



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

# Contents

## 1. PREFACE

Chair's Foreword	<a href="#">Page 3</a>
Statement of Responsibilities	<a href="#">Page 4</a>
Scheme Management, Advisors and Partners	<a href="#">Page 5</a>

## 2. SCHEME ADMINISTRATION

Pension Fund Administration	<a href="#">Page 7</a>
Membership	<a href="#">Page 7</a>
Scheme Administration Tools	<a href="#">Page 7</a>
Scheme Framework	<a href="#">Page 8</a>
Committee and Board Membership	<a href="#">Page 10</a>
Policies and Strategy Statements	<a href="#">Page 11</a>

## 3. MANAGEMENT AND FINANCIAL PERFORMANCE

The Team	<a href="#">Page 12</a>
Complaints and Appeals	<a href="#">Page 12</a>
Managing Decision Making	<a href="#">Page 13</a>
Risk Management	<a href="#">Page 14</a>
Financial Performance	<a href="#">Page 15</a>
Performance Indicators	<a href="#">Page 16</a>
Contributors to the Fund	<a href="#">Page 18</a>

## 4. INVESTMENT POLICY AND PERFORMANCE

Investment Policy	<a href="#">Page 30</a>
Pooling	<a href="#">Page 31</a>
Asset Allocation	<a href="#">Page 33</a>
Investment Performance	<a href="#">Page 35</a>
TCFD Reporting	<a href="#">Page 37</a>
Investment Consultants Annual Review	<a href="#">Page 42</a>

## 5. ACTUARIAL INFORMATION

Report by Actuary	<a href="#">Page 47</a>
-------------------	-------------------------

## 6. AUDIT OPINION

Report by Auditors	<a href="#">Page 50</a>
--------------------	-------------------------

## 7. PENSION FUND ACCOUNTS

Pension Fund Account and Notes	<a href="#">Page 53</a>
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## 8. GLOSSARY

Glossary of Terms	<a href="#">Page 85</a>
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## Appendix A – ACCESS Annual Report

# Chair's Foreword

I am delighted to introduce the Cambridgeshire Pension Fund Annual Report and Statement of Accounts for 2022-23. Our scheme membership grew to over 97,000 active, pensioner, and deferred members, reflecting the importance placed on the valuable pension benefits provided by the Fund.

The Fund investment return for the year was -2.8%, with net assets falling from £4.305bn in the prior year to £4.232bn.

This year we also carried out a valuation of the Fund. We complete this activity every three years to make sure there's enough money to pay members' pensions. This is a major project for the Fund with the funding position assessed and new contribution rates set for all scheme employers. This project includes data collection and cleansing activities, employer engagement, risk management and policy reviews. As part of the valuation exercise we revised a major policy on how we calculate the funding position for exiting employers, reducing sensitivity to market conditions, including the impact of the value of Government bonds, on the calculation.

The Fund's funding level at the 2022 valuation was 125%, the following changes have been made to the funds strategic asset allocation to reduce the risks faced by the Fund:

1. Reduce equity allocations by 12.5%
2. Increase fixed income by 10% and alternatives by 2.5% to provide greater exposure to inflation linked, cashflow generative assets while protecting the strong funding position.
3. Consider sustainable and impact opportunities across an expanded private markets portfolio.

Our responsible investment (RI) policy is fully integrated into our investment strategy and sets out our approach to sustainable responsible investment and our commitment to managing carbon and climate risks affecting our investments. The policy can be found on the Fund's website.

In line with our dedication to sustainability, the Fund has chosen an ambitious decarbonisation pathway for its investment portfolio. Our aim is to achieve net zero carbon emissions by 2050 or earlier, while ensuring the Fund's ability to fulfil benefit obligations remains uncompromised.

We have actively participated in the ACCESS pool, with 61% of our assets pooled as of 31 March 2023, with further assets earmarked for future pooling.

I would like to express my sincere appreciation to the Pension Fund Committee, the Investment Sub-Committee, the Local Pension Board members, the Chief Finance Officer, the Head of Pensions, and all the dedicated staff involved in the administration and management of the Cambridgeshire Pension Fund.

As we reflect on another year, we remain committed to providing excellence, transparency, and responsible stewardship. Together, we will continue to deliver outstanding service and secure the financial future of our scheme members.

Yours faithfully,



Councillor Alison Whelan

Chair of the Cambridgeshire Pension Fund Committee

# Statement of Responsibilities

## Introduction

This Annual Report and Statement of Accounts sets out the arrangements by which the Local Government Pension Scheme operates, reports changes which have taken place and reviews the investment activity and performance of the Cambridgeshire County Council Pension Fund ("Fund") during the year.

The Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom 2022-23.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after year end. The actuarial position of the Fund which takes into account these obligations is available on the Fund's website, [2022 Valuation Report](#)

## The Council's Responsibilities in respect of the Pension Fund

The Cambridgeshire County Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts which form part of the Council's Statement of Accounts

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this statement of accounts, the Chief Finance Officer has:

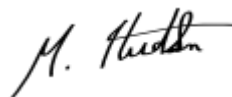
- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent; and
- Complied with the Code.

The Chief Finance Officer has also:

- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Certificate of Accounts
















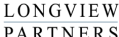











I certify that this Statement of Accounts presents a true and fair view of the financial position of the Pension Fund at 31 March 2023 and of its income and expenditure for the year 2022-23, and authorise the accounts for issue.



Chief Finance Officer  
(Section 151 Officer)  
Dated: 28-Nov-2024



# Scheme Management, Advisors and Partners

Partners	Asset Managers (Continued)
ACCESS (Pension Pool) 	Dodge & Cox Funds* 
AON (Consultants) 	Equitix Ltd 
Ernst & Young (Auditors) 	Foresight Group 
Eversheds Sutherland (Legal Advisor) 	Harbour Vest Partners (UK) 
Hymans Robertson (Actuary) 	IFM Investors 
Mercer (Investment Consultants) 	JO Hambro * 
NatWest (Bank) 	JP Morgan 
Northern Trust (Custodian) 	Link Fund Solutions (ACCESS) 
Pathfinder (Legal Advisor) 	Longview Partners* 
Sam Gervaise-Jones (Ind. Advisor)	M&G Investments* 
Squire Patton Boggs (Legal Advisors) 	Partners Group 
Asset Managers	Schroders 
Adams Street Partners 	USB Asset Management 
Allianz Global Investors 	AVC Providers
Ares Asset Management 	Prudential 
Blue Bay Asset Management 	Utmost Life & Pensions 

\*Sub-funds managed by link fund solutions in the ACCESS pool (page 31)

# Scheme Management & Key Officers

## The Key Officers of the Fund during the year were:

Mark Whitby – Head of Pensions

Ben Barlow – Investments and Fund Accounting Manager

Joanne Kent – Systems and Projects Manager

Akhtar Pepper – Operations Manager

Cory Blose – Employer Services and Communications Manager

Michelle Oakensen – Governance and Regulations Manager

Further information regarding the accounts and investments can be obtained from:

### **Ben Barlow**

Investments and Fund Accounting Manager

Pension Services

Email: [Ben.Barlow@westnorthants.gov.uk](mailto:Ben.Barlow@westnorthants.gov.uk)

Telephone: 07831 123167



Enquiries relating to management and administration should be directed to:

### **Mark Whitby**

Head of Pensions

Pension Services

Email: [Mark.Whitby@westnorthants.gov.uk](mailto:Mark.Whitby@westnorthants.gov.uk)

Telephone: 07990 556197



**Registered Pension Scheme Number: 10038487**

# Scheme Administration

## Introduction

Cambridgeshire County Council is responsible for administering the Cambridgeshire Pension Fund, which is available to employees of the County Council, organisations with a statutory right to be in the scheme (scheduled bodies) and organisations, such as charities, which the County Council has admitted under its discretionary powers (admitted bodies). As well as organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS).

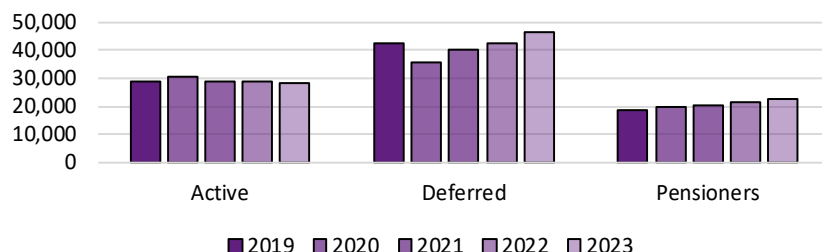
The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enrol eligible employees, and every three years re-enrol anyone who opts out of the scheme.

A shared service partnership between Cambridgeshire County Council and West Northamptonshire Council provides pension administration services to the Cambridgeshire Pension Fund.

## Membership

Membership of the Fund increased by 4.9% from the previous year.

On 31 March 2023 there were 28,067 active, 46,666 deferred and 22,414 pensioner members in the Fund. The deferred figure is inclusive of 11,412 open cases that may change status (undecided leavers).



## Pension Fund Administration

There are 83 staff members (79.05 full time equivalent) within the Pensions Team, providing all aspects of service to both the Cambridgeshire and Northamptonshire Funds, with an average staff to member ratio of 1:2,250 (total members for Northamptonshire and Cambridgeshire Pension Funds divided by full time equivalent staff members).

Internal audit perform risk based audit procedures to assess the effectiveness and efficiency of administration services.

The requirements of the General Data Protection Regulations (GDPR) are recognised and feature in the design of the Fund's administration processes. The Fund has in place a GDPR compliant privacy notice, conducts privacy impact assessments for all new activities involving personal data and has in place a Register of Processing Activities and Information Asset Register.

## Scheme Administration Tools

The Pensions website contains detailed information for all the Fund's stakeholders and has dedicated pages for both members and employers. There is a comprehensive suite of forms and factsheets for members, prospective members and employers.

Support for members and employers can be accessed via the website or by contacting the Helpline on 01604 366537.

[Member Self Service](#) is an online platform which allows members to securely access their records, amend their personal information, perform benefit projections and view their annual benefits statement.

i-Connect is a system used which allows employers to securely upload monthly payroll data into the pension database, improving efficiency and accuracy of data and ensuring timely record maintenance.

# Scheme Administration (continued)

## Scheme Framework

The Local Government Pension Scheme is a statutory funded pension scheme. The operation of the Cambridgeshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) which have been made within the context of the primary legislation of the Public Service Pensions Act 2013.

The Scheme covers eligible employees of the County Council, the Police Authority, Police and Crime Commissioner, Combined Authority, District and Borough Councils and Academies within the county area other than teaching staff, police officers and fire-fighters for whom separate statutory arrangements exist. A number of other bodies are also members of the scheme.

Employers' contribution rates are set by the Fund's Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the Fund. The last valuation took place as at 31 March 2022. The results of the valuation were a funding level of 125% and an average primary employer contribution rate of 18.4% (31 March 2019: 18.4%). The primary rate includes an allowance of 0.8% (31 March 2019: 0.6%) of the pensionable pay for the Fund's expenses. The average employee contribution rate is 6.4% (31 March 2019: 6.3%) of pensionable pay

On 1 April 2014, the new Local Government Pension Scheme 2014 came into effect, allowing more flexibility around paying into the scheme and drawing benefits in comparison to the 2008 scheme. Normal pension age is linked to the state pension age but benefits can be drawn earlier or later, between age 55 and 75. The normal retirement age is the age a member can access their pension in full; if it is accessed before that date benefits will usually be reduced and if accessed after normal retirement age benefits may increase. All service built up to 31 March 2014 in the LGPS is fully protected and will continue to be based on a member's final year annual pay when the individual leaves the LGPS (2008 scheme).

Benefits built up before April 2014 also retain their protected Normal Pension Age, which for most members is 65, although certain members have a retirement age of 60 for all or part of their membership. There is an additional protection known as the 'underpin' for members who were active on 31 March 2012 and were within ten years of their Protected Normal Pension Age on 1 April 2012. These members will get a pension at least equal to the pension they would have received in the LGPS had it not changed on 1 April 2014, subject to meeting certain criteria.

In December 2018 the Court of Appeal ruled against the Government in two linked cases relating to the Judicial Pension Scheme and the Firefighters' Pension Schemes. This ruling is generally referred to as the McCloud judgment, or simply McCloud.

In essence, the Court held that the transitional protections afforded to older members of these schemes when their reformed schemes were introduced in 2015 constituted unlawful age discrimination.

The Government sought permission to appeal to the Supreme Court and it was announced on 27 June 2019 that the application had been refused.

A written ministerial statement followed on 15 July 2019 to confirm that, as transitional protection was provided in all public service schemes upon their reform, the McCloud judgment had implications for all those schemes, including the LGPS in England and Wales.

Primary legislation required in relation to the McCloud remedy has now been put in place as The Public Service Pensions and Judicial Offices Bill received Royal Assent in March 2022, becoming the Public Service Pensions and Judicial Offices Act 2022.

While there was a DLUHC consultation in 2020 on proposed amendments to the LGPS Regulations necessary to remedy the specific unlawful age discrimination in the LGPS, no actual amendments have been made as yet. A consultation took place in Summer 2022 on the proposals to extend the current underpin to younger members and remove the requirement to have an immediate entitlement to benefits on leaving to qualify for underpin protection.



# Scheme Administration (continued).

The below table compares the 2008 and the 2014 schemes.

Schemes	LGPS 2008	LGPS 2014
<b>Basis of Pension</b>	Final Salary	Career Average Revaluated Earnings (CARE)
<b>Accrual Rate</b>	1/60 <sup>th</sup>	1/49 <sup>th</sup>
<b>Revaluation Rate</b>	Based on Final Salary	Consumer Prices Index (CPI)
<b>Pensionable Pay</b>	Pay excluding non contractual overtime and non pensionable additional hours	Pay including non-contractual overtime and additional hours
<b>Employee Contribution Rates</b>	Between 5.5% and 7.5%	Between 5.5% and 12.5%
<b>Contribution Flexibility</b>	No	Option to pay 50% contributions for 50% of pension benefit
<b>Normal Pension Age</b>	65	Equal to individuals state pension age
<b>Lump Sum Trade Off</b>	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
<b>Death in Service Lump Sum</b>	3 x Pensionable Pay	3 x Pensionable Pay
<b>Death in Service Survivor Benefits</b>	1/160 <sup>th</sup> accrual based on Tier 1 ill health pension enhancement	1/160 <sup>th</sup> accrual based on Tier 1 ill health pension enhancement
<b>Ill Health Provision</b>	<p>Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65)</p> <p>Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age (65)</p> <p>Tier 3 – Temporary payment of pension for up to 3 years</p>	<p>Tier 1 – Immediate payment with service enhanced to Normal Pension Age</p> <p>Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age</p> <p>Tier 3 – Temporary payment of pension for up to 3 years</p>
<b>Indexation of Pension in Payment</b>	CPI (RPI for pre-2011 increases)	CPI
<b>Vesting Period</b>	3 months	2 years

# Scheme Administration (continued)

## Pension Fund Committee and Local Pension Board membership

The following table shows the attendance of Committee and Board members at applicable Pension Fund Committee, Investment Sub-Committee and Local Pension Board meetings during 2022-23, training undertaken in year, including; Training days, Conferences and Strategic Workshops.

