



Cambridgeshire County Council Pension Fund Annual Report and Statement of Accounts Year Ended 31 March 2023

Audit Opinion

Audit Opinion (continued)

Audit Opinion (continued)

Fund Account

31-Mar-22 £000	Notes	31-Mar-23 £000
Dealings with members, employers and others directly involved in the fund:		
134,643 Contributions	Note 7	148,915
11,532 Transfers in from other pension funds	Note 8	18,402
146,175		167,317
-118,306 Benefits	Note 9	-123,517
-8,754 Payments to and on account of leavers	Note 10	-11,281
-127,060		-134,798
19,115	Net additions/(withdrawals) from dealing with members	32,519
-25,633 Management expenses	Note 11	-24,894
-6,518	Net additions/(withdrawals) including fund management expenses	7,625
Returns on investments:		
30,719 Investment income	Note 13	52,598
382,996 Profit and (losses) on disposal of investments and changes in the value of investments	Notes 14a and 17b	-133,859
413,715	Net return on investments	-81,261
407,197	Net increase/(decrease) in the net assets available for benefits during the year	-73,636
3,898,235 Opening net assets of the scheme		4,305,432
4,305,432	Closing net assets of the scheme	4,231,796

Notes on pages 55 to 84 form part of the financial statements.

Net Asset Statement

31-Mar-22 £000		Notes	31-Mar-23 £000
4,290,145	Investment assets		4,213,959
-2,445	Investment liabilities		-2,699
4,287,700	Total net investments	Note 14	4,211,260
23,805	Current assets	Note 21	26,287
-6,073	Current liabilities	Note 22	-5,751
17,732	Net Current Assets		20,536
4,305,432	Closing net assets of the scheme	Note 17a	4,231,796

Notes on pages 55 to 84 form part of the financial statements.

Note: The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Notes to the Pension Fund Accounts

1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2022-23 on pages 1 to 49 and the underlying statutory powers underpinning the scheme.

General

The Fund is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme (Amendment) Regulations 2018.

The Fund is a contributory defined benefit pension scheme administered by Cambridgeshire County Council to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire, and a range of other scheduled and admitted bodies within the county area. Teachers, Police Officers and Firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Cambridgeshire Pension Fund Committee, which is a committee of Cambridgeshire County Council.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Cambridgeshire Pension Fund include:

- Scheduled Bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;

- Admitted Bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Resolution/Designated bodies – These are organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS) Parish/Town Council are under this category.

As at 31 March 2023 there was 198 (2022: 213) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

	31-Mar-22	31-Mar-23
Number of employers with active members	213	198

The Fund has over 97,000 individual members, as detailed below:

Number of employees in scheme:	31-Mar-22	31-Mar-23
County council	9,362	9,299
Other employers	19,549	18,768
Total	28,911	28,067
Number of Pensioners:		
County council	9,185	10,003
Other employers	12,155	12,411
Total	21,340	22,414
Deferred pensioners:		
County council	13,859	15,772
Other employers	17,514	19,481
Total	31,373	35,253
Undecided Leavers:		
County council	4,627	4,525
Other employers	6,384	6,887
Total	11,011	11,412
Total members	92,635	97,146

Notes to the Pension Fund Accounts (continued)

Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2023. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2022. Employers' contributions comprise a percentage rate on active payroll between 14.3% and 46.9% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 1 April 2008 to 31 March 2014
Pension	Each year worked is worth $1/80 \times$ final pensionable salary.	Each year worked is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of $3 \times$ pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of $1/49$ th or $1/98$ th for those members who have taken up

the 50/50 option and pay proportionately lower contributions.

Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Full Guide which can be found in the member section on the Pension's Fund website. [Member - Pension Details](#)

2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2022-23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20.

Notes to the Pension Fund Accounts (continued)

Going Concern

The Funding Level as per the recent triennial valuation exercise (March 2022) was 125%. The Funding Level at year ending March 2023 was 152%.

There are 491 individual active employers as at March 2023. All employers are paying their contributions as per the rates and adjustment certificate. No employer has deferred their payments. Benefits paid for the year were £124m, with contributions of £149m, showing a net cash inflow.

