pension Fund staff work closely with the Pension Board, attending the quarterly meetings and ensuring that Board members can fulfil their duties and responsibilities.

Local taxpayers have access to Pension Fund information via the Fund’s website:
www.derbyshirepensionfund.org.uk

Communications Policy Statement review

This Statement will be reviewed annually.

Derbyshire Pension Fund

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Investment Strategy Statement

October 2018

County Hall, Matlock, Derbyshire, DE4 3AH
Administered by Derbyshire County Council

lgps

Introduction

This is the Investment Strategy Statement (the ISS) of Derbyshire Pension Fund (the Fund), which is administered by Derbyshire County Council. The ISS is drawn up in compliance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations) and has been prepared following consultation with such persons as Derbyshire County Council considered appropriate.

The ISS will be reviewed following any material change in the factors which are judged to have a bearing on the stated investment policy and at least every three years as required by the Regulations.

The primary objective of the Fund is to ensure that over the long term the Fund will be able to meet all benefit payments as and when they fall due. These payments will be met by contributions resulting from the funding strategy or asset returns and income resulting from the investment strategy. The funding and investment strategies are, therefore, inextricably linked; the Funding Strategy Statement can be found on Derbyshire County Council's website: https://www.derbyshire.gov.uk/site-elements/documents/pdf/working-for-us/pensions/investments/funding-strategy/funding-strategy-statement.pdf

Fund Governance

Derbyshire County Council is an administering authority for the Local Government Pension Scheme in accordance with Local Government Pension Scheme Regulations 2013. The Pensions and Investments Committee (the Committee) is responsible for discharging Derbyshire County Council's statutory function as the administering authority for the Fund.

The Committee is responsible for determining the Fund's investment policy, monitoring performance and overall stewardship of the Fund. Members of the Committee act in a similar manner to trustees and take advice from Anthony Fletcher, the Fund's Independent Adviser and from the Director of Finance & ICT and the Fund's in-house investment managers.

A proportion of the Fund's investments are managed on an active basis by the Fund's in-house Investment Team, and by LGPS Central Limited, a company established to manage investments on behalf of nine LGPS pension funds across the Midlands. Where the appropriate skills are not available internally, or through LGPS Central Limited, external managers are used.

In 2015, Derbyshire Pension Board was established to assist the administering authority to ensure the effective and efficient governance and administration of the Local Government Pension Scheme.

Full details of the Fund's governance arrangements, including the governance arrangements for the LGPS Central Pool, are contained in the Governance Policy and Compliance

Statement which is published on the County Council's website:
https://www.derbyshire.gov.uk/site-elements/documents/pdf/working-for-us/pensions/governance/policy-statements/pensions-governance-policy-and-compliance-statement.pdf

Investment Objectives

The Committee has agreed a long term investment strategy that aims to maximise the returns from investments within acceptable levels of risk, contributes to the Fund having sufficient assets to cover the accrued benefits, and enables employer contributions to be kept as stable as possible.

The investment strategy takes into account the following beliefs:

- A long term approach to investment will deliver better returns
- The long term nature of LGPS liabilities allows for a long term investment horizon
- Asset allocation is the most important factor in driving long term investment returns
- Liabilities influence the asset structure; funds exist to meet their obligations
- Risk premiums exist for certain investments; taking advantage of these can help to improve investment returns
- Markets can be inefficient, and mispriced for long periods of time; therefore there is a place for active and passive investment management
- Diversification across investments with low correlation improves the risk/return profile
- Secure and growing income streams underpin the ability to meet future liabilities
- Responsible investment can enhance long term investment performance
- Investment management costs should be minimized where possible but net investment returns after costs are the most important factor

Strategic Asset Allocation Benchmark

The Committee aims to balance risk and reward by apportioning the Fund's assets over a range of asset classes to achieve the Fund's goals, to manage risk and to match the investment horizons. The objective is to generate a return that is at least equal to the discount rate used in the actuarial valuation in order to meet the Fund's liabilities. The actuarial valuation at 31 March 2016 was prepared on the basis of a discount rate of 4.0% compared with a discount rate of 4.6% for the actuarial valuation at 31 March 2013. The lower discount rate reflects lower expected investment returns going forward.

The Strategic Asset Allocation Benchmark (the Benchmark) for the Fund has been formulated in consultation with Anthony Fletcher, following an Asset Liability Modelling Review carried out by Hymans Robertson, the Fund's Actuary. The Benchmark takes into account the required level of return and an appropriate balance between generating long term investment returns and exposure to investment risk. The Benchmark includes a wide variety of asset classes, in order to diversify sources of risk and return, and equity allocations spread by geographic regions. It takes into account the future expected returns from the different asset classes, the historic levels of volatility of each asset class and the level of correlation between the asset classes.

The Fund's asset classes are allocated into three categories:

- Growth Assets: largely equities, plus other volatile higher return assets such as private equity
- Income Assets: assets which are designed to deliver an excess return, but with more stable return patterns than Growth Assets because income represents a large proportion of the total return of these assets
- Protection Assets: lower risk government or investment grade bonds, together with cash

The asset allocation of the Fund is reviewed on a quarterly basis, and tactical positions around the Benchmark are agreed by the Committee following advice from the Fund's in-house investment managers and the Fund's Independent Adviser.

The Benchmark and the permitted ranges for tactical allocations are set out in the following table:

Asset Category	Asset Allocation	Permitted Range	Performance Benchmark
Growth Assets	**57.0%**	**+/- 8%**	
Total Quoted Equities	*53.0%*	*+/- 8%*	
-UK Equities	16.0%	+/- 4%	FTSE All Share
-North America	12.0%	+/- 4%	FTSE World N America
-Europe	8.0%	+/- 3%	FTSE AW Developed Europe Ex-UK Net
-Japan	5.0%	+/- 2%	FTSE World Japan
-Pacific ex-Japan	4.0%	+/- 2%	FTSE All World Asia-Pacific ex Japan
-Emerging Markets	5.0%	+/- 2%	FTSE Emerging Markets
-Global Sustainable	3.0%	+/- 2%	FTSE All World
Private Equity	4.0%	+/- 2%	FTSE All Share + 1%
Income Assets	**23.0%**	**+/- 6%**	
Property	9.0%	+/- 3%	IPD UK Quarterly Property Index
Infrastructure	8.0%	+/- 3%	LIBOR 3m + 2%
Multi-Asset Credit	6.0%	+/- 2%	LIBOR 3m + 3%
Protection Assets	**20.0%**	**+/- 5%**	
Fixed Income	6.0%	+/- 2%	FTSE UK Gov Fixed All Stocks
Index Linked Bonds	6.0%	+/- 2%	FTSE UK I-L All Stocks
Non-Government Bonds	6.0%	+/- 2%	BAML £ Corp Bonds
Cash	2.0%	0 - 8%	Sterling 7 Day LIBID
Total	**100.0%**		

Asset Classes

All financial instruments are open to consideration by the Committee. The Fund currently invests in quoted and unquoted securities of UK and overseas markets, including equities, government and non-government bonds, multi-asset credit, property, infrastructure and cash, either directly or via pooled vehicles. Derivatives are used to hedge the currency exposure of the overseas government bond holdings. The use of derivatives may be extended further in the future for the purpose of efficient portfolio management or to hedge other specific risks. The introduction of any new financial instrument/asset class or any extended use of derivatives will only be considered by the Committee following the receipt of appropriate training and advice from suitably qualified persons.

Equities

Equities are classed as growth assets with the potential to provide returns in excess of inflation from growth in both capital values and income. Reinvested income accounts for a large proportion of long term equity returns. As equity returns are linked to company revenues and profits, investing in equities increases exposure to volatility. Investors expect to be compensated for that volatility by higher returns.

Over the last 50 years, in the UK, equities have provided a real return (after inflation) of 5.6% pa, compared with a real return of 3.1% pa from long dated government bonds and 1.2% pa from cash. Over the last 20 years, the respective real returns were 3.2% pa, 3.6% pa and 0.3% pa. In the US, the real returns over the last 50 years were 5.6% pa from equities, 3.6% pa from 20yr government bonds and 0.7% pa from cash. US respective real over 20 years were 5.0% pa, 4.5% pa and -0.26% pa.[2] Despite the increasing correlation between the majority of developed equity markets, investing in different geographic regions still provides portfolio diversification and investing in emerging markets generally provides access to higher economic growth rates and exposure to different economic drivers of return.

Bonds

Bonds offer predictable streams of income and predictable returns if held to maturity. They are held as stabilising assets to reduce volatility and to provide diversification. As pension funds mature they can be used to provide liquidity and to match liabilities as they fall due.

The Fund holds conventional fixed income, index-linked and corporate bonds and within multi-asset credit it holds private debt, high yield debt and asset-backed securities. Index linked bonds are regarded as a particularly good match for pension fund liabilities. The majority of the Fund’s government bond holdings are issued by the government of the United Kingdom; the currency exposure of any overseas sovereign bonds holdings is hedged to sterling.

[2] ***Source: Barclays Equity Gilt Study 2017***

Property

Property investments have traditionally been split between three different sectors: office; retail and industrial. Increasingly within the asset management industry, exposure to niche sectors such as student accommodation and exposure to debt secured against property assets is also included within the property asset class. Returns from this asset class come from rental income and the change in market values. Rental income has accounted for a large proportion of total returns over the long term. Given the relative stability of rental income, which gives property bond like characteristics, the returns from property are generally expected to fall between the returns from equities and those from bonds.

Property investment can be carried out directly via the purchase of physical properties or indirectly via the purchase of pooled vehicles or property company shares. The majority of the Fund's property exposure is gained via direct investment; pooled vehicles are used to gain exposure to niche sectors and overseas assets. The Fund's exposure to property debt is currently contained within the allocation to corporate bonds.

Alternatives

Alternatives include infrastructure, private equity, hedge funds, commodities and pooled multi-asset funds (also known as diversified growth funds). The Fund has exposure to infrastructure and private equity.

Infrastructure offers access to long term predictable cash flows, which are often linked to inflation. A low correlation to the business cycle and the other major asset classes provides diversification benefits and long investment horizons. The majority of the Fund's infrastructure investments are in developed European core assets (long term assets with regulated returns) and social PFI concessions (typically schools, hospitals and military accommodation).

Private equity investment refers to investment in unquoted, privately owned companies. Investors expect to receive an illiquidity premium for investing in this asset class and target returns above those expected from publicly quoted equities. Returns from private equity primarily come from capital growth, rather than income when investments are exited (realised) following a period of business growth/transformation. Private equity offers access to a broader universe of companies than the publicly quoted space.

Risk

The overall risk for the Fund is that its assets will be insufficient to meet its liabilities. The Funding Strategy Statement, which is drawn up following the triennial actuarial valuation of the Fund, sets out how any deficit in assets compared with liabilities is to be addressed.

Underlying the overall risk, the Fund is exposed to demographic risks, regulatory risks, governance risks and financial risks (including investment risk). The measures taken by the

Fund to control these risks are included in the Funding Strategy Statement and are reviewed periodically by the Committee via the Fund's risk register. The primary investment risk is that the Fund fails to deliver the returns anticipated in the actuarial valuation over the long term. The Committee anticipates expected market returns on a prudent basis to reduce the risk of underperforming expectations.

It is important to note that the Fund is exposed to external, market driven, fluctuations in asset prices which affect the liabilities (liabilities are estimated with reference to government bond yields) as well as the valuation of the Fund's assets. Holding a proportion of the assets in government bonds helps to mitigate the effect of falling bond yields on the liabilities to a certain extent. Further measures taken to control/mitigate investment risks are set out in more detail below:

Concentration

The Committee manages the risk of exposure to a single asset class by holding different categories of investments (e.g. equities, bonds, property, alternatives and cash) and by holding a diversified equity portfolio, spread by both geography and market sectors. Each asset class is managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the Benchmark, which has been designed to meet the required level of return with an appropriate level of exposure to risk, taking into consideration the level of correlation between the asset classes.

Volatility

The Benchmark contains a high proportion of equities with a commensurate high degree of volatility. The strong covenant of the major employing bodies enables the Committee to take a long term perspective and to access the forecast inflation plus returns from equities.

Performance

Investment managers are expected to outperform the individual asset class benchmarks detailed in the overall Strategic Asset Allocation Benchmark. The Fund's performance is measured by an independent provider and reported to the Committee on a quarterly basis. The Committee takes a long term approach to the evaluation of investment performance, but will take steps to address persistent underperformance.

Illiquidity

Close attention is paid to the Fund's projected cash flows; the Fund is currently cash flow positive, in that annually there is an excess of cash paid into the Fund from contributions and investment income after pension benefits are paid out. The Fund expects to be cash flow positive for the short to medium term. Despite the growing proportion of illiquid investments in the Fund, a large proportion of the assets are held in liquid assets and can be realised quickly, in normal circumstances, in order for the Fund to pay its immediate liabilities.

Currency

The Fund's liabilities are denominated in sterling which means that investing in overseas assets exposes the Fund to a degree of currency risk. The Committee regards the currency exposure associated with investing in overseas equities as part of the return on the overseas equities; the currency exposure on overseas bonds is hedged back to sterling.

Stock Lending

The Fund does not currently participate in any stock-lending arrangements, but is likely to in the future as part of the LGPS Central pool. The Committee will ensure that robust controls are in place to protect the security of the Fund's assets before entering into any stock lending arrangements.

Custody

The risk of losing economic rights to the Fund's assets is managed by the use of a global custodian for custody of the assets, regular scrutiny of the Fund's providers, and the maintenance of independent investment accounting records.

LGPS Central Pool

Derbyshire Pension Fund is part of the LGPS Central Pool (the Pool) with the LGPS funds of Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands, the West Midlands Integrated Transport Authority and Worcestershire. The Pool has been established in accordance with Government requirements for the pooling of LGPS investment assets. Collective investment management offers the potential for substantial savings in investment management fees, increased opportunities for investor engagement and access to a shared pool of knowledge and expertise.

The eight administering authorities of the pension funds within the LGPS Central Pool are equal shareholders in LGPS Central Limited. LGPS Central Limited (the Company) has been established to manage investments on behalf of the Pool, and received authorization from the Financial Conduct Authority in January 2018. The Company launched its first sub-funds within an Authorised Contractual Scheme collective investment vehicle in April 2018. The Fund entered into a discretionary management agreement with the Company in respect of the investment management of the Fund's UK Equity portfolio in April 2018. The transition of the Fund's remaining assets into products offered by the Company is likely to take several years. Responsibility for determining the Strategic Asset Allocation Benchmark and the tactical quarterly asset allocation positions remains with the Fund.

Robust governance arrangements have been established both within the Company and within the wider Pool to ensure that the Company operates effectively and meets the objectives of the pension funds within the LGPS Central Pool.

A Joint Committee, set up in accordance with provisions of the Local Government Act 1972, provides oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the LGPS Central Pool business case and deals with common investor issues.

A Shareholders' Forum, comprising one elected Member from each of the participating administering authorities, oversees the operation and performance of LGPS Central Limited and represents the ownership rights and interests of the shareholding councils within the LGPS Central Pool.

To support the Joint Committee and the Shareholders' Forum, a Practitioners' Advisory Forum has been created, consisting of Officers from each of the shareholding councils within the Pool. This forum provides day-to-day oversight of the Operator, scrutinizing the delivery of products, investment performance and investment costs, monitoring customer service and the delivery of wider investor services, such as voting and responsible investment.

Responsible Investment

Responsible investment is an approach to investment that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long term returns.[3]

The Committee believes that responsible investment covers both incorporating ESG factors into the investment process and Fund stewardship and governance through considered voting and engagement with investee companies.

Effective management of financially material ESG risks should support the requirement to protect investment returns over the long term. The Fund's investment team seek to understand relevant ESG factors alongside conventional financial considerations within the investment process, and the Fund's external investment managers are expected to do the same. Non-financial factors may be considered to the extent that they are not detrimental to the investment return.

The Committee recognizes its responsibility to act in the best interest of the Fund's employers and scheme members, whilst seeking to protect local tax payers and employers from unsustainable pension costs.

[3] **UN Principles for Responsible Investing**

A strategy of engagement with companies to influence behaviour and enhance value, rather than negative screening to exclude stocks from the portfolio on ESG/ethical grounds, is more compatible with the administering authority's fiduciary duties and supports responsible investment.

It is recognized that risks and opportunities related to climate change could be experienced across the whole of the Fund's investment portfolio and that the current understanding of the potential risks posed by climate change and the development of consistent climate related disclosures are still at an early stage. It also recognised that it will take time for companies to adapt to changing regulatory and market positions. The incorporation of ESG factors into the investment process and Fund stewardship and governance activities will seek to manage the risks associated with climate change.

Membership of the Local Authority Pension Fund Forum (LAPFF) helps Derbyshire Pension Fund to engage with companies to understand relevant issues and to promote best practice. LAPFF was set up in 1991 and is a voluntary association of 77 Local Authority pension funds based in the UK with combined assets of over £230bn. It exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote high standards of corporate governance and corporate responsibility amongst the companies in which they invest.

Collective pressure from investors via organisations such as the LAPFF has helped to encourage listed companies to enhance their corporate governance and to improve their environmental and social impacts. The Fund attaches great importance to the exercise of voting rights and currently casts votes in respect of its directly held equity investments in the United Kingdom and North America.

The Committee has appointed Institutional Shareholder Services, a third party voting agency to provide voting services for its directly held UK equity investments. Voting is carried out in line recommendations from Institutional Shareholder Services, whose voting principles cover four key tenets on accountability, stewardship, independence and transparency. The Fund also periodically receives voting alerts from the LAPFF on certain resolutions. If the voting alert from the LAPFF conflicts with the voting service recommendation, due consideration is given to all the arguments before the vote is cast. A report to review the Fund's voting activity is taken to the Committee on a quarterly basis.

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

The Fund is a Tier 1 signatory to the Financial Reporting Council's UK Stewardship Code (the Fund's statement of compliance with the Code can be found on Derbyshire County Council's website: https://www.derbyshire.gov.uk/site-elements/documents/pdf/working-for-us/pensions/investments/investment-strategy/financial-reporting-council-stewardship-code-statement-2017.pdf). The Code aims to enhance the quality of engagement management between investors and companies to help improve long-term risk-adjusted returns to shareholders. The Fund expects its external investment managers to support the UK Stewardship Code.

Following the launch of the LGPS Central Pool, an increasing portion of the Fund's investments will be transitioned into products managed by LGPS Central Limited. The Company has developed a Responsible Investment & Engagement Framework (the Framework) incorporating the Responsible Investment beliefs of the Pension Funds within the LGPS Central Pool which will be applied to both internally and externally managed investment mandates. The Framework contains the following beliefs:

- Long-termism: A long-term approach to investment will deliver better returns and the long-term nature of LGPS liabilities allows for a long-term investment horizon.

- Responsible Investment: Responsible Investment is supportive of risk adjusted returns over the long-term, across all asset classes. Responsible investment should be integrated into the investment process of the Company and its investment managers.

- Diversification, risk management and stewardship: Diversification across investments with low correlation improves the risk return profile. A strategy of engagement, rather than exclusion, is more compatible with fiduciary duty and more supportive of responsible investment, because the opportunity to influence companies through stewardship is waived in a divestment approach. Even well-diversified portfolios face systematic risk. Systematic risk can be mitigated over the long-term through widespread stewardship and industry participation.

- Corporate governance and cognitive diversity: Investee companies and asset managers with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. There is clear evidence showing that decision-making and performance are improved when company boards and investment teams are composed of cognitively diverse individuals.

- Fees and remuneration: The management fees of investment managers and the remuneration policies of investee companies are of significance for the Company's clients, particularly in a low-return environment. Fees and remuneration should be aligned with the long-term interests of our clients, and value for money is more important than the simple minimisation of costs.

- Risk and opportunity: Risk premia exist for certain investments; taking advantage of these can help to improve returns. There is risk, but also opportunity in holding companies that have weak governance of financially material ESG issues. Opportunities can be captured so long as they are aligned to the Company's objectives and strategy, and so long as there is a sufficient evidence base upon which to make an investment decision.