Councillor/Member Name	Committee/Board	Meetings Attended	Training Undertaken (In person and virtual)
Cllr Whelan	Pension Committee Investment Sub Committee	5 meetings out of 5 4 meetings out of 4	9 sessions attended
Cllr Rae	Pension Committee Investment Sub Committee	5 meetings out of 5 4 meetings out of 4	10 sessions attended
Cllr Sharp	Pension Committee Investment Sub Committee	5 meetings out of 5 4 meetings out of 4	6 sessions attended
Cllr Costello	Pension Committee Investment Sub Committee	4 meetings out of 5 4 meetings out of 4	8 sessions attended
Cllr Boden	Pension Committee Investment Sub Committee	2 meetings out of 5 1 meetings out of 4	2 sessions attended
Lee Phanco	Pension Committee Investment Sub Committee	4 meetings out of 5 4 meetings out of 4	4 sessions attended
John Walker	Pension Committee Investment Sub Committee	4 meetings out of 5 4 meetings out of 4	8 sessions attended and 1 external conference
Cllr Dew	Pension Committee	0 meeting out of 1 (appointed Feb 23)	1 session attended
Cllr Murphy	Pension Committee	2 meetings out of 4 (resigned Feb 23)	5 sessions attended
Cllr Prentice	Pension Committee	1 meeting out of 5	1 session attended
Cllr Coles	Pension Committee	5 meetings out of 5	5 sessions attended
Matthew Pink	Pension Committee	2 meetings out of 5	3 sessions attended
Cllr Slatter	Pension Fund Board	3 meetings out of 4	3 sessions attended
Cllr King	Pension Fund Board	2 meetings out of 4	3 sessions attended
Cllr Payne	Pension Fund Board	4 meetings out of 4	6 sessions attended and 1 external conference
Barry O'Sullivan	Pension Fund Board	4 meetings out of 4	4 sessions attended and 1 external conference
Val Limb	Pension Fund Board	3 meetings out of 4	3 sessions attended and 1 external conference
Martin Dachs	Pension Fund Board	2 meetings out of 4	3 sessions attended
Cllr Atkins (substitute)	Pension Committee	2 meetings out of 5	
Cllr Batchelor (substitute)	Pension Committee	1 meeting out of 5	
Liz Brennan (substitute)	Pension Committee	1 meeting out of 5	

# Scheme Administration (continued)

## Policies and Strategy Statements

Information about the Fund's policies and procedures can be found on the Fund's website:

[Cambridgeshire Pension Fund Key Documents](#)

### The following policies were in place during the financial year

- Administering Authority Discretions
- Administration Strategy
- Admitted Bodies Scheme Employers and Bulk Transfers Policy
- Annual Business Plan & Medium Term Strategy
- Anti-Fraud and Corruption Policy
- Cambridgeshire Pension Fund Training Strategy
- Cash Management Strategy
- Cessations Policy
- Climate Action Plan
- Communications Plan
- Communications Strategy
- Data Improvement Policy and Plan
- Employer Data Retention Policy
- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Investment Strategy Statement
- Overpayment of Pension Policy
- Payment of Pension Contributions Policy
- Reporting Breaches of the Law to the Pensions Regulator Policy
- Risk Register
- Risk Strategy
- The Fund also has a Cyber Strategy, however this is not published due to its sensitive nature

### Statement/Policy Changes in 2022-23

The following strategies and policies have been reviewed and updated accordingly in 2022-23:

- Administering Authority Discretions
- Annual Business Plan and Medium-Term Strategy
- Anti-Fraud and Corruption Policy
- Cessations Policy
- Climate Action Plan
- Communications Plan
- Communications Strategy
- Conflicts of Interest Policy
- Data Improvement Policy
- Data Improvement Plan
- Funding Strategy Statement
- Investment Strategy Statement
- Overpayment of Pension Policy
- Reporting Breaches of the Law to the Pensions Regulator
- Risk Register
- Risk Strategy

# Management and Financial Performance

## The Team

The Pensions Service is based in Northampton and consists of the following teams:

- **Accounting** – record and reconcile contributions paid into the Fund and accounts for fund expenses. Provide financial monitoring and reporting of functions such as debt management and cash requirements and investment accounting.  
Email: [PenContributions@westnorthants.gov.uk](mailto:PenContributions@westnorthants.gov.uk)
- **Employers** – contact point for employers of the scheme and those wanting to join. Deliver training sessions to employers and payroll providers covering the systems available to assist them to participate efficiently in the Fund.  
Email: [PenEmployers@westnorthants.gov.uk](mailto:PenEmployers@westnorthants.gov.uk)
- **Governance** – support all Committees in governing the Fund effectively, develop and monitor policies and practices to improve data quality and ensure regulatory compliance.  
Email: [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk)
- **Investments** – oversee the governance of Fund assets and support the Investment Sub-Committee.  
Email: [PenInvestments@westnorthants.gov.uk](mailto:PenInvestments@westnorthants.gov.uk)
- **Operations** – maintain member records, calculate benefits and pensions payable.  
Email: [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk)
- **Projects** – is responsible for delivering a wide range of projects that are required to be delivered across the service.  
Email: [PenProjects@westnorthants.gov.uk](mailto:PenProjects@westnorthants.gov.uk)
- **Systems** – ensure internal systems are operating efficiently and provide support to maintaining accurate member records.  
Email: [PenSystems@westnorthants.gov.uk](mailto:PenSystems@westnorthants.gov.uk)

## Complaints

Should you have a complaint about the service, we will do our best to put things right. To access support, please contact [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk), telephone 01604 366537, or write to: Pensions Service, West Northamptonshire Council, The Guildhall, St Giles Square, Northampton, NN1 1DE

## Appeals

The LGPS regulations provide Internal Dispute Resolution Procedures (IDRP), details of which can be accessed via [the website](#).

Stage 1 disputes are decided by Head of Pensions if the complaint concerns an administering authority decision, or by an adjudicator appointed by the Employer if an Employer decision.

At Stage 2, the complaint is considered by Cambridgeshire County Council's Monitoring Officer, and if the complainant is still unhappy with the decision they may formally refer the case to The Pensions Ombudsman.

At any stage a scheme member may contact The Pensions Ombudsman for assistance with their complaint, but for a formal complaint to be raised with them both Stages of the IDRP would normally need to be completed first. More information can be found on [The Pensions Ombudsman website](#).

The following formal disputes have arisen and/or been resolved during the year:

Nature of dispute	Stage 1	Stage 2
Award of Pension Credit lower than estimated value.	Partially Upheld	N/A
Delays in paying AVC funds resulting in lower valuation of funds.	Upheld	N/A
Challenge in allowing a historic transfer of pension rights to an overseas scheme in 2015.	Not upheld	N/A
Delays in paying AVCs causing anxiety and stress.	Upheld	N/A
Refusal to pay 50% survivor's pension as was a post retirement marriage therefore benefits based on post 1978 service.	Not Upheld	In progress
Challenging Tier 3 ill health entitlement awarded.	(employer)	Not Upheld
Refusal of employer's decision not to award ill-health pension from Active status.	(employer)	Not Upheld

# Management and Financial Performance (continued)

## Managing Decision Making

Cambridgeshire County Council has established a Pension Fund Committee (PFC) and Investment Sub-Committee (ISC) having strategic and operational investment decision making powers, respectively.

Membership of both bodies consist of elected members, and non-elected employer and scheme member representatives. All members of the ISC sit on the PFC.

The PFC's business covers all Fund matters with the exception of non-strategic investment issues, which are delegated to the ISC. Officers across the operations, investment, transactions, corporate and governance functions support the PFC and ISC as required. All meetings of the PFC and ISC are duly minuted.

PFC members and ISC members are required to attain a desired level of skills and knowledge, to ensure decisions being made on behalf of Cambridgeshire County Council Pension Fund are made with full understanding of the impact and therefore mitigating the risk of unfounded decisions.

The Committee members must at all times be conscious of their accountability to stakeholders. The PFC is responsible for determining the nature and extent of any significant risks taken on by the Administering Authority in the pursuit of its strategic objectives. Risk management should be dynamic and comprehensive, considering operational, reputational and environmental, social and governance (ESG) risks in addition to financial risks.

The Cambridgeshire Full Council has acknowledged the establishment of the ACCESS Joint Committee (AJC) delegating powers to this body in response to the Government's pooling agenda. The Chair of the PFC represent the Fund on the AJC, supported by Fund officers working in the ACCESS Officers Working Group (OWG).

The Local Pension Board (LPB) was established on 1 April 2015, providing an additional layer of governance for the Fund. The LPB is non-decision making but has the responsibility of assisting the Administering Authority to:

- Secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- Ensure the effective and efficient governance and administration of the LGPS.

The LPB has provided a separate annual report of its activities to Council for this financial year.



# Management and Financial Performance (continued)

## Risk Management

The Cambridgeshire Pension Fund has both a risk strategy and a risk register in place to identify, evaluate, mitigate and monitor risks associated with the activities that the Fund carries out. Risk is managed through regular reporting to both the Pension Fund Committee and Local Pension Board. Identified risks are recorded in the Risk Register, a copy of which can be found at: [Risk Register](#)

The aim of the Risk Register is to ensure that an informed decision can be made on whether a risk can, or should be accepted. Risk appetite is informed by an understanding of any existing controls and will also be influenced by the expected reward or outcome. Once risks have been identified the Fund assesses the impact and likelihood of a risk to enable effective decision making.

Risks recorded in the Risk Register are linked and managed in line with the Pension Fund objectives to ensure relevance and are reviewed by the Pension Fund Committee twice a year and the Local Pension Board quarterly. New risks are therefore identified promptly and current risks are monitored on a regular basis, with risk ratings revised where necessary. The accompanying Risk Strategy is reviewed on an annual basis to ensure it remains relevant to support the Risk Register.

Third party risks are managed through the Risk Register and associated policies, such as the Payment of Pension Contributions Policy. Mitigations are put in place to minimise third party risks and, in particular, the risks associated with Scheme Employers and effective covenant monitoring.

## Investment Risk

The Fund's Investment Strategy Statement, which is reviewed annually, sets out the Fund's investment strategy which incorporates evaluation of key investment risks.

In addition the Statement of Accounts section of this document, provides further information about Investment risks and how they apply to the Investment Assets held by the Fund.

There are many risks inherent in investments. The Fund addresses these in the following ways:

**Market Risk** – investments will reduce in value due to fluctuations in prices, interest rates, exchange rates and credit spreads.

The Fund invests in different markets across the world and in different types of investment to reduce the risk of the portfolio reducing in value due to adverse market conditions and to smooth returns.

**Price Risk** – investments may be incorrectly valued due to price fluctuations or estimates used in pricing.

Investments are valued at published prices, where available. Investments that are not sold on a market are valued by specialist Investment Managers. Notes 16, 17 and 18 in the Statement of Accounts give information about how investments are valued and give an indication of the value of investments subject to an element of estimation.

At year end all Investment Managers, including Link Fund Solutions who are the Operator of the ACCESS pool (page 31), are required to provide ISAE 3402 Service Organisation Control Reports which are made available to external audit.

## Risk Assurance

The objective of an internal audit is to educate management and employees about how they can improve business operations and efficiencies while giving reliability and credibility to the financial reports that go to Pension Fund Committee and the Local Pension Board. Internal audit awarded the Fund substantial assurance following its testing within the year.

# Management and Financial Performance (continued)

## Financial Performance

The financial performance of the Fund is monitored against budgeted performance on a regular basis throughout the year by the Pension Fund Committee.

Performance Indicators	2022-23 Budget £000	2022-23 Actual £000
Contributions	135,000	148,915
Transfers in from other funds	8,000	18,402
<b>Total Income</b>	<b>143,000</b>	<b>167,317</b>
Benefits payable	-121,000	-123,517
Payments to and for leavers	-10,000	-11,281
<b>Total Benefits</b>	<b>-131,000</b>	<b>-134,798</b>
<b>Surplus of contributions over benefits</b>	<b>12,000</b>	<b>32,519</b>
Management Expenses		
Administrative Costs	-2,674	-2,868
Investment Management Expenses (Invoiced)	-981	-822
Investment Management Expenses (Non-Invoiced)	0	-20,146
Oversight and Governance Costs	-900	-1,058
<b>Total Management Expenses</b>	<b>-4,555</b>	<b>-24,894</b>
<b>Total Income less Expenses</b>	<b>7,445</b>	<b>7,625</b>
Investment Income	30,000	52,598
Taxes on Income	0	0
Profit/(loss) on disposal and changes in market value of investments	169,000	-133,859
<b>Net return on investments</b>	<b>199,000</b>	<b>-81,261</b>
<b>Net increase/(decrease) in assets during the year</b>	<b>206,445</b>	<b>-73,636</b>

Management expenses per active member are shown below:

	2021-22	2022-23
Active Members	28,911	28,067
	£	£
Administrative Cost	90.00	102.18
Investment Management Expenses	765.45	747.07
Oversight and Governance Costs	31.16	37.70

## Variance Analysis

- Contributions and benefits are in line with current membership numbers.
- Transfers in and payments out are demand led.
- Investment Management expenses budget is understated as this does not include a forecast for non-invoiced expenses which are pooled fees deducted from market value. This will be included in the 2023-24 budget.
- The 2022-23 budget for profit/loss on disposal and changes in market value of investments assumed the actuarial target would be achieved. The actual market experience is explained in the investments consultant's review (page 42).

Details of non-investment assets and liabilities of the Fund can be found in the Statement of Accounts in Notes 21 to 22.

# Management and Financial Performance (continued)

## Performance Indicators

The Fund has developed a number of Key Performance Indicators (KPIs) to monitor service delivery, these KPIs are reviewed internally on a monthly basis to monitor and inform where delivery is met or remedial action is required. The Pension Fund Committee receives quarterly performance updates within a Business Plan update.

The below table shows the number and trend of the top 7 types of scheme administration cases demonstrating both workload and efficiency in meeting internal KPI and external legal requirements.

Key Performance Indicators	Cases completed in the year	Cases completed within KPI target	% of Cases completed within KPI target
<b>Deaths</b> – initial letter acknowledging death of member <i>KPI: 5 working days, Legal requirement: 2 months</i>	582	582	100
<b>Deaths</b> – letter notifying amount of dependant's pension <i>KPI: 5 working days, Legal requirement: 2 months</i>	359	354	99
<b>Estimates</b> – letter notifying estimate of retirement benefits to employee <i>KPI: 10 working days, Legal requirement: 2 months</i>	604	576	95
<b>Retirements</b> – process and pay pension benefits on time <i>KPI: 5 working days, Legal requirement: 2 months</i>	517	482	93
<b>Deferment</b> – calculate and notify deferred benefits <i>KPI: 15 working days, Legal requirement: N/A</i>	2,626	2,482	95
<b>Transfers in</b> – Letter detailing transfer in (actual) <i>KPI: 10 working days, Legal requirement: 2 months</i>	302	297	98
<b>Transfers out</b> – letter detailing transfer out (quote) <i>KPI: 10 working days, Legal requirement: 3 months</i>	591	585	99

# Management and Financial Performance (continued)

## Contributions

The Fund works closely with employers to collect contributions on time. The following table shows the amount of regular employee and employer contributions paid during the year and the value and percentage of which were paid both on time and after the deadline of the 19th day of the month following deduction.

Contributions	Total Paid in 2022-23 £000	Total Paid On Time £000	% Paid On Time	Total Paid Late £000	% Paid Late
Employer	115,791	115,510	99	281	1
Employee	33,124	33,045	99	79	1
<b>Total</b>	<b>148,915</b>	<b>148,555</b>	<b>99</b>	<b>360</b>	<b>1</b>

The Fund did not apply any additional charges or levies in respect of contributions received late, and no reports were made to The Pensions Regulator in respect of late contributions during the year.

## Recovery of Overpayments of Pension

The Fund participates in the National Fraud Initiative which is a biennial process. The necessary recoveries arising from identified overpayments are being pursued.

Annual Pensioner Payroll (£) <sup>1</sup>	102,401,348
Total write off amount (£)	68,759
Write off amount as % of payroll	0.07%

<sup>1</sup>Excludes additional pension awarded by the employer.

The following tables show the analysis of pension overpayments that occurred during the last five years:

Year	Overpayment £	Recovered/in progress £	Written Off £
2018-19 <sup>2</sup>	344,153	282,908	61,245
2019-20	97,143	36,137	61,006
2020-21	19,846	4,895	14,951
2021-22	40,591	28,750	11,841
2022-23 <sup>3</sup>	102,395	33,636	68,759

<sup>2</sup>Overpayments in 2018-19 and 2019-20 appear particularly high, as in addition to usual activity, the Fund undertook a significant reconciliation project during the year in which a number of overpayments were identified.

<sup>3</sup>Overpayments in 2022-23 are high, as in addition to usual activity, the Fund undertook a Guaranteed Minimum Pension (GMP) rectification project. Overpayments identified as a result of incorrect or non-application of the GMP are automatically written off without authorisation, unless the member could have known that their pension was being paid incorrectly as a result of the non or misapplication of GMP.

Overpayments identified with a value of under £250 are automatically written off, in line with the Fund's Overpayments Policy.