The actual annual investment return for March 2023 was -2.8% and the Fund value had decreased to £4.231 billion, meaning the fund has decreased by £73.6 million during the year. At 31 March 2023, the Pension Fund has 56.3% of its investments allocated to equities and 13.9% allocated to Bonds, with £25.3 million in cash, which are all assets that could be liquidated quickly to pay benefits should the need arise.

The Pension Fund has reviewed its cash flow forecast for the going concern period to 30 March 2025. The Pension Fund has sufficient cash liquidity to meet its payments without the need to sell any investments.

The Pension Fund is satisfied that it is sufficiently liquid to conclude that it is a going concern, since the value of pension fund assets that can be liquidated at short notice if needed is £3.0 billion which significantly exceeds the annual expenditure of the fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Contributions from members are set in accordance with LGPS regulations and contributions from members are set at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for on a cash basis.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipt basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. There have been no group transfers in during 2021-22 and 2022-23.

Investment Income

i) Interest income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

Notes to the Pension Fund Accounts (continued)

Investment Income (continued)

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense Items

Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities and paid in the following month.

Taxation

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 tax is accounted for as a Fund expense as it arises.

Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. The costs of obtaining legal and consultancy advice are charged direct to the Fund. The cost of the Pool are charged direct to the Fund.

Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

Fees of external Investment Managers and the Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported returns on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments.

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2022-23, £240k of fees are based upon such estimates (2021-22: £234K). In addition, manager fees deducted from pooled funds of £20.1m (2021-22: £21.9m) are based upon information received from fund managers.

Notes to the Pension Fund Accounts (continued)

Net Assets Statement

Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis, except for loans and receivables.

Loans and receivables are assets for which the amounts receivable are fixed and determinable and where the Fund has not designated the asset at fair value through profit and loss. This includes contributions owing from employers and cash deposits. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset.

Investment assets, other than cash held by Investment Managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses 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 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 15).

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

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.

Financial Liabilities

The Fund initially recognises financial liabilities at fair value and subsequently measure them at amortised cost. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Note 20).

Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund's AVC providers are Prudential and Utmost Life. AVCs are deducted from the individual member's pay and paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts, in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (see Note 23).

Notes to the Pension Fund Accounts (continued)

Contingent Assets and Liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of a narrative in the notes.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Pension Fund Liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimated liability is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant Investment Management policies, for example in terms of the balance struck between longer term investment growth and short-term investment yield/return.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year.

Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement as 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Actuarial Present Value of Promised Retirement Benefits Uncertainties:**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

- **Effect if Actual Results Differ from Assumptions:**

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability by approximately £72m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £5m, and a 1 year increase in assumed life expectancy would increase the liability by approximately £158m. Although the example above is based on an increase, a decrease to discount rate and assumed life expectancy could also occur.

Notes to the Pension Fund Accounts (continued)

Cambridge and Counties Bank

- **Uncertainties:** Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. The Pension Fund has appointed an independent, professional valuer to advise a suitable valuation. The Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.
- **Effect if actual results differ from assumptions:** The investment in the financial statements is £69.7m. There is a risk that this investment may be under or overstated in the accounts. As set out in the independent, professional valuation report, the valuation of the Cambridge and Counties Bank is in the range of £66.8m to £72.6m. The mid-point of this valuation range has been applied within the Fund's accounts.

Other Private Equity and Infrastructure Uncertainties:

- **Uncertainties:** All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.
- **Effect if actual results differ from assumptions:** Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £809.7m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Alternative investments of 24.0%, which indicates that Other private equity and infrastructure values may range from £615.4m to £1,004m.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2023, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By Category:

31-Mar-22		31-Mar-23
£000		£000
30,628	Employees' contributions	33,124
	Employers' contributions:	
93,644	Normal contributions	100,571
10,371	Deficit recovery contributions	15,220
104,015	Total employers' contributions	115,791
134,643		148,915

By Authority:

31-Mar-22		31-Mar-23
£000		£000
29,164	Administering authority	31,699
99,693	Scheduled bodies	108,666
5,786	Admitted bodies	8,550
134,643		148,915

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-22		31-Mar-23
£000		£000
10,865	Individual transfers	18,402
667	Group transfers	0
11,532		18,402

Notes to the Pension Fund Accounts (continued)

9. BENEFITS PAYABLE

By category:

31-Mar-22 £000	31-Mar-23 £000
96,636 Pensions	102,737
19,444 Commutation and lump sum retirement benefits	17,863
2,226 Lump sum death benefits	2,917
118,306	123,517