- Climate change: Financial markets could be materially impacted by climate change and by the response of climate policy-makers. Responsible investors should proactively manage this risk factor through stewardship activities, using partnerships of like-minded investors where feasible.

HYMANS ROBERTSON

Derbyshire Pension Fund

Funding Strategy Statement

March 2017

Approved by Pensions and Investments Committee 20th March 2017

PUBLIC SECTOR

Contents

DRAFT Funding Strategy Statement

Appendices

1 Introduction

1.1 What is this document?

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

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 16th March 2017.

1.2 What is the Derbyshire Pension Fund?

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

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

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

1.3 Why does the Fund need a Funding Strategy Statement?

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

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

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

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

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

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

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

1.4 How does the Fund and this FSS affect me?

This depends who you are:

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

1.5 What does the FSS aim to do?

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

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

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

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

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

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

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

B. who is responsible for what,

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

D. some more details about the actuarial calculations required,

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

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

If you have any other queries please contact Nigel Dowey, Pensions Manager in the first instance at e-mail address (nigel.dowey@derbyshire.gov.uk).

2 Basic Funding issues

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

2.1 How does the actuary measure the required contribution rate?

In essence this is a three-step process:

1. Calculate the ultimate funding target for that employer, i.e. the ideal amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;

2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;

3. Calculate the employer contribution rate such that it has at least a given probability of achieving that funding target over that time horizon, allowing for different likelihoods of various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate will aim to return the employer to full funding over an appropriate period (the "time horizon"). The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

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

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

Other employers are able to participate in the Fund via an admission agreement, and are referred to as ‘admission bodies’. These employers are generally those with a “community of interest” with another scheme employer – **community admission bodies** (“CAB”) or those providing a service on behalf of a scheme employer – **transferee admission bodies** (“TAB”). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund’s admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term ‘admission bodies’; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

2.4 How does the measured contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners’ life expectancies). However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **probability of achieving** the funding target over that time horizon will be dependent on the Fund’s view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

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

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

Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How is a deficit (or surplus) calculated?

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

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

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

It is important to note that the deficit/surplus and funding level are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, deficits and funding levels are short term measures, whereas contribution-setting is a longer term issue.

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

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

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

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

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

- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority is building an employer risk assessment framework using a knowledge base which will be regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower probability of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter deficit recovery period relative to other employers, and/or a higher probability of achieving the target may be required.

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

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What probability is required to reach that funding target? This will always be less than 100% as we cannot be certain of future market movements. Higher probability "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

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

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required probability of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

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

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

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	**Local Authorities**	**Police, Fire, Colleges etc**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding Target Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to "gilts basis" - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	Yes - see Note (b)	Yes - see Note (b)	No	No	No
Maximum time horizon – Note (c)	19 years	19 years	19 years	12 years	12 years	The lower of 12 years and the outstanding contract term
Secondary rate – Note (d)	Monetary amount	Monetary amount	Percentage of Payroll	Monetary amount	Monetary amount	Monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Admin. Authority		Reduce contributions by spreading the surplus over The lower of 12 years and the outstanding contract term
Probability of achieving target – Note (e)	66%	70%	66%	80%	80%	70%
Phasing of contribution changes	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	3 years	3 years	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

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

In the circumstances where:

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

the Administering Authority may set a higher funding target (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

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

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a predetermined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible. This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

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

On the basis of extensive modelling carried out for the 2016 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Local Authorities	Police, Fire, Colleges etc.	Academies
Max cont increase	1%	1%	1%
Max cont decrease	0%	0%	-1%

The stabilisation criteria and limits will be reviewed at the 31 March 2019 valuation, to take effect from 1 April 2020. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2017 for the 2016 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

For some employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the three year period until the next valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Probability of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum probability. A higher required probability bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different probabilities are set for different employers depending on their nature and circumstances: in broad terms, a higher probability will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

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

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

Note (g) (New Academy conversions)

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

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

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

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

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

v. As an alternative to (iv), the academy will have the option to elect to pay contributions initially in line with the ceding Council instead. However, this election will not alter its asset or liability allocation as per (ii) and (iii) above. Ultimately, all academies remain responsible for their own allocated deficit.

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

Note (h) (New Admission Bodies)

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

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

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) below.

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

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

Note (i) (New Transferee Admission Bodies)

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

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

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

i) Pooling

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

ii) Letting employer retains pre-contract risks

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

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate and does not pay any cessation deficit.

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

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

Note (j) (Admission Bodies Ceasing)

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

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

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

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

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

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing basis as described in Appendix E;

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

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

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

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

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. The current pools in place within the Fund are as follows:

- Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools.
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

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

Employers who are permitted to enter (or remain in) a pool at the 2016 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

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

3.5 Additional flexibility in return for added security

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

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

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

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

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

3.6 Non-ill health early retirement costs

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

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

3.7 Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see 3.8 below).

Admitted Bodies will usually have an 'ill health allowance'; Scheduled Bodies may have this also, depending on their agreement terms with the Administering Authority. The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

3.8 External Ill health insurance

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

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

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

3.9 Employers with no remaining active members

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

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

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

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

3.10 Policies on bulk transfers

The Fund has a separate written policy which covers bulk transfer payments into, out of and within the Fund. Each case will be treated on its own merits, but in general:

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

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

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

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

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

The same investment strategy is currently followed for all employers.

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

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

Therefore, the funding and investment strategies are inextricably linked.

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

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

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

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

4.4 How does this differ for a large stable employer?

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

Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;

Affordability – how much can employers afford;

Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position; and

Stability – employers should not see significant moves in their contribution rates from one year to the next, to help provide a more stable budgeting environment.

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

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

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

Whilst the current stabilisation mechanism is to remain in place until 2020, it should be noted that this will need to be reviewed following the 2019 valuation.

4.5 Does the Fund monitor its overall funding position?

The Administering Authority will monitor the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, on an annual basis. It will report this to the regular Pensions Committee meetings, and also to employers through newsletters and Employers Forums.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4) (c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the Department of Communities & Local Government (DCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional DCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, ii. with an

appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, DCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

DCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

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

*"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*

*to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*

*to take a **prudent longer-term view** of funding those liabilities."*

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

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

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

A2 Does the Administering Authority consult anyone on the FSS?

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

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

a) A draft version of the FSS was issued to all participating employers, members of the Derbyshire Pension Board and published on the Fund's website in February 2017 for comment;

b) Comments were requested within 20 days;

c) Following the end of the consultation period the FSS was updated where required and then published, in March 2017.

A3 How is the FSS published?

The FSS is made available through the following routes:

Published on the website

A copy sent by e-mail to each participating employer in the Fund;

A copy sent to by e-mail to the members of the Derbyshire Pension Board.

A link to the FSS is included in the annual report and accounts of the Fund;

A copy sent by email to the Fund's independent investment adviser;

Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2019.

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

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

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

A5 How does the FSS fit into other Fund documents?

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

These documents can be found on the web at www.derbyshire.gov.uk/pensions

Appendix B – Responsibilities of key parties

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

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles/Investment Strategy Statement (SIP/ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and a SIP/ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and SIP/ISS as necessary and appropriate.

B2 The Individual Employer should:-

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

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's SIP/ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP/ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. the Department for Communities and Local Government (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

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

financial;

demographic; regulatory; and

governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context. Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning.

Risk	Summary of Control Mechanisms
	Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate

Risk	Summary of Control Mechanisms
	contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The results of the most recent reforms were built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.
Time, cost and/or reputational risks associated with any DCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular

Risk	Summary of Control Mechanisms
	intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).

Appendix D – The calculation of Employer contributions

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

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D:

1. The **funding target** is based on a set of assumptions about the future, e.g. investment returns, inflation, pensioners' life expectancies. However, if an employer is approaching the end of its participation in the Fund then it's funding target may be set on a more prudent basis, so that it's liabilities are less likely to be spread among other employers after it's cessation of participation;

2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform;

3. The required **probability of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

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

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

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's funding position and membership. The whole Fund position, including that used in reporting to DCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. DCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

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

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,

2. within the determined time horizon (see note 3.3 Note (c) for further details),

3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (by the end of the time horizon) is equal to the required probability.

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

D3 How is the Secondary contribution rate calculated?

The combined Primary and Secondary rates aim to achieve the employer's funding target, within the appropriate time horizon, with the relevant degree of probability.

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

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

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. within the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes with at least 100% solvency (by the end of the time horizon) is equal to the required probability.

D4 What affects a given employer's valuation results?

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

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities;

4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required probability of achieving the funding target.

D5 How is each employer's asset share calculated?

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

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

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

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

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

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

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

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

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

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

Changes in assumptions will affect the measured funding target. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

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

E2 What basis is used by the Fund?

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

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

E3 What assumptions are made in the ongoing basis? a)

Investment return / discount rate

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

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

For the purpose of the triennial funding valuation at 31 March 2016 and setting contribution rates effective from 1 April 2017, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.8% per annum greater than gilt yields at the time of the valuation (this is slightly higher than the 1.6% used at the 2013 valuation). In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2020. Although this “pay freeze” does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, and continued austerity measures, the salary increase assumption at the 2016 valuation has been set to be a blended rate combined of:

1. 1% p.a. until 31 March 2020, followed by

2. the retail prices index (RPI) thereafter.

This is a change from the previous valuation, which assumed a flat assumption of RPI. The change has led to a reduction in the funding target (all other things being equal).

c) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the “formula effect” of the difference between RPI and CPI. At this valuation, we propose a reduction of 1.0% per annum. This is a larger reduction than at 2013, which will serve to reduce the funding target (all other things being equal). (Note that the reduction is applied in a geometric, not arithmetic, basis).

d) Life expectancy

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

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

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with the 2013 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This is a similar allowance for future improvements than was made in 2013.

e) General

The same financial assumptions are adopted for most employers, in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer’s circumstances.

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

Appendix F – Glossary

Actuarial assumptions/basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of **the funding target**. The main assumptions will relate to the **discount rate**, salary growth, pension increases and longevity. More prudent assumptions will give a higher target value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Discount rate	The annual rate at which future assumed cash flows (in and out of the Fund) are discounted to the present day. This is necessary to provide a **funding target** which is consistent with the present day value of the assets. A lower discount rate gives a higher target value, and vice versa. It is used in the calculation of the **Primary and Secondary rates**.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Funding target	The actuarially calculated present value of all pension entitlements of all **members** of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the **deficit**. It is calculated on a chosen set of **actuarial assumptions**.
Gilt	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong

as its guarantor's.

Letting employer An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

LGPS The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.

Maturity A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Primary contribution rate The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.

Profile The profile of an employer's membership or liability reflects various measurements of that employer's **members**, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.

Rates and Adjustments Certificate A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Scheduled Bodies Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc., other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. In broad terms, this relates to the shortfall of its asset share to its **funding target**. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.
Valuation	An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Derbyshire Pension Fund

2016 Actuarial Valuation
Valuation Report

31 March 2017

Geoff Nathan
Richard Warden

Fellows of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP

Contents

Executive summary

We have carried out an actuarial valuation of the Derbyshire Pension Fund ('the Fund') as at 31 March 2016. The results are presented in this report and are briefly summarised below.

Funding position

The table below summarises the funding position of the Fund as at 31 March 2016 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2013).

Past Service Position	31 March 2013 (£m)	31 March 2016 (£m)
Past Service Liabilities	3,784	4,236
Market Value of Assets	3,121	3,672
Surplus / (Deficit)	(663)	(564)
Funding Level	**82%**	**87%**

The improvement in funding position between 2013 and 2016 is mainly due to strong investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has been partially been offset by lower than expected pay and benefit growth (both over the inter-valuation period and continuing in the long term).

Contribution rates

The table below summarises the whole fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of pay) 1 April 2017 - 31 March 2020	2017/18	Secondary Rate (£) 2018/19	2019/20
17.1%	19,457,000	19,379,000	19,289,000

The Primary rate also includes an allowance of 0.3% of pensionable pay for the Fund's expenses.

The average employee contribution rate is 6.1% of pensionable pay.

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

Broadly, contributions required to be made by employers in respect of new benefits earned by members (the primary contribution rate) have increased as future expected investment returns have fallen. Changes to employer contributions targeted to fund the deficit have been variable across employers.

The minimum contributions to be paid by each employer from 1 April 2017 to 31 March 2020 are shown in the Rates and Adjustment Certificate in **Appendix H**.

1 Introduction

We have carried out an actuarial valuation of the Derbyshire Pension Fund ("the Fund") as at 31 March 2016 under Regulation 62 of The Local Government Pension Scheme Regulations 2013 ("the Regulations"). The purpose of the valuation is to assess the value of the assets and liabilities of the Fund as at 31 March 2016 and to calculate the required rate of employers' contributions to the Fund for the period from 1 April 2017 to 31 March 2020.

Valuation Report

This report records the high level outcomes of the actuarial valuation as at 31 March 2016. The valuation report is prepared by the actuary to the Fund and is addressed to Derbyshire County Council as the Administering Authority to the Fund.

Component reports

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

- Correspondence relating to data including the Data Report.
- The Initial Results presentation (dated 26 October 2016) which outlined the whole fund results;
- The formal agreement by the Administering Authority of the actuarial assumptions used in this document, at a meeting dated 26 October 2016;
- The contribution modelling carried out for employers, as detailed in our report and presentation to the Administering Authority of 13 December 2016;
- The Funding Strategy Statement, confirming the different contribution rate setting approaches for different types of employer or in different circumstances.

2 Valuation Approach

The valuation is a planning exercise for the Fund, to assess the monies needed to meet the benefits owed to its members as they fall due. As part of the valuation process the Fund reviews its funding strategy to ensure that an appropriate contribution plan and investment strategy is in place.

It is important to realise that the actual cost of the pension fund (i.e. how much money it will ultimately have to pay out to its members in the form of benefits) is unknown. This cost will not be known with certainty until the last benefit is paid to the last pensioner. The purpose of this valuation is to estimate what this cost will be, so that the Fund can then develop a funding strategy to meet it.

Setting the funding strategy for an open defined benefit pension fund such as Derbyshire Pension Fund is complex. Firstly, the time period is very long; benefits earned in the LGPS today will be paid out over a period of the next 80 years or more and it remains open to new joiners and accrual of benefits. Secondly, the LGPS remains a defined benefit scheme so there are significant uncertainties in the final cost of the benefits to be paid. Finally, in order to reduce employer costs, Derbyshire Pension Fund invests in a return seeking investment strategy which can result in high levels of asset volatility.

Such a valuation can only ever be an estimate – as the future cannot be predicted with certainty. However, as actuaries, we can use our understanding of the Fund and the factors that affect it to set the pace of funding in conjunction with the Administering Authority. The pace of this funding can vary according to the level of prudence that is built into the valuation method and assumptions.

The valuation approach adopted recognises the uncertainties and risks posed to funding by the factors discussed above and follows the process outlined below.

Step 1: The Fund sets a funding target (or funding basis) which defines the target amount of assets to be held to meet the future cash flows. The assumptions underlying the funding target are discussed further in the next section. A measurement is made at the valuation date to compare the assets held with the funding target.

Step 2: The Fund sets the time horizon over which the funding target is to be reached

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon. More detail on this risk based approach to setting contribution rates can be found in **Appendix C.**

For this valuation, as for the previous valuation, our calculations identify separately the expected cost of members' benefits in respect of scheme membership completed before the valuation date ("past service") and that which is expected to be completed after the valuation date ("future service").

Past service

The principal measurement here is the comparison of the funding position at the valuation date against the funding target. The market value of the Fund's assets as at the valuation date are compared against the value placed on the Fund's liabilities in today's terms (calculated using a market-based approach). By maintaining a link to the market in both cases, this helps ensure that the assets and liabilities are valued in a consistent manner. Our calculation of the Fund's liabilities also explicitly allows for expected future pay and pension increases. The assumptions used in the assessment of the funding position at the valuation date are detailed in the next section.

The funding level is the ratio of assets to liabilities at the valuation date. A funding level of less/more than 100% implies that there is a deficit/surplus in the Fund at the valuation date against the funding target.

Funding plans are set to eliminate any deficit (or surplus) over the set time horizon and therefore get back to a funding level of 100%. To do so, additional contributions may be required to be paid into the Fund; these contributions are known as the "secondary rate".

Future service

In addition to benefits that have already been earned by members prior to the valuation date, employee members will continue to earn new benefits in the future. The cost of these new benefits must be met by both employers and employees. The employers' share of this cost is known as the "primary rate".

The primary rates for employers are determined with the aim of meeting the funding target in respect of these new benefits at the end of the set time horizon with an appropriate likelihood of success. The primary rate will depend on the profile of the membership (amongst other factors). For example, the rate is higher for older members as there is less time to earn investment returns before the member's pension comes into payment.

The methodology for calculating the primary rate will also depend on whether an employer is open or closed to new entrants. A closed employer will have a higher rate as we must allow for the consequent gradual ageing of the workforce.

For the reasons outlined above regarding the uncertainty of the future, there is no guarantee that the amount paid for the primary rate will be sufficient to meet the cost of the benefits that accrue. Similarly, there is no guarantee that the secondary contributions will result in a 100% funding level at the end of the time horizon. Further discussion of this uncertainty is set out in **Appendix C**.

3 Assumptions

Due to the long term nature of the Fund, assumptions about the future are required to place a value of the benefits earned to date (past service) and the cost of benefits that will be earned in the future (future service).

Broadly speaking, our assumptions fall into two categories when projecting and placing a value on the future benefit payments and accrual – financial and demographic.

Demographic assumptions typically try to forecast **when** benefits will come into payment and what form these will take. For example, when members will retire (e.g. at their normal retirement age or earlier), how long they will then survive and whether a dependant's pension will be paid. In this valuation of the Fund, we use a single agreed set of demographic assumptions which is set out below and in more detail in **Appendix E**.

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

For measuring the funding position, the liabilities of the Fund are reported on a single constant set of financial assumptions about the future, based on financial market data as at 31 March 2016.

However, when we assess the required employer contributions to meet the funding target, we use a model that calculates the contributions required under 5000 different possible future economic scenarios. Under these 5000 different economic scenarios, key financial assumptions about pension increases and Fund investment returns vary across a wide range. More information about these types of assumptions is set out in **Appendix F**.

Financial assumptions

Discount rate

In order to place a current value on the future benefit payments from the Fund, an assumption about future investment returns is required in order to "discount" future benefit payments back to the valuation date. In setting the discount rate the Fund is determining the extent to which it relies on future investment returns required to meet benefit payments in excess of the monies already held at the valuation date.

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

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

There has been a downward shift in the expected returns on many asset classes held by the Fund since the 2013 valuation. Following modelling, analysis and discussion reported in the "2016 Valuation Asset Outperformance Assumption Report" dated 29 February 2016, the Fund is satisfied that an AOA of 1.8% p.a. is a prudent assumption for the purposes of this valuation.

Price inflation / pension increases

Pension (both in payment and deferment) benefit increases and the revaluation of career-average earnings are in line with Consumer Price Index (CPI) inflation. As there continues to be no deep market for CPI linked financial instruments, the Fund derives the expected level of future CPI with reference to the Retail Price Index (RPI).

Due to further analysis of the CPI since 2013, the Fund expects the average long term difference between RPI and CPI to be 1.0% p.a. compared with 0.8% p.a. at the 2013 valuation.

At the previous valuation, the assumption for RPI was derived from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. At this valuation, the Fund continues to adopt a similar approach.

Salary increases

Due to the change to a CARE scheme from 2014, there is now a closed group of membership in the Fund with benefits linked to final salary. The run-off of this final salary linked liability was modelled, taking into account the short-term restrictions in public sector pay growth.

The results of this modelling and analysis were reported in the "2016 Valuation Pay Growth Assumption" paper dated 9 February 2016. Based on the results of this modelling the Fund set a salary growth assumption of RPI 0.5%. This reflects both short term pay constraints and the belief that general economic growth and hence pay growth may be at a lower level than historically experienced for a prolonged period of time.

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

A summary of the financial assumptions underpinning the target funding basis and adopted during the assessment of the liabilities of the Fund as at 31 March 2016 (alongside those adopted at the last valuation for comparison) are shown below.