# Management and Financial Performance (continued)

## Contributors to the Fund

Active Employers as at 31<sup>st</sup> March 2023

Type Of Body	Number of Active Employers
<b>Administering (AA)</b>	<b>1</b>
<b>Scheduled (S)*</b>	<b>241</b>
<b>Admitted (Ad)</b>	<b>99</b>
<b>Total</b>	<b>341</b>

\*LEA schools are included within Scheduled Bodies but not in the above figures as they belong to their responsible local authorities, and in the table below they are shown in the Body column as S\*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
(NHS) Cambridgeshire & Pboro CCG	12,729	56,317	69,046		Ad
Abbey College Academy	63,634	196,095	259,729		S
Abbotts Ripton School (CCC)	6,925	27,199	34,124		S*
ABM (Eynesbury Primary)	217	1,348	1,565	Y	Ad
ABM Catering (Brewster Avenue Infant School)	1,860	10,919	12,779		Ad
ABM Catering (Holywell)	230	917	1,147	Y	Ad
ABM Catering (Oakdale Primary School)	904	3,643	4,547		Ad
ABM Catering (St Augustine's)	1,079	4,628	5,707		Ad
ABM Catering Limited (Alderman Jacobs)	1,721	5,519	7,240		Ad
ABM Catering Limited (Heltwater Primary and Marshfields Primary School)	246	1,054	1,300		Ad
ABM Catering Limited (St John's CE Primary School (Huntingdon))	1,535	6,783	8,318		Ad

The table, left, shows employers in the fund as at the 31<sup>st</sup> March 2023, the breakdown of contributions by employer shown below will have different numbers of employers to the statement of accounts, as employers joined and left the fund throughout the year, an active or ceased column has been added to show this movement. Where contributions exist for ceased employers, this will be where prior year adjustments have been made within 2022-23, or contribution receipts recorded within the period.

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
ABM Catering Limited (The Beeches Primary and Hampton Hargate Primary)	506	2,149	2,655		Ad
ABM Catering Ltd (Great Paxton Primary School, Newton Community Primary School, Offord Primary School and Samuel Pepys School)	419	1,590	2,009	Y	Ad
Active Learning Trust (HQ)	68,793	144,335	213,128		S
Advanced Cleaning (Bur&Neth)	459	1,848	2,307		Ad
Advanced Cleaning Services (Weatheralls)	388	1,597	1,985		Ad
Alconbury C of E Primary (CCC)	19,540	76,186	95,726		S*
Alderman Jacobs Academy	49,412	161,610	211,022		S
Alderman Payne Primary (CCC)	9,766	38,953	48,719		S*
All Saints Inter Church Academy	15,466	71,342	86,808		S
All Saints' Primary School (PCC)	31,259	128,768	160,027		S*
Alliance in Partnership Limited	392	1,512	1,904	Y	Ad



# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Aramark (Cambridge Regional College)	2,687	14,048	16,735		Ad
Arbury Primary School (CCC)	20,447	79,784	100,231		S*
Arthur Mellows VC Academy	101,790	316,834	418,624		S
Ashbeach Primary School (CCC)	14,138	56,732	70,870		S*
Aspens (All Saints Inter Church Academy)	111	715	826		Ad
Aspens (Brampton Village Primary School)	197	787	984	Y	Ad
Aspens (Diamond Learning Partnership Trust)	508	2,265	2,773		Ad
Aspens (Hemingford Grey)	387	1,441	1,828	Y	Ad
Aspens (Park Street)	1,233	4,904	6,137		Ad
Aspens (Sacred Heart)	39	246	285		Ad
Aspens (St Philip's CE Prim)	530	2,119	2,649		Ad
Aspens (The Harbour School)	898	3,828	4,726		Ad
Aspens Services (Fulbourn Pri)	140	542	682	Y	Ad
Aspens Services Ltd (Cottenham VC)	1,514	4,993	6,507		Ad
Babraham CE Primary Academy	3,639	15,727	19,366		S
Balfour Beatty	2,730	-	2,730		Ad
Balsham Parish Council	672	2,628	3,300		S
Bar Hill Community Primary School	18,086	68,050	86,136		S
Bar Hill Parish Council	1,430	5,381	6,811		S
Barnabas Oley CE Primary School	9,305	37,007	46,312		S*
Barnack CE Primary School (PCC)	10,978	45,469	56,447		S*
Barrington CE Primary (CCC)	11,043	44,043	55,086		S*
Barton CE (VA) Primary School	10,683	41,274	51,957		S*
Bassingbourn Primary (CCC)	25,167	98,645	123,812		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Bassingbourn V C Academy	22,795	74,484	97,279		S
Beaupre CP School (CCC)	14,539	55,773	70,312		S*
Bellbird School (CCC)	26,581	104,817	131,398		S*
Benwick Primary School (CCC)	10,638	41,919	52,557		S*
Bewick Bridge C P School (CCC)	21,308	82,063	103,371		S*
Bishop Creighton Academy	17,671	52,801	70,472		S
Bottisham Community Primary Academy	19,723	90,038	109,761		S
Bottisham VC Academy	130,991	368,122	499,113		S
Bourn Primary Sch-Academy	10,949	36,509	47,458		S
Brampton Village School (CCC)	35,247	138,237	173,484		S*
Braybrook Primary School Academy	17,139	67,140	84,279		S
Bretton Parish Council	3,548	11,735	15,283		S
Brewster Avenue School (PCC)	17,311	73,296	90,607		S*
Brington CE Primary School (CCC)	9,736	37,761	47,497		S*
Brunswick Nursery School (CCC)	13,402	50,928	64,330		S*
Buckden CE Primary Sch-Academy	34,117	112,372	146,489		S
Burnt Fen I D B	3,466	11,463	14,929		S
Burrough Green Primary (CCC)	7,196	28,688	35,884		S*
Burrowmoor Primary Academy	28,815	100,506	129,321		S
Burwell Parish Council	1,963	6,496	8,459		S
Burwell VC Primary (CCC)	20,890	83,327	104,217		S*
Bury CE Primary School	6,946	29,020	35,966		S
Bushmead Primary School (CCC)	30,811	118,961	149,772		S*
Busy Bee Cleaning Services Ltd (St Bede's Inter-Church School)	121	570	691	Y	Ad

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Caldecote Primary School (CCC)	12,559	48,461	61,020		S*
Cambourne Parish Council	25,458	81,717	107,175		S
Cambourne Village College Academy	94,196	288,890	383,086		S
Cambridge & Peterborough NHS Foundation Trust	13,968	65,941	79,909		Ad
Cambridge BID Ltd	245	626	871		Ad
Cambridge City Council	1,850,945	4,683,089	6,534,034		S
Cambridge Meridian Academy Trust (HQ staff)	190,322	461,167	651,489		S
Cambridge Regional College	511,024	1,925,194	2,436,218		S
Cambridgeshire and Peterborough Combined Authority	367,067	822,499	1,189,566		S
Cambridgeshire Community Service NHS Trust	-	2,951,000	2,951,000	Y	Ad
Cambridgeshire County Council	7,671,284	24,027,492	31,698,776		AA
Cambs & P'boro Fire Authority	421,891	1,548,196	1,970,087		S
Cambs Chief Constable	1,939,209	6,619,760	8,558,969		S
Cambs Police & Crime Commissioner	55,211	163,923	219,134		S
Care Quality Commisson	7,729	-	7,729		Ad
Castle Camps Primary (CCC)	8,444	33,279	41,723		S*
Castle School (CCC)	100,131	380,287	480,418		S*
Castor CE Primary School (PCC)	12,323	51,525	63,848		S*
Caterlink (Active LT)	11,247	44,730	55,977		Ad
Caterlink (Anglian Learning)	437	1,734	2,171	Y	Ad
CaterLink (Diamond Learning Partnership Trust)	1,651	6,858	8,509	Y	Ad
Caterlink (Priory Park Infant School)	229	915	1,144		Ad
Caterlink (The Diamond LP)	1,001	6,170	7,171	Y	Ad
Caterlink UK Ltd (The Vine Inter-Church School)	1,028	3,998	5,026	Y	Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Cavalry Primary School	46,285	164,426	210,711		S
Caverstede Nursey School	23,987	98,563	122,550		S*
Chatteris Town Council	3,455	11,923	15,378		S
Cherry Hinton Primary (CCC)	19,920	77,145	97,065		S*
Chesterton Community College	69,198	222,596	291,794		S
Chesterton Primary Academy	12,952	43,061	56,013		S
Cheveley Primary School (CCC)	6,186	24,671	30,857		S*
Chorus Homes Group Limited	29,238	502,276	531,514		Ad
Churchill Contract Services	4	21	25	Y	Ad
City College Peterborough	204,850	726,528	931,378		S
City of Ely Council	28,818	96,789	125,607		S
City of Peterborough Academy	53,373	148,339	201,712		S
Clarion Housing Association Limited	19,413	618,854	638,267		Ad
Clarkson Infants School (CCC)	18,216	69,047	87,263		S*
CleanTec (Godmanchester)	1,087	3,950	5,037		Ad
Coates Primary School (CCC)	16,774	65,834	82,608		S*
Collections Trust	2,463	24,548	27,011		Ad
Colleges Nursery School (CCC)	16,296	63,093	79,389		S*
Colville Primary School (CCC)	22,365	86,175	108,540		S*
Comberton Academy Trust (HQ)	44,773	115,431	160,204		S
Comberton VC Academy	172,932	554,511	727,443		S
Compass (Anglian Learning Trust: Bassingbourne VC, Sawston VC and Netherhall)	649	1,927	2,576	Y	Ad
Compass (Hinchbrook)	1,666	6,451	8,117		Ad
Compass Contract Services (Netherhall)	1,638	6,610	8,248	Y	Ad

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Compass Contract Services (Staploe ET)	3,640	12,560	16,200		Ad
Conservators of the River Cam	-	107,000	107,000	Y	Ad
Coombs Catering-Leighton Prim	1,233	5,292	6,525		Ad
Coton C of E Primary School (CCC)	9,298	36,952	46,250		S*
Cottenham Primary School (CCC)	37,070	143,751	180,821		S*
Cottenham VC Academy	53,982	165,718	219,700		S
CRCC - Cambridge Rape Crisis Centre	2,321	7,854	10,175		Ad
Cromwell Academy	14,339	52,340	66,679		S
Cromwell Comm College (Academy)	91,760	387,527	479,287		S
Cross Keys Homes Ltd	21,520	127,054	148,574		Ad
Crosshall Infants Academy	39,642	132,276	171,918		S
Crosshall Juniors Academy	39,476	131,496	170,972		S
Cucina Ltd	1,258	4,209	5,467		Ad
Diocese of Ely Multi Academy Trust (DEMAT) HQ Staff	34,222	104,634	138,856		S
Discovery Primary Academy	38,693	142,252	180,945		S
Ditton Lodge Primary School	15,669	58,820	74,489		S
Dogsthorpe Academy	26,061	127,937	153,998		S
Dogsthorpe Infant School	19,949	79,445	99,394		S
Downham Feoffees Primary Academy	6,270	24,236	30,506		S
Dry Drayton Primary (CCC)	5,841	23,247	29,088		S*
Duke of Bedford School (PCC)	21,520	91,312	112,832		S*
Duxford Primary School (CCC)	15,581	61,116	76,697		S*
Earith Primary Academy	8,421	35,625	44,046		S
East Cambs District Council	401,154	1,495,857	1,897,011		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
East of England Local Government Association (EEDA/EERA)	88,314	276,529	364,843		Ad
Eastfield Inf and Nursery (CCC)	17,373	67,776	85,149		S*
Easy Clean (TDET)	1,837	10,412	12,249		Ad
Easy Clean (The Phoenix School - Phase 2 Secondary)	50	211	261	Y	Ad
Easy Clean (Upwood Primary School)	382	1,700	2,082		Ad
Easy Clean (WilliamDeYaxley)	152	615	767	Y	Ad
Easy Clean Contractors (Milton Primary School)	100	414	514	Y	Ad
Ecovert FM Ltd	1,644	-	1,644		Ad
Edwards & Blake Ltd (Coates Primary School)	404	1,616	2,020		Ad
Edwards and Blake (Godmanchester Community Education Trust)	459	1,670	2,129		Ad
Edwards and Blake (Stukeley Meadows)	620	2,482	3,102		Ad
Edwards and Blake Ltd (Bassingbourn Primary)	1,118	4,187	5,305		Ad
Elm Cof E Primary Academy	17,398	61,829	79,227		S
Elm Road Primary School	14,772	57,939	72,711		S
Elsworth CE (A) Primary School (CCC)	7,169	28,410	35,579		S*
Elton Church School (CCC)	10,000	39,790	49,790		S*
Ely (City of) College - Academy	61,423	199,685	261,108		S
Ely St John Primary (CCC)	27,042	107,500	134,542		S*
Ermine Street Church Academy	12,617	46,948	59,565		S
Ernulf Academy	44,332	136,723	181,055		S
Everyone Health Limited	2,572	9,178	11,750		Ad
Excellerate (Witchford VC)	8,395	27,391	35,786	Y	Ad

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Excellerate Services UK Ltd (Huntingdon Youth Centre)	1,158	3,685	4,843		Ad
Eye C of E Primary School (PCC)	50,297	203,285	253,582		S*
Eye Parish Council	571	2,115	2,686		S
Eynesbury CE School (CCC)	14,421	57,069	71,490		S*
Eyrescroft Primary School	32,870	137,433	170,303		S
Family Psychology Mutual	11,855	28,294	40,149		Ad
Farcet CE Primary Academy	6,873	29,747	36,620		S
Farcet Parish Council	790	2,810	3,600		S
Fawcett Primary School	36,223	137,998	174,221		S*
Fen Ditton Primary Academy	10,543	40,006	50,549		S
Fen Drayton Primary (CCC)	7,481	29,586	37,067		S*
Fenland District Council	616,406	1,591,018	2,207,424		S
Fenstanton Primary School (CCC)	17,812	68,401	86,213		S*
Fields Early Years Centre (CCC)	15,862	60,831	76,693		S*
Folksworth CE Primary (CCC)	5,191	20,561	25,752		S*
Fordham Primary School (CCC)	20,803	82,681	103,484		S*
Fourfields Primary School (CCC)	37,910	144,281	182,191		S*
Fowlmere Primary School (CCC)	4,856	19,123	23,979		S*
Foxton Primary School (CCC)	6,797	26,691	33,488		S*
Freedom Leisure (Fenland DC)	36,317	114,676	150,993		Ad
Friday Bridge Primary (CCC)	8,599	34,397	42,996		S*
Friends Therapeutic Community	42,992	345,046	388,038		Ad
Fulbourn Primary School (CCC)	22,133	84,262	106,395		S*
Fulbridge Academy	100,116	318,640	418,756		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Fusion	1,138	3,717	4,855		Ad
Gamlingay First School Academy	33,759	146,507	180,266		S
Gamlingay Parish Council	4,766	16,615	21,381		S
Girton Glebe Primary School	11,807	46,291	58,098		S
Gladstone Primary Academy	42,217	152,650	194,867		S
Glebelands Primary Academy	30,495	122,310	152,805		S
GLL - Greenwich Leisure Ltd	5,770	29,901	35,671		Ad
Godmanchester Community & Bridge Academies	42,196	151,814	194,010		S
Gorefield Primary Academy	12,283	45,855	58,138		S
Goshen Multi Ser (CambsCity)	1,089	7,250	8,339		Ad
Goshen Multiservices Ltd	1,230	6,855	8,085		Ad
GPC Skills Ltd	4,691	12,624	17,315		Ad
Granta School (CCC)	81,362	294,646	376,008		S*
Great Abington Primary (CCC)	7,973	31,244	39,217		S*
Great and LT Shelford (CCC)	15,095	59,647	74,742		S*
Great Gidding CE Primary (CCC)	4,190	16,547	20,737		S*
Great Paxton C of E Primary (CCC)	8,712	33,155	41,867		S*
Great Staughton Academy	8,462	38,794	47,256		S
Great Wilbraham Primary (CCC)	6,801	25,817	32,618		S*
Greater Peterborough UTC	23,083	69,831	92,914		S
Guilden Morden Academy	10,345	37,787	48,132		S
Guyhirn C of E Primary Academy	7,066	30,314	37,380		S
Haddenham Level Drainage Commissioners	1,818	6,012	7,830		S
Haddenham Parish Council	1,961	6,486	8,447		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Hampton College Academy	127,312	382,268	509,580		S
Hampton Gardens Academy	50,573	153,368	203,941		S
Hampton Hargate Primary (PCC)	48,364	201,305	249,669		S*
Hampton Lakes Academy	15,978	56,391	72,369		S
Hampton Vale Primary Academy	48,044	163,382	211,426		S
Hardwick Primary (CCC)	39,440	153,112	192,552		S*
Harston and Newton P Sch (CCC)	13,280	52,365	65,645		S*
Hartford Infant School	17,087	61,373	78,460		S
Hartford Junior School	20,234	72,655	92,889		S
Haslingfield Primary (CCC)	9,832	38,634	48,466		S*
Hatton Park School	18,106	68,302	86,408		S
Hauxton Primary School (CCC)	9,031	35,806	44,837		S*
HCL (The Ashbeach Primary Sch)	739	3,146	3,885		Ad
Heltwate School (PCC)	88,328	358,679	447,007		S*
Hemingford Grey Primary School	22,031	85,607	107,638		S*
Heritage Park School (PCC)	16,787	69,673	86,460		S*
Hertfordshire Catering Limited (Barrington CofE VC Primary School)	1,152	4,367	5,519		Ad
Hertfordshire Catering Limited (Harston & Newton Community Primary School)	800	3,024	3,824		Ad
Hertfordshire Catering Limited (Hartford Infants, Hartford Junior and Gamlingay First School Academy)	692	2,745	3,437	Y	Ad
Hertfordshire Catering Limited (Hauxton Primary School)	764	2,899	3,663		Ad
Hertfordshire Catering Limited (Melbourn Primary School)	1,636	6,205	7,841		Ad
Hertfordshire Catering Limited (Petersfield CofE Aided Primary School)	380	1,443	1,823		Ad
Hertfordshire Catering Limited (Thongsley Fields Primary)	163	13,016	13,179	Y	Ad
Highfield Ely Academy	80,884	297,294	378,178		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Highfield Littleport Academy	57,322	182,280	239,602		S
Highlees Primary School	28,676	130,831	159,507		S
Hills Road Sixth Form College	195,379	704,252	899,631		S
Hinchingbrooke School	135,427	407,331	542,758		S
Histon and Imp Brook Prim School	26,435	98,352	124,787		S
Histon and Imp Park Prim School	17,904	68,095	85,999		S
Histon and Impington Parish Council	5,566	18,951	24,517		S
Histon Early Years Centre (previously known as Histon Nursery School)	27,526	105,764	133,290		S*
Holme Church of England Primary Academy	8,514	35,864	44,378		S
Holywell CE(C)School (CCC)	11,742	46,505	58,247		S*
Homerton College	226,245	625,454	851,699		Ad
Homerton Early Years Centre (Nurse School) (CCC)	20,275	78,299	98,574		S*
Houghton Primary School (CCC)	18,225	70,792	89,017		S*
Huntingdon Nurse School (CCC)	24,093	90,254	114,347		S*
Huntingdon Primary School (CCC)	44,364	172,486	216,850		S*
Huntingdon Town Council	71,817	223,556	295,373		S
Huntingdonshire District Council	1,186,062	4,723,034	5,909,096		S
Impington Village College	162,083	447,165	609,248		S
Industrial Site Maintenance Ltd	2,444	13,233	15,677		Ad
Inspire Education Group	553,463	1,967,550	2,521,013		S
Isle of Ely Academy	26,107	84,465	110,572		S
Isleham Primary School (CCC)	13,672	52,851	66,523		S*
Jeavons Wood Primary Academy	35,436	118,773	154,209		S
Kelsey Kerridge S H	13,151	95,076	108,227		Ad
Ken Stimpson Community School (PCC)	77,039	303,180	380,219		S*
Kennett Community School (Academy)	7,325	28,043	35,368		S



# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Kettlefields Primary (CCC)	6,781	26,364	33,145		S*
Kimbolton Primary Academy	7,927	26,765	34,692		S
Kimbolton School (Independent School)	29,911	176,594	206,505		Ad
Kinderley Primary School (CCC)	8,291	32,724	41,015		S*
Kings Hedges Primary (CCC)	45,578	168,678	214,256		S*
Kingsfield Primary School Academy	28,840	95,880	124,720		S
Lantern CP School Academy	27,722	101,641	129,363		S
Leighton Primary School	41,575	166,111	207,686		S
Leverington Primary Academy	20,209	64,364	84,573		S
Lime Academy Abbotsmede	36,382	149,928	186,310		S
Lime Academy Orton	77,349	347,856	425,205		S
Lime Academy Parnwell	28,742	112,318	141,060		S
Lime Academy Watgall	34,636	124,855	159,491		S
Linton Heights Junior Academy	15,388	52,562	67,950		S
Linton Infants School (CCC)	18,286	71,988	90,274		S*
Linton Parish Council	3,058	11,463	14,521		S
Linton VC Academy	47,192	152,666	199,858		S
Lionel Walden School (CCC)	24,416	95,031	119,447		S*
Little Downham Parish Council	1,736	5,908	7,644		S
Little Paxton Parish Council	4,025	13,420	17,445		S
Little Paxton School (CCC)	26,876	104,868	131,744		S*
Little Thetford Primary (CCC)	9,553	37,086	46,639		S*
Littleport & East Cambridgeshire Academy	36,448	113,974	150,422		S
Littleport and Downham I D B	8,329	27,551	35,880		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Littleport CP School (CCC)	41,359	161,134	202,493		S*
Long Road Sixth Form College	115,095	386,195	501,290		S
Longsands Academy	75,981	236,120	312,101		S
Lunchtime Company (CPET)	2,634	12,447	15,081		Ad
Lunchtime Company (Ely St Johns)	2,777	26,578	29,355		Ad
Lunchtime Company (Fordham)	2,660	18,619	21,279		Ad
Lunchtime Company (Great Wilbraham)	1,297	9,079	10,376		Ad
Lunchtime Company (Isleham Pri)	961	6,728	7,689	Y	Ad
Lunchtime Company (Teversham)	200	1,402	1,602	Y	Ad
Lunchtime Company Ltd (Grove Primary)	551	2,204	2,755		Ad
Malco Services(Newton/Homerton)	267	1,069	1,336	Y	Ad
Manea Primary School (CCC)	26,252	102,237	128,489		S*
Manor Drive Prim Academy	4,214	18,316	22,530		S
Manor Drive Sec Academy	8,235	35,990	44,225		S
Marleigh Primary Academy	4,913	19,038	23,951		S
Martin Bacon Academy	29,581	98,213	127,794		S
Mayfield Primary School (CCC)	31,566	122,800	154,366		S*
Meadow Primary School	12,168	40,805	52,973		S
Meadowgate Academy	76,983	298,721	375,704		S
Mears Ltd	45,970	-	45,970		Ad
Mears Ltd (SCDC)	9,192	-	9,192		Ad
Medeshamsted Academy	33,554	99,458	133,012		S
Melbourn Primary School (CCC)	31,536	121,950	153,486		S*
Melbourn VC Academy	53,578	176,462	230,040		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Meldreth Primary School (CCC)	20,839	82,317	103,156		S*
Mepal & Wicham CofE Primary Academy	8,607	30,017	38,624		S
Meridian School (CCC)	12,806	51,064	63,870		S*
Middle Fen and Mere I D B	24,791	109,044	133,835		S
Middle Level Commissioners	63,620	184,829	248,449		S
Middlefield CP School Academy	13,741	47,116	60,857		S
Milestone Infrastructure Ltd (M Group Services)	14,004	37,538	51,542		Ad
Millfield Primary School	30,018	115,932	145,950		S
Milton Primary Academy	14,965	60,759	75,724		S
Milton Road Primary Sch (CCC)	25,433	97,340	122,773		S*
Miquill (Bewick Bridge CP Sch)	120	481	601	Y	Ad
Mitie PFI Limited	1,078	979	99		Ad
Monkfield Park School (CCC)	23,835	82,124	105,959		S*
Morley Memorial School (CCC)	32,507	123,756	156,263		S*
Mountain Healthcare Ltd	641	2,427	3,068		Ad
Multi-Active Holiday Courses LTD	249	864	1,113	Y	Ad
Murrow Primary School Academy	12,884	40,176	53,060		S
Neale Wade Academy	96,948	398,204	495,152		S
Nene Gate School	3,968	15,750	19,718		S
Nene Park Academy	55,124	169,296	224,420		S
New Road Primary & Nursery School	22,776	81,979	104,755		S
Newark Hill Primary Academy	23,195	108,405	131,600		S
Newborough & Borough Fen Parish Council	989	3,865	4,854		S
Newborough Primary (PCC)	15,458	65,389	80,847		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Newnham Croft Primary (CCC)	15,996	62,415	78,411		S*
Nightingale Cleaning Limited - CMAT Schools	13,380	122,154	135,534		Ad
Nightingale Cleaning Limited - CPET Schools	723	2,892	3,615		Ad
North Cambridge Academy	33,255	102,214	135,469		S
North Level IDB	45,963	138,227	184,190		S
Northstowe Secondary College	25,855	98,761	124,616		S
Norwood Primary School (PCC)	17,385	70,286	87,671		S*
NPS Peterborough Ltd	2,143	-	2,143	Y	Ad
Oakington CofE Primary School Academy	5,708	35,378	41,086		S
Offord Primary School	7,387	30,274	37,661		S
Old Fletton Primary School (PCC)	36,448	150,846	187,294		S*
Olive AP Academy - Cambridge	10,901	39,209	50,110		S
Olive AP Academy - Nene Valley	11,432	25,527	36,959		S
Orchard Park Comm School (CCC)	14,076	54,177	68,253		S*
Orchards CoE Primary Academy	34,169	137,346	171,515		S
Ormiston Bushfield Academy	82,953	246,558	329,511		S
Ormiston Meadows Academy	24,768	109,904	134,672		S
Orton Waterville Parish Council	888	4,114	5,002		S
Over Primary School (CCC)	15,869	62,570	78,439		S*
OWN Trust	110,529	405,276	515,805		S
Oxford Archaeology	66,472	142,372	208,844		Ad
Pabulum (Morley Memorial Primary School)	1,343	5,122	6,465		Ad
Pabulum (St Bede's Inter-Church School)	1,490	6,832	8,322		Ad
Pabulum Ltd (Hardwick & Cambourne Community Primary School)	1,470	5,686	7,156		Ad

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Park Lane Primary & Nursey School	38,035	143,689	181,724		S
Park Street CE (A) Primary (CCC)	10,311	40,165	50,476		S*
Paston Ridings Primary (PCC)	43,675	180,336	224,011		S*
Pathfinder CofE Primary School	30,470	134,958	165,428		S
Pathfinder Legal Services Ltd (CCC)	157,312	490,608	647,920		S
Peakirk Cum Glinton Primary School (PCC)	19,998	84,591	104,589		S*
Peckover Primary School	39,941	163,489	203,430		S
Pendragon CP School (CCC)	27,375	108,261	135,636		S*
Peterborough City Council	2,899,387	9,394,294	12,293,681		S
Peterborough Investment Partnership LLP	743	1,305	2,048	Y	Ad
Peterborough Keys Academies Trust (comprising of Ravensthorpe Primary, Thorpe Primary, Jack Hunt, Longthorpe Primary, Middleton Primary)	282,118	1,029,049	1,311,167		S
Peterborough Ltd t/a Aragon Direct Services	153,975	428,094	582,069		Ad
Peterborough Regional College	-	1,791	1,791	Y	S
Petersfield Primary School (CCC)	7,139	28,327	35,466		S*
Priory Junior School (CCC)	17,946	71,542	89,488		S*
Priory Park Infants School (CCC)	27,138	107,540	134,678		S*
Queen Edith School (CCC)	35,190	135,899	171,089		S*
Queen Emma Primary School (CCC)	37,691	147,749	185,440		S*
Queen Katharine Academy (Previously known as The Voyager Academy)	91,963	315,076	407,039		S
Queens Drive Infant School	26,851	109,578	136,429		S*
Rackham CE School (CCC)	25,610	102,525	128,135		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Radis (Ditchburn Place)	18,066	49,472	67,538		Ad
Radis Community Care	10,482	-	10,482		Ad
Ramnoth Junior School	27,196	95,270	122,466		S
Ramsey Junior School	15,483	63,332	78,815		S
Ramsey Spinning Infant School	13,495	59,618	73,113		S
Richard Barnes Academy	43,760	175,759	219,519		S
Ridgefield Junior (CCC)	21,459	85,214	106,673		S*
Riverside Meadows Academy	20,995	72,734	93,729		S
Robert Arkenstall Primary (CCC)	21,305	83,286	104,591		S*
Round House C. P. School	29,038	91,642	120,680		S
Sacred Heart Catholic Primary School	14,842	65,011	79,853		S
Samuel Pepys School (CCC)	54,512	209,704	264,216		S*
Sanctuary Group	35,109	682,889	717,998		Ad
Sawston Parish Council	8,303	28,666	36,969		S
Sawston VC Academy	79,026	236,405	315,431		S
Sawtry Infants School (CCC)	16,375	64,826	81,201		S*
Sawtry Junior Academy	11,025	46,258	57,283		S
Sawtry Parish Council	3,604	12,900	16,504		S
Sawtry Village Academy	39,125	130,362	169,487		S
Serco Limited (PCC)	161,613	88,785	250,398		Ad
ServiceMaster Ltd (Kingsfield Primary School)	1,088	3,671	4,759		Ad
Shade Primary School Academy	22,240	69,683	91,923		S
Shirley Community Primary School and Pre-School (CCC)	38,295	145,426	183,721		S*
Sir Harry Smith Community College	74,323	307,918	382,241		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Soham Town Council	5,812	21,182	26,994		S
Soham VC Academy	94,554	288,584	383,138		S
Soke Education Trust	109,068	454,191	563,259		S
Somersham Parish Council	2,439	10,204	12,643		S
Somersham Primary School	20,263	88,817	109,080		S
South Cambridgeshire District Council	1,437,842	5,231,551	6,669,393		S
Southfields Primary School (PCC) (Was Southfields Junior School)	53,689	219,766	273,455		S*
Spaldwick Primary School	9,187	37,662	46,849		S
Spinney Primary School (CCC)	13,822	54,584	68,406		S*
Spring Common Academy	88,021	350,962	438,983		S
Spring Meadow Infants (CCC)	25,826	124,033	149,859		S*
Spurgeons	-	109,000	109,000	Y	Ad
St Albans RC Primary (CCC)	14,340	57,109	71,449		S*
St Andrews CofE Academy (Soham, Ely)	31,694	136,011	167,705		S
St Anne's CE Primary (CCC)	17,505	68,490	85,995		S*
St Augustines CE Junior School (PCC)	18,072	74,587	92,659		S*
St Bedes Inter Church School Academy	44,475	215,621	260,096		S
St Botolphs CE Primary Academy	25,871	96,132	122,003		S
St Helen's Primary Shcool (CCC)	11,337	44,620	55,957		S*
St Ives Town Council	19,192	67,889	87,081		S
St Ivo School Academy	85,107	270,405	355,512		S
St John Fisher	64,730	253,433	318,163		S*
St John Henry Newman Catholic Primary School	2,161	8,235	10,396		S
St John's Academy (Stanground)	13,126	56,970	70,096		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
St John's CoE Primary Academy (Huntingdon)	29,763	125,609	155,372		S
St Laurence Catholic Primary School	15,054	56,393	71,447		S
St Luke's C of E Primary School Academy	6,029	37,720	43,749		S
St Mary's CofE Junior Ely	23,994	97,984	121,978		S
St Marys St Neots Academy	9,342	35,057	44,399		S
St Matthew's Primary Sch (CCC)	47,262	187,822	235,084		S*
St Michaels CE Prim Sch (PCC)	46,383	191,856	238,239		S*
St Neots Town Council	46,561	154,826	201,387		S
St Pauls CE Primary (CCC)	6,629	25,280	31,909		S*
St Peters CofE Academy (Wisbech)	22,261	94,301	116,562		S
St Peter's School HD Academy	101,137	314,079	415,216		S
St Philips C OF E Primary (CCC)	23,316	90,019	113,335		S*
St Thomas More Catholic Primary School	32,962	148,092	181,054		S
Stanground Academy	67,917	296,503	364,420		S
Stapleford Primary Academy	15,403	54,937	70,340		S
Steeple Morden C OF E (CCC)	12,088	48,352	60,440		S*
Stephen Perse Foundation	6,268	17,698	23,966		Ad
Stilton Church of England Primary School	11,403	48,574	59,977		S
Stretham Primary School (CCC)	13,167	52,506	65,673		S*
Stukeley Meadows School (CCC)	32,613	127,081	159,694		S*
Sutton CE Primary School (CCC)	17,649	69,120	86,769		S*
Sutton Parish Council	2,398	7,932	10,330		S
Swaffham Bulbeck CE Prim Academy	6,978	27,685	34,663		S
Swaffham Internal Drainage Board	2,212	7,315	9,527		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Swaffham Prior CE Prim Academy	11,335	24,814	36,149		S
Swavesey Parish Council	1,531	5,676	7,207		S
Swavesey Primary School (CCC)	31,006	117,712	148,718		S*
Swavesey VC Academy	71,615	223,367	294,982		S
Taylor Shaw (CMAT)	9,819	61,943	71,762		Ad
Taylor Shaw (Elliott Foundation AT)	3,662	21,536	25,198	Y	Ad
Taylor Shaw Ltd (Abbey College Academy)	1,165	3,934	5,099		Ad
Teversham C of E Primary (CCC)	19,727	78,056	97,783		S*
The Beeches Primary School (PCC)	34,529	140,736	175,265		S*
The Cavendish School	24,099	102,093	126,192		S
The Centre School Academy	4,824	12,954	17,778		S
The Edmund Trust	8	300,049	300,057	Y	Ad
The Galfrid School	21,392	91,355	112,747		S
The Grove Primary School (CCC)	28,021	110,780	138,801		S*
The Harbour School	33,271	126,208	159,479		S
The Icknield Primary School	12,011	48,153	60,164		S
The King's (Cathedral) School	81,430	253,445	334,875		S
The Nene Infant & Nursery School	33,935	112,276	146,211		S
The Netherhall School	57,930	222,152	280,082		S
The Newton Community Primary School (CCC)	5,943	23,780	29,723		S*
The Weatheralls Primary School	32,044	135,636	167,680		S
Thomas Clarkson Academy	75,362	295,923	371,285		S
Thomas Deacon Academy	244,768	709,459	954,227		S
Thomas Eaton Primary Academy	14,848	64,836	79,684		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Thongsley Fields Primary and Nursery School	23,834	90,601	114,435		S
Thorndown Community Primary (CCC)	46,885	184,404	231,289		S*
Thorney Parish Council	1,081	3,929	5,010		S
Thriplow CE Primary Academy	5,105	21,989	27,094		S
TNS Catering (Linton Cluster)	1,172	4,686	5,858		Ad
TNS Catering (WASP Cluster 2)	646	2,582	3,228	Y	Ad
Townley Primary School (CCC)	14,194	55,975	70,169		S*
Trumpington Meadows Primary School	18,513	71,057	89,570		S*
Trumpington Park Primary Academy	22,766	75,149	97,915		S
TSG Building Services Ltd	5,109	-	5,109		Ad
United Learning (previously CAP)	136,460	387,666	524,126		S
University of Cambridge Primary School	37,949	116,901	154,850		S
Upwood Primary Academy	11,621	50,792	62,413		S
Vero HR Ltd	454	1,648	2,102	Y	Ad
VHS Cleaning (Linton VC)	819	2,834	3,653		Ad
VHS Cleaning (Netherhall)	304	1,269	1,573		Ad
VHS Cleaning (Stapleford Community Primary School)	266	952	1,218		Ad
VHS Cleaning Services (Bassingbourn VC and Sawston VC)	644	2,205	2,849		Ad
Vine Inter Church School (CCC)	34,538	131,086	165,624		S*
VISIT Cambridge and Beyond	-	16,972	16,972	Y	Ad
Vivacity Culture and Leisure	-	19,236	19,236	Y	Ad
Warboys Primary Academy	25,658	119,504	145,162		S
Waterbeach CP School (CCC)	30,367	117,898	148,265		S*
Waterbeach Level Internal Drainage Board	2,338	7,735	10,073		S



# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Waterbeach Parish Council	1,865	6,167	8,032		S
Welbourne Primary Academy	26,406	114,850	141,256		S
Welland Primary School	35,684	126,142	161,826		S
West Town Primary Academy	20,689	84,990	105,679		S
Westfield Junior School (CCC)	24,121	95,756	119,877		S*
Westwood Primary School	75,862	260,316	336,178		S
Wheatfields Primary School (CCC)	28,212	109,554	137,766		S*
Whittlesey Internal Drainage Board	2,221	7,347	9,568		S
Whittlesey Town Council	1,797	5,942	7,739		S
Wilburton CE Primary (CCC)	12,316	47,779	60,095		S*
William De Yaxley CofE Academy	10,261	40,874	51,135		S
William Law CE Primary School	47,343	187,824	235,167		S
William Westley CE (CCC)	13,655	53,397	67,052		S*
Willingham Primary School (CCC)	28,863	111,023	139,886		S*
Wimblington Parish Council	788	3,079	3,867		S
Winhills Primary School Academy	47,825	149,688	197,513		S
Wintringham Primary Academy	9,418	35,282	44,700		S
Wisbech and Fenland Museum	2,228	15,556	17,784		Ad
Wisbech Grammar School	-	55,225	55,225	Y	Ad
Wisbech St Marys CE Primary Academy	17,810	70,187	87,997		S
Wisbech Town Council	5,865	20,619	26,484		S
Witcham Parish Council	375	1,464	1,839		S
Witchford Village College	49,771	152,394	202,165		S
Wyton Primary School (CCC)	19,119	73,171	92,290		S*
Yaxley Infants School (CCC)	16,589	66,096	82,685		S*
Yaxley Parish Council	8,920	30,346	39,266		S
YTKO Limited	2,867	7,715	10,582		Ad
<b>Grand Total</b>	<b>33,124,469</b>	<b>115,790,530</b>	<b>148,914,999</b>		

# Investment Policy and Performance

## Introduction

The Fund's approach to its investment arrangements is set out in its Investment Strategy Statement, (ISS) as required by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") that requires the Fund to create and maintain an approach to investments that includes, amongst other things:

- a requirement to invest fund money in a wide variety of investments;
- the Fund's assessment of the suitability of different types of investments;
- the Fund's approach to risk, including the ways in which risks are assessed and managed;
- the Fund's approach to pooling investments;
- the Fund's policy on how social, environmental and corporate governance considerations are taken into account; and
- the Fund's policy on the exercise of the rights (including voting rights) attaching to investments.

The Pension Fund Committee (PFC) approves investment policies and strategy and an Investment Sub-Committee (ISC), which is supported by the Fund's Advisors, to implement these investment policies and strategy, which includes the appointment and dismissal of Investment Managers and monitoring of performance.

The Fund adopts a long-term perspective, focussing its investment strategy to generate sustainable returns on a risk adjusted basis to grow the Fund's assets to reflect its equally long-term future liabilities. The Pension Fund Committee, Local Pensions Board, Fund officers and professional advisors have worked hard to develop an enhanced responsible investment (RI) policy, which forms part of our overall investment strategy. The new RI policy sets out our approach to sustainable responsible investment and will help us manage the carbon and climate risks impacting our investments better.

The RI policy was agreed following a consultation that was open to scheme members and scheme employers. You can find a copy of the summary consultation responses and an updated investment strategy statement on our [key documents page](#).

The revised RI policy will inevitably mean some changes to our underlying investments over time. In February 2022, the Investment Sub Committee approved decarbonisation targets to reduce the carbon emissions of listed equities by 23% by 2024 and by 57% by 2030 together with a climate action plan for 2022, 2023 and beyond.

The Fund intends decarbonising the portfolio at the same rate as the European Policy Curve (EPC) meaning the Funds decarbonisation pathway would align with the Paris Accord and achieve the ambitions target to reach net zero by 2050 or earlier.

Progress against these targets will be reviewed regularly via a climate dashboard setting out key carbon metrics which will be measured and tracked over time. Regular communication will be provided on how the Fund is progressing on its journey to achieve net zero.

You can find copies of the Funds climate action plan, decarbonisation pathway, and climate dashboard on the [key documents page](#).

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which is a voluntary association of LGPS funds that seeks to protect and enhance the value of its members' shareholdings by way of shareholder engagement, by action on corporate governance issues and by seeking to promote the highest standards of corporate social responsibility at the companies in which LAPFF members invest. Through LAPFF, the Fund exercises its belief that engagement with company management to promote improvements in SRI practices is more powerful than divesting from the company's shares.

The Fund will continue to support the principles of the UK Stewardship Code (the "Stewardship Code") with plans to subscribe to the Stewardship code during 2023-24.

Information about Investment Manager voting is available at [Cambridgeshire Pension Fund Key Documents](#)

# Investment Policy and Performance (continued)

## Role of Investment Managers

Each Investment Manager relationship is governed by an Investment Management Agreement, which sets out how much they can invest, the asset class in which the Fund has employed them to invest, the expected target return and how much the Fund will pay for this service.

## Active focus

The Fund with the exception of the passive Global Equity mandate and passive index-linked bonds, favours “active” briefs to outperform agreed specific benchmarks.

## Custodian

The Fund’s Custodian is Northern Trust. The Custodian is responsible for ensuring that the Fund has good title to all investments, that all trades instructed by Investment Managers are settled on time and that all income due to the Fund is received and recorded accurately. Northern Trust also maintain the investment accounting records for the Fund.

## Asset Pooling

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. The main aim is to encourage LGPS Funds to work together to form asset pools to “pool investments to significantly reduce costs, while maintaining investment performance.” Individually, the participating funds have a strong performance history and potential for substantial benefits for a group of successful, like-minded authorities collaborating and sharing their collective expertise. Collectively as at 31st March 2023, the ACCESS Pool has significant scale with assets of £59bn (of which 59% has been pooled) serving 3,459 employers with 1.192 million members including 339,058 pensioners.

The roles and decision-making relationship between the eleven funds is informed by an Inter Authority Agreement. The ACCESS pool is governed by the ACCESS Joint Committee (AJC) comprising the Chair of the eleven constituent funds. The AJC have appointed Link Fund Solutions Ltd (Link) as operator of the pool and the LF ACCESS Authorised Contractual Scheme (ACS).

The Fund’s passive equity investments are invested with UBS Asset Management under a collaborative arrangement with fellow ACCESS funds, which has generated significant fee savings for the Fund.

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 2023-24 the Fund expects further investment in fixed income sub-funds of the ACS when they become available. The focus for ACCESS in 2023-24 is to continue work performed in 2022-23 to develop a pooled solution for Alternative asset classes.

The ACCESS Support Unit (ASU) has been created to manage the Operator contract against specified KPIs and provide technical and secretariat support services to the AJC and Officer Working Group (OWG).

In addition to the savings in Investment Management fees through joint investments, there are other tangible benefits from pooling including a governance dividend (potential for reduced risk due to manager diversification achieved at pool level) and tax savings.

More information about the ACCESS asset pool can be found on their website: [ACCESS Pool](#). The ACCESS Annual Report can be found at Appendix A to the Annual Report.

# Investment Policy and Performance (continued)

## The Costs of Pooling

The costs of setting up the ACCESS pool and the operating costs of the pool are collected by a nominated ACCESS authority and re-charged in equal shares to the eleven ACCESS funds. Cambridgeshire's share of costs is reported within Oversight and Governance costs in Note 11 to the Statement of Accounts and comprises the following:

Operational Costs	2022-23	2015-16 to 2022-23
	£000	Cumulative £000
Strategic & Technical	30.4	192.0
Legal	19.9	131.9
Project Management	0	81.1
ACCESS Support Unit	50.7	211.2
Other	5.9	35.3
<b>Total Operational Costs</b>	<b>106.9</b>	<b>651.5</b>

## Cost Savings

The fee savings for the 2022-23 financial year resulting from the asset pooling agenda exceed £3.59m.

## Cost Transparency

The analysis below shows the investment expenses incurred during financial year 2022-23 between expenses incurred in respect of Pooled Assets held in the ACCESS Pool and those assets held outside of the pool. Direct costs include: invoiced costs and costs deducted from the value of fund, or from income generated, in accordance with the fee agreement in place with each manager and explicit transaction costs. Indirect costs include: implicit costs and third-party fees and charges. These are indicative estimates provided by Investment Managers as the reporting practices for the Cost of Transparency are still evolving.

## Cost Transparency - Continued

	Asset Pool			Non- Asset Pool			Fund Total
	Direct £000	Indirect £000	Total £000	Direct £000	Indirect £000	Total £000	£000
Investment Management Fee	7,880	20	<b>7,860</b>	7,081	3,206	<b>10,287</b>	<b>18,147</b>
Performance Fee	0	0	<b>0</b>	3,527	66	<b>3,593</b>	<b>3,593</b>
Transaction Taxes	0	0	<b>0</b>	7	-2	<b>5</b>	<b>5</b>
Broker commissions	0	528	<b>528</b>	77	-18	<b>59</b>	<b>587</b>
Other explicit costs	0	400	<b>400</b>	156	1	<b>157</b>	<b>557</b>
Implicit/indirect transaction costs	0	995	<b>995</b>	295	1,405	<b>1,700</b>	<b>2,695</b>
Administration	183	0	<b>183</b>	932	1,745	<b>2,677</b>	<b>2,860</b>
Governance and Compliance	16	0	<b>16</b>	385	326	<b>711</b>	<b>727</b>
Other	102	105	<b>207</b>	327	2,359	<b>2,686</b>	<b>2,893</b>
<b>Total</b>	<b>8,181</b>	<b>2,008</b>	<b>10,189</b>	<b>12,787</b>	<b>9,088</b>	<b>21,875</b>	<b>32,064</b>

# Investment Policy and Performance (continued)

## Investment Allocation and Performance

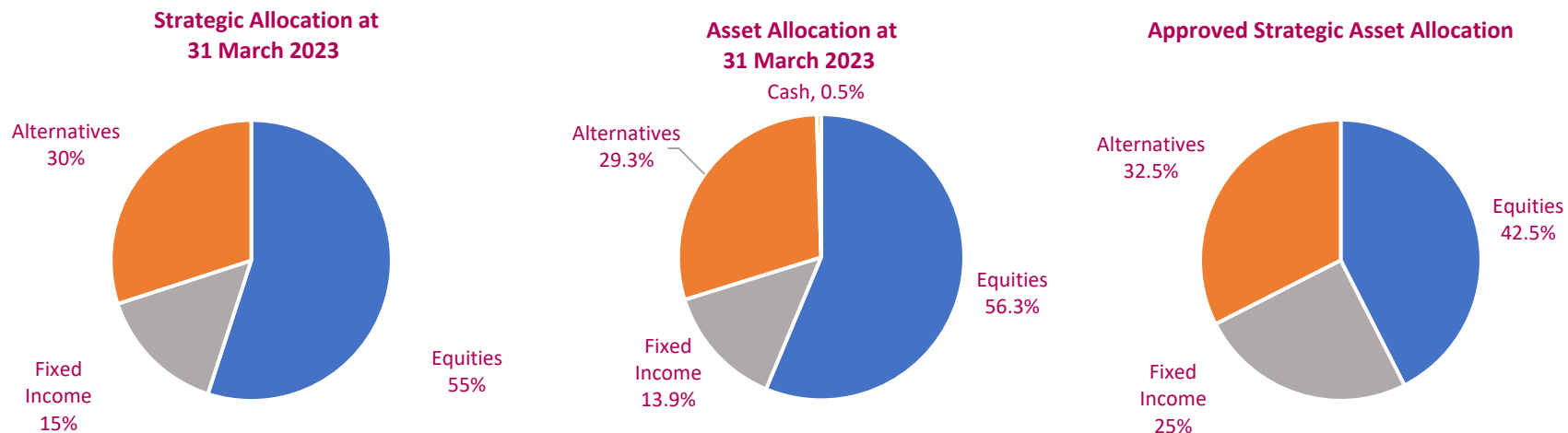
The Pension Fund Committee is responsible for approving the Strategic Asset Allocation proposed by the Investment Sub-Committee (ISC). The Pension Fund Committee performed a review of the Strategic Asset Allocation at the March 2023 meeting in conjunction with the Fund's Investment Consultants, Mercer Ltd and the independent Investment Advisor. The review assessed the appropriateness of the current strategy and any changes necessary to increase the likelihood of meeting the Fund's objectives, namely:

- To reach full funding and be in a position to pay benefits as they fall due; and
- To ensure contributions remain affordable to employers

The recommended changes to the strategy aims to manage the risk that asset returns are below those assumed by the actuary, whereby the funding position worsens. The following changes to the strategy were approved by Pension Fund Committee in March 2023:

- Reduce the equity allocation by 12.5%, maintaining the passive equity allocation at 20% and reduce active managers;
- Increase fixed income and alternative allocations by 10% and 2.5% respectively to provide greater exposure to inflation linked, cash flow generative assets while protecting the strong funding position; and
- Consider sustainable and impact opportunities across an expanded private markets portfolio – aligned with “levelling up” guidance.