By authority:

31-Mar-22 £000	31-Mar-23 £000
36,422 Administering authority	39,425
71,853 Scheduled bodies	73,760
10,031 Admitted bodies	10,332
118,306	123,517

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-22 £000	31-Mar-23 £000
793 Refunds to members leaving service	1,053
7,961 Individual transfers	10,228
8,754	11,281

11. MANAGEMENT EXPENSES

31-Mar-22 £000	31-Mar-23 £000
2,602 Administrative costs	2,868
22,130 Investment management expenses	20,968
901 Oversight and governance costs*	1,058
25,633	24,894

*Base fees payable to External Auditors, included within Oversight and Governance costs were £26k during the year (2021-22 £17k). The scale fee variation will be communicated in due course.

12. INVESTMENT MANAGEMENT EXPENSES

2022/23	Management fees £000	Performance related fees £000	Transaction costs £000	Other costs £000	Total £000
Bonds	235	0	0	0	235
Pooled investments	9,036	0	13	453	9,502
Pooled property investments	534	0	368	179	1,081
Private Equity/Infrastructure	5,156	3,527	154	1,274	10,111
Custody Fees	0	0	0	39	39
Total	14,961	3,527	535	1,945	20,968

2021/22	Management fees £000	Performance related fees £000	Transaction costs £000	Other costs £000	Total £000
Bonds	257	0	0	0	257
Pooled Investments	9,441	0	0	421	9,862
Pooled property investments	431	0	435	170	1,036
Private Equity/Infrastructure	5,748	4,137	187	883	10,955
Custody fees	0	0	0	20	20
Total	15,877	4,137	622	1,494	22,130

13. INVESTMENT INCOME

31-Mar-22 £000	31-Mar-23 £000
780 Income from bonds	994
8,597 Pooled investments – unit trusts and other managed funds	27,542
8,487 Pooled Property Investments	11,017
12,826 Private equity/infrastructure income	12,020
29 Interest on cash deposits	1,025
30,719	52,598

Notes to the Pension Fund Accounts (continued)

14. INVESTMENTS

31-Mar-22		31-Mar-23
£000		£000
Investment assets		
210,791	Bonds	197,030
2,945,943	Pooled investments	2,854,045
301,637	Pooled property investments	267,510
799,689	Private equity/infrastructure	879,370
19,850	Cash deposits	11,448
11,100	Derivatives contracts: Options	4,141
286	Investment income due	415
849	Amounts receivable for sales	0
4,290,145	Total investment assets	4,213,959
Investment liabilities		
-2,410	Derivatives contracts: Options	-2,699
-35	Amounts payable for purchases	0
-2,445	Total investment liabilities	-2,699
4,287,700	Net investment assets	4,211,260

Notes to the Pension Fund Accounts (continued)

14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 01-Apr-22	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-23
	£000	£000	£000	£000	£000
Bonds	210,791	56,005	-7,795	-61,971	197,030
Pooled investments	2,945,943	74,471	-97,973	-68,396	2,854,045
Pooled property investments	301,637	19,021	-12,550	-40,598	267,510
Private equity/infrastructure	799,689	112,735	-70,504	37,450	879,370
	4,258,060	262,232	-188,822	-133,515	4,197,955
Derivative contracts:					
• Purchased/written options	8,690	32,114	-39,013	-349	1,442
	4,266,750	294,346	-227,835	-133,864	4,199,397
Other investment balances:					
• Cash deposits	19,850				11,448
• Investment income due	286				415
• Amount receivable for sales	849				0
• Amounts payable for purchases of investments	-35				0
Net investment assets	4,287,700				4,211,260

Notes to the Pension Fund Accounts (continued)

14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES (continued)

	Market value 01-Apr-21	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-22
	£000	£000	£000	£000	£000
Bonds	156,972	132,231	-81,155	2,743	210,791
Pooled investments	2,761,795	40,086	-112,164	256,226	2,945,943
Pooled property investments	237,190	45,014	-21,426	40,859	301,637
Private equity/infrastructure	688,334	75,093	-87,909	124,171	799,689
	3,844,291	292,424	-302,654	423,999	4,258,060
Derivative contracts:					
• Purchased/written options	-46,008	149,776	-53,073	-42,005	8,690
	3,798,283	442,200	-355,727	381,994	4,266,750
Other investment balances:*					
• Cash deposits	66,353				19,850
• Investment income due	247				286
• Amount receivable for sales	0				849
• Amounts payable for purchases of investments	0				-35
Net investment assets*	3,864,883				4,287,700