Financial assumptions	31 March 2013	31 March 2016
Discount rate		
Return on long-dated gilts	3.0%	2.2%
Asset Outperformance Assumption	1.6%*	1.8%**
Discount rate	**4.6%**	**4.0%**
Benefit increases		
Retail Prices Inflation (RPI)	3.3%	3.2%
Assumed RPI/CPI gap	(0.8%)*	(1.0%)**
Benefit increase assumption (CPI)	**2.5%**	**2.1%**
Salary increases		
Retail Prices Inflation (RPI)	3.3%	3.2%
Increases in excess of RPI	0.0%*	(0.5%)**
Salary increase assumption	**3.3%**	**2.7%**

**Arithmetic addition*

***Geometric addition*

Demographic assumptions

Longevity

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

	31 March 2013	31 March 2016
Male		
Pensioners	22.0 years	21.9 years
Non-pensioners	24.1 years	23.9 years
Female		
Pensioners	24.2 years	24.4 years
Non-pensioners	26.6 years	26.5 years

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

Other demographic assumptions

We are in the unique position of having a very large local authority data set from which to derive our other demographic assumptions. We have analysed the trends and patterns that are present in the membership of local authority funds and tailored our demographic assumptions to reflect LGPS experience.

Details of the other demographic assumptions adopted by the Fund are set out in **Appendix E**.

Further comments on the assumptions

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

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

Taken as a whole, we believe that our proposed assumptions are more prudent than the best estimate.

The actuarial assumptions underlying the Scheme Advisory Board's Key Performance Indicators are viewed as best estimate. Using these best estimate assumptions, the assessed funding position as at 31 March 2016 would have been 103%.

Assets

We have taken the assets of the Fund into account at their bid value as informed to us by the Administering Authority.

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

4 Results

The Administering Authority has prepared a Funding Strategy Statement which sets out its funding objectives for the Fund. In broad terms, the main valuation objectives are to hold sufficient assets in the Fund to meet the assessed cost of members' accrued benefits on the target funding basis ("the Funding Objective") and to set employer contributions which ensure both the long term solvency and the long term cost efficiency of the Fund ("the Contribution Objective").

Funding Position Relative to Funding Target

In assessing the extent to which the Funding Objective was met at the valuation date, we have used the actuarial assumptions described in the previous section of this report for the target funding basis and the funding method also earlier described. The table below compares the value of the assets and liabilities at 31 March 2016. The 31 March 2013 results are also shown for reference.

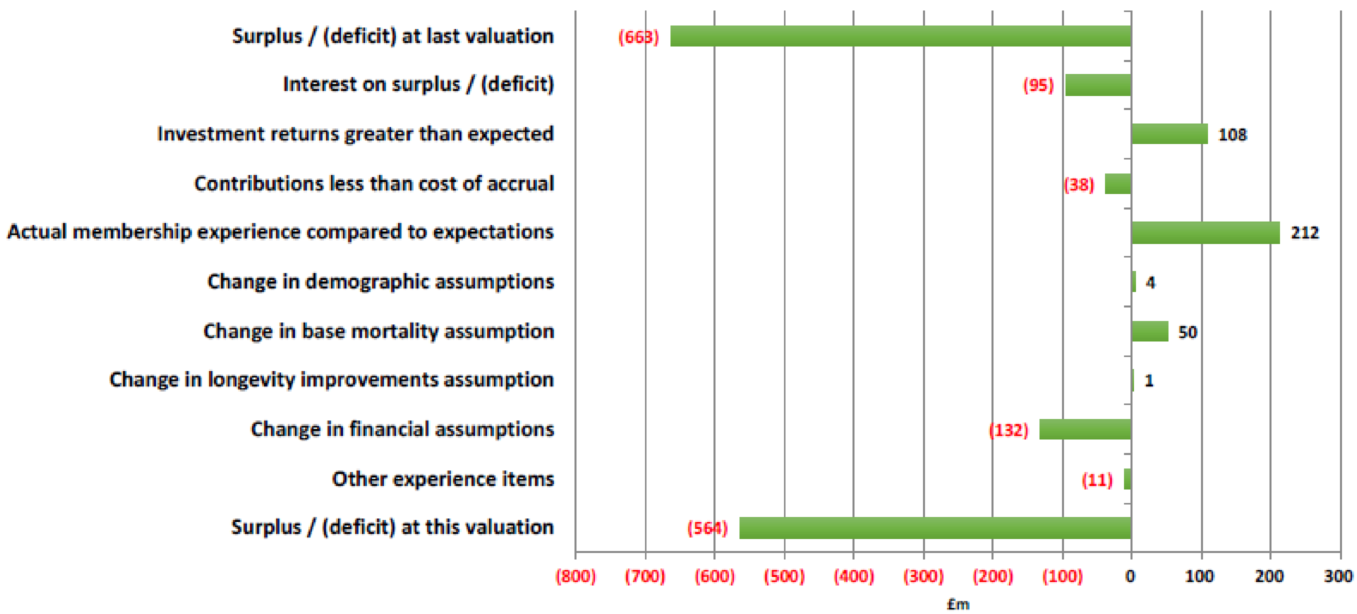
A funding level of 100% would correspond to the Funding Objective being met at the valuation date.

Valuation Date	31 March 2013	31 March 2016
Past Service Liabilities	**(£m)**	**(£m)**
Employees	1,681	1,703
Deferred Pensioners	557	758
Pensioners	1,546	1,776
Total Liabilities	**3,784**	**4,236**
Assets	**3,121**	**3,672**
Surplus / (Deficit)	**(663)**	**(564)**
Funding Level	**82%**	**87%**

The Funding Objective was not met: there was a shortfall of assets relative to the assessed cost of members' benefits on the target funding basis of £564m.

Summary of changes to the funding position

The chart below illustrates the factors that caused the changes in the funding position between 31 March 2013 and 31 March 2016:



Further comments on some of the items in this chart:

- There is an interest cost of £95m. This is broadly three years of compound interest at 4.6% p.a. applied to the previous valuation deficit of £663m (and can be thought of as the investment return that would have been achieved on the extra assets the Fund would have held if fully funded).

- Investment returns being higher than expected since 2013 lead to a gain of £108m. This is roughly the difference between the actual three-year return (18.2%) and expected three-year return (14.4%) applied to the whole fund assets from the previous valuation of £3,121m, with a further allowance made for cash flows during the period.

- The membership experience of the Fund has differed to the assumptions made at the 2013 valuation. The table below summarises the significant factors that underlie these differences:

	Expected	Actual	Difference	Impact
Pre-retirement experience				
Early leavers (no.of lives)	13,622	11,705	(1,917)	Negative
Ill-health retirements* (no.of lives)	528	136	(392)	Positive
Salary increases (p.a.)	4.9%	2.8%	(2.1%)	Positive
Post-retirement experience				
Benefit increases (p.a.)	2.5%	1.3%	(1.2%)	Positive
Pensions ceasing (£m)	7.3	8.0	0.7	Positive

*Tier1 and Tier 2 ill-health retirements only

- The impact of the change in demographic assumptions has been a gain of around £4m.

- The change in mortality assumptions (baseline and improvements) has given rise to a gain of £51m. .

- The change in financial assumptions since the previous valuation has led to a loss of £132m. This is due to a decrease in the real discount rate between 2013 and 2016. This has partially been offset by the increase to 1.0% p.a. of the assumed gap between RPI and CPI and a reduction in the expected future salary growth for benefits linked to final salary.

- Other experience items, such as changes in the membership data, have served to increase the deficit at this valuation by around £11m.

Employer Contribution Rates

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates.

For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon. These rates have been assessed using a financial model that assesses the funding outcome for the employer under 5000 different possible future economic scenarios where the key financial assumptions about pension increases and investment returns vary. The employer contribution rates have been set to achieve the funding target over the agreed time horizon and with the appropriate likelihood of success. The time horizon and the likelihood parameters vary by employer according to each employer's characteristics. These parameters are set out in the Funding Strategy Statement and have been communicated to employers. More information about the methodology used to calculate the contribution rates is set out in **Appendix C**.

The employer contributions payable from 1 April 2017 are given in **Appendix H**, and these have been devised in line with the Funding Strategy Statement: see **section 6**.

The table below summarises the whole fund Primary and Secondary Contribution rates at this valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of pay) 1 April 2017 - 31 March 2020	2017/18	Secondary Rate (£) 2018/19	2019/20
17.1%	19,457,000	19,379,000	19,289,000

The Primary rate also includes an allowance of 0.3% of pensionable pay for the Fund's expenses.

The average employee contribution rate is 6.1% of pensionable pay. Note that the employee contribution rate includes any additional contributions being paid by employees as at 31 March 2016 into the Fund.

The table below shows the Fund "Common Contribution rate' as at 31 March 2013 for information purposes. **Although note that the change in regulatory regime and guidance on contribution rates means that a direct comparison to the whole fund rate at 2016 is not appropriate.**

Contribution Rates	31 March 2013 (% of pay)
Employer future service rate (incl. expenses)	20.5%
Past Service Adjustment	7.4%
Total employer contribution rate (incl. expenses)	**27.9%**
Employee contribution rate	6.0%
Expenses	0.2%

5 Risk Assessment

The valuation results depend critically on the actuarial assumptions that are made about the future of the Fund. If all of the assumptions made at this valuation were exactly borne out in practice then the results presented in this document would represent the true cost of the Fund as it currently stands at 31 March 2016.

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

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

This section investigates the potential implications of the actuarial assumptions not being borne out in practice.

Set out below is a brief assessment of the main risks and their effect on the valuation past service funding position results.

Sensitivity of past service funding position results to changes in assumptions

The table below gives an indication of the sensitivity of the funding position to small changes in two of the main financial assumptions used:

Benefit Increases & CARE Revaluation					
Discount Rates	(£m)	1.9%	2.1%	2.3%	
	4.2%	3,968	4,088	4,213	Liabilities
		3,672	3,672	3,672	Assets
		(296)	(417)	(541)	(Deficit)
		93%	90%	87%	Funding Level
	4.0%	4,111	4,236	4,365	Liabilities
		3,672	3,672	3,672	Assets
		(439)	(564)	(693)	(Deficit)
		89%	87%	84%	Funding Level
	3.8%	4,260	4,390	4,524	Liabilities
		3,672	3,672	3,672	Assets
		(588)	(718)	(852)	(Deficit)
		86%	84%	81%	Funding Level

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

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

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

The table below shows how the valuation results at 31 March 2016 are affected by adopting different longevity assumptions.

	Peaked improvements (£m)	Non-peaked improvements (£m)
Liabilities	4,236	4,337
Assets	3,672	3,672
(Deficit)	(564)	(665)
Funding Level	**87%**	**85%**

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

This is not an exhaustive list of the assumptions used in the valuation. For example, changes to the assumed level of withdrawals and ill health retirements will also have an effect on the valuation results.

Note that the tables show the effect of changes to each assumption in isolation. In reality, it is perfectly possible for the experience of the Fund to deviate from more than one of our assumptions simultaneously and so the precise effect on the funding position is therefore more complex. Furthermore, the range of assumptions shown here is by no means exhaustive and should not be considered as the limits of how extreme experience could actually be.

Sensitivity of contribution rates to changes in assumptions

The employer contribution rates are dependent on a number of factors including the membership profile, current financial conditions, the outlook for future financial conditions, and demographic trends such as longevity. Changes in each of these factors can have a material impact on the contribution rates (both primary and secondary rates). We have not sought to quantify the impact of differences in the assumptions because of the complex interactions between them.

Investment risk

The Fund holds some of its assets in return seeking assets such as equities to help reduce employers’ costs. However, these types of investments can result in high levels of asset volatility. Therefore, there is a risk that future investment returns are below expectations and the funding target is not met. This will require additional contributions from employers to fund any deficit.

Whilst the Fund takes steps to ensure that the level of investment risk is managed and monitored via strategy reviews and performance monitoring, it can never be fully mitigated.

Regulatory risk

One further risk to consider is the possibility of future changes to Regulations that could materially affect the benefits that members become entitled to. It is difficult to predict the nature of any such changes but it is not inconceivable that they could affect not just the cost of benefits earned after the change but could also have a retrospective effect on the past service position.

Managing the risks

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

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

- Set aside a specific reserve to act as a cushion against adverse future experience (possibly by selecting a set of actuarial assumptions that are deliberately more prudent).
- Take steps internally to monitor the decisions taken by members (e.g. 50:50 scheme take-up, commutation) and employers (e.g. relating to early / ill health retirements or salary increases) in a bid to curtail any adverse impact on the Fund.
- Pooling certain employers together at the valuation and then setting a single (pooled) contribution rate that they will all pay. This can help to stabilise contribution rates (at the expense of cross-subsidy between the employers in the pool during the period between valuations).
- Carrying out a review of the future security of the Fund's employers (i.e. assessing the strength of employer covenants) and ultimately their ability to continue to pay contributions or make good future funding deficits.
- Carry out a bespoke analysis of the longevity of Fund members and monitor how this changes over time, so that the longevity assumptions at the valuation provide as close a fit as possible to the particular experience of the Fund.
- Undertake an asset-liability modelling exercise that investigates the effect on the Fund of possible investment scenarios that may arise in the future. An assessment can then be made as to whether long term, secure employers in the Fund can stabilise their future contribution rates (thus introducing more certainty into their future budgets) without jeopardising the long-term health of the Fund.
- Purchasing ill health liability insurance to mitigate the risk of an ill health retirement impacting on solvency and funding level of an individual employer where appropriate.
- Monitoring different employer characteristics in order to build up a picture of the risks posed. Examples include membership movements, cash flow positions and employer events such as cessations.
- Regularly reviewing the Fund's membership data to ensure it is complete, up to date and accurate.

6 Related issues

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

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

Further recommendations

Valuation frequency

Under the provisions of the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2019. In light of the uncertainty of future financial conditions, we recommend that the financial position of the Fund (and for individual employers in some cases) is monitored by means of interim funding reviews in the period up to this next formal valuation. This will give early warning of changes to funding positions and possible revisions to funding plans.

Investment strategy and risk management

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

New employers joining the Fund

Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary for individual calculation as to the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.

Additional payments

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

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

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

Cessations and bulk transfers

Any employer who ceases to participate in the Fund should be referred to us in accordance with Regulation 64 of the Regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund, or
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement should be referred to us to consider the impact on the Fund.

7 Reliances and limitations

Scope

This document has been requested by and is provided to Derbyshire County Council in its capacity as Administering Authority to the Derbyshire Pension Fund. It has been prepared by Hymans Robertson LLP to fulfil the statutory obligations in accordance with regulation 62 of the Regulations. None of the figures should be used for accounting purposes (e.g. under FRS102 or IAS19) or for any other purpose (e.g. a termination valuation under Regulation 64).

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

The results of the valuation are dependent on the quality of the data provided to us by the Administering Authority for the specific purpose of this valuation. The data used in our calculations is as per our Data Report which confirms that the data is fit for the purposes of this valuation and includes comments on the quality of the data provided. However, if any material issues with the data provided are identified at a later date, then the results stated in this report may change.

Actuarial Standards

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

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

Geoff Nathan	Richard Warden
Fellow of the Institute and Faculty of Actuaries	Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP	For and on behalf of Hymans Robertson LLP
31 March 2017	31 March 2017

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

Appendix A: About the pension fund

The purpose of the Fund is to provide retirement and death benefits to its members. It is part of the Local Government Pension Scheme (LGPS) and is a multi-employer defined benefit pension scheme.

For more details please refer to the Fund's Funding Strategy Statement.

Defined benefit pension scheme

In a defined benefit scheme such as this, the nature of retirement benefits that members are entitled to is known in advance. For example, it is known that members will receive a pension on retirement that is linked to their salary (final salary and/or career average) and pensionable service (for service before 1 April 2014) according to a predetermined formula.

However, the precise cost to the Fund of providing these benefits is **not** known in advance. The estimated cost of these benefits represents a liability to the Fund and assets must be set aside to meet this. The relationship between the value of the liabilities and the value of the assets must be regularly assessed and monitored to ensure that the Fund can fulfil its core objective of providing its members with the retirement benefits that they have been promised.

Liabilities

The Fund's liabilities are the benefits that will be paid in the future to its members (and their dependants).

The precise timing and amount of these benefit payments will depend on future experience, such as when members will retire, how long they will live for in retirement and what economic conditions will be like both before and after retirement. Because these factors are not known in advance, assumptions must be made about future experience. The valuation of these liabilities must be regularly updated to reflect the degree to which actual experience has been in line with these assumptions.

Assets

The Fund's assets arise from the contributions paid by its members and their employers and the investment returns that they generate. The way these assets are invested is of fundamental importance to the Fund. The selection, monitoring and evolution of the Fund's investment strategy are key responsibilities of the Administering Authority.

As the estimated cost of the Fund's liabilities is regularly re-assessed, this effectively means that the amount of assets required to meet them is a moving target. As a result, at any given time the Fund may be technically in surplus or in deficit.

A contribution strategy must be put in place which ensures that each of the Fund's employers pays money into the Fund at a rate which will target the cost of its share of the liabilities in respect of benefits already earned by members and those that will be earned in the future.

The long-term nature of the Fund

The pension fund is a long-term commitment. Even if it were to stop admitting new members today, it would still be paying out benefits to existing members and dependants for many decades to come. It is therefore essential that the various funding and investment decisions that are taken now recognise this and come together to form a coherent long-term strategy.

In order to assist with these decisions, the Regulations require the Administering Authority to obtain a formal valuation of the Fund every three years. Along with the Funding Strategy Statement, this valuation will help determine the funding objectives that will apply from 1 April 2017.

Appendix B: Summary of the Fund's benefits

Provided below is a brief summary of the non-discretionary benefits that we have taken into account for active members at this valuation. This should not be taken as a comprehensive statement of the exact benefits to be paid. For further details please see the Regulations.

<table>
<tr><th>Provision</th><th>Benefit Structure To 31 March 2008</th><th>Benefit Structure From 1 April 2008</th><th>Benefit Structure From 1 April 2014</th></tr>
<tr><td>Normal retirement age (NRA)</td><td>Age 65.</td><td>Age 65.</td><td>Equal to the individual member's State Pension Age (minimum 65).</td></tr>
<tr><td>Earliest retirement age (ERA) on which immediate unreduced benefits can be paid on voluntary retirement</td><td colspan="2">As per NRA (age 65).
Protections apply to active members in the scheme immediately prior to 1 October 2006 who would have been entitled to immediate payment of unreduced benefits prior to 65, due to:
The benefits relating to various segments of scheme membership are protected as set out in Schedule 2 to the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 and associated GAD guidance.</td><td>As per NRA (minimum age 65).
Protections apply to active members in the scheme for pensions earned up to 1 April 2014, due to:
a) Accrued benefits relating to pre April 2014 service at age 65.
b) Continued 'Rule of 85' protection for qualifying members.
c) Members within 10 yrs of existing NRA at 1/4/12 – no change to when they can retire and no decrease in pension they receive at existing NRA.</td></tr>
<tr><td>Member contributions</td><td>Officers - 6% of pensionable pay
Manual Workers – 5% of pensionable pay if has protected lower rates rights or 6% for post 31 March 1998 entrants or former entrants with no protected rights.</td><td>Banded rates (5.5%-7.5%) depending upon level of fulltime equivalent pay. A mechanism for sharing any increased scheme costs between employers and scheme members is included in the LGPS regulations.</td><td>Banded rates (5.5%-12.5%) depending upon level of actual pay.</td></tr>
<tr><td>Pensionable pay</td><td colspan="2">All salary, wages, fees and other payments in respect of the employment, excluding non-contractual overtime and some other specified amounts.
Some scheme members may be covered by special agreements.</td><td>Pay including non-contractual overtime and additional hours.</td></tr>
<tr><td>Final pay</td><td colspan="2">The pensionable pay in the year up to the date of leaving the scheme. Alternative methods used in some cases, e.g. where there has been a break in service or a drop in pensionable pay.
Will be required for the statutory underpin and in respect of the final salary link that may apply in respect of certain members of the CARE scheme who have pre April 2014 accrual.</td><td>N/A</td></tr>
</table>

Provision	Benefit Structure To 31 March 2008	Benefit Structure From 1 April 2008	Benefit Structure From 1 April 2014
Period of scheme membership	Total years and days of service during which a member contributes to the Fund. (e.g. transfers from other pension arrangements, augmentation, or from April 2008 the award of additional pension). For part time members, the membership is proportionate with regard to their contractual hours and a full time equivalent). Additional periods may be granted dependent on member circumstances.		N/A
Normal retirement benefits at NRA	Annual Retirement Pension - 1/80th of final pay for each year of scheme membership. Lump Sum Retirement Grant - 3/80th of final pay for each year of scheme membership.	Scheme membership from 1 April 2008: Annual Retirement Pension - 1/60th of final pay for each year of scheme membership. Lump Sum Retirement Grant – none except by commutation of pension.	Scheme membership from 1 April 2014: Annual Retirement Pension - 1/49th of pensionable pay (or assumed pensionable pay) for each year of scheme membership revalued to NRA in line with CPI. Lump Sum Retirement Grant - none except by commutation of pension.
Option to increase retirement lump sum benefit	In addition to the standard retirement grant any lump sum is to be provided by commutation of pension (within overriding HMRC limits). The terms for the conversion of pension in to lump sum is £12 of lump sum for every £1 of annual pension surrendered.	No automatic lump sum. Any lump sum is to be provided by commutation of pension (within overriding HMRC limits). The terms for the conversion of pension in to lump sum is £12 of lump sum for every £1 of annual pension surrendered.	No automatic lump sum. Any lump sum is to be provided by commutation of pension (within overriding HMRC limits). The terms for the conversion of pension in to lump sum is £12 of lump sum for every £1 of annual pension surrendered.
Voluntary early retirement benefits (non ill-health)	On retirement after age 60, subject to reduction on account of early payment in some circumstances (in accordance with ERA protections).		On retirement after age 55, subject to reduction on account of early payment in some circumstances (in accordance with ERA protections).
Employer's consent early retirement benefits (non ill-health)	On retirement after age 55 with employer's consent. Benefits paid on redundancy or efficiency grounds are paid with no actuarial reduction. Otherwise, benefits are subject to reduction on account of early payment, unless this is waived by the employer.		Benefits paid on redundancy or efficiency grounds are paid with no actuarial reduction. Employer's consent is no longer required for a member to retire from age 55. However, benefits are subject to reduction on account of early payment, unless this is waived by the employer.