The charts below show the Strategic Asset Allocation at the end of the financial year, the strategic asset allocation following Pension Fund Committee approval and the actual allocation of assets at 31 March 2023.



# Investment Policy and Performance (continued)

The value of the investments held by each of the Fund's Investment Managers on 31 March 2022 and 31 March 2023 is shown in the following table.

## Value of investments at the balance sheet date

Manager	31 March 2022		31 March 2023	
	£m	% of Total	£m	% of Total
UBS Passive UK Equity	91.3	2.0	81.5	1.9
Link Fund Solutions – ACCESS Global Equity (JO Hambro)	539.4	12.6	471.0	11.1
Link Fund Solutions – ACCESS Global Stock (Dodge and Cox)	562.5	13.1	575.4	13.7
Link Fund Solutions – ACCESS Global Equity (Longview)	414.8	9.7	438.6	10.4
Schroders	8.8	0.2	2.4	0.1
UBS Passive Global Equity	868.4	20.3	803.2	19.1
BlueBay Asset Management	197.8	4.6	186.2	4.4
Link Fund Solutions – M&G Alpha Opportunities	193.0	4.5	202.8	4.8
Schroders	210.8	4.9	197.3	4.7
Schroders Property	300.8	7.0	270.2	6.4
Adams Street	178.5	4.2	200.5	4.8
Allianz	19.2	0.4	14.1	0.3
Ares debt	41.7	1.0	43.1	1.0
Cambridge and Counties Bank	85.0	2.0	69.7	1.7
Cambridge Building Society	15.0	0.3	15.0	0.4
Foresight	28.4	0.7	31.1	0.7
Equitix	20.6	0.5	43.1	1.0
HarbourVest	159.3	3.7	191.9	4.6
IFM Infrastructure	76.1	1.8	88.1	2.1
JP Morgan	59.6	1.4	75.4	1.8
M&G	138.5	3.2	140.1	3.3
Partners Group	50.0	1.2	41.1	1.0
UBS Infrastructure	8.9	0.2	9.1	0.2
Cash	19.3	0.5	20.4	0.5
<b>TOTAL</b>	<b>4,287.7</b>	<b>100.0</b>	<b>4,211.30</b>	<b>100.0</b>

# Investment Policy and Performance (continued)

## Total Fund Performance

The total investment return for the Fund over the financial year was -2.8% net of fees compared with a weighted benchmark return of -2.5%. In the previous year the total investment return was 9.9% compared with a weighted benchmark of 11%. The Fund's total investment return was 11.1% p.a over the three years to 31 March 2023, 6.8% p.a over the five years to 31 March 2023, and 7.7% p.a over the ten years to 31 March 2023.

## Performance of Managers

The ISC continue to monitor the Investment Managers' performance against their benchmark at their quarterly meetings. All managers are measured against market-based performance benchmarks with bespoke outperformance targets set for active managers which are expected to be met over a three to five year period. Net of fees performance of each manager compared to benchmark over one, three and ten years is shown in the table below.

Asset Class /Manager	1 year (% p.a)			3 year (% p.a)			10 year (% p.a)		
	Return	Benchmark	Variance	Return	Benchmark	Variance	Return	Benchmark	Variance
UBS Passive	-0.9	-1.1	0.2	15.7	15.5	0.2	n/a	n/a	n/a
J O Hambro	-12.7	-1.4	-11.3	11.6	15.5	-3.9	n/a	n/a	n/a
Dodge & Cox	2.4	1.4	1.0	22.1	16.2	5.9	n/a	n/a	n/a
Longview	5.8	-1.4	7.2	18.1	15.5	2.6	n/a	n/a	n/a
Schroders	-28.6	-28.6	0.0	-9.8	-9.8	0.0	n/a	n/a	n/a
BlueBay Asset Management	-5.9	-1.7	-4.2	n/a	n/a	n/a	n/a	n/a	n/a
M&G Alpha Opportunities	1.9	-1.7	3.6	n/a	n/a	n/a	n/a	n/a	n/a
Adams Street	-3.0	8.9	-11.9	26.9	8.9	18.0	20.6	12.8	7.8
Allianz	-28.0	4.0	-32	-9.4	4.0	-13.4	n/a	n/a	n/a
Ares debt	14.4	10.0	4.4	7.7	10.0	-2.3	n/a	n/a	n/a
Equitix	2.7	10.0	-7.3	-0.3	10.0	-10.3	11.6	10.0	1.6
HarbourVest	27.6	8.9	18.7	35.5	8.9	26.6	19.9	12.8	7.1
Foresight	42.3	8.9	33.4	n/a	n/a	n/a	n/a	n/a	n/a
IFM Infrastructure	19.7	10.0	9.7	12.0	10.0	2.0	n/a	n/a	n/a
JP Morgan	17.1	10.0	7.1	n/a	n/a	n/a	n/a	n/a	n/a
M&G Residential Property	0.9	6.0	-5.1	1.8	6.0	-4.2	n/a	n/a	n/a
M&G Secured Loans	2.5	6.4	-3.9	6.7	5.0	1.7	3.7	4.8	-1.1
M&G Shared Ownership	1.6	6.0	-4.4	n/a	n/a	n/a	n/a	n/a	n/a
Partners Group	22.4	10.0	12.4	15.8	10.0	5.8	12.3	10.0	2.3
UBS Infrastructure	12.5	10.0	2.5	-8.0	10.0	-18.0	0.8	10.0	-9.2
Schroders Property	-10.7	-14.5	3.8	3.0	2.6	0.4	6.1	6.4	-0.3

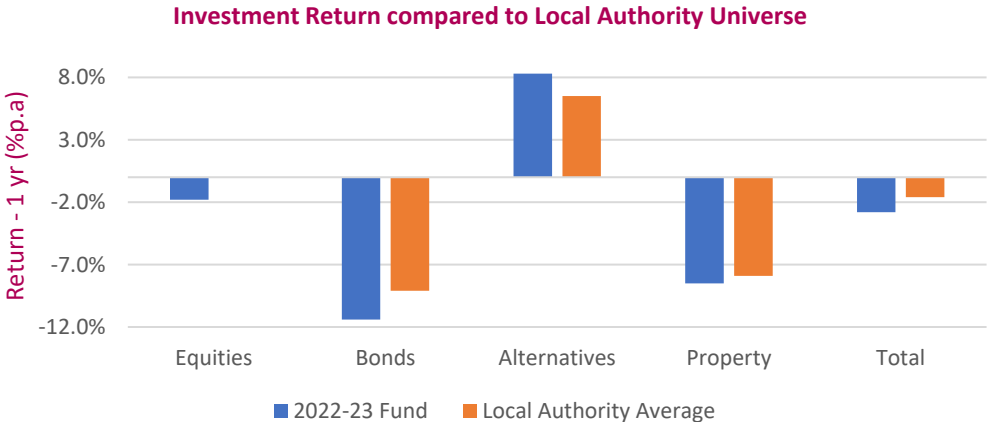


# Investment Policy and Performance (continued)

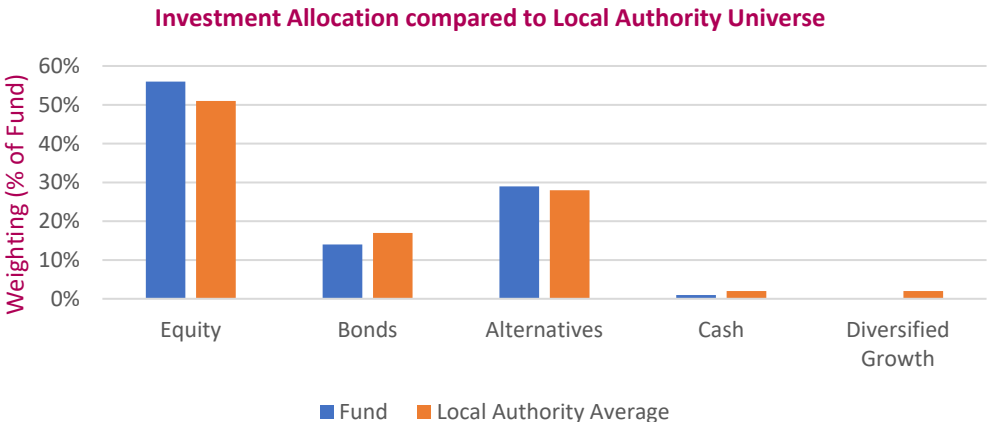
## Performance in Comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of 63 pension funds collated by PIRC Ltd that provides benchmarking of local authority pension funds investment performance.

In 2022-23 the Fund’s performance of -2.8% net of fees over the financial year was ranked 43<sup>rd</sup> percentile out of the 63 Funds participating in the Universe.



The Fund’s current strategy has a slightly higher allocation to Equities and Alternatives and a lower allocation to Bonds when compared to the Local Authority Universe.



# Investment Policy and Performance (continued)

## Climate Change Report

### Executive summary

The Fund recognises the systemic risk associated with climate change as well as the County Council's targets in this regard and the views and aspirations of other scheme employers and scheme members.

In order to manage this systemic risk and to align with its support of the Paris Agreement and a "just transition", **the Fund currently expects that its investment portfolio will be net carbon neutral by 2050, in line with UK Government's targets.**

The Fund is working towards producing a climate change reports in future which comply with Task Force on Climate-Related Financial Disclosures ("TCFD") reporting recommendations, which are expected to become mandatory for LGPS Funds in the coming years. This report provides a summary of the Fund's position as it relates to climate change, assessed across the four pillars under the TCFD Framework:

- **Governance:** How the Pension Fund Committee ("Committee") maintains oversight and incorporates climate change into its decision making;
- **Strategy:** How potential future climate warming scenarios could impact the Fund;
- **Risk Management:** How climate-related risk is incorporated in the Fund's broader risk management processes; and
- **Metrics and Targets:** How the Committee measures, and monitors progress against different climate related indicators known as metrics and targets.

### Governance

The Administering Authority has delegated to the Committee the power to determine and maintain the Fund's strategies, policies and

procedures. Implementation of the strategy and the monitoring of performance is delegated to the Investment Sub-Committee ("ISC"), for which the membership is drawn from the Committee.

Research into how climate-related risks and opportunities impact financial markets is constantly evolving and expanding. The Committee or its ISC receives training on a regular basis to keep up-to-date with developments and will allocate time on meeting agendas to cover items such as developing and meeting the Fund's climate action plan, climate-change scenario analysis, reporting of metrics and monitoring of progress against agreed targets.

The Committee acknowledges that the reporting of climate-related risk is relatively new and the collective experience of the Committee and ISC will grow over time.

Climate change will form an explicit agenda item at least annually for the Committee or ISC when the Fund's climate action plan and / or when the Fund's annual climate change report is updated. It will also be covered as part of other agenda items as part of a wider discussion of funding or investment strategy, or as part of the investment manager appointment and review discussions.

### Strategy

The Fund undertook climate scenario analysis on its investment strategy in 2021. Given the uncertainty around the timing and impact of climate-related transition and physical risks, the ISC considered three climate scenarios or 'warming pathways' i.e. the expected degrees of warming of the atmosphere by the end of the century relative to pre-industrial levels, to help test the resiliency of the Fund's investment strategies at the strategic level.

# Investment Policy and Performance (continued)

Whilst a lower warming pathway (**2°C scenario**) is one in which governments, businesses and society should aim for as a minimum, there is a possibility that a failure to reduce GHG emissions quickly enough could set off irreversible feedback loops that significantly warms the planet (as modelled by **3°C and 4°C scenarios**).

**The Fund will be impacted by climate change, regardless of the scenario that unfolds.**

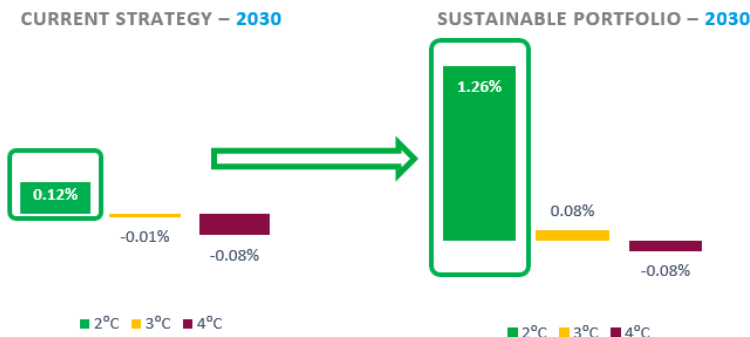
## Resilience of the Fund's investment strategy

The table below shows how a 2°C scenario leads to enhanced projected returns for the Fund's investment strategy versus 3°C or 4°C scenarios, with the greatest Impact over the period to 2030.

Warming pathway scenario	Year	Climate change impact on return (% per year)
2°C	2030	0.12%
2°C	2050	-0.06%
2°C	2100	-0.08%
3°C	2030	-0.01%
3°C	2050	-0.06%
3°C	2100	-0.10%
4°C	2030	-0.08%
4°C	2050	-0.14%
4°C	2100	-0.18%

## Transition opportunities emerge from a 2°C scenario

The graphic to the right illustrates the benefits of investing sustainably (i.e. in a portfolio broadly aligned with the Fund's investment strategy but where asset class exposures are mapped to sustainable equivalents).



Climate change impact on return (% p.a.)

As at 30 June 2021. Source: Mercer/Investment Managers

Under the 2°C scenario, to 2030, the Sustainable Portfolio is expected to benefit by up to +16.2% on a cumulative basis, compared with the Fund's current investment strategy.

## Key findings of the analysis

Investing for a 2°C scenario is both an imperative and an opportunity the Fund should address.

- An imperative, since, for nearly all asset classes and timeframes, a 2°C scenario leads to enhanced projected returns versus 3°C or 4°C and a better investment outcome.
- An opportunity, since, although incumbents can suffer losses in a 2°C scenario, there are many notable investment opportunities enabled in a low-carbon transition, including sustainability themed investments in listed and private equities to infrastructure and fixed income.

Climate scenario analysis is an ever evolving space and, as such, the scenarios modelled and reported may be subject to review in future periods. It is important to note that the modelling may understate the true level of risk due to the uncertainty around the future economic impacts of climate change.

# Investment Policy and Performance (continued)

## Risk Management

This section summarises the primary climate-related risk management processes and activities carried out for the Fund. These assist with understanding the materiality of climate-related risks, both in absolute terms and relative to other risks that the Fund is exposed to.

Governance	<p>The Fund recognises the systemic risk associated with climate change and the views and aspirations of other scheme employers and scheme members.</p> <p>The Fund has acknowledged the risk to the Fund of climate change in its Risk Register: “As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund’s investments.”</p> <p>The Officers maintain a Climate Action Plan which is reviewed and updated on a regular basis. This document forms part of the ISC’s wider business plan and summarises the progress, actions and outcomes of scheduled climate-related investment projects and tasks.</p>
Strategy	<p>The Fund’s advisers will take climate-related risks and opportunities into account as part of the wider strategic investment advice provided to the Committee and ISC. This includes highlighting the expected change in climate-risk exposure through proposed asset allocation changes, both from the top-down level (via climate scenario analysis) and bottom-up (via climate-related metrics). Climate scenario analysis for the investments of the Fund will be reviewed periodically.</p>

Reporting	<p>The ISC will receive an annual climate dashboard providing an update on climate-related metrics and progress against targets in respect of the assets held in the Fund. The ISC may use the information to engage with the Fund’s investment managers.</p> <p>The ISC receives a biannual stewardship monitoring report which summarises how the investment managers choose to vote and engage on climate-related issues (among other key engagement priorities).</p>
Manager selection and retention	<p>The ISC, with advice from its advisers, will consider an investment manager’s firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either appointing a new manager, in the ongoing review of a manager’s appointment, or as a factor when considering the termination of a manager’s appointment.</p>

### What are the climate-related risks and opportunities?

The Fund has considered two types of climate-related risks and opportunities in its climate scenario analysis:

#### 1. Transition risks and opportunities

This covers the potential financial and economic risks and opportunities from the transition to a low-carbon economy (i.e. one that has a low or no reliance on fossil fuels), in areas such as:

- Policy and legislation
- Market
- Technology
- Reputation

# Investment Policy and Performance (continued)

Risks include the possibility of future restrictions, or increased costs, associated with high carbon activities and products.