Notes to the Pension Fund Accounts (continued)

14(b). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-22		Market value 31-Mar-23	
£000	% of net investment assets	£000	% of net investment assets
Investments managed under Pool Governance:			
1,709,669	39.9 Link Fund Solutions	1,687,761	40.0
959,654	22.4 UBS Global Asset Management	884,740	21.0
2,669,323	62.3 Total Investments managed under Pool Governance	2,572,501	61.0
Investments managed outside Pool Governance:			
178,519	4.2 Adams Street Partners	200,494	4.8
19,190	0.4 Allianz Global Investors	14,084	0.3
41,671	1.0 Ares Management	43,061	1.0
197,832	4.6 BlueBay Asset Management	186,233	4.4
85,000	2.0 Cambridge and Counties Bank	69,700	1.7
15,000	0.3 Cambridge Building Society	15,000	0.4
28,356	0.7 Equitix Investment Management	31,132	0.7
20,565	0.5 Foresight Group	43,089	1.0
159,331	3.7 HarbourVest Partners (UK)	191,922	4.6
76,081	1.8 IFM Infrastructure	88,116	2.1
59,578	1.4 JP Morgan	75,350	1.8
81,036	1.9 M&G Investments	66,872	1.6
57,452	1.3 M&G Real Estate	73,198	1.7
50,001	1.1 Partners Group (UK)	41,131	1.0
520,488	12.1 Schroders Investment Management	469,831	11.2
8,946	0.2 UBS Infrastructure	9,122	0.2
19,331	0.5 Cash with custodian	20,424	0.5
1,618,377	37.7 Total Investments managed outside Pool Governance	1,638,759	39.0
4,287,700	100.0 Net investment assets	4,211,260	100.0

All the above companies are registered in the United Kingdom.

Notes to the Pension Fund Accounts (continued)

The following investments represent more than 5% of the net assets of the scheme as at 31st March 2023.

Security	31-Mar-22 £000	% of total fund %	31-Mar-23 £000	% of total fund %
LF ACCESS Global Stock - Dodge and Cox	562,493	13.1	575,434	13.6
LF ACCESS Global Equity - J O Hambro	539,385	12.5	470,975	11.1
LF ACCESS Global Equity - Longview	414,792	9.6	438,535	10.4
	1,516,670		1,484,944	

15. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

• Futures

There were no outstanding exchange traded future contracts at 31 March 2023 or 31 March 2022.

• Forward foreign currency

The Fund's Investment Managers may enter into forward foreign currency contracts to secure current exchange rates in order to reduce the volatility associated with fluctuating currency rates.

There were no open forward currency contracts at 31 March 2023 or 31 March 2022. There is no specified requirement to use currency hedging within the Fund's Investment Management Agreements. Instead, the Fund managers use their discretion as to whether or not any currency hedging should be used to mitigate any potential risk.

Notes to the Pension Fund Accounts (continued)

•Options

In order to minimise the risk of loss of value through adverse equity price movements, equity option contracts can protect the Fund from falls in value in its main investment markets, principally the UK, USA and Europe.

Investment underlying option contract	Expires	Put/Call	Notional Holdings	31-Mar-22	Notional Holdings	31-Mar-23
Assets				£000		£000
Overseas equity purchased	One to three months	Put	132,999	11,100	149,636	4,141
Total assets				11,100		4,141
Liabilities						
Overseas equity written	One to three months	Put	-170,996	-1,485	-192,388	-556
Overseas equity written	One to three months	Call	-132,999	-925	-149,636	-2,143
Total liabilities				-2,410		-2,699
Net purchased/written options				8,690		1,442

Notes to the Pension Fund Accounts (continued)

16. FAIR VALUE

Valuation of Financial Instruments Carried At Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

Level 1 Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.

Level 2 Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. The price used is based upon inputs from observable market data.