Provision	Benefit Structure To 31 March 2008	Benefit Structure From 1 April 2008	Benefit Structure From 1 April 2014
Ill-health benefits	As a result of permanent ill-health or incapacity. Immediate payment of unreduced benefits. Enhancement to scheme membership, dependent on actual membership. Enhancement seldom more than 6 years 243 days.	As a result of permanent ill-health or incapacity and a reduced likelihood of obtaining gainful employment (local government or otherwise) before age 65. Immediate payment of unreduced benefits. Enhanced to scheme membership, dependent on severity of ill health. 100% of prospective membership to age 65 where no likelihood of undertaking any gainful employment prior to age 65; 25% of prospective membership to age 65 where likelihood of obtaining gainful employment after 3 years of leaving, but before age 65; or 0% of prospective membership where there is a likelihood of undertaking gainful employment within 3 years of leaving employment	As a result of permanent ill-health or incapacity and a reduced likelihood of obtaining gainful employment (local government or otherwise) before NRA. Immediate payment of unreduced benefits. Enhanced to scheme membership, dependent on severity of ill health. 100% of prospective membership to age NRA where no likelihood of undertaking any gainful employment prior to age NRA; 25% of prospective membership to age NRA where likelihood of obtaining gainful employment after 3 years of leaving, but before age NRA; or 0% of prospective membership where there is a likelihood of undertaking gainful employment within 3 years of leaving employment

Provision	Benefit Structure To 31 March 2008	Benefit Structure From 1 April 2008	Benefit Structure From 1 April 2014
Flexible retirement	A member who has attained the age of 50, and who with their employer's consent, reduces the hours they work, or the grade in which they are employed, may elect in writing to the appropriate Administering Authority that such benefits may, with their employer's consent, be paid to them notwithstanding that he has not retired from that employment. Benefits are paid immediately and subject to actuarial reduction unless the reduction is waived by the employer.	A member who has attained the age of 55 and who, with his employer's consent, reduces the hours he works, or the grade in which he is employed, may make a request in writing to the appropriate Administering Authority to receive **all or part** of his benefits. Employer consent is required for benefits to be released. Benefits are paid immediately and subject to actuarial reduction unless the reduction is waived by the employer.	
Pension increases	All pensions in payment, deferred pensions and dependant's pensions other than benefits arising from the payment of additional voluntary contributions are increased annually. Pensions are increased partially under the Pensions (Increase) Act 1971 and partially in accordance with Social Security Pensions Act 1975 (depending on the proportions relating to pre 88 GMP, post 88 GMP and excess over GMP).		

Provision	Benefit Structure To 31 March 2008	Benefit Structure From 1 April 2008	Benefit Structure From 1 April 2014
Death after retirement	Deceased member's former retirement pension is payable for 3 months or 6 months if there is a child in the care of the spouse, civil partner or cohabiting partner. A short term spouse's or civil partner's pension of one half of the member's pension (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners) is payable. Different rules also apply where marriage takes place after leaving service. plus If the member dies within five years of retiring and before age 75 the balance of five years' pension payments will be paid in the form of a lump sum; plus Children's pensions may also be payable.	A spouse's, civil partner's or nominated cohabiting partner's pension payable at a rate of 1/160th of the member's total membership multiplied by final pay (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners and nominated cohabiting partners) is payable. Different rules also apply where marriage takes place after leaving service plus If the member dies within ten years of retiring and before age 75 the balance of ten years' pension payments will be paid in the form of a lump sum; plus Children's pensions may also be payable.	A spouse's, civil partner's or nominated cohabiting partner's pension payable at a rate of 1/160th of the member's total membership multiplied by **final pay** for the pre 1 April 2014 membership (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners and nominated cohabiting partners). Different rules also apply where marriage takes place after leaving service For the period from 1 April 2014 the spouse, civil partner or cohabiting partner receives a pension calculated in the same way as the member's CARE benefits but using an accrual rate of 1/160. plus If the member dies within ten years of retiring and before age 75 the balance of ten years' pension payments will be paid in the form of a lump sum; plus Children's pensions may also be payable.

Provision	Benefit Structure To 31 March 2008	Benefit Structure From 1 April 2008	Benefit Structure From 1 April 2014
Death in service	A lump sum of two times final pay; plus A spouse's or civil partner's pension of one half of the ill-health retirement pension that would have been paid to the scheme member if he had retired on the day of death (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners); plus Children's pensions may also be payable.	A lump sum of three times final pay; plus A spouse's, civil partner's or cohabiting partner's pension payable at a rate of 1/160th of the member's total (augmented to age 65) membership (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners and nominated cohabiting partners), multiplied by final pay; plus Children's pensions may also be payable.	A lump sum of three times annual assumed pensionable pay; plus A spouse's, civil partner's or cohabiting partner's pension payable at a rate of 1/160th of the member's total membership prior to 31 March 2014, (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners and nominated cohabiting partners), multiplied by final pay. For the period from 1 April 2014 the spouse, civil partner or cohabiting partner receives a pension calculated in the same way as the member's CARE benefits but using an accrual rate of 1/160 and assuming the member had stayed in active membership until their SPA. Plus Children's pensions may also be payable.
Leaving service options	If the member has completed three months' or more scheme membership, deferred benefits with calculation and payment conditions similar to general retirement provisions (earliest date of payment without employer consent is 60); or A transfer payment to either a new employer's scheme or a suitable insurance policy, equivalent in value to the deferred pension; or If the member has completed less than three months' scheme membership, a return of the member's contributions with interest, less a State Scheme premium deduction and less tax at the rate of 20%.		If the member has completed two years or more scheme membership, deferred benefits with calculation and payment conditions similar to general retirement provisions (earliest date of payment without employer consent is 55); or A transfer payment to either a new employer's scheme or a suitable insurance policy, equivalent in value to the deferred pension; or If the member has completed less than two years scheme membership, a return of the member's contributions with interest, less a State Scheme premium deduction and less tax at the rate of 20%.
State pension scheme	From 6th of April 2016, the Fund will no longer be contracted out of the State Second Pension. Until that date, the benefits payable to each member were guaranteed to be not less than those required to enable the Fund to be contracted-out.		
Assumed pensionable pay	N/A		This applies in cases of reduced contractual pay (CPP) resulting from sickness, child related and reserve forces absence, whereby the amount added to the CPP is the assumed pensionable pay rather than the reduced rate of pay actually received.
50/50 option	N/A		Optional arrangement allowing 50% of main benefits to be accrued on a 50% employee contribution rate.

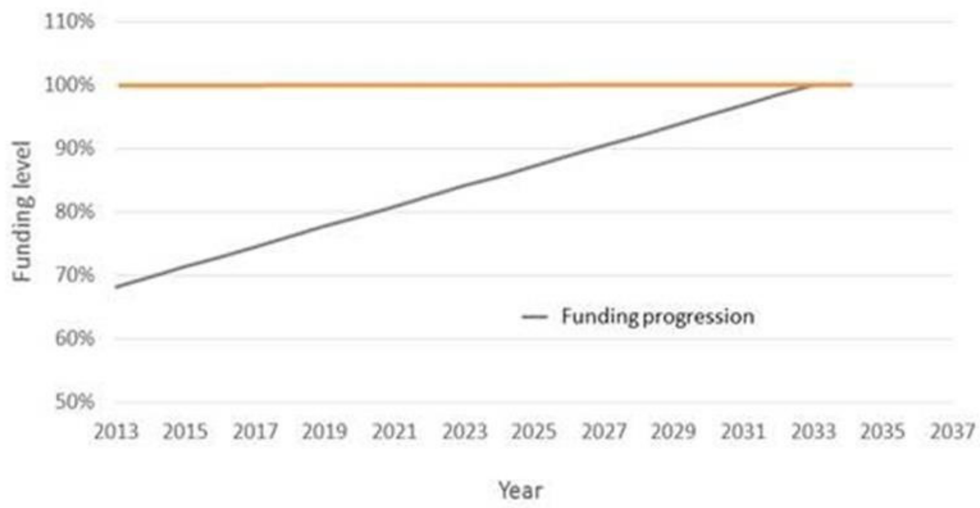
Note: Certain categories of members of the Fund are entitled to benefits that differ from those summarised above.

Discretionary benefits

The LGPS Regulations give employers a number of discretionary powers. The effect on benefits or contributions as a result of the use of these provisions as currently contained within the Local Government Pension Scheme Regulations has been allowed for in this valuation to the extent that this is reflected in the membership data provided. No allowance has been made for the future use of discretionary powers that will be contained within the scheme from 1 April 2017.

Appendix C: Risk based approach to setting contribution rates

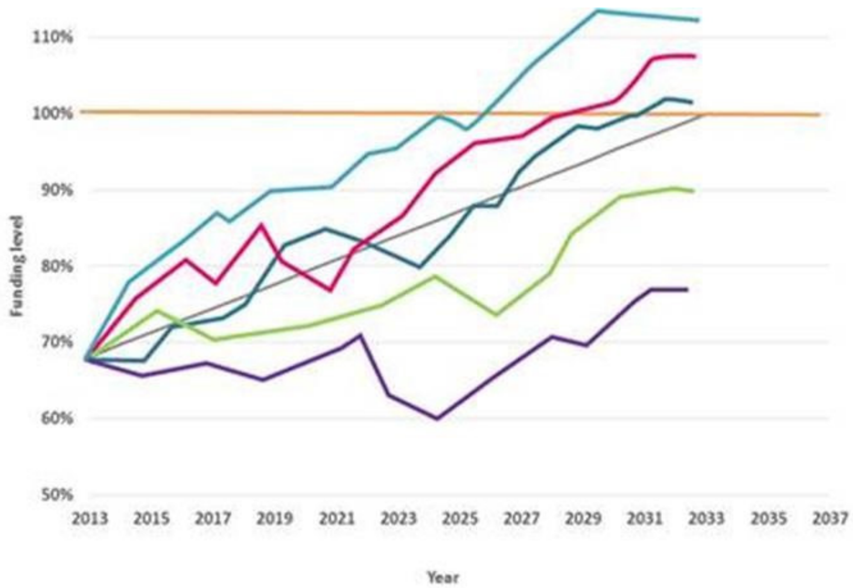
At previous valuations we have set contribution rates by calculating them using a single set of assumptions about the future economic conditions (a 'deterministic' method). By using this deterministic method, there is an implicit assumption that the future will follow expectations (i.e. the financial assumptions used in the calculation) and the employer will return to full funding via one 'journey'. This approach is summarised in the illustrative chart below.



However, pension funding is uncertain as:

- the Fund's assets are invested in volatile financial markets and therefore they go up and down in value; and
- the pension benefits are linked to inflation which again can go up and down in value over time.

One single set of assumptions is very unlikely to actually match what happens, and therefore, the funding plan originally set out will not evolve in line with the single journey shown above. The actual evolution of the funding position could be one of many different 'journeys', and a sample of these are given below.



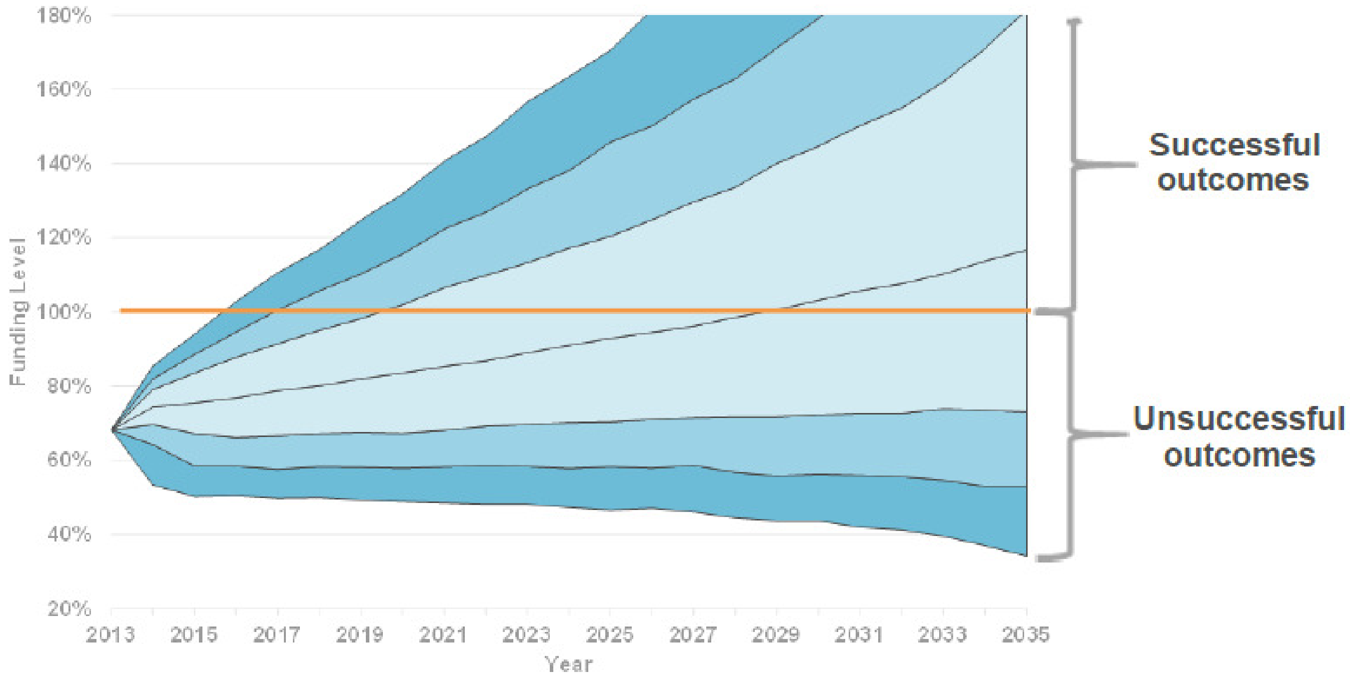
The inherent uncertainty in pension funding creates a risk that a funding plan will not be a success i.e. the funding target will not be reached over the agreed time period.

This risk can never be fully mitigated whilst invested in volatile assets and providing inflation linked benefits, however the main disadvantage of the traditional deterministic method is that it does not allow the Fund, employer, regulators or actuary to assess and understand the risk associated with the proposed funding plan and the likelihood of its success, or otherwise.

Risk Based Approach

At this valuation, we have adopted a 'risk based' approach when setting contribution rates. This approach considers thousands of simulations (or 'journeys') to be projected of how each employer's assets and liabilities may evolve over the future until we have a distribution of funding outcomes (ratio of assets to liabilities). Each simulation represents a different possible journey of how the assets and liabilities could evolve and they will vary due to assumptions about investment returns, inflation and other financial factors. Further technical detail about the methodology underlying these projections is set out in **Appendix F**.

Once we have a sufficient number of outcomes to form a statistically credible distribution (we use 5,000 outcomes), we can examine what level of contribution rate gives an appropriate likelihood of meeting an employer's funding target (usually a 100% funding level) within the agreed timeframe ('time horizon') (i.e. a sufficient number of successful outcomes). The picture below shows a sample distribution of outcomes for an employer.



Having this 'funnel' of outcomes allows the Fund to understand the likelihood of the actual outcome being higher or lower than a certain level. For example, there is 2/3rds chance the funding level will be somewhere within the light shaded area, and there is a 1 in 100 chance that the funding level will be outside the funnel altogether. Using this 'probability distribution', we then set a contribution rate that leads to a certain amount of funding outcomes being successful (e.g. 2/3rds).

Further detail on the likelihoods used in employer's funding plans is set out in the Fund's Funding Strategy Statement.

Appendix D: Data

This section contains a summary of the membership, investment and accounting data provided by the Administering Authority for the purposes of this valuation (the corresponding membership and investment data from the previous valuation is also shown for reference). For further details of the data, and the checks and amendments performed in the course of this valuation, please refer to our separate data report.

Membership data – whole fund

Employee members

	31 March 2013		31 March 2016		
	Number (£000)	Pensionable Pay*	Number (£000)	Pensionable Pay*	CARE Pot (£000)
Total employee membership	33,281	527,079	34,762	574,275	20,328

*actual pay (not full-time equivalent)

Deferred pensioners

	31 March 2013		31 March 2016	
	Number (£000)	Deferred pension	Number (£000)	Deferred pension
Total deferred membership	24,352	31,198	33,131	43,586

The figures above also include any “frozen refunds” and “undecided leavers” members at the valuation date.

Current pensioners, spouses and children

	31 March 2013		31 March 2016	
	Number (£000)	Pension	Number (£000)	Pension
Members	20,833	90,661	22,904	101,287
Dependants	3,248	7,975	3,449	9,143
Children	157	182	160	180
Total pensioner members	**24,238**	**98,819**	**26,513**	**110,609**

Note that the membership numbers in the table above refer to the number of records provided to us and so will include an element of double-counting in respect of any members who are in receipt (or potentially in receipt of) more than one benefit.

Membership Profile	Average Age (years)		FWL (years)	
	2013	2016	2013	2016
Employees (CARE)	-	49.1	9.3	9.2
Employees (Final Salary)	51.0	51.8		
Deferred Pensioners	50.0	50.7	-	-
Pensioners	67.1	68.0	-	-

The average ages are weighted by liability.

The expected future working lifetime (FWL) indicates the anticipated length of time that the average employee member will remain as a contributor to the Fund. Note that it allows for the possibility of members leaving, retiring early or dying before retirement.