There are also opportunities, which may come from the development of low-carbon technologies. In order to make a meaningful impact on reducing the extent of global warming, most transition activities need to take place over the next decade and certainly in the first half of this century.

## 2. Physical risks and opportunities

The higher the future level of global warming, the greater physical risks will be in frequency and magnitude. Physical risks cover:

- Physical damage (storms; wildfires; droughts; floods)
- Resource scarcity (water; food; materials; biodiversity loss)

Physical risks are expected to be felt more as the century progresses though the extent of the risks is highly dependent on whether global net zero greenhouse gas emissions are achieved by 2050.

There are investment opportunities, for example, in newly constructed infrastructure and real estate that are designed to be resilient to the physical impacts of climate change, as well as being constructed and operated in a way that have low or no net carbon emissions. There are also opportunities for investment in those companies or industries that focus on energy conservation and resource efficiency.

## Metrics and targets

### Metrics

The primary metrics that are used by the Fund to measure climate-related impact are:

- Absolute emissions. This is the total emissions of seven major GHGs associated with the investments held (carbon dioxide,

methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride).

- Carbon footprint. This is the total emissions per million pounds invested.
- Weighted average carbon intensity (WACI). This is the total emissions per million pounds of sales

### Limitations of emissions data

The Fund is aware of issues around data quality, in particular carbon data for many private companies, governments and asset classes is not currently sufficiently robust to set targets against. The Fund has therefore focused on the listed equity portfolio initially, given data quality is more robust within this asset class and it comprises a majority of the Fund's strategic investment portfolio. The Fund will seek to include other asset classes in its carbon reporting as this data quality improves over time.

The Fund is also aware that Scope 3 emissions data, i.e. covering indirect emissions from the value chain such as those embedded in material inputs or freight, is an area that needs development and as such it is not included in the Fund's target-setting process. However, the Fund will continue to collect this data to inform its engagement with investment managers.

### Targets

The Fund's overall climate-related objective is to align its portfolio with a 'pursue efforts towards 1.5°C' objective - i.e. net zero by 2050, with an aspiration of achieving a net zero position by 2045.

Targets were set on an absolute emissions basis in 2021, but also monitored on an intensity basis (using two intensity metrics: carbon footprint and weighted average carbon intensity (WACI)). However, the Fund has switched to a carbon footprint metric as the base line measure for a de-carbonisation pathway as it:

# Investment Policy and Performance (continued)

- a) It is not impacted by changes in strategy, unlike absolute emissions. For example, the Fund's strategic target equity allocation was reduced as part of the investment strategy review undertaken during the Fund year which, all else equal, would lead to a reduction in the level of absolute emissions.
- b) If the Fund widens the scope of its climate reporting in future to include additional asset classes, as it intends to do, this would naturally increase absolute emissions. Carbon footprint is not impacted in the same way.

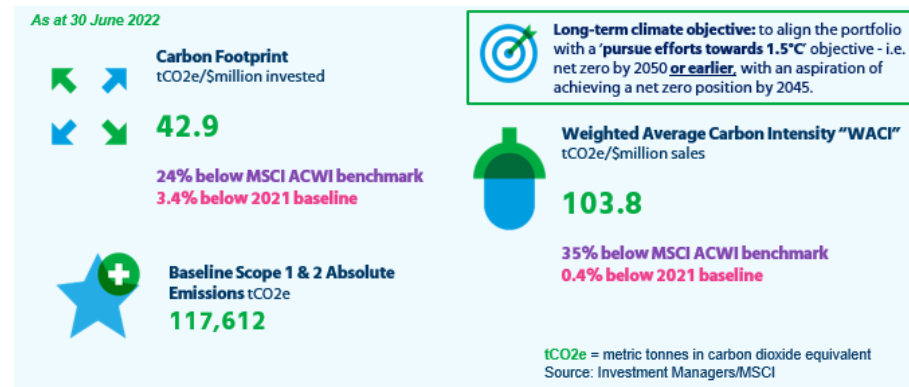
The carbon footprint metric instead normalises absolute emissions by the amount of assets invested. The Fund will continue to track both absolute emissions and WACI too as each metric provides a slightly different insight as to the nature of the companies held within portfolios.

## Carbon reporting dashboard

The Fund's metrics were initially measured as at 30 June 2021, providing a baseline for future targets, and were recalculated as at 30 June 2022 in order to monitor progress against these targets. The metrics are set out in a publicly available carbon reporting dashboard:

The 2021 and 2022 metrics are based on Scope 1 and 2 emissions data for the listed equity portfolio.

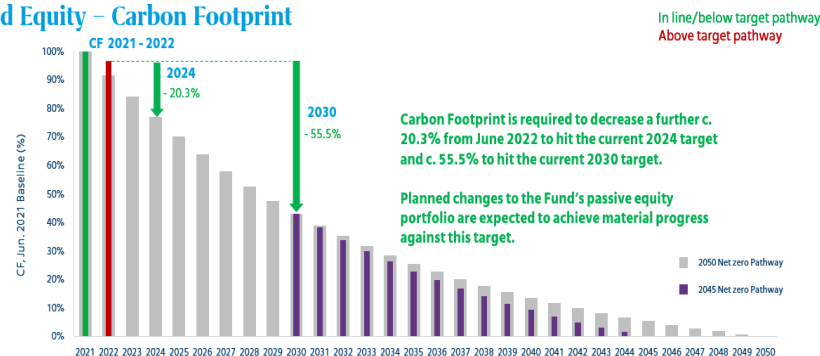
The dashboard will be updated on an annual basis.



## Progress against targets

The chart below demonstrates the Fund's progress (Green and Red bars) against the pre-defined pathway (Grey bars) required in order to achieve the Net Zero objective by 2050. The purple bars demonstrate the pathway to achieve Net Zero by 2045 for information.

## Listed Equity – Carbon Footprint



While the listed equity portfolio's Carbon Footprint in 2022 was above the pre-defined pathway, changes to the Fund's passive equity portfolio were implemented in early 2023 with the objective of improving the portfolio's climate characteristics. This will be captured in the Fund's updated metrics at 30 June 2023 and will demonstrate meaningful progress against the targets set.

# Investment Policy and Performance (continued)

## Independent Adviser's annual review – Twelve months to 31<sup>st</sup> March 2023

Sam Gervaise-Jones, CFA

May 2023

It has been quite a year! A new-born delivered into the world as I wrote last year's review would have seen in its first year three British Prime Ministers, war in Europe, escalating tensions in Asia, a former US president being indicted, meltdown in the UK Gilt markets and rampant inflation in developed markets. Interesting times indeed.

I wrote about the need to maintain resilience in the portfolio, to weather inflation, ongoing Covid and Brexit challenges, and do so while meeting commitments made to address environmental and social concerns.

Good progress has been made on implementing the Fund's Responsible Investment and net-zero policy. Unfortunately, progress has been less pronounced on private markets propositions from the ACCESS Pool but we take comfort in the 2022 valuation showing a very healthy funding position, benefiting from the knock on effect of rising interest rates reducing our liabilities, while keeping asset values broadly flat.

Here I take the opportunity to provide an investment review covering the financial year 2023/23, in addition to providing some thoughts for the future.

### Market Activity

#### Equities

Inflation was the prevailing theme in Q2 2022 as rising prices, fuelled by increasing energy costs and supply chain disruptions, dented consumer confidence. Although economic data from the corporate sector, as measured by the Purchasing Managers' Indices (PMIs), pointed towards expansion, growth figures for key regions, such as the US and Eurozone, showed signs of slowdown. Market losses were widespread.

In Developed Equity markets, the MSCI World Index returned -16.2% in USD terms. The most economically sensitive parts of the market, such as consumer discretionary (-23.8%) and information technology (-21.8%), fell into bear market territory. In contrast, traditionally defensive sectors, such as consumer staples and healthcare, fared relatively better, dropping by -6.4% and -7.2% respectively.

In a bid to cool inflation, the US Federal Reserve and the Bank of England continued to raise interest rates. The European Central Bank also expressed a similarly hawkish message, signalling the likelihood (now a fact) of an interest rate rise in Q2—the first since 2011. In turn, tighter Fed monetary policies helped drive the US dollar upwards as the currency outperformed other key regions during the second quarter, notably gaining close to parity with the Euro and breaking the psychologically important 130 yen to the dollar barrier. This US dollar strengthening was a particular headwind for EM stocks. China's continued outperformance, however, helped soften the blow as partial lockdown easing spurred optimism. This meant the MSCI Emerging Markets Index declined 11.5% in USD terms. In the UK, the pound fell relative to the US dollar—but having a depreciating currency was a beneficial factor for many UK FTSE 100 companies because the market is skewed to multinationals with overseas revenue exposure (which benefitted from the dollar's strength).

Relative to other markets, the UK index proved to be one of the best performers during Q2, returning -3.7% in local GBP terms.

As Summer progressed, Global equity markets declined for the third consecutive quarter with concerns surrounding inflation and interest rate hikes, coupled with growing fears of recession, continued to dominate headlines. Despite an initial rally through July, the MSCI World closed Q3 down 6.2% (in USD terms), extending its year-to-date decline to more than 25%, and the MSCI ACWI was down by almost -7%.

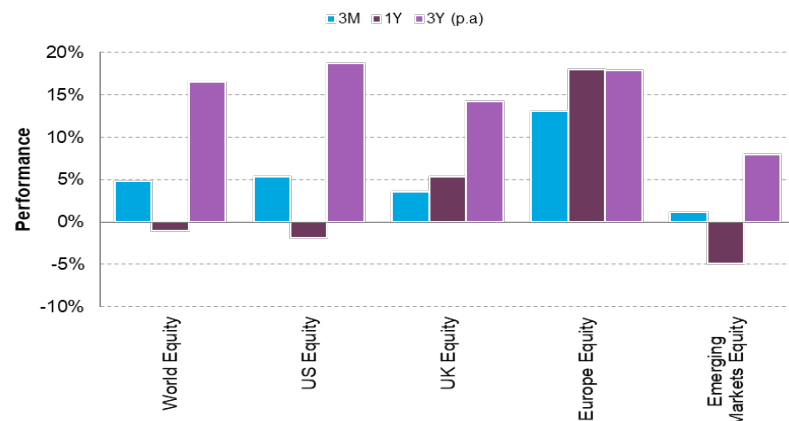


# Investment Policy and Performance (continued)

The quarter bore witness to several interest rate hikes in the major developed markets, including the Federal Reserve (to 3.25%), the European Central Bank (to 0.75%) and the Bank of England (to 2.25%) – the highest rates we’ve seen since the Global Financial Crisis. Yet, the rises generally affirmed a commitment to try to rein in inflation, despite the dampening effect on growth and equity markets. In September, annual inflation reached double digits in the UK (CPI measure) and EU, driven particularly by escalating energy and food costs. UK equities and market sentiment suffered as the new government’s fiscal policy announcements were poorly received by markets, driving the value of sterling to an all-time low vs. the US dollar, and ultimately leading to the eventual resignation of Liz Truss as Prime Minister after just 45 days in office.

Emerging markets similarly declined over Q3 (MSCI EM -11.6%). In addition to the general economic weakness, rising rates and inflationary pressures, Eastern European countries were particularly affected by the inflationary and energy effects of the Russian war in Ukraine. Despite positive returns in Q2, China fell sharply in Q3 (MSCI China -22.5%), with the ongoing strict lockdown policy suppressing economic activity alongside other challenges, such as the continued geopolitical tensions with Taiwan.

## Performance of Equity Markets to 31 March 2023



Source: bfinance

### Indices Used

World Equity: MSCI World NR (GBP), US Equity: S&P 500 TR (GBP), UK Equity: FTSE 100 TR (GBP), Europe Equity: Euro STOXX 50 NR (GBP), Emerging Markets Equity: MSCI EM NR (GBP)

Reaching the close of 2022 confirmed that after three consecutive calendar years of double-digit positive returns, the MSCI World index declined sharply for the period (-18.1% in USD terms). Inflation once again proved the dominant theme, albeit with materially different drivers compared to 2021: geopolitical conflict, rather than monetary policy tightening, was the primary driving force as the Russian war on Ukraine impacted supply chains and commodity prices. Energy proved to be a key beneficiary (+46% over the 12 months), while traditional defensives such as consumer staples, healthcare and utilities fared relatively well. Those equity markets with strong links to commodities (e.g. UK, Australia, Canada, Latin America) performed particularly well during the year. However, the US—with its high weighting to IT stocks—struggled somewhat: the S&P 500 was down -19.4% in 2022, its worst year in terms of performance since 2008. While 2022 proved to be a disappointing year for equities, Q4 offered some respite, with the MSCI World gaining close to +10% over the three-month period. Investors appeared to take comfort from signs that the pace of monetary policy tightening (across the developed world) might be slowing, with inflation also softening from multi-decade highs. Alongside energy, economically sensitive sectors such as industrials and financials led the way as all sectors other than consumer discretionary generated positive absolute returns. China abruptly relaxed its ‘zero-Covid’ policy, pushing the MSCI China index higher (+13.5% in USD terms) and helping to spur the broader global emerging markets index where returns were almost on par with those in developed equity markets.

# Investment Policy and Performance (continued)

Despite the broad market drawdown over 2022, the first quarter of 2023 saw a continued equity market recovery with positive returns over the period (+8%). This masked some volatile market activity, particularly in the banking sector in March with the collapse of regional US banks SVB and Signature Bank, followed by Credit Suisse. Overall, however, there was some positivity with some (albeit mixed) signs of inflation levelling off. This positive sentiment was reflected in partial performance rebounds for IT, consumer discretionary and communications services—the three worst performing sectors of the market over 2022. The first quarter saw further rate rises by the Fed and European Central Bank. Combined with continued easing of recession fears and a reduction in wholesale energy prices, markets were reasonably well supported for partial return bounce backs, particularly in growth and economically sensitive segments which had been the worst hit in recent months. This particularly supported European markets (MSCI Europe +11%) and the US (S&P 500 +7%). Global developed markets outperformed China (+6% MSCI China All Shares) and global emerging markets generally (+4% MSCI EM). This positive performance was still a sharp contrast to the broad market drawdowns experienced in 2022. China's final major Covid restrictions were lifted abruptly at the turn of 2023 and although there was some ongoing political tension with the US during the quarter, the optimism around reopening and economic growth combined with more positivity on the property market and internet companies combined for overall gains. In other emerging economies, performance was more mixed, with weakness in Brazil amid civil unrest and growth concerns in India; and pockets of strength such as Taiwan.

## Bonds

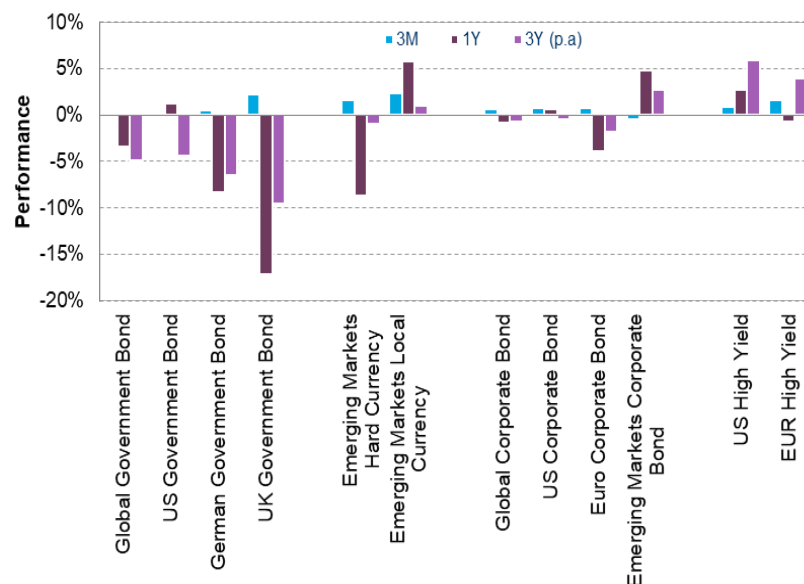
In many ways, the second quarter of 2022 continued as last financial year ended: as central banks in developed markets continued to raise interest rates in attempts to curb inflation, investors' appetite for investment grade (IG) fixed income strategies fell.