Level 3 Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2022, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

16a. Fair value hierarchy

The following tables provides an analysis of the financial assets at fair value through profit and loss of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

Value at March 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Bonds	197,030	0	0	197,030
Pooled Investments	28,440	2,825,605	0	2,854,045
Pooled Property Investments	0	0	267,510	267,510
Private Equity/Infrastructure	0	0	879,370	879,370
Derivatives	0	4,141	0	4,141
Net Investment Assets	225,470	2,829,746	1,146,880	4,202,096

Value at March 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Bonds	210,791	0	0	210,791
Pooled Investments	13,089	2,932,854	0	2,945,943
Pooled Property Investments	0	0	301,637	301,637
Private Equity/Infrastructure	0	0	799,689	799,689
Derivatives	0	11,100	0	11,100
Net Investment Assets	223,880	2,943,954	1,101,326	4,269,160

Notes to the Pension Fund Accounts (continued)

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. The fair valuation of each class of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities valued at a market value based on current yields.	Not required	Not required
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Unquoted bonds and unit trusts	Level 2	Average of broker prices	Evaluated price feeds.	Not required
Pooled Property	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure- equity	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure - other	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2022)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.

Notes to the Pension Fund Accounts (continued)

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

Asset Type	Market Value as at 31-Mar-23	Assessed valuation range (+/-)	Value on Increase	Value on Decrease
	£000		£000	£000
Pooled property investments	267,510	15.5	308,974	226,046
Private equity and infrastructure - equity	69,700	4.2	72,600	66,800
Private equity and infrastructure - other	809,670	24.0	1,003,991	615,349
Total Assets	1,146,880		1,385,565	908,195

16(b) RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2022-23	Market value 01- Apr-22	Transfers in/out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31- Mar-23
	£000	£000	£000	£000	£000	£000	£000
Pooled property investments	301,637	0	19,021	-12,550	-44,109	3,511	267,510
Private equity and infrastructure - equity	85,000	0	0	0	-15,300	0	69,700
Private equity and infrastructure - other	714,689	0	112,735	-70,504	15,905	36,845	809,670
Total	1,101,326	0	131,756	-83,054	-43,504	40,356	1,146,880

Notes to the Pension Fund Accounts (continued)

17. FINANCIAL INSTRUMENTS

17a. Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the year.

31-Mar-22			31-Mar-23		
Fair value through profit and loss	Loans and receivables	Financial Liabilities	Fair value through profit and loss	Loans and receivables	Financial Liabilities
£000	£000	£000	£000	£000	£000
Financial assets					
210,791	0	0	197,030	0	0
2,945,943	0	0	2,854,045	0	0
301,637	0	0	267,510	0	0
799,689	0	0	879,370	0	0
11,100	0	0	4,141	0	0
0	27,877	0	0	25,360	0
0	1,135	0	0	415	0
0	15,778	0	0	12,375	0
4,269,160	44,790	0	4,202,096	38,150	0
Financial liabilities					
0	0	-2,410	0	0	-2,699
0	0	-35	0	0	0
0	0	-6,073	0	0	-5,751
0	0	-8,518	0	0	-8,450
4,269,160	44,790	-8,518	4,202,096	38,150	-8,450
4,305,432 Total					4,231,796

Notes to the Pension Fund Accounts (continued)

17b. Net Gains and Losses on Financial Instruments

31-Mar-22 £000	31-Mar-23 £000
Financial assets:	
423,999 Fair value through profit and loss	-133,515
1,360 Loans and receivables	5
0 Financial liabilities measured at amortised cost	
Financial liabilities:	
-42,005 Fair value through profit and loss	-349
-358 Loans and receivables	0
0 Financial liabilities measured at amortised cost	
382,996 Total gains/(losses)	-133,859

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund Risk Management Programme.

Responsibility for the Fund's Risk Management Strategy rests with the Pension Fund Committee. Risk Management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions. [Risk Strategy Statement](#)

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. The Fund entered into derivative contracts to manage the overweight in equities compared to the strategic allocation.

Notes to the Pension Fund Accounts (continued)

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2022-23 reporting period.