Assets at 31 March 2016

A summary of the Fund's assets provided by the Administering Authority (excluding members' money-purchase Additional Voluntary Contributions) as at 31 March 2016 and 31 March 2013 is as follows:

Asset class	31 March 2013 (Market Value) (£000)	Allocation %	31 March 2016 (Market Value) (£000)	Allocation %
UK equities	1,088	35%	1,161	32%
UK fixed interest gilts	254	8%	249	7%
UK corporate bonds	103	3%	243	7%
UK index-linked gilts	177	6%	178	5%
Overseas equities	1,053	34%	1,336	36%
Overseas bonds	81	3%	74	2%
Property	148	5%	243	7%
Cash and net current assets	218	7%	189	5%
Total	**3,120**	**100%**	**3,672**	**100%**

Accounting data – revenue account for the three years to 31 March 2016

Consolidated accounts (£000)	Year to			
	31 March 2014	31 March 2015	31 March 2016	Total
Income				
Employer - normal contributions	102,957	111,199	113,577	327,732
Employer - additional contributions	-	-	-	-
Employer - early retirement and augmentation strain contributions	4,283	2,762	1,771	8,815
Employee - normal contributions	34,108	35,829	36,457	106,394
Employee - additional contributions	206	226	188	619
Transfers In Received (including group and individual)	7,367	8,310	2,507	18,184
Other Income	-	-	-	-
Total Income	**148,920**	**158,325**	**154,500**	**461,745**
Expenditure				
Gross Retirement Pensions	100,310	104,925	109,528	314,763
Lump Sum Retirement Benefits	21,122	25,990	26,628	73,740
Death in Service Lump sum	3,458	3,656	3,466	10,580
Death in Deferment Lump Sum	-	-	-	-
Death in Retirement Lump Sum	-	-	-	-
Gross Refund of Contributions	2	140	301	443
Transfers out (including bulk and individual)	6,878	51,057	6,203	64,138
Fees and Expenses	1,512	1,927	1,881	5,320
Total Expenditure	**133,282**	**187,695**	**148,007**	**468,984**
Net Cashflow	**15,638**	**-29,370**	**6,493**	**-7,239**
Assets at start of year	**3,120,045**	**3,323,126**	**3,694,207**	**3,120,045**
Net cashflow	**15,638**	**-29,370**	**6,493**	**-7,239**
Change in value	**187,443**	**400,451**	**-29,097**	**558,797**
Assets at end of year	**3,323,126**	**3,694,207**	**3,671,603**	**3,671,603**

Note that the figures above are based on the Fund accounts provided to us for the purposes of this valuation, which were fully audited at the time of our valuation calculations.

Appendix E: Assumptions

Financial assumptions

Financial assumptions	31 March 2013 (% p.a.)	31 March 2016 (% p.a.)
Discount rate	4.6%	4.0%
Price inflation	2.5%	2.1%
Pay increases*	3.3%	2.7%
Pension increases:		
pension in excess of GMP	2.5%	2.1%
post-88 GMP	2.5%	2.1%
pre-88 GMP	0.0%	0.0%
Revaluation of deferred pension	2.5%	2.1%
Revaluation of accrued CARE pension	2.5%	2.1%
Expenses	0.2%	0.3%

*An allowance is also made for promotional pay increases (see table below).

Mortality assumptions

Longevity assumptions	31 March 2016
Longevity - baseline	Vita
Longevity - improvements	
CMI Model version used	CMI_2013
Starting rates	CMI calibration based on data from Club Vita using the latest available data as at January 2014.
Long term rate of improvement	Period effects: 1.25% p.a. for men and women. Cohort effects: 0% p.a. for men and for women.
Period of convergence	Period effects: CMI model core values i.e. 10 years for ages 50 and below and 5 years for those aged 95 and above, with linear transition to 20 years for those aged between 60 and 80. Cohort effects: CMI core i.e. 40 years for those born in 1950 or later declining linearly to 5 years for those born in 1915 or earlier.
Proportion of convergence remaining at mid-point	50%

As a member of Club Vita, the baseline longevity assumptions that have been adopted at this valuation are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the Fund. These curves are based on the data the Fund has provided us with for the purposes of this valuation. Full details of these are available on request.

We have used a longevity improvement assumption based on the industry standard projection model calibrated with information from our longevity experts in Club Vita. The starting point for the improvements has been based on observed death rates in the Club Vita data bank over the period up to 2012.

We have used the 2013 version of the Continuous Mortality Investigation (CMI) longevity improvements model, instead of the more recent 2015 version, as we do not believe the increased mortality experience factored into the

2015 model is the start of a new trend. We believe it is more appropriate to use the 2013 version of the model for the 2016 valuation.

In the short term we have assumed that the improvements in life expectancy observed up to 2010 will start to tail off immediately, resulting in life expectancy increasing less rapidly than has been seen over the last decade or two. This could be described as assuming that improvements have ‘peaked’.

In the longer term we have assumed that increases in life expectancy will stabilise at a rate of increase of 0.9 years per decade for men and women. This is equivalent to assuming that longer term mortality rates will fall at a rate of 1.25% p.a. for men and women.

However, we have assumed that above age 90 improvements in mortality are hard to achieve, and so the long term rate of improvement declines between ages 90 and 120 so that no improvements are seen at ages 120 and over. The initial rate of mortality is assumed to decline steadily above age 98.

Other demographic valuation assumptions

Retirements in normal health

We have adopted the retirement age pattern assumption as specified by the Scheme Advisory Board for preparing Key Performance Indicators. Further details about this assumption are available on request.

Retirements in ill health

Allowance has been made for ill-health retirements before Normal Pension Age (see table below).

Withdrawals

Allowance has been made for withdrawals from service (see table below).

Family details

A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Husbands are assumed to be 3 years older than wives.

Commutation

50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008).

50:50 option

5.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

The tables below show details of the assumptions actually used for specimen ages. The promotional pay scale is an annual average for all employees at each age. It is in addition to the allowance for general pay inflation described above. For membership movements, the percentages represent the probability that an individual at each age leaves service within the following twelve months. The abbreviations FT and PT refer to full-time and part-time respectively.

The tables below show details of the assumptions actually used for specimen ages. The promotional pay scale is an annual average for all employees at each age. It is in addition to the allowance for general pay inflation described above. For membership movements, the percentages represent the probability that an individual at each age leaves service within the following twelve months. The abbreviations FT and PT refer to full-time and part-time respectively.

Males

Age	Salary Scale	Incidence per 1000 active members per annum						
		Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.21 0.21	219.73	439.47	0.00 0.00	0.00	0.00 0.00	0.00
25	117	0.26 0.30	145.14	290.28	0.00 0.12	0.00	0.00 0.10	0.00
30	131	0.51 0.85	102.98	205.93	0.20 0.44	0.00	0.16 0.35	0.00
35	144	1.36 2.13	80.46 64.78	160.88	1.13 4.42	0.09	1.14 2.56	0.07
40	150	3.83	60.85 50.16	129.48	7.78	0.15	2.20	0.12
45	157	6.38	39.50	121.60	14.78	0.33	0.00	0.27
50	162		35.20	100.12		0.85		0.85
55	162		0.00	78.88		3.32		1.92
60	162			70.28		5.84		1.65
65	162			0.00		11.09		0.00

Please note that the withdrawal figures include tier 3 ill health.

Females

Age	Salary Scale	Incidence per 1000 active members per annum						
		Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.12	151.58	252.63	0.00	0.00	0.00	0.00
25	117	0.12	101.99	169.97	0.12	0.09	0.10	0.07
30	131	0.18	85.50	142.46	0.16	0.12	0.13	0.10
35	144	0.30	73.79	122.91	0.32	0.24	0.26	0.19
40	150	0.48	61.42	102.26	0.48	0.36	0.39	0.29
45	157	0.77	57.31	95.41	0.65	0.48	0.51	0.39
50	162	1.13	48.32	80.35	1.21	0.91	1.22	0.92
55	162	1.49	36.05	60.02	4.48	3.36	2.60	1.95
60	162	1.90	29.06	48.31	9.51	7.14	2.69	2.01
65	162	2.44	0.00	0.00	17.09	12.82	0.00	0.00

Please note that the withdrawal figures include tier 3 ill health.

Appendix F: Technical appendix for contribution rate modelling

This appendix is provided for readers seeking to understand the technical methodology used in assessing the employer contribution rates.

In order to assess the likelihood of the employer's section of the Fund achieving full funding we have carried out stochastic asset liability modelling (ALM) that takes into account the main characteristics and features of each employer's share of the Fund's assets and liabilities. For stabilised employers a full ALM, known as comPASS has been used. For other employers a simplified ALM, known as TARGET has been used. Please refer to the Funding Strategy Statement to determine which method has been applied for each employer.

The following sections provide more detail on the background to the modelling.

Cash flows

In projecting forward the evolution of each employer's section of the Fund, we have used anticipated future benefit cash flows. These cash flows have been generated using the membership data provided for the formal valuation as at 31 March 2016, the demographic and financial assumptions used for the valuation and make an allowance for future new joiners to the Fund (if any employer is open to new entrants).

For comPASS we have estimated future service benefit cash flows and projected salary roll for new entrants (where appropriate) after the valuation date such that payroll remains constant in real terms (i.e. full replacement) unless otherwise stated. There is a distribution of new entrants introduced at ages between 25 and 65, and the average age of the new entrants is assumed to be 40 years. All new entrants are assumed to join and then leave service at SPA, which is a much simplified set of assumptions compared with the modelling of existing members. The base mortality table used for the new entrants is an average of mortality across the LGPS and is not specific to the Fund, which is another simplification compared to the modelling of existing members. TARGET uses a similar but simplified approach to generating new entrants. Nonetheless, we believe that these assumptions are reasonable for the purposes of the modelling given the highly significant uncertainty associated with the level of new entrants.

We do not allow for any variation in actual experience away from the demographic assumptions underlying the cash flows. Variations in demographic assumptions (and experience relative to those assumptions) can result in significant changes to the funding level and contribution rates. We allow for variations in inflation (RPI or CPI as appropriate), inflation expectations (RPI or CPI as appropriate), interest rates, yield curves and asset class returns. Cash flows into and out of the Fund are projected forward in annual increments and are assumed to occur in the middle of each financial year (April to March). Investment strategies are assumed to be rebalanced annually.

Asset liability model (comPASS)

These cash flows, and the employer's assets, are projected forward using stochastic projections of asset returns and economic factors such as inflation and bond yields. These projections are provided by the Economic Scenario Service (ESS), our (proprietary) stochastic asset model, which is discussed in more detail below.

In the modelling we have assumed that the Fund will undergo valuations every three years and a contribution rate will be set that will come into force one year after the simulated valuation date. For 'stabilised' contributions, the rate at which the contribution changes is capped and floored. There is no guarantee that such capping or flooring will be appropriate in future; this assumption has been made so as to illustrate the likely impact of practical steps that may be taken to limit changes in contribution rates over time.

Unless stated otherwise, we have assumed that all contributions are made and not varied throughout the period of projection irrespective of the funding position. In practice the contributions are likely to vary especially if the funding level changes significantly.

Investment strategy is also likely to change with significant changes in funding level, but we have not considered the impact of this.

In allowing for the simulated economic scenarios, we have used suitable approximations for updating the projected cash flows. The nature of the approximations is such that the major financial and investment risks can be broadly quantified. However, a more detailed analysis would be required to understand fully the implications and appropriate implementation of a very low risk or 'cash flow matched' strategy.

We would emphasise that the returns that could be achieved by investing in any of the asset classes will depend on the exact timing of any investment/disinvestment. In addition, there will be costs associated with buying or selling these assets. The model implicitly assumes that all returns are net of costs and that investment/disinvestment and rebalancing are achieved without market impact and without any attempt to 'time' entry or exit.

Asset liability model (TARGET)

TARGET uses a similar, but simplified, modelling approach to that used for comPASS.

Contribution rates are inputs to the model and are assumed not to vary throughout the period of projection, with no valuation every three years or setting of 'stabilised' contribution rates.

In allowing for the simulated economic scenarios, we have used more approximate methods for updating the projected cash flows. The nature of the approximations is such that the major financial and investment risks can be broadly quantified.

When projecting forward the assets, we have modelled a proxy for the Fund's investment strategy by simplifying their current benchmark into growth (UK equity) and non-growth (index-linked gilts) allocations, and then adjusting the volatility of the resultant portfolio results to approximately reflect the diversification benefit of the Fund's investment strategy.

Economic Scenario Service

The distributions of outcomes depend significantly on the Economic Scenario Service (ESS), our (proprietary) stochastic asset model. This type of model is known as an economic scenario generator and uses probability distributions to project a range of possible outcomes for the future behaviour of asset returns and economic variables. Some of the parameters of the model are dependent on the current state of financial markets and are updated each month (for example, the current level of equity market volatility) while other more subjective parameters do not change with different calibrations of the model.

Key subjective assumptions are the average excess equity return over the risk free asset (tending to approximately 3% p.a. as the investment horizon is increased), the volatility of equity returns (approximately 18% p.a. over the long term) and the level and volatility of yields, credit spreads, inflation and expected (breakeven) inflation, which affect the projected value placed on the liabilities and bond returns. The market for CPI linked instruments is not well developed and our model for expected CPI in particular may be subject to additional model uncertainty as a consequence. The output of the model is also affected by other more subtle effects, such as the correlations between economic and financial variables.

Our expectation (i.e. the average outcome) is that long term real interest rates will gradually rise from their current low levels. Higher long-term yields in the future will mean a lower value placed on liabilities and therefore our median projection will show, all other things being equal, an improvement in the current funding position (because of the mismatch between assets and liabilities). The mean reversion in yields also affects expected bond returns.

While the model allows for the possibility of scenarios that would be extreme by historical standards, including very significant downturns in equity markets, large systemic and structural dislocations are not captured by the model. Such events are unknowable in effect, magnitude and nature, meaning that the most extreme possibilities are not necessarily captured within the distributions of results.

Expected Rate of Returns and Volatilities

The following figures have been calculated using 5,000 simulations of the Economic Scenario Service, calibrated using market data as at 31 March 2016. All returns are shown net of fees. Percentiles refer to percentiles of the

5,000 simulations and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the (simulated) yields in force at that time horizon. Only a subset of the asset classes are shown below.

The calibration of the model as at 31 March 2016 indicated that a period of outward yield movement is expected. For example, over the next 20 years our model expects the 17 year maturity annualised real (nominal) interest rate to rise from -1.0% (2.2%) to 0.8% (4.0%).

		Annualised total returns												
		Index Linked Gilts (long dated)	UK Equity	Overseas Equity	Private Equity	Property	Senior Loans	Diversified Credit	Absolute Return Bonds (near zero duration)	Diversified Alternatives	Hedge Funds	Inflation	17 year real yield	17 year yield
5 years	16th %'ile	-2.9%	-3.7%	-5.6%	-7.2%	-3.8%	-0.8%	0.2%	-2.6%	-2.0%	-3.7%	1.2%	-1.6%	1.7%
	50th %'ile	0.5%	4.5%	4.1%	5.3%	2.0%	2.2%	2.3%	2.0%	2.6%	2.1%	2.6%	-0.7%	3.0%
	84th %'ile	4.1%	12.7%	14.3%	19.4%	8.3%	5.3%	4.5%	6.8%	7.5%	8.2%	4.2%	0.2%	4.5%
10 years	16th %'ile	-1.8%	-1.1%	-2.6%	-3.4%	-1.8%	0.7%	1.3%	-0.8%	-0.1%	-1.3%	1.4%	-1.5%	1.9%
	50th %'ile	0.3%	5.0%	4.6%	5.9%	2.8%	3.1%	3.0%	2.6%	3.4%	3.0%	2.8%	-0.3%	3.5%
	84th %'ile	2.7%	11.1%	12.1%	16.0%	7.5%	5.6%	4.7%	6.2%	7.2%	7.5%	4.5%	0.9%	5.5%
20 years	16th %'ile	-1.0%	1.3%	0.2%	0.3%	0.1%	2.1%	2.4%	1.0%	1.8%	0.7%	1.7%	-0.7%	2.3%
	50th %'ile	0.5%	5.9%	5.6%	7.0%	3.7%	4.2%	4.0%	3.6%	4.5%	4.1%	3.0%	0.8%	4.0%
	84th %'ile	2.2%	10.7%	11.2%	14.0%	7.6%	6.5%	5.8%	6.5%	7.5%	7.8%	4.4%	2.3%	6.3%
	Dispersion (1 yr)	9%	16%	19%	29%	14%	6%	6%	10%	10%	12%	1%		

Appendix G: Events since valuation date

Post-valuation events

These valuation results are in effect a snapshot of the Fund as at 31 March 2016. Since that date, various events have had an effect on the financial position of the Fund. Whilst we have not explicitly altered the valuation results to allow for these events, a short discussion of these "post-valuation events" can still be beneficial in understanding the variability of pension funding.

In the period from the valuation date to early March 2017, the Fund asset returns have been significantly better than expected. However, global expectations for future asset returns have fallen in light of events such as the Brexit vote. Both events have roughly cancelled each other out in terms of the impact on the funding position. However, the day to day volatility is significant.

Overall, employer contributions continue to be subject to upwards pressure as a result of post-valuation events.

It should be noted that the above is for information only: the figures in this report have all been prepared using membership data, audited asset information and market-based assumptions all as at 31 March 2016. In particular, we do not propose amending any of the contribution rates listed in the Rates & Adjustments Certificate on the basis of these market changes, and all employer contribution rates are based on valuation date market conditions. In addition, these rates are finalised within a risk-measured framework as laid out in the Fund's Funding Strategy Statement (FSS). We do not propose altering the FSS or valuation calculations to include allowance for post-valuation date market changes since a long term view has been taken.

Other events

Other than investment conditions changes above, I am not aware of any material changes at whole fund level or events occurring since the valuation date.

Appendix H: Rates and adjustments certificate

In accordance with regulation 62(4) of the Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2017 to 31 March 2020 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Funding Strategy Statement dated March 2017 and our report on the actuarial valuation dated March 2017.

Regulation 62(8) requires a statement of the assumptions on which the certificate is given regarding the number of members, and the associated of liabilities arising, who will become entitled to payment of pensions under the regulations of the LGPS. These assumptions can be found in Appendix E of the 31 March 2016 formal valuation report dated March 2017. These assumptions cover members who become entitled to payment of pension via normal retirement and ill health retirement. Further members will become entitled due to involuntary early retirement (for redundancy and efficiency reasons) for which no allowance has been made. The required minimum contribution rates are set out below.