The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	18.2
Global equities	19.0
Index linked bonds	8.9
Pooled fixed interest bonds	7.5
Multi asset credit	7.8
Property	15.5
Cambridge and Counties Bank	4.2
Alternatives	24.0
Cash and other investment balances	0.3

Notes to the Pension Fund Accounts (continued)

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

31-Mar-23	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-23	Change	Increase	Decrease
	£000		£000	£000
UK equities	81,468	18.2	96,295	66,641
Global equities	2,288,216	19.0	2,722,977	1,853,455
Index linked bonds	197,030	8.9	214,566	179,494
Pooled fixed interest bonds	66,872	7.5	71,887	61,857
Multi asset credit	389,050	7.8	419,396	358,704
Property	267,510	15.5	308,974	226,046
Cambridge and Counties Bank	69,700	4.2	72,600	66,800
Alternatives	809,670	24.0	1,003,991	615,349
Cash and other investment balances	41,744	0.3	41,869	41,619
Total Assets	4,211,260		4,952,555	3,469,965

31-Mar-22	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-22	Change	Increase	Decrease
	£000		£000	£000
UK equities	91,264	19.9	109,426	73,102
Overseas equities	2,385,060	20.1	2,864,457	1,905,663
Global pooled equities	210,791	9.2	230,184	191,398
Index linked bonds	65,700	8.1	71,022	60,378
Pooled fixed interest bonds	390,830	7.4	419,751	361,909
Property	301,637	15.0	346,883	256,391
Alternatives	799,689	23.7	989,215	610,163
Cash and Other investment balances	42,729	0.3	42,857	42,601
Total Assets	4,287,700		5,073,795	3,501,605

Notes to the Pension Fund Accounts (continued)

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out to the right. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-22	Asset Type	31-Mar-23
£000		£000
19,850	Cash and cash equivalents	11,448
8,027	Cash balances	13,912
210,791	Index-linked securities	197,030
456,530	Fixed interest securities	455,922
695,198	Total	678,312

Exposure to interest rate risk	Asset values 31-Mar-23 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	11,448	11,448	11,448
Cash balances	13,912	13,912	13,912
Index-linked securities	197,030	199,000	195,060
Fixed interest securities	455,922	460,481	451,363
Total change in assets available	678,312	684,841	671,783

Exposure to interest rate risk	Asset values 31-Mar-22 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	19,850	19,850	19,850
Cash balances	8,027	8,027	8,027
Index-linked securities	210,791	212,899	208,683
Fixed interest securities	456,530	461,095	451,965
Total change in assets available	695,198	701,871	688,525

Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2022-23		
	£000	£000	£000
Cash deposits, cash and cash equivalents	1,025	1,035	1,015
Index-linked securities	994	1,004	984
Fixed interest securities	6,689	6,756	6,622
Total	8,708	8,795	8,621

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2021-22		
	£000	£000	£000
Cash deposits, cash and cash equivalents	29	29	29
Index-linked securities	780	788	772
Fixed interest securities	1,950	1,970	1,931
Total	2,759	2,787	2,732

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Investment Sub Committee and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The Fund partially hedges its currency exposures on equity investments by transferring into currency hedged share classes of its passive equity funds.

Notes to the Pension Fund Accounts (continued)

Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.9% (the 1 year expected standard deviation). A 9.9% (31 March 2022: 9.5%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 9.9% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at	Potential market movement	Value on increase	Value on decrease
	31-Mar-23			
	£000	£000	£000	£000
Overseas equities - Hedged	513,465	0	513,465	513,465
Overseas equities - Unhedged	1,774,751	175,700	1,950,451	1,599,051
Overseas fixed income	455,922	45,136	501,058	410,786
Overseas cash fund	11,941	1,182	13,123	10,759
Total	2,756,079	222,018	2,978,097	2,534,061

Assets exposed to currency risk	Value at	Potential market movement	Value on increase	Value on decrease
	31-Mar-22			
	£000	£000	£000	£000
Overseas equities - Hedged	536,846	0	536,846	536,846
Overseas equities - Unhedged	1,848,214	175,580	2,023,794	1,672,634
Overseas fixed income	456,530	43,370	499,900	413,160
Overseas cash fund	23	2	25	21
Total	2,841,613	218,952	3,060,565	2,622,661

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

Notes to the Pension Fund Accounts (continued)

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2023 was £25.4m (31 March 2022: £27.8m). This was held with the following institutions:-

	Rating	31-Mar-22 £000	31-Mar-23 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	AAAm	1,249	1
Bank deposit account			
Barclays Bank	A-1	34	0
NatWest Bank	A-2	7,993	13,912
Bank current accounts			
Northern Trust custody accounts	A-1+	18,601	11,447
Total		27,877	25,360

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2023 the value of illiquid assets was £1,147m, which represented 27.2% of the total Fund assets (31 March 2022: £1,101m, which represented 25.7% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2023 are due within one year.

d) Refinancing risk

A key risk for a Pension Fund is that it may be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

Notes to the Pension Fund Accounts (continued)

19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation will take place as at 31 March 2025 and will be published in 2026.