Employer Code	Employer/Pool name	Primary rate (%)	Secondary Rate (%/£)			Total Contribution rate (%/£)		
		1 April 2017 - 31 March 2020	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Councils								
1	Derbyshire County Council	17.0%	-2.5% plus £15,230,000	-2.5% plus £15,382,000	-2.5% plus £15,536,000	14.5% plus £15,230,000	14.5% plus £15,382,000	14.5% plus £15,536,000
133	Derby City Council	16.6%	-3.1% plus £6,844,000	-3.1% plus £6,912,000	-3.1% plus £6,981,000	13.5% plus £6,844,000	13.5% plus £6,912,000	13.5% plus £6,981,000
135	High Peak Borough Council	16.9%	-4.5% plus £1,797,000	-4.5% plus £1,815,000	-4.5% plus £1,833,000	12.4% plus £1,797,000	12.4% plus £1,815,000	12.4% plus £1,833,000
131	Bolsover District Council	16.9%	-3.0% plus £943,000	-3.0% plus £953,000	-3.0% plus £962,000	13.9% plus £943,000	13.9% plus £953,000	13.9% plus £962,000
132	Chesterfield Borough Council	16.5%	-2.3% plus £1,951,000	-2.3% plus £1,971,000	-2.3% plus £1,991,000	14.2% plus £1,951,000	14.2% plus £1,971,000	14.2% plus £1,991,000
136	North East Derbyshire District Council	16.8%	-3.1% plus £1,497,000	-3.1% plus £1,512,000	-3.1% plus £1,527,000	13.7% plus £1,497,000	13.7% plus £1,512,000	13.7% plus £1,527,000
137	South Derbyshire District Council	16.6%	-2.8% plus £665,000	-2.8% plus £671,000	-2.8% plus £678,000	13.8% plus £665,000	13.8% plus £671,000	13.8% plus £678,000
138	Derbyshire Dales District Council	16.3%	-2.7% plus £632,000	-2.7% plus £639,000	-2.7% plus £645,000	13.6% plus £632,000	13.6% plus £639,000	13.6% plus £645,000
130	Amber Valley Borough Council	17.1%	-3.1% plus £1,036,000	-3.1% plus £1,047,000	-3.1% plus £1,057,000	14.0% plus £1,036,000	14.0% plus £1,047,000	14.0% plus £1,057,000
134	Erewash Borough Council	16.5%	-3.4% plus £1,103,000	-3.4% plus £1,114,000	-3.4% plus £1,125,000	13.1% plus £1,103,000	13.1% plus £1,114,000	13.1% plus £1,125,000
-	Town and Parish Councils (Pre 2001)	17.5%	6.3%	6.3%	6.3%	23.8%	23.8%	23.8%
-	Town and Parish Councils (Post 2001)	18.2%	-1.0%	-1.0%	-1.0%	17.2%	17.2%	17.2%
Other Scheduled Bodies								
139	Chesterfield Crematorium	16.7%	1.1% plus £28,000	1.1% plus £29,000	1.1% plus £29,000	17.8% plus £28,000	17.8% plus £29,000	17.8% plus £29,000
123	Derby Homes Ltd	16.2%	-2.8% plus £284,000	-2.8% plus £287,000	-2.8% plus £290,000	13.4% plus £284,000	13.4% plus £287,000	13.4% plus £290,000
403	Derbyshire Fire & Rescue	16.3%	-3.1% plus £167,000	-3.1% plus £168,000	-3.1% plus £170,000	13.2% plus £167,000	13.2% plus £168,000	13.2% plus £170,000
401	Police and Crime Commissioner for Derbyshire	16.2%	-3.3% plus £1,436,000	-3.3% plus £1,451,000	-3.3% plus £1,465,000	12.9% plus £1,436,000	12.9% plus £1,451,000	12.9% plus £1,465,000
40	Peak District National Park Authority	17.0%	-3.0% plus £219,000	-3.0% plus £221,000	-3.0% plus £224,000	14.0% plus £219,000	14.0% plus £221,000	14.0% plus £224,000
126	Rykneld Homes	16.4%	0.0%	0.0%	0.0%	16.4%	16.4%	16.4%
Further Education Establishments								
169	University of Derby	16.5%	-3.8% plus £730,000	-3.8% plus £738,000	-3.8% plus £745,000	12.7% plus £730,000	12.7% plus £738,000	12.7% plus £745,000
198	Derby College	17.2%	-3.5% plus £432,000	-3.5% plus £437,000	-3.5% plus £441,000	13.7% plus £432,000	13.7% plus £437,000	13.7% plus £441,000
192	Chesterfield College	16.9%	-3.0% plus £155,000	-3.0% plus £156,000	-3.0% plus £158,000	13.9% plus £155,000	13.9% plus £156,000	13.9% plus £158,000
422	Landau Forte College	15.8%	-3.5% plus £3,000	-3.5% plus £3,000	-3.5% plus £3,000	12.3% plus £3,000	12.3% plus £3,000	12.3% plus £3,000
Admitted Bodies								
120	Amber Valley Housing	26.7%	-2.8% plus £103,000	-2.8% plus £103,000	-2.8% plus £103,000	23.9% plus £103,000	23.9% plus £103,000	23.9% plus £103,000
124	Three Valleys Housing Ltd	26.9%	-4.6% plus £161,000	-4.6% plus £161,000	-4.6% plus £161,000	22.3% plus £161,000	22.3% plus £161,000	22.3% plus £161,000
128	Dales Housing	29.3%	-1.2% plus £18,000	-1.2% plus £18,000	-1.2% plus £18,000	28.1% plus £18,000	28.1% plus £18,000	28.1% plus £18,000
170	Crich Tramway Museum	27.4%	-3.4% plus £15,000	-3.4% plus £15,000	-3.4% plus £15,000	24.0% plus £15,000	24.0% plus £15,000	24.0% plus £15,000
176	Derbyshire Coalition for Inclusive Living (DCIL)	31.0%	-4.3% plus £15,000	-4.3% plus £15,000	-4.3% plus £15,000	26.7% plus £15,000	26.7% plus £15,000	26.7% plus £15,000
184	Chesterfield Care Group	26.9%	-1.7%	-1.7%	-1.7%	25.2%	25.2%	25.2%
185	Belper Leisure Centre Ltd	28.5%	2.9%	2.9%	2.9%	31.4%	31.4%	31.4%
404	Derbyshire Student Residences Ltd	25.1 %	0.7%	0.7%	0.7%	25.8%	25.8%	25.8%
14	Veolia (Chesterfield Refuse)	29.1%	-11.6%	-11.6%	-11.6%	17.5%	17.5%	17.5%
416	Vinci UK Ltd	33.0%	0.0%	0.0%	0.0%	33.0%	33.0%	33.0%
417	Veolia (Amber Valley Refuse)	30.2%	-24.1%	-24.1%	-24.1%	6.1%	6.1%	6.1%
418	Initial Facilities Management	32.7%	-25.6%	-25.6%	-25.6%	7.1%	7.1%	7.1%
419	Initial Catering Services Ltd	31.2%	-11.0%	-11.0%	-11.0%	20.2%	20.2%	20.2%
420	Leisure Amber Valley	26.3%	-12.5%	-12.5%	-12.5%	13.8%	13.8%	13.8%
424	Balfour Beatty	27.4%	-10.9%	-10.9%	-10.9%	16.5%	16.5%	16.5%
425	MacIntyre Care	29.5%	-27.5%	-27.5%	-27.5%	2.0%	2.0%	2.0%
426	SIV Enterprises Ltd	27.2%	-22.6%	-22.6%	-22.6%	4.6%	4.6%	4.6%
427	Veolia Ltd (High Peak Refuse)	28.6%	-23.3%	-23.3%	-23.3%	5.3%	5.3%	5.3%
428	Leisure High Peak	26.5%	-25.1%	-25.1%	-25.1%	1.4%	1.4%	1.4%
433	Absolutely Catering	31.3%	-16.9%	-16.9%	-16.9%	14.4%	14.4%	14.4%
435	Superclean - Fire	30.2%	-19.0%	-19.0%	-19.0%	11.2%	11.2%	11.2%
438	Northgate Info Sol UK Ltd (SDDC)	27.0%	-3.5%	-3.5%	-3.5%	23.5%	23.5%	23.5%
441	Arvato Government Servies (Sefton) Ltd	28.7%	-14.2%	-14.2%	-14.2%	14.5%	14.5%	14.5%
442	Kier Ltd	27.3%	-13.5%	-13.5%	-13.5%	13.8%	13.8%	13.8%
443	Mitie Facilites Services Ltd	30.8%	6.9%	6.9%	6.9%	37.7%	37.7%	37.7%
444	Compass Services (DCC)	29.4%	-12.9%	-12.9%	-12.9%	16.5%	16.5%	16.5%
445	Barnardos	29.0%	-7.9%	-7.9%	-7.9%	21.1%	21.1%	21.1%
446	Active Nation	28.2%	£2,000	£2,000	£2,000	28.2% plus £2,000	28.2% plus £2,000	28.2% plus £2,000
451	Compass Contract Services (UK) Ltd	27.6%	-17.3%	-17.3%	-17.3%	10.3%	10.3%	10.3%
453	Clean Slate (UK) Ltd (Pottery)	30.4%	£600	£600	£600	30.4% plus £600	30.4% plus £600	30.4% plus £600
454	Clean Slate (UK) Ltd (City)	26.7%	-3.9%	-3.9%	-3.9%	22.8%	22.8%	22.8%
456	Vinci Construction UK Ltd	24.4%	-5.6%	-5.6%	-5.6%	18.8%	18.8%	18.8%
457	Derby Museums & Art Trust	26.7%	-7.5%	-7.5%	-7.5%	19.2%	19.2%	19.2%
458	Elior UK	32.7%	0.0%	0.0%	0.0%	32.7%	32.7%	32.7%
460	Balfour Beatty (Derby BSF)	25.4%	-4.8%	-4.8%	-4.8%	20.6%	20.6%	20.6%
461	European Electronique LTD	22.0%	-8.6%	-8.6%	-8.6%	13.4%	13.4%	13.4%
466	Arvato (DDDC)	29.3%	-15.5%	-15.5%	-15.5%	13.8%	13.8%	13.8%
467	Derby County Community Trust	23.1%	0.0%	0.0%	0.0%	23.1%	23.1%	23.1%

468	Aspens Services Ltd	27.1%	1.1% plus £1,000	1.1% plus £1,000	1.1% plus £1,000	28.2% plus £1,000	28.2% plus £1,000	28.2% plus £1,000
469	Elite Cleaning & Environmental Services	32.8%	0.0%	0.0%	0.0%	32.8%	32.8%	32.8%
470	Vinci Construction UK Ltd - Ashcroft & Portway	33.2%	-1.5%	-1.5%	-1.5%	31.7%	31.7%	31.7%
471	NSL Ltd	28.4%	-6.1%	-6.1%	-6.1%	22.3%	22.3%	22.3%
472	Mellors Catering	28.5%	-2.8%	-2.8%	-2.8%	25.7%	25.7%	25.7%
473	Vinci plc (Ravensdale)	31.8%	-1.9%	-1.9%	-1.9%	29.9%	29.9%	29.9%
474	7 Hills	28.6%	-3.3%	-3.3%	-3.3%	25.3%	25.3%	25.3%

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Employer Code	Employer/Pool name	Primary rate (%)	Secondary Rate (%/£)			Total Contribution rate (%/£)		
		1 April 2017 - 31	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Academies								
199	Derby Manufacturing University Technical College	15.2%	5.9%	5.9%	5.9%	21.1%	21.1%	21.1%
335	Chellaston Academy	18.1%	2.8%	2.8%	2.8%	20.9%	20.9%	20.9%
336	Ecclesbourne School	16.7%	5.9%	5.9%	5.9%	22.6%	22.6%	22.6%
337	Kirk Hallam Community Technology & Sports College	16.4%	2.0%	2.0%	2.0%	18.4%	18.4%	18.4%
338	John Port School	16.6%	3.8%	3.8%	3.8%	20.4%	20.4%	20.4%
340	Brookfield Academy	17.4%	2.6%	2.6%	2.6%	20.0%	20.0%	20.0%
341	The Long Eaton School	16.8%	3.1%	3.1%	3.1%	19.9%	19.9%	19.9%
342	West Park School	17.6%	3.6%	3.6%	3.6%	21.2%	21.2%	21.2%
343	Queen Elizabeth's Grammar School Ashbourne Academy[1]	17.8%	2.4%	2.4%	2.4%	20.2%	20.2%	20.2%
345	Hope Valley College	17.6%	5.7%	5.7%	5.7%	23.3%	23.3%	23.3%
347	Pennine Way Junior Academy	17.7%	2.0%	2.0%	2.0%	19.7%	19.7%	19.7%
348	Heanor Gate Science College	17.5%	3.0%	3.0%	3.0%	20.5%	20.5%	20.5%
349	Lees Brook Community Sports College	16.3%	3.4%	3.4%	3.4%	19.7%	19.7%	19.7%
350	Cavendish Learning Trust[2]	17.6%	1.7%	1.7%	1.7%	19.3%	19.3%	19.3%
351	Redhill Primary School	18.8%	1.9%	1.9%	1.9%	20.7%	20.7%	20.7%
352	St John Houghton Catholic Voluntary Academy	16.9%	3.7%	3.7%	3.7%	20.6%	20.6%	20.6%
353	Allestree Woodlands School	16.5%	3.4%	3.4%	3.4%	19.9%	19.9%	19.9%
354	Grampian Primary Academy	15.7%	3.5%	3.5%	3.5%	19.2%	19.2%	19.2%
360	St Benedict Voluntary Catholic Academy	16.8%	5.2%	5.2%	5.2%	22.0%	22.0%	22.0%
361	St Marys Catholic High School Academy Trust	17.3%	4.1%	4.1%	4.1%	21.4%	21.4%	21.4%
362	St John fisher Catholic Voluntary Academy	18.6%	3.1%	3.1%	3.1%	21.7%	21.7%	21.7%
363	St Georges Voluntary Catholic Academy	16.2%	3.9%	3.9%	3.9%	20.1%	20.1%	20.1%
364	Wyndham Primary Academy (Boulton Primary School)	15.3%	1.4%	1.4%	1.4%	16.7%	16.7%	16.7%
365	The Bolsover School	18.0%	2.9%	2.9%	2.9%	20.9%	20.9%	20.9%
366	Landau Forte Academy Moorhead	16.2%	3.4%	3.4%	3.4%	19.6%	19.6%	19.6%
367	Derby Pride Academy	13.2%	2.3%	2.3%	2.3%	15.5%	15.5%	15.5%
368	Merrill Academy	16.2%	6.3%	6.3%	6.3%	22.5%	22.5%	22.5%
369	City of Derby Academy	16.9%	5.9%	5.9%	5.9%	22.8%	22.8%	22.8%
370	Ormiston Ilkeston Enterprise Academy	17.8%	5.9%	5.9%	5.9%	23.7%	23.7%	23.7%
371	English Martyrs	17.1%	1.4%	1.4%	1.4%	18.5%	18.5%	18.5%
372	Newbold CofE Primary School	16.8%	0.5%	0.5%	0.5%	17.3%	17.3%	17.3%
373	Bishop Lonsdale CofE	17.7%	8.1%	8.1%	8.1%	25.8%	25.8%	25.8%
374	The Al Madinah School	15.5%	4.5%	4.5%	4.5%	20.0%	20.0%	20.0%
375	Ripley Academy	17.2%	7.8%	7.8%	7.8%	25.0%	25.0%	25.0%
376	St Joseph's Catholic Primary School Voluntary Academy	16.7%	0.9%	0.9%	0.9%	17.6%	17.6%	17.6%
377	Dovedale Primary School (Willows Academy Trust)	17.5%	3.4%	3.4%	3.4%	20.9%	20.9%	20.9%
378	Sawly Infant School	17.5%	2.5%	2.5%	2.5%	20.0%	20.0%	20.0%
379	Sawley Junior School (Willows Academy Trust)	17.4%	3.8%	3.8%	3.8%	21.2%	21.2%	21.2%
380	Shardlow Primary School (Willows Academy Trust)	18.1%	5.2%	5.2%	5.2%	23.3%	23.3%	23.3%
381	Immaculate Conception Academy Trust	16.0%	4.7%	4.7%	4.7%	20.7%	20.7%	20.7%
382	Allenton Primary	16.6%	11.3%	11.3%	11.3%	27.9%	27.9%	27.9%
383	Outwood Academy Newbold (Newbold Community School)	17.2%	3.0%	3.0%	3.0%	20.2%	20.2%	20.2%
384	Turnditch Primary	17.1%	3.1%	3.1%	3.1%	20.2%	20.2%	20.2%
385	William Gilbert Primary	17.8%	3.4%	3.4%	3.4%	21.2%	21.2%	21.2%
386	St Laurence Primary School	17.1%	4.1%	4.1%	4.1%	21.2%	21.2%	21.2%
387	Akaal Academy Trust Derby Limited	17.7%	1.8%	1.8%	1.8%	19.5%	19.5%	19.5%
388	Inkersall Primary School	17.2%	3.0%	3.0%	3.0%	20.2%	20.2%	20.2%
389	St Philip Howard Catholic Voluntary Academy	16.4%	3.8%	3.8%	3.8%	20.2%	20.2%	20.2%
390	St Giles CofE Aided Primary School	17.6%	2.7%	2.7%	2.7%	20.3%	20.3%	20.3%
439	Shirebrook Academy	17.0%	3.4%	3.4%	3.4%	20.4%	20.4%	20.4%

[1]The contribution rates shown allow for two schools joining the multi-academy trust as at 1 April 2017.

[2]The contribution rates shown allow for two schools joining the multi-academy trust as at 1 September 2016.

Notes

Contributions expressed as a percentage of payroll and monetary amounts (where appropriate) should be paid into Derbyshire Pension Fund ('the Fund') at a frequency in accordance with the requirements of the Regulations.

Further sums should be paid into the Fund to meet the cost of any non-ill health early retirement or augmentation (i.e. additional membership or additional pension) using methods and factors issued by me from time to time, or GAD guidance if I consider it to be appropriate. In addition, further sums may be required to meet the capital costs of any ill-health retirements that exceed these included within my assumptions.

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

If an employer has ill health liability insurance in place with a suitable insurer and provides satisfactory evidence to the Administering Authority, then their Primary Rate may be reduced by the cost of their insurance premium, for the period the insurance is in place.

The Town and Parish Councils are split as per the following table:

Town and Parish Councils (Pre 2001)	Town and Parish Councils (Post 2001)
Ashbourne Town Council	Alfreton Town Council
Bakewell Town Council	Breaston Parish Council
Belper Town Council	Bretby Parish Council
Clay Cross Parish Council	Burnaston Parish Council
Dronfield Town Council	Codnor Parish Council
Dronfield Town Council	Darley Dale Town Council
Eckington Parish Council	Heanor & Loscoe Town Council
Elmton Parish Council	Heath & Holmewood Parish Council
Glapwell Parish Council	Kilburn Parish Council
Holymoorside Parish Council	Morton Parish Council
Killamarsh Parish Council	North Wingfield Parish Council
Matlock Town Council	Shardlow & Great Wilne Parish Council
New Mills Town Council	Stenson Fields Parish Council
Old Bolsover Town Council	Tibshelf Parish Council
Pinxton Parish Council	Ticknall Parish Council
Shirebrook Town Council	Tupton Parish Council
Smalley Parish Council	Wingerworth Parish Council
Staveley Town Council	
Whaley Bridge Town Council	
Whitwell Parish Council	
Willington Parish Council	
Wirksworth Town Council	

Signature:		
Date:	31 March 2017	31 March 2017
Name:	Geoff Nathan	Richard Warden
Qualification:	Fellow of the Institute and Faculty of Actuaries	Fellow of the Institute and Faculty of Actuaries
Firm:	Hymans Robertson LLP	Hymans Robertson LLP
	20 Waterloo Street	20 Waterloo Street
	Glasgow	Glasgow
	G2 6DB	G2 6DB

Appendix 7: Employee and Employer Contributions

2018/2019 ANNUAL REPORT - LIST OF SCHEME EMPLOYERS: EMPLOYEE AND EMPLOYER CONTRIBUTIONS													
		Employee Contributions							Employer Contributions				
SCHEME EMPLOYER	SCHEME EMPLOYER NAME	Basic Employees	50:50	Arrears	Employees APC (Main)	Employees APC (50:50)	Additional	Total Employee Contributions	Deficit Payment	Employer APC Contributions	Employer Contributions	Total Employer Contributions	Employer Details
00001	Derbyshire County Council	15,726,269.72	56,349.42	1,313.37	24,339.87	-	53,626.41	15,861,898.79	-	-	51,659,492.04	51,659,492.04	ADMINISTERING AUTHORITY
00040	Peak District National Park	349,027.74	1,354.82	-	-	-	10,931.18	361,313.74	221,004.00	-	778,878.91	999,882.91	SCHEDULED BODY
00123	Derby Homes Ltd	844,019.53	3,387.48	-	-	-	-	847,407.01	-	-	2,744,295.40	2,744,295.40	SCHEDULED BODY
00126	Rykneld Homes	372,818.69	-	-	461.38	-	-	373,280.07	-	104.74	933,337.67	933,442.41	SCHEDULED BODY
00130	Amber Valley B C	333,546.74	2,065.34	-	288.69	-	-	335,900.77	1,047,000.00	577.35	726,056.88	1,773,634.23	UNITARY & DISTRICT LOCAL AUTHORITIES
00131	The District of Bolsover	628,184.39	164.59	-	-	-	-	628,348.98	953,004.00	-	1,373,387.92	2,326,391.92	UNITARY & DISTRICT LOCAL AUTHORITIES
00132	Chesterfield B C	1,212,635.60	1,032.33	-	2,550.00	-	-	1,216,217.93	1,971,000.00	-	2,682,273.30	4,653,273.30	UNITARY & DISTRICT LOCAL AUTHORITIES
00133	Derby City Council	6,826,410.48	23,152.38	-	12,283.86	-	1,694.21	6,863,540.93	39,716,023.00	318.55	2,422,387.27	42,138,728.82	UNITARY & DISTRICT LOCAL AUTHORITIES
00134	Erewash B C	526,497.44	4,132.46	-	3,273.02	-	-	533,902.92	1,114,822.19	132.12	1,076,356.39	2,191,310.70	UNITARY & DISTRICT LOCAL AUTHORITIES
00135	High Peak BC	401,812.88	478.76	-	10,583.95	225.56	1,096.06	414,197.21	1,815,000.00	-	781,795.93	2,596,795.93	UNITARY & DISTRICT LOCAL AUTHORITIES
00136	North East Derbyshire DC	577,050.03	696.69	-	6,650.00	-	-	584,396.72	1,512,000.00	-	1,251,070.65	2,763,070.65	UNITARY & DISTRICT LOCAL AUTHORITIES
00137	South Derbyshire DC	483,566.49	805.91	-	-	-	-	484,372.40	671,004.00	-	1,019,608.93	1,690,612.93	UNITARY & DISTRICT LOCAL AUTHORITIES
00138	Derbyshire Dales D C	317,702.49	67.97	-	-	-	-	317,770.46	639,000.00	-	670,820.70	1,309,820.70	UNITARY & DISTRICT LOCAL AUTHORITIES
00139	Chesterfield Crematorium	13,602.77	217.83	-	-	-	-	13,820.60	29,004.00	-	40,013.03	69,017.03	SCHEDULED BODY
00144	Shirebrook Town Council	10,555.61	-	-	-	-	-	10,555.61	-	-	39,663.10	39,663.10	SCHEDULED BODY
00145	New Mills Town Council	8,432.92	-	-	-	-	-	8,432.92	-	-	33,152.89	33,152.89	SCHEDULED BODY
00147	Clay Cross Parish Council	1,561.29	-	-	-	-	-	1,561.29	-	-	6,445.26	6,445.26	SCHEDULED BODY
00148	Eckington Parish Council	10,675.54	-	-	-	-	-	10,675.54	-	-	42,324.39	42,324.39	SCHEDULED BODY
00150	Pinxton Parish Council	2,998.79	-	-	-	-	-	2,998.79	-	-	12,535.99	12,535.99	SCHEDULED BODY
00151	Wirksworth Town Council	4,716.02	-	-	-	-	-	4,716.02	-	-	19,163.13	19,163.13	SCHEDULED BODY
00152	Old Bolsover Town Council	9,560.25	-	-	-	-	-	9,560.25	-	-	37,499.71	37,499.71	SCHEDULED BODY
00155	Glapwell Parish Council	776.97	-	-	-	-	-	776.97	-	-	2,429.85	2,429.85	SCHEDULED BODY
00157	Belper Town Council	6,436.91	-	-	-	-	-	6,436.91	-	-	25,650.99	25,650.99	SCHEDULED BODY
00160	Killamarsh Parish Council	14,230.01	-	-	-	-	-	14,230.01	-	-	56,750.91	56,750.91	SCHEDULED BODY
00161	Burnaston Parish Council	251.74	-	-	-	-	-	251.74	-	-	787.19	787.19	SCHEDULED BODY
00165	North Wingfield PC	4,820.81	-	-	-	-	-	4,820.81	-	-	13,743.95	13,743.95	SCHEDULED BODY
00169	University of Derby	2,071,233.35	8,556.47	-	1,779.57	-	2,366.38	2,083,935.77	738,000.00	940.72	4,028,427.07	4,767,367.79	SCHEDULED BODY
00169	University of Derby Student Employment Agency	28,491.94	-	-	-	-	-	28,491.94	-	-	65,743.05	65,743.05	SCHEDULED BODY
00171	Ashbourne Town Council	5,817.11	-	-	-	-	-	5,817.11	-	-	23,519.24	23,519.24	SCHEDULED BODY
00172	Dronfield Town Council	12,734.31	532.39	-	-	-	-	13,266.70	-	-	55,204.39	55,204.39	SCHEDULED BODY
00173	Whitwell Parish Council	6,236.28	-	-	-	-	-	6,236.28	-	-	24,567.15	24,567.15	SCHEDULED BODY
00174	Tupton Parish Council	1,159.61	-	-	-	-	-	1,159.61	-	-	3,465.72	3,465.72	SCHEDULED BODY
00175	Staveley Town Council	14,956.36	-	-	-	-	-	14,956.36	-	-	59,483.40	59,483.40	SCHEDULED BODY
00178	Matlock Town Council	7,217.55	-	-	-	-	-	7,217.55	-	-	29,073.36	29,073.36	SCHEDULED BODY
00186	Alfreton Town Council	2,721.57	-	-	-	-	-	2,721.57	-	-	8,141.14	8,141.14	SCHEDULED BODY
00187	Wingerworth Parish Council	3,218.63	-	-	-	-	-	3,218.63	-	-	9,135.86	9,135.86	SCHEDULED BODY
00188	Heanor + Loscoe TC	2,279.01	-	-	-	-	-	2,279.01	-	-	6,271.65	6,271.65	SCHEDULED BODY
00189	Darley Dale Town Council	1,165.91	-	-	-	-	-	1,165.91	-	-	3,477.60	3,477.60	SCHEDULED BODY
00192	Chesterfield College	420,061.92	1,315.79	-	-	-	-	421,377.71	156,000.00	-	835,398.20	991,398.20	SCHEDULED BODY
00198	Derby College	620,255.51	20,076.59	-	-	-	-	640,332.10	437,004.00	-	1,408,470.56	1,845,474.56	SCHEDULED BODY
00199	Derby Manufacturing University Technical College	15,245.48	449.98	-	-	-	-	15,695.46	-	-	55,069.46	55,069.46	SCHEDULED BODY
00234	Tibshelf Parish Council	1,764.32	-	-	-	-	-	1,764.32	-	-	5,517.40	5,517.40	SCHEDULED BODY
00235	Kilburn Parish Council	859.62	-	-	-	-	-	859.62	-	-	2,819.67	2,819.67	SCHEDULED BODY
00236	Codnor Parish Council	734.27	-	-	-	-	-	734.27	-	-	2,296.15	2,296.15	SCHEDULED BODY
00237	Shardlow & Great Wilne Parish Council	216.77	-	-	-	-	-	216.77	-	-	677.87	677.87	SCHEDULED BODY
00238	Ticknall Parish Council	186.78	-	-	-	-	-	186.78	-	-	583.98	583.98	SCHEDULED BODY
00239	Stenson Fields Parish Council	440.66	-	-	-	-	-	440.66	-	-	1,377.94	1,377.94	SCHEDULED BODY
00240	Heath & Holmewood Parish Council	3,120.97	-	-	-	-	-	3,120.97	-	-	8,844.74	8,844.74	SCHEDULED BODY
00241	Bretby Parish Council	109.28	-	-	-	-	-	109.28	-	-	343.90	343.90	SCHEDULED BODY
00242	Breaston Parish Council	1,880.88	-	-	-	-	-	1,880.88	-	-	5,167.38	5,167.38	SCHEDULED BODY
00243	Woodville Parish Council	1,247.31	-	-	-	-	-	1,247.31	-	-	3,901.24	3,901.24	SCHEDULED BODY
00244	Elvaston Parish Council	416.90	-	-	-	-	-	416.90	-	-	1,303.77	1,303.77	SCHEDULED BODY
00245	Hatton Parish Council	459.19	-	-	-	-	-	459.19	-	-	1,456.72	1,456.72	SCHEDULED BODY
00248	Clowne Parish Council	2,652.13	-	-	-	-	-	2,652.13	-	-	6,708.35	6,708.35	SCHEDULED BODY
00250	Draycott Parish Council	707.77	-	-	-	-	-	707.77	-	-	2,102.70	2,102.70	SCHEDULED BODY
00251	Blackwell Parish Council	1,112.45	-	-	-	-	-	1,112.45	-	-	3,024.33	3,024.33	SCHEDULED BODY
00335	Chellaston Academy	56,877.69	1,152.45	-	-	-	-	58,030.14	-	-	206,033.50	206,033.50	SCHEDULED BODY
00336	Ecclesbourne Academy	43,255.22	-	-	-	-	-	43,255.22	-	1,404.05	165,198.04	166,602.09	SCHEDULED BODY
00337	Kirk Hallam Academy	72,411.62	-	-	-	-	-	72,411.62	-	-	217,210.91	217,210.91	SCHEDULED BODY
00338	John Port Academy	67,074.12	-	-	2,200.00	-	-	69,274.12	-	-	229,132.04	229,132.04	SCHEDULED BODY
00340	Brookfield Academy	56,572.07	-	-	-	-	0.72	56,572.79	2.40	-	187,911.49	187,913.89	SCHEDULED BODY
00341	Long Eaton Academy	71,272.24	235.88	-	-	-	-	71,508.12	-	-	221,740.06	221,740.06	SCHEDULED BODY
00342	West Park School (Academy)	76,172.02	-	-	-	-	-	76,172.02	-	-	257,526.35	257,526.35	SCHEDULED BODY
00345	Hope Valley College (Academy)	40,860.31	-	-	-	-	-	40,860.31	-	-	165,803.38	165,803.38	SCHEDULED BODY
00347	Pennine Way Junior School (Academy)	18,117.83	-	-	-	-	-	18,117.83	-	-	63,241.08	63,241.08	SCHEDULED BODY
00348	Heanor Gate Science College (Academy)	67,299.15	18.80	-	-	-	-	67,317.95	-	-	235,867.49	235,867.49	SCHEDULED BODY
00349	Lees Brook Community School (Academy)	65,037.87	369.94	-	-	-	-	65,407.81	-	-	213,857.32	213,857.32	SCHEDULED BODY
00351	Redhill Primary School (Academy)	7,355.24	-	-	-	-	-	7,355.24	-	-	27,205.63	27,205.63	SCHEDULED BODY
00352	St John Houghton School (Academy)	42,232.69	-	-	1,764.32	-	-	43,997.01	-	-	141,081.60	141,081.60	SCHEDULED BODY
00352	St John Houghton School (Academy) (Central Staff)	10,216.77	-	-	882.16	-	-	11,098.93	-	-	29,876.46	29,876.46	SCHEDULED BODY
00353	Woodlands School (Academy)	59,130.84	-	-	-	-	-	59,130.84	-	-	196,621.65	196,621.65	SCHEDULED BODY
00354	Grampian Primary School (Academy)	15,003.43	-	-	-	-	-	15,003.43	-	-	49,853.18	49,853.18	SCHEDULED BODY
00360	St Benedict Voluntary Catholic Academy	86,870.51	-	-	-	-	-	86,870.51	-	-	317,333.85	317,333.85	SCHEDULED BODY
00361	St Mary's Catholic Academy	61,352.79	-	-	-	-	-	61,352.79	-	-	221,843.38	221,843.38	SCHEDULED BODY
00362	St John Fisher Catholic Academy	12,215.28	-	-	-	-	-	12,215.28	-	-	44,846.11	44,846.11	SCHEDULED BODY

00363	St George's Voluntary Academy	21,485.60	-	-	-	-	-	21,485.60	-	-	73,175.47	73,175.47	SCHEDULED BODY
00364	Wyndham Primary Academy	25,824.93	-	-	-	-	-	25,824.93	-	-	75,913.65	75,913.65	SCHEDULED BODY
00365	The Bolsover School Academy	47,852.64	-	-	-	-	-	47,852.64	-	-	161,449.61	161,449.61	SCHEDULED BODY
00366	Landau Forte Moorhead Academy	15,411.86	-	-	-	-	-	15,411.86	-	-	52,605.13	52,605.13	SCHEDULED BODY
00367	Derby Pride Academy	9,905.39	1,126.49	-	-	-	-	11,031.88	-	-	31,327.06	31,327.06	SCHEDULED BODY
00368	Merrill Academy	40,396.89	-	-	-	-	-	40,396.89	-	-	151,179.39	151,179.39	SCHEDULED BODY
00370	Ormiston Ilkeston Enterprise Academy	52,632.30	-	-	-	-	-	52,632.30	-	-	205,185.91	205,185.91	SCHEDULED BODY
00371	English Martyrs Academy	13,322.50	-	-	-	-	-	13,322.50	-	-	42,905.54	42,905.54	SCHEDULED BODY
00372	Newbold CofE School	11,033.00	-	-	-	-	-	11,033.00	-	-	33,486.80	33,486.80	SCHEDULED BODY
00373	Bishop Lonsdale Cof E Primary School	16,853.24	-	-	-	-	-	16,853.24	-	-	75,380.91	75,380.91	SCHEDULED BODY
00374	Zaytouna Primary School	15,460.23	-	-	-	-	-	15,460.23	-	-	50,040.69	50,040.69	SCHEDULED BODY
00375	The Ripley Academy	27,978.41	-	-	-	-	-	27,978.41	-	-	121,948.85	121,948.85	SCHEDULED BODY
00376	St Josephs Catholic Primary Academy	9,033.40	-	-	-	-	-	9,033.40	-	-	28,270.77	28,270.77	SCHEDULED BODY
00377	Dovedale Primary School	19,466.99	-	-	-	-	-	19,466.99	-	-	68,319.11	68,319.11	SCHEDULED BODY
00378	Sawley Infant School	18,744.50	-	-	-	-	-	18,744.50	-	-	65,056.52	65,056.52	SCHEDULED BODY
00379	Sawley Junior School	11,446.77	-	-	-	-	-	11,446.77	-	-	42,257.15	42,257.15	SCHEDULED BODY
00380	Shardlow Primary School	4,522.81	-	-	-	-	-	4,522.81	-	-	18,932.30	18,932.30	SCHEDULED BODY
00381	Immaculate Conception Academy Trust	12,399.67	-	-	-	-	-	12,399.67	-	-	46,645.14	46,645.14	SCHEDULED BODY
00382	Allenton Primary School	24,013.43	-	-	-	-	-	24,013.43	-	-	111,509.70	111,509.70	SCHEDULED BODY
00383	Outward Academy Newbold	58,232.80	-	-	-	-	-	58,232.80	-	-	200,039.01	200,039.01	SCHEDULED BODY
00384	Turnditch Primary	2,669.98	-	-	-	-	-	2,669.98	-	-	6,940.46	6,940.46	SCHEDULED BODY
00385	William Gilbert Primary	15,383.42	-	-	-	-	-	15,383.42	-	-	56,665.51	56,665.51	SCHEDULED BODY
00386	St LaurencePrimary School	14,570.47	-	-	-	-	-	14,570.47	-	-	54,150.59	54,150.59	SCHEDULED BODY
00387	Akaal Academy Trust Derby Limited	5,442.07	-	-	-	-	-	5,442.07	-	-	17,828.54	17,828.54	SCHEDULED BODY
00388	Inkersall Primary Academy	19,658.22	-	-	-	-	-	19,658.22	-	-	67,789.98	67,789.98	SCHEDULED BODY
00389	St Philip Howard Catholic Voluntary Academy	16,908.16	-	-	-	-	-	16,908.16	-	-	57,816.83	57,816.83	SCHEDULED BODY
00390	St Giles CofE Aided Primary School	4,554.67	-	-	-	-	-	4,554.67	-	-	16,407.24	16,407.24	SCHEDULED BODY
00391	Walter Evans Primary School	20,594.88	-	-	-	-	-	20,594.88	-	-	76,370.93	76,370.93	SCHEDULED BODY
00392	Swanwick Hall School	49,102.51	-	-	-	-	-	49,102.51	-	-	163,916.51	163,916.51	SCHEDULED BODY
00393	John Flamsteed Community School	28,572.29	-	-	-	-	-	28,572.29	-	-	95,222.45	95,222.45	SCHEDULED BODY
00395	David Nieper Academy	28,634.84	-	-	-	-	-	28,634.84	-	-	84,392.51	84,392.51	SCHEDULED BODY
00396	Christ Church CofE Primary School	10,253.42	-	-	-	-	-	10,253.42	-	-	38,668.87	38,668.87	SCHEDULED BODY
00401	Derbyshire Police Authority	2,658,604.07	12,503.59	-	11,710.29	-	-	2,682,817.95	1,451,004.00	4,959.12	5,326,751.79	6,782,714.91	SCHEDULED BODY
00403	Derbys Fire & Rescue Service	386,691.84	81.04	-	18,400.00	-	-	405,172.88	168,000.00	-	754,343.54	922,343.54	SCHEDULED BODY
00422	Landau Forte College	102,469.44	366.35	-	-	-	-	102,835.79	3,000.00	-	196,499.69	199,499.69	SCHEDULED BODY
00439	Shirebrook Academy	59,941.56	-	-	-	-	-	59,941.56	-	-	205,266.53	205,266.53	SCHEDULED BODY
00601	Holbrook Primary School	6,785.54	143.67	-	-	-	-	6,929.21	-	-	28,695.87	28,695.87	SCHEDULED BODY
00602	St Edward's Catholic Academy	9,419.14	-	-	-	-	-	9,419.14	-	-	33,019.22	33,019.22	SCHEDULED BODY
00603	St Joseph's Catholic Primary School - Matlock	10,107.44	-	-	-	-	-	10,107.44	-	-	35,865.75	35,865.75	SCHEDULED BODY
00604	Mary Swanwick Primary	17,827.21	-	-	-	-	-	17,827.21	-	-	64,216.59	64,216.59	SCHEDULED BODY
00605	Brimington Infant School	5,413.97	-	-	-	-	-	5,413.97	-	-	18,063.05	18,063.05	SCHEDULED BODY
00606	Brimington Junior School	18,167.51	-	-	-	-	-	18,167.51	-	-	58,782.40	58,782.40	SCHEDULED BODY
00607	Noel Baker Academy	44,116.48	-	-	-	-	-	44,116.48	-	-	157,464.86	157,464.86	SCHEDULED BODY
00608	All Saints Infant, Matlock	9,383.18	-	-	-	-	-	9,383.18	-	-	34,823.74	34,823.74	SCHEDULED BODY
00609	St Giles Primary (Killamarsh)	17,072.71	-	-	-	-	-	17,072.71	-	-	62,910.60	62,910.60	SCHEDULED BODY
00610	QUEGS MAT	128,866.60	-	-	1,614.24	-	-	130,480.84	-	-	461,206.85	461,206.85	SCHEDULED BODY
00611	Cavendish MAT	121,453.14	706.35	-	-	-	-	122,159.49	-	-	393,861.00	393,861.00	SCHEDULED BODY
00612	All Saints Junior, Matlock	11,010.08	-	-	-	-	-	11,010.08	-	-	38,591.39	38,591.39	SCHEDULED BODY
00613	Heritage High School	50,908.76	-	-	-	-	-	50,908.76	-	120.00	170,614.82	170,734.82	SCHEDULED BODY
00614	New Whittington Primary	19,923.73	-	-	600.00	-	-	20,523.73	-	-	73,362.59	73,362.59	SCHEDULED BODY
00615	Eckington Junior	12,572.97	-	-	-	-	-	12,572.97	-	-	41,288.54	41,288.54	SCHEDULED BODY
00616	Darley Churchtown Primary	5,528.14	-	-	-	-	-	5,528.14	-	-	20,529.18	20,529.18	SCHEDULED BODY
00617	Temple Normanton Primary	2,530.02	-	-	-	-	-	2,530.02	-	-	9,477.95	9,477.95	SCHEDULED BODY
00618	Da Vinci Academy	35,510.40	-	-	-	-	-	35,510.40	-	-	124,856.85	124,856.85	SCHEDULED BODY
00619	The Pingle Academy	53,487.29	-	-	-	-	-	53,487.29	-	-	193,412.93	193,412.93	SCHEDULED BODY
00621	Derwent Primary	21,030.52	-	-	-	-	-	21,030.52	-	-	75,617.36	75,617.36	SCHEDULED BODY
00622	Breadsall Hill Top Primary	26,701.58	-	-	-	-	-	26,701.58	-	-	94,192.03	94,192.03	SCHEDULED BODY
00623	Peartree Junior	21,790.59	-	-	-	-	-	21,790.59	-	-	76,773.21	76,773.21	SCHEDULED BODY
00624	Granville Sports College	22,964.21	-	-	1,100.00	-	-	24,064.21	-	-	80,418.03	80,418.03	SCHEDULED BODY
00625	St Georges Primary (New Mills)	11,073.87	-	-	-	-	-	11,073.87	-	-	40,885.61	40,885.61	SCHEDULED BODY
00626	Scargill Primary	15,446.65	-	-	-	-	-	15,446.65	-	-	57,442.37	57,442.37	SCHEDULED BODY
00627	Cavendish Close Junior School	22,361.35	-	-	-	-	-	22,361.35	-	-	80,272.20	80,272.20	SCHEDULED BODY
00628	Cloudside Junior	12,390.92	-	-	-	-	-	12,390.92	-	-	46,345.48	46,345.48	SCHEDULED BODY
00629	Somercotes Infant School	9,015.66	-	-	-	-	449.51	9,465.17	-	-	34,712.02	34,712.02	SCHEDULED BODY
00630	Somerlea Park Junior	6,184.20	-	-	-	-	-	6,184.20	-	-	22,602.55	22,602.55	SCHEDULED BODY
00631	Bolsover CofE Junior	11,477.67	-	-	-	-	-	11,477.67	-	-	42,658.76	42,658.76	SCHEDULED BODY
00632	Frederick Gent	40,389.40	-	-	-	-	-	40,389.40	-	74.00	144,772.68	144,846.68	SCHEDULED BODY
00633	Firs Estate Primary School	26,647.76	-	-	-	-	-	26,647.76	-	-	97,979.91	97,979.91	SCHEDULED BODY
00634	Hardwick Primary	46,319.37	-	-	-	-	-	46,319.37	-	-	163,181.20	163,181.20	SCHEDULED BODY
00635	Derby Moor Community Sports College	70,207.03	-	-	-	-	-	70,207.03	-	-	247,191.14	247,191.14	SCHEDULED BODY
00636	John King Infant	7,997.79	-	-	-	-	-	7,997.79	-	-	29,773.73	29,773.73	SCHEDULED BODY
00637	Longwood Community Infant	6,185.01	-	-	-	-	-	6,185.01	-	-	21,288.27	21,288.27	SCHEDULED BODY
00638	Langley Mill Junior	9,739.30	-	-	-	-	-	9,739.30	-	-	35,019.10	35,019.10	SCHEDULED BODY
00639	Kirkstead Junior Academy	9,245.77	-	-	-	-	-	9,245.77	-	-	33,737.91	33,737.91	SCHEDULED BODY
00641	Ironville & Codnor Park Primary	7,202.67	-	-	-	-	-	7,202.67	-	-	26,661.70	26,661.70	SCHEDULED BODY
00644	Chaddesden Park Primary	25,855.28	-	-	-	-	-	25,855.28	-	-	93,014.39	93,014.39	SCHEDULED BODY
00645	Eckington School	46,719.53	-	-	-	-	-	46,719.53	-	-	163,690.18	163,690.18	SCHEDULED BODY
00646	Village Primary School	49,770.35	-	-	-	-	-	49,770.35	-	-	180,788.71	180,788.71	SCHEDULED BODY
00647	Street Lane Primary School	1,791.41	-	-	-	-	-	1,791.41	-	-	6,573.25	6,573.25	SCHEDULED BODY
00648	Ash Croft Primary Academy	7,163.81	-	-	-	-	-	7,163.81	-	-	25,995.60	25,995.60	SCHEDULED BODY
00649	Langwith Bassett Junior Academy	3,989.92	-	-	-	-	-	3,989.92	-	-	14,541.48	14,541.48	SCHEDULED BODY