The key elements of the funding policy are:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient Funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent Funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2022 actuarial valuation, the Fund was assessed as 125% funded (100% at the March 2019 valuation). This corresponded to a surplus of £860m (2019 valuation: deficit of £11m) at that time.

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.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2022 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate		
1 April 2023 to 31 March 2026	2023-2024	2024-2025	2025-2026
18.4%	£16,449,000	£14,485,000	£13,144,000

The Primary rate above includes an allowance of 0.8% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.4% of pensionable pay. Full details of the contribution rates payable can be found in the 2022 actuarial valuation report and the funding strategy statement on the Fund's website.

Notes to the Pension Fund Accounts (continued)

Basis of valuation

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

Assumption	31-Mar-19	31-Mar-22
Price Inflation (CPI)/ Pension increases	2.3%	2.7%
Pay increases	2.8%	3.2%
Discount rate	4.1%	4.9%

Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Assumed life expectancy at age 65	Active and Deferred Members	Active and Deferred Members	Current Pensioners	Current Pensioners
	Male	Female	Male	Female
2019 valuation	22.7	25.5	22.0	24.0
2022 valuation	22.8	26.1	22.0	24.6

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

Other demographic valuation assumptions:

- a) **Retirements in ill health** - Allowance has been made for ill-health retirements before Normal Pension Age.
- b) **Withdrawals** - Allowance has been made for withdrawals from service.
- c) **Retirement age** - The earliest age at which a member can retire with their benefits unreduced
- d) **Death in Service** - Allowance has been made for death in service.
- e) **Promotional salary increases** – Allowance has been made for promotional salary increases.
- f) **Family details** - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.
- g) **Commutation** - 51% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits.
- h) **50:50 option** - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

Notes to the Pension Fund Accounts (continued)

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31-Mar-22		31-Mar-23
£m		£m
-5,536	Present value of promised retirement benefits	-3,953
4,305	Fair value of scheme assets (bid value)	4,232
-1,231	Net (Liability) / Asset	279

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

31-Mar-22 % p.a.	Assumption	31-Mar-23 % p.a.
3.20%	Inflation/pension increase rate assumption	2.95
3.70%	Salary increase rate	3.45
2.70%	Discount rate	4.75

Notes to the Pension Fund Accounts (continued)

21. CURRENT ASSETS

31-Mar-22	31-Mar-23
£000	£000
Debtors:	
2,602 Contributions Due – Members	2,007
8,081 Contributions Due – Employers	5,076
5,095 Sundry Receivables	5,292
15,778	12,375
8,027 Cash Balances	13,912
23,805	26,287

22. CURRENT LIABILITIES

31-Mar-22	31-Mar-23
£000	£000
5,146 Sundry Payables	4,892
927 Benefits Payable	859
6,073	5,751

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-22	31-Mar-23
£000	£000
8,629 Prudential	8,489
320 Utmost	275
8,949	8,764

Total contributions of £735K (2021-22: £663K) were paid directly to Prudential during the year. No new contributions were paid to Utmost during the year, as it is a closed arrangement.

24. AGENCY

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

31-Mar-22	31-Mar-23
£000	£000
3,418 Unfunded pensions	3,377
3,418	3,377

Notes to the Pension Fund Accounts (continued)

25. RELATED PARTY TRANSACTIONS

Cambridgeshire County Council

The Cambridgeshire County Council Pension Fund is administered by Cambridgeshire County Council. Consequently there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.9m (2021-22: £2.5m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £31.7m, excluding Local Education Authority schools, to the Fund in 2022-23 (2021-22: £29.1m). At 31 March 2023 there was £7.1m (31 March 2022: £7.2m) due to the Fund by the Council.

Governance

No members of the Pension Fund Committee declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme. However, the following members are a member of the scheme themselves;

Matthew Pink and John Walker.

The following member are on the Board of an employer body in the Pension Fund:

Cllr Sharp, Cllr Boden and Lee Phanco

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pension Fund Committee are required to declare their interests at each meeting.

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). As the Fund has no controlling interest in the Bank and it is included within the Fund's financial statements as a minority interest. Each shareholder is entitled to appoint one shareholder Non Executive Director to the Board of CCB. The Fund is represented by an external party to the Pension Fund (See Note 5).

ACCESS Pool

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pool in response to the Government's LGPS reform agenda. On 31 March 2023, the Cambridgeshire Fund had invested £1,687.8m in sub-funds of the ACCESS Authorised Contractual Scheme and £884.7m in the UBS passive arrangement resulting in £2,572.5m of assets under pool management representing 61.0% of the Fund's assets.

During 2022/23 a total of £106.9k was charged to the Pension Fund by ACCESS asset pool in respect of operating costs (£95.2k in 2021/22).

25(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by West Northamptonshire Council in partnership with Cambridgeshire County Council. The Head of Pensions reports directly to Assistant Director of Finance at West Northamptonshire Council, whose costs are reported in the West Northamptonshire Council statement of accounts. Other key personnel include the Cambridgeshire Section 151 Officer, who is Treasurer to the Fund. The Section 151 Officer is remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from the proportion of costs relating to these services to the Fund.

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding contractual commitments at 31 March 2023 totalled £313.8m (31 March 2022: £304.3m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between three and fifteen years from the date of each original commitment.

Twelve admitted body employers in the Cambridgeshire Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default, and usually only in the event of premature cessation.

Glossary

ACCRUAL An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

ACTUARY An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

ACS Authorised Contractual Scheme.

ADMITTED BODIES Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

BENEFICIAL OWNER The true owner of a security regardless of the name in which it is registered.

BOND Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured.

CASH EQUIVALENTS Assets which are readily convertible into cash.

CIPFA Chartered Institute of Public Finance and Accountancy

COMMUTATION Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

CONTINGENT ASSETS AND LIABILITIES Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

CONVERTIBLE Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts which convert into other government stock.

COUPON The regular payment made on bonds.

CURRENT ASSETS Short-term assets such as inventories, receivables and bank balances.

CURRENT LIABILITIES Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

CUSTODIAN An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

DEFERRED PENSION BENEFIT A pension benefit which a member has accrued but is not yet entitled to receive.

DEFICIT An outcome as a result of taking away all expenses from income. Additionally, the Fund is in deficit when the liabilities are larger than assets.

DERIVATIVE A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

DIVIDEND The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

EQUITIES Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

FINANCIAL INSTRUMENTS Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

FIXED INTEREST CORPORATE BOND A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum.

FTSE-100 INDEX The main UK index used to represent the approximate price movements of the top 100 shares.

Glossary (continued)

FTSE All Share Index Summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

FUTURES Instruments which give a buyer the right to purchase a commodity at a future date.

GMP Guaranteed Minimum Pension.

HEDGE To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

IDRP Internal Dispute Resolution Procedures

INDEX LINKED Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

INTEREST YIELD The annual coupon on a bond divided by the price of a bond which is quoted without accrued interest.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

ISC Investments Sub-Committee.

LOAN STOCK Unsecured bonds, which may be convertible if they have a warrant attached.

LPB Local Pension Board.

OFFER PRICE The price at which market makers will sell stock.

ORDINARY SHARES 'A' Shares which confer full voting and dividend rights to the Owner.

PENSION STRAIN Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

PFC Pension Fund Committee.

PLSA Pensions and Lifetime Savings Association.

PORTFOLIO A collection of investments. This can refer to the investments managed by a particular Investment Manager, or to describe the whole Fund's investments.

RAG Red, Amber and Green.

RELATED PARTY A person or an organisation which has influence over another person or organisation.

SAB Scheme Advisory Board.

SCHEDULED BODIES Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

STOCK Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

SURPLUS An outcome as a result of taking away all expenses from income. Additionally, the Fund is in surplus when the assets are larger than liabilities.

TRANSFER VALUES Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

TREASURY MANAGEMENT A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

UNFUNDED Pension benefits not funded by the Pension Fund. Benefits are fully reclaimed from the employer bodies.

UNIT TRUST An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Investment manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

WARRANTS Long dated options warrants give the holder the right to buy/sell a specified quantity of a particular stock, or any other asset, at a fixed price on or before a specified date.