Appendix 7: Employee and Employer Contributions

00650	Friesland School (Academy)	50,821.71	207.60	-	-	-	-	51,029.31	-	19.90	187,589.39	187,609.29	SCHEDULED BODY
00651	Esteem Multi Academy Trust (M.A.T)	164,113.95	80.65	-	144.16	-	-	164,338.76	-	-	588,071.97	588,071.97	SCHEDULED BODY
00657	All Saints Catholic Voluntary Academy (Glossop)	2,649.45	-	-	-	-	-	2,649.45	-	-	9,780.31	9,780.31	SCHEDULED BODY
00658	Christ the King Catholic Voluntary Academy (Alfreton)	5,045.56	-	-	-	-	-	5,045.56	-	-	18,513.52	18,513.52	SCHEDULED BODY
00659	St Alban's Catholic Voluntary Academy (Derby)	12,829.79	-	-	-	-	-	12,829.79	-	-	47,252.18	47,252.18	SCHEDULED BODY
00660	St Anne's Catholic Voluntary Academy (Buxton)	5,588.71	-	-	-	-	-	5,588.71	-	-	20,736.04	20,736.04	SCHEDULED BODY
00661	St Charles' Catholic Primary Voluntary Academy (Hadfield)	4,775.74	-	-	-	-	-	4,775.74	-	-	18,234.72	18,234.72	SCHEDULED BODY
00662	St Elizabeth's Catholic Voluntary Academy (Belper)	3,625.71	-	-	-	-	-	3,625.71	-	-	13,222.21	13,222.21	SCHEDULED BODY
00663	St Joseph's Catholic Voluntary Academy (Derby)	13,955.07	-	-	-	-	-	13,955.07	-	-	50,799.66	50,799.66	SCHEDULED BODY
00664	St Margaret's Catholic Voluntary Academy (Glossop)	596.12	-	-	-	-	-	596.12	-	-	2,220.59	2,220.59	SCHEDULED BODY
00665	St Mary's Catholic Voluntary Academy (Derby)	13,684.08	-	-	-	-	-	13,684.08	-	-	49,383.77	49,383.77	SCHEDULED BODY
00667	St Mary's Catholic Voluntary Academy (New Mills)	2,661.74	-	-	-	-	-	2,661.74	-	-	10,040.40	10,040.40	SCHEDULED BODY
00668	St Thomas Catholic Voluntary Academy (Ilkeston)	6,972.93	-	-	-	-	-	6,972.93	-	-	25,455.82	25,455.82	SCHEDULED BODY
00669	St Thomas More Catholic Voluntary Academy (Buxton)	16,986.47	-	-	-	-	-	16,986.47	-	-	59,571.65	59,571.65	SCHEDULED BODY
00670	Derby Cathedral School	5,027.64	-	-	-	-	-	5,027.64	-	-	16,419.01	16,419.01	SCHEDULED BODY
00671	St Mary's Catholic Voluntary Academy (Glossop)	4,905.85	-	-	-	-	-	4,905.85	-	-	18,190.64	18,190.64	SCHEDULED BODY
00672	Alvaston Junior Academy	13,496.00	-	-	-	-	-	13,496.00	-	-	49,060.08	49,060.08	SCHEDULED BODY
00673	Reigate Park Primary Academy	12,146.81	-	-	-	-	-	12,146.81	-	-	42,912.63	42,912.63	SCHEDULED BODY
00674	Cotton Farm Primary Academy	5,024.12	-	-	-	-	-	5,024.12	-	-	18,033.67	18,033.67	SCHEDULED BODY
00675	Hilton Primary School	19,003.86	-	-	-	-	-	19,003.86	-	-	70,187.39	70,187.39	SCHEDULED BODY
00676	Loscoe CofE Primary School and Nursery	4,417.06	-	-	-	-	-	4,417.06	-	-	16,561.13	16,561.13	SCHEDULED BODY
00677	Ashwood Spencer Academy	17,479.55	-	-	-	-	-	17,479.55	-	-	63,699.15	63,699.15	SCHEDULED BODY
00678	Wilsthorpe School	11,840.09	154.20	-	-	-	-	11,994.29	-	16.00	43,642.12	43,658.12	SCHEDULED BODY
00679	Gamesley Primary School	9,309.58	-	-	-	-	-	9,309.58	-	-	33,436.27	33,436.27	SCHEDULED BODY
00682	Lakeside Community Primary School	11,861.02	-	-	-	-	-	11,861.02	42,088.56	-	-	42,088.56	SCHEDULED BODY
00683	Laceyfields Academy	-	-	-	-	-	-	-	-	-	-	-	SCHEDULED BODY
00684	Walton on Trent CofE Primary and Infant School	1,489.29	-	-	-	-	-	1,489.29	-	-	5,485.86	5,485.86	SCHEDULED BODY
00685	Griffe Field Primary School	5,307.89	-	-	-	-	-	5,307.89	-	-	19,484.44	19,484.44	SCHEDULED BODY
00686	Horsley Woodhouse Primary School	1,651.06	-	-	-	-	-	1,651.06	-	-	6,174.50	6,174.50	SCHEDULED BODY
00687	Kilburn Junior School	1,885.42	-	-	-	-	-	1,885.42	-	-	7,141.17	7,141.17	SCHEDULED BODY
00688	Aldercar Infant School	4,673.24	-	-	-	-	-	4,673.24	-	-	17,257.29	17,257.29	SCHEDULED BODY
00689	Heath Primary School	5,847.55	-	-	-	-	-	5,847.55	-	-	21,203.24	21,203.24	SCHEDULED BODY
00690	Howitt Primary Community School	5,789.82	-	-	-	-	-	5,789.82	-	-	21,284.24	21,284.24	SCHEDULED BODY
00691	Derby St Chads CofE (VC) Nursery and Infant School	2,097.85	-	-	-	-	-	2,097.85	-	-	7,725.16	7,725.16	SCHEDULED BODY
00692	Djanogly Learning Trust	6,198.89	-	-	-	-	-	6,198.89	-	-	21,678.40	21,678.40	SCHEDULED BODY
00693	Arboretum Primary School (Academy)	9,278.19	-	-	-	-	-	9,278.19	-	-	33,479.86	33,479.86	SCHEDULED BODY
00694	Springfield Primary	-	-	-	-	-	-	-	-	-	-	-	SCHEDULED BODY
00695	Borrow Wood Primary	-	-	-	-	-	-	-	-	-	-	-	SCHEDULED BODY
00696	Asterdale Primary	-	-	-	-	-	-	-	-	-	-	-	SCHEDULED BODY
00697	Odessey Trust	-	-	-	-	-	-	-	-	-	-	-	SCHEDULED BODY
00120	Amber Valley Housing Ltd (Futures)	204,924.40	-	-	-	-	-	204,924.40	103,008.00	-	672,228.70	775,236.70	ADMITTED BODY
00124	Three Valleys Housing Ltd (EMA Homes)	99,718.25	-	-	-	-	-	99,718.25	161,004.00	-	349,829.01	510,833.01	ADMITTED BODY
00128	Waterloo Housing Group	46,920.41	-	-	-	-	-	46,920.41	16,500.00	-	206,020.99	222,520.99	ADMITTED BODY
00170	Tramway Museum Society	3,037.33	-	-	-	-	-	3,037.33	15,000.00	-	12,337.51	27,337.51	ADMITTED BODY
00184	Chesterfield Care Group	5,581.53	-	-	-	-	-	5,581.53	-	-	23,768.19	23,768.19	ADMITTED BODY
00185	Belper Sports Centre	14,542.38	-	-	-	-	259.77	14,802.15	-	-	66,769.05	66,769.05	ADMITTED BODY
00404	Derbys Student Residences Ltd	65,382.32	237.57	-	-	-	-	65,619.89	-	-	282,966.51	282,966.51	ADMITTED BODY
00414	Cleanaway Ltd (C'field Refuse)	15,250.79	-	-	-	-	-	15,250.79	-	-	44,352.48	44,352.48	ADMITTED BODY
00416	VINCI PLC	2,249.31	-	-	-	-	-	2,249.31	-	-	17,150.33	17,150.33	ADMITTED BODY
00417	Cleanaway Ltd (AV Refuse)	17,284.53	-	-	-	-	-	17,284.53	-	-	16,973.68	16,973.68	ADMITTED BODY
00418	Initial Facilities Services	2,034.95	-	-	-	-	-	2,034.95	-	-	2,567.63	2,567.63	ADMITTED BODY
00419	Initial Catering Services	4,978.41	-	-	-	-	-	4,978.41	-	-	17,919.30	17,919.30	ADMITTED BODY
00420	DC Leisure Management Ltd (AV)	24,610.75	-	-	-	-	-	24,610.75	-	-	55,765.99	55,765.99	ADMITTED BODY
00421	L + C Partnership Ltd (AV)	-	-	-	-	-	-	-	-	-	-	-	ADMITTED BODY
00424	Balfour Beatty (Monthly)	3,819.96	-	-	-	-	-	3,819.96	-	-	9,697.04	9,697.04	ADMITTED BODY
00425	Macintyre Care	9,932.91	-	-	-	-	-	9,932.91	-	-	3,462.94	3,462.94	ADMITTED BODY
00426	SIV Enterprises Ltd	5,838.03	-	-	-	-	-	5,838.03	-	-	4,296.69	4,296.69	ADMITTED BODY
00428	HP - DC Leisure Management	19,962.40	-	-	-	-	-	19,962.40	-	-	4,594.61	4,594.61	ADMITTED BODY
00429	HP - Leisure & Community Partnership	-	-	-	-	-	-	-	-	-	-	-	ADMITTED BODY
00433	Grayson's Restaurants now Brookwood	1,158.49	-	-	-	-	-	1,158.49	-	-	2,992.32	2,992.32	ADMITTED BODY
00435	Superclean - Fire Cleaners	305.53	-	-	-	-	-	305.53	-	-	622.17	622.17	ADMITTED BODY
00441	Arvato	83,212.55	-	-	-	-	-	83,212.55	-	-	195,472.21	195,472.21	ADMITTED BODY
00442	Kier	33,796.37	-	-	-	-	-	33,796.37	-	-	69,951.97	69,951.97	ADMITTED BODY
00443	Mitie	6,299.71	-	-	-	-	-	6,299.71	-	-	43,741.85	43,741.85	ADMITTED BODY
00444	Compass	1,264.94	-	-	-	-	-	1,264.94	-	-	3,813.20	3,813.20	ADMITTED BODY
00445	Barnados	3,267.18	-	-	-	-	-	3,267.18	-	-	10,605.62	10,605.62	ADMITTED BODY
00446	Active Nation	2,734.98	-	-	-	-	-	2,734.98	2,004.00	-	13,625.30	15,629.30	ADMITTED BODY
00451	Compass Ltd (City)	6,600.25	-	-	-	-	-	6,600.25	-	-	12,368.89	12,368.89	ADMITTED BODY
00453	Cleanslate (UK) Ltd (Pottery)	667.25	-	-	-	-	-	667.25	600.00	-	3,687.98	4,287.98	ADMITTED BODY
00456	Vinci Construction	80.64	-	-	-	-	-	80.64	-	-	261.36	261.36	ADMITTED BODY
00457	Derby Museums and Arts Trust	25,498.22	-	-	-	-	-	25,498.22	-	-	77,489.02	77,489.02	ADMITTED BODY
00458	Elior UK plc	340.18	-	-	-	-	-	340.18	-	-	2,163.78	2,163.78	ADMITTED BODY
00460	Balfour Beatty (Derby BSF)	2,844.00	-	-	-	-	-	2,844.00	-	-	10,428.27	10,428.27	ADMITTED BODY
00466	Arvato (DDDC)	17,668.40	-	-	-	-	-	17,668.40	-	-	40,275.28	40,275.28	ADMITTED BODY
00467	Derby County Community Trust	3,334.32	-	-	-	-	-	3,334.32	-	-	11,057.64	11,057.64	ADMITTED BODY
00468	Aspens	1,003.23	-	-	-	-	-	1,003.23	1,008.00	-	5,247.06	6,255.06	ADMITTED BODY
00469	Elite	301.50	-	-	-	-	-	301.50	-	-	1,474.59	1,474.59	ADMITTED BODY
00470	Vinci Construction UK Ltd - Ashcroft & Portway	1,275.16	-	-	-	-	-	1,275.16	-	-	6,969.23	6,969.23	ADMITTED BODY
00471	NSL Ltd	1,940.65	-	-	-	-	-	1,940.65	-	-	6,657.90	6,657.90	ADMITTED BODY
00472	Mellors Catering Services	2,224.74	-	-	-	-	-	2,224.74	-	-	10,219.03	10,219.03	ADMITTED BODY
00473	Vinci Plc (Ravensdale)	364.95	-	-	-	-	-	364.95	-	-	1,881.26	1,881.26	ADMITTED BODY

Appendix 7: Employee and Employer Contributions

00474	7 Hills Leisure Trust	3,034.30	-	-	-	-	-	3,034.30	-	-	13,235.60	13,235.60	ADMITTED BODY
00475	Voluntary and Community Services Peaks & Dales	1,110.98	-	-	-	-	-	1,110.98	-	-	3,797.28	3,797.28	ADMITTED BODY
00478	Taylor Shaw	4,627.01	-	-	-	-	-	4,627.01	-	-	30,000.76	30,000.76	ADMITTED BODY
00479	Action for Children	1,473.68	-	-	-	-	-	1,473.68	-	-	7,607.95	7,607.95	ADMITTED BODY
00480	CSE Education	863.76	-	-	-	-	-	863.76	-	-	4,318.80	4,318.80	ADMITTED BODY
00481	Mellors Catering	749.58	-	-	-	-	-	749.58	-	-	4,320.40	4,320.40	ADMITTED BODY
00482	Derbyshire Building Control	44,197.74	-	-	-	-	-	44,197.74	-	-	159,122.72	159,122.72	ADMITTED BODY
00483	Amber Valley School Sports Partnership	3,365.64	-	-	-	-	-	3,365.64	-	-	10,393.92	10,393.92	ADMITTED BODY
00484	Caterlink Ltd (Lea Primary)	671.34	-	-	-	-	-	671.34	-	-	3,684.34	3,684.34	ADMITTED BODY
00485	Alliance Environmental Services Ltd	33,607.70	-	-	-	-	-	33,607.70	-	-	90,340.60	90,340.60	ADMITTED BODY
00486	KCLS Ltd (Insight Services Ltd)	282.41	-	-	-	-	-	282.41	-	-	1,766.19	1,766.19	ADMITTED BODY
00487	RM Education Ltd	1,015.43	-	-	-	-	-	1,015.43	-	-	5,042.28	5,042.28	ADMITTED BODY
00488	Caterlink Ltd (Shirebrook/Stubbin Wood)	2,310.57	-	-	-	-	-	2,310.57	-	-	13,003.28	13,003.28	ADMITTED BODY
00489	Office Care Ltd (Brookfield Academy)	327.67	-	-	-	-	-	327.67	-	-	1,757.75	1,757.75	ADMITTED BODY
00490	Caterlink Ltd (Swanwick Hall)	3,606.32	-	-	-	-	-	3,606.32	-	-	21,311.56	21,311.56	ADMITTED BODY
00491	Caterlink Ltd (St Mary's Chesterfield)	1,888.06	-	-	-	-	-	1,888.06	-	-	10,690.02	10,690.02	ADMITTED BODY
00492	Caterlink (Reigate Primary)	836.74	-	-	-	-	-	836.74	-	-	4,224.31	4,224.31	ADMITTED BODY
00493	Wealden Leisure Ltd (Freedom Leisure)	35,766.53	-	-	-	-	-	35,766.53	-	-	153,675.37	153,675.37	ADMITTED BODY
00494	Caterlink (Abercrombie)	1,321.88	-	-	-	-	-	1,321.88	-	-	6,681.44	6,681.44	ADMITTED BODY
00495	Caterlink Ltd (St Mary's High School)	6,996.73	-	-	-	-	-	6,996.73	-	-	39,242.40	39,242.40	ADMITTED BODY
00496	Ward Recycling Ltd	-	-	-	-	-	-	-	-	-	-	-	ADMITTED BODY
00497	Churchill Contract Services Ltd (St Marys Chesterfield)	1,202.63	-	-	-	-	-	1,202.63	-	-	7,412.56	7,412.56	ADMITTED BODY
00498	KIER Facilities Services Ltd (High Peak)	-	-	-	-	-	-	-	-	-	-	-	ADMITTED BODY
Total		**39,200,553.92**	**142,221.78**	**1,313.37**	**100,825.61**	**225.68**	**70,424.24**	**39,515,384.38**	**62,883,084.15**	**8,888.55**	**95,882,778.20**	**148,674,528.90**	
Plus adjustments for DCC contributions									**1,002,864.77**			**1,002,864.77**	
									63,885,948.92	**8,888.55**	**95,882,778.20**	**148,677,393.67**	

How to get in touch with us…

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