Across the range of fixed income securities, asset-backed securities and floating rate assets continued to benefit from this trend—or at least sustained less damage from prevailing market headwinds. In the US, central bank actions in Q2 followed the anticipated schedule of rate hikes broadcast in Q1—most of which had already been priced into bond markets. In Europe, we observed a similar trend as longer-dated yields moved sharply higher than the equivalent shifts seen in shorter-dated yields. The 20-year interest rate, for example, increased from 0.58% at the end of March to 1.59% at the end of June. The benchmark 10-year yield rose to a lesser degree, although it still rose by a 79 basis points, from 0.54% to 1.33% by the end of the period.

Following the adverse global backdrop in the first half of 2022, the respite offered to market participants at the beginning of Q3 proved to be short-lived. Views emerging in the midst of the summer that the Fed's tightening cycle would pivot by mid-2023 were dashed in September by higher-than-expected US inflation numbers. The Fed agreed a third consecutive 75bps hike, with hawkish projections, shrugging off risks of a recession. Meanwhile, far from abating, geopolitical tensions escalated (Ukraine) and multiplied (Taiwan). As a result, volatility rose again during the quarter and markets resumed their losing streak. In the US, the hike pushed the Fed fund rate to 3.25%, its highest level since 2008.

# Investment Policy and Performance (continued)

## Performance of Bond Markets to 31 March 2023



Source: bfinance

### Indices Used

World Equity: Barclays GlobalAgg Treasury TR (GBP Unhedged), ICE BofA ML US Treasury (GBP Unhedged), ICE BofA ML German Government (GBP Unhedged), ICE BofA ML UK Gilt (GBP Unhedged), JPM EMBI GLOBAL DIVERSIFIED TR (GBP Unhedged), JPM GBI-EM Global Div TR (GBP Unhedged), Barclays Global Agg Corporate TR (GBP Unhedged), Barclays US Agg Corporate TR (GBP Unhedged), Barclays Euro Agg Corporate TR (GBP Unhedged), JPM CEMBI BROAD DIVERSIFIED TR (GBP Unhedged), ICE BofA ML US High Yield (GBP Unhedged), ICE BofA ML Euro High Yield (GBP Unhedged)

Fixed income closed 2022 on a positive note thanks to a welcome (and much needed!) rally in Q4. Both the Fed and the ECB dialled down on their number of rate hikes on the back of an improved outlook for inflation. In the US, two successive 75bp and 50bp hikes pushed the Fed fund rate to 4.5% by the end the year, its highest level since 2008.

US investment grade corporate bond posted a positive return in Q4 (+3.53%), topping off a challenging 2022 (-15.44%). Bonds of all ratings generated positive returns, led by the riskier BBB-rated group as well as commodity-related sectors.

The first quarter of 2023 started as 2022 ended, with risk-friendly sentiment supported by China reopening and a general expectation of easing inflation and a resilient global economy. However, later in the quarter, strong US labour and retail sales data dampened optimism. Finally, the collapse of Silicon Valley Bank and Credit Suisse raised fresh concerns about the global financial system and made for a turbulent end to the quarter. The Fed made two 25bps hikes to take its federal funds rate range to 4.75–5%. Similarly in Europe, the ECB carried out two 50bps hikes, bringing the rate on its Deposit facility to 3%.

## Fund Activity

### Valuation and Strategic Asset Allocation review

The 2022 valuation results showed continued improvement in funding levels, to such a healthy position that the Pension Committee has been able to agree to de-risking some of the investment portfolio, focusing on securing the position the fund is in to meet its existing and future liabilities. Confidence in the fundamental funding position is also empowering when it comes to taking decisions regarding the fund's social and environmental impact, decisions that could be more complicated should the requirement for financial growth by substantially more urgent.

### Responsible Investment

Keen followers of the fund's activities will recall a new Responsible Investment Policy was approved and adopted in 2021, along with a revised Investment Strategy Statement and net zero investment commitments. Attention has since turned to implementation, with initial actions focusing on the fund's passive equity investments.

# Investment Policy and Performance (continued)

This year has seen significant education and investigation of implementation options and I'm pleased to see changes currently being made that will move us along our net zero pathway nicely.

With the results of a consultation expected from government imminently concerning mandatory reporting of investment portfolio carbon intensity this work will only get more important, and the likelihood is similar requirements will be coming down the road on reporting the funds impact on "natural capital" in the coming years.

As ever, requirements will continue to evolve. Thankfully, having a modern, fit for purpose policy in place should put us in a strong position to meet these challenges as they arise.

## Fund Performance

The fund continues to perform well, seeing a substantial increase in its funding ratio in the past year (by more than 25%) as the value of the liabilities fell significantly (down c. £1bn) while asset values remained broadly flat (down -2.8%).

For the past 12 months our equity investments are in aggregate down 1.6%, slightly behind the passive benchmark. Fixed income investments haven't fared quite as well, down 11.4%, though much closer to the benchmark of -11.12%. The growing alternatives portfolio also struggled, returning c.-0.1% but beating the benchmark of -0.5%.

As I have mentioned previously, the Fund has seen significant asset allocation change over the past couple of years with a substantial uplift in the target allocation to alternatives, funded by a reduction in equity investments, and this continues to be the trend.

These alternative investments, particularly those focused on infrastructure, are designed to enhance portfolio diversification – providing a return stream meaningfully different to that provided by the equity investments and also have potentially useful inflation proofing characteristics.

These investments take time to build up, committing to managers who then go out and source appropriate assets over an investment period that can run to several years.

The ACCESS Pool is developing solutions to help us implement these alternatives investment more efficiently, with new Real Estate investment options under development that should form a core part of the Cambridgeshire Fund's property investment strategy for years to come.

## Outlook

The past year has been all about inflation and it is set to be a dominant theme for the year ahead. Low interest rates, quantitative easing, other forms of stimulus, supply line interruptions, energy cost rises have all played their part in creating it, as yet central bank intervention has failed to curtail it. Looking positively. the fund has many asset investments that should keep up with inflation, and the higher interest rate environment certainly means fixed income investments can look a lot more attractive than they have done for many years. Of course, any major shift in the investment environment can pose challenges for performance.

We will continue making progress against our responsible investment and environmental impact commitments. As data quality continues to get better and better we are increasingly well equipped to understand the nuances of the impacts our investments are having and we can look to shape these to meet our objectives.

While progress has been slow this past year, I expect the ACCESS Pool private markets propositions to get back on track, opening a series of avenues to invest in alternative asset classes in a more efficient and effective manner.

With the fund in a healthy funding position we are in a good place, with strong governance and a resilient portfolio, to continue to face the future with confidence.

# Actuarial Information

## Cambridgeshire Pension Fund (“the Fund”) Actuarial Statement for 2022-23

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 2023. In summary, the key funding principles are as follows:

- 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 meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- 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
- manage the fund in line with the stated ESG policies.

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 have a sufficiently high likelihood of achieving the funding target over 20 years. 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 at least a 70% likelihood that the Fund will achieve the funding target over 20 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 2022. This valuation revealed that the Fund’s assets, which at 31 March 2022 were valued at £4,305 million, were sufficient to meet 125% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £860 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers’ contributions for the period 1 April 2023 to 31 March 2026 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 2022 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.

# Actuarial Information (continued)

## 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 2022 valuation were as follows:

Financial Assumptions	31 March 2022
Discount Rate	4.9%
Salary increase assumption	3.2%
Benefit increase assumption(CPI)	2.7%

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.0 years	24.6 years
Future Pensioners*	22.8 years	26.1 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund to the Fund and on the Fund's website.

## Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Douglas Green FFA

30 May 2023

For and on behalf of Hymans Robertson LLP

# Actuarial Information (continued)

## Extract from the Actuarial Valuation Report

### Executive Summary

We have carried out an actuarial valuation of the Cambridgeshire Pension Fund ("the Fund") as at 31 March 2022. The results are presented in this report and are briefly summarized below.

### Funding Position

The table below summarizes the financial position of the Fund at 31 March 2022 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2019).

Valuation Date	31 March 2019 (£m)	31 March 2022 (£m)
Past Service Liabilities	3,204	3,446
Market Value of Assets	3,193	4,305
Surplus/(Deficit)	-11	860
Funding Level	100%	125%

The most significant external event to occur since the last valuation has been the Covid-19 pandemic. The impact on the funding position has been small, likely due to the age profile of the excess deaths and the level of pension.

Other significant factors occurring which affect the funding strategy of the Fund have been the better than expected investment returns. This has had a material positive impact on the funding position and employers' secondary contribution rates.

### Contribution Rates

The table below summarizes 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 capitalization of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of pay)		Secondary Rate (£)	
1 April 23 – 31 March 26	2023-24	2024-25	2025-26
18.4%	£16,449,000	£14,485,000	£13,144,000

The Primary rate also 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.

The minimum contributions to be paid by each employer from 1 April 2023 to 31 March 2026 are shown in the Rates and Adjustment Certificate.

Douglas Green FFA

Robert McInroy FFA

31 March 2023

For and on behalf of Hymans Robertson LLP



# Audit Opinion



**Building a better  
working world**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS**

### **Opinion**

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

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 2022/23.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of its assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

### **Basis for opinion**

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 for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund 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 the Comptroller and Auditor General's AGN01, 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**

In auditing the financial statements, we have concluded that the Executive Director of Finance & Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Finance & Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the 'Statement of Accounts 2022-23', other than the financial statements and our auditor's report thereon. The Executive Director of Finance & Resources is responsible for the other information contained within the 'Statement of Accounts 2022-23'.

# Audit Opinion (continued)

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Matters on which we report by exception**

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

## **Responsibility of the Executive Director of Finance & Resources**

As explained more fully in the '*Statement of Responsibilities, Certificate and Approval of Accounts*' set out on pages 22 to 23, the Executive Director of Finance & Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 2022/23, and for being satisfied that they give a true and fair view. The Executive Director of Finance & Resources is also responsible for such internal control as the Executive Director of Finance & Resources determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance & Resources is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

## **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.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud.



# Audit Opinion (continued)

The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Executive Director of Finance & Resources

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Committee minutes, Pension Fund policies and procedures and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the investment income and investment asset valuations from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

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

## Use of our report

This report is made solely to the members of Cambridgeshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Cambridgeshire County Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Hodgson

Ernst & Young LLP

Date: 28<sup>th</sup> November 2024

Mark Hodgson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Cambridge

# Fund Account

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

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

# Net Asset Statement

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

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:

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

# 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
<b>Pension</b>	Each year worked is worth $1/80 \times$ final pensionable salary.	Each year worked is worth $1/60 \times$ final pensionable salary.
<b>Lump Sum</b>	Automatic lump sum of 3 x 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 1/49th or 1/98th 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 2024 was 167%.

There are 361 individual active employers as at March 2024. 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 £139m, with contributions of £167m, showing a net cash inflow.

The actual annual investment return for March 2024 was 11.7% and the Fund value had increased to £4.76 billion, meaning the fund has increased by £526 million during the year. At 31 March 2024, the Pension Fund has 47% of its investments allocated to equities and 23% allocated to Bonds, with £75 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 31 December 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 £3.4 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
	<b>Employers' contributions:</b>	
93,644	Normal contributions	100,571
10,371	Deficit recovery contributions	15,220
104,015	<b>Total employers' contributions</b>	<b>115,791</b>
<b>134,643</b>		<b>148,915</b>

### 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
<b>134,643</b>		<b>148,915</b>

## 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
<b>11,532</b>		<b>18,402</b>

# Notes to the Pension Fund Accounts (continued)

## 9. BENEFITS PAYABLE

### By category:

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

### By authority:

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

## 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

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

## 11. MANAGEMENT EXPENSES

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

\*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

	Management fees	Performance related fees	Transaction costs	Other costs	Total
	£000	£000	£000	£000	£000
2022/23					
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
<b>Total</b>	<b>14,961</b>	<b>3,527</b>	<b>535</b>	<b>1,945</b>	<b>20,968</b>

	Management fees	Performance related fees	Transaction costs	Other costs	Total
	£000	£000	£000	£000	£000
2021/22					
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
<b>Total</b>	<b>15,877</b>	<b>4,137</b>	<b>622</b>	<b>1,494</b>	<b>22,130</b>

## 13. INVESTMENT INCOME

31-Mar-22	31-Mar-23
£000	£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
<b>30,719</b>	<b>52,598</b>

# Notes to the Pension Fund Accounts (continued)

## 14. INVESTMENTS

31-Mar-22		31-Mar-23
£000		£000
<b>Investment assets</b>		
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
<b>4,290,145</b>	<b>Total investment assets</b>	<b>4,213,959</b>
<b>Investment liabilities</b>		
-2,410	Derivatives contracts: Options	-2,699
-35	Amounts payable for purchases	0
<b>-2,445</b>	<b>Total investment liabilities</b>	<b>-2,699</b>
<b>4,287,700</b>	<b>Net investment assets</b>	<b>4,211,260</b>



# 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
	<b>4,258,060</b>	<b>262,232</b>	<b>-188,822</b>	<b>-133,515</b>	<b>4,197,955</b>
<b>Derivative contracts:</b>					
• Purchased/written options	8,690	32,114	-39,013	-349	1,442
	<b>4,266,750</b>	<b>294,346</b>	<b>-227,835</b>	<b>-133,864</b>	<b>4,199,397</b>
<b>Other investment balances:</b>					
· 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
<b>Net investment assets</b>	<b>4,287,700</b>				<b>4,211,260</b>

# 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
	<b>3,844,291</b>	<b>292,424</b>	<b>-302,654</b>	<b>423,999</b>	<b>4,258,060</b>
<b>Derivative contracts:</b>					
• Purchased/written options	-46,008	149,776	-53,073	-42,005	8,690
	<b>3,798,283</b>	<b>442,200</b>	<b>-355,727</b>	<b>381,994</b>	<b>4,266,750</b>
<b>Other investment balances:*</b>					
· 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
<b>Net investment assets*</b>	<b>3,864,883</b>				<b>4,287,700</b>

# 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
<b>Investments managed under Pool Governance:</b>			
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
<b>2,669,323</b>	<b>62.3 Total Investments managed under Pool Governance</b>	<b>2,572,501</b>	<b>61.0</b>
<b>Investments managed outside Pool Governance:</b>			
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
<b>1,618,377</b>	<b>37.7 Total Investments managed outside Pool Governance</b>	<b>1,638,759</b>	<b>39.0</b>
<b>4,287,700</b>	<b>100.0 Net investment assets</b>	<b>4,211,260</b>	<b>100.0</b>

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 31<sup>st</sup> March 2023.

Security	31-Mar-22	% of total fund	31-Mar-23	% of total fund
	£000	%	£000	%
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
	<b>1,516,670</b>		<b>1,484,944</b>	

## 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
<b>Total assets</b>				<b>11,100</b>		<b>4,141</b>
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
<b>Total liabilities</b>				<b>-2,410</b>		<b>-2,699</b>
<b>Net purchased/written options</b>				<b>8,690</b>		<b>1,442</b>

# 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
<b>Net Investment Assets</b>	<b>225,470</b>	<b>2,829,746</b>	<b>1,146,880</b>	<b>4,202,096</b>

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
<b>Net Investment Assets</b>	<b>223,880</b>	<b>2,943,954</b>	<b>1,101,326</b>	<b>4,269,160</b>

# 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
<b>Cash and cash equivalents</b>	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
<b>Quoted Bonds</b>	Level 1	Fixed interest securities valued at a market value based on current yields.	Not required	Not required
<b>Pooled investments – not exchange traded open ended funds</b>	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
<b>Unquoted bonds and unit trusts</b>	Level 2	Average of broker prices	Evaluated price feeds.	Not required
<b>Pooled Property</b>	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.
<b>Private equity and infrastructure- equity</b>	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.
<b>Private equity and infrastructure - other</b>	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 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £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
<b>Total Assets</b>	<b>1,146,880</b>		<b>1,385,565</b>	<b>908,195</b>

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

Period 2022-23	Market value 01- Apr-22 £000	Transfers in/out of Level 3 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/(losses) £000	Realised gains/(losses) £000	Market value 31- Mar-23 £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
<b>Total</b>	<b>1,101,326</b>	<b>0</b>	<b>131,756</b>	<b>-83,054</b>	<b>-43,504</b>	<b>40,356</b>	<b>1,146,880</b>

# 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
<b>Financial assets</b>					
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
<b>4,269,160</b>	<b>44,790</b>	<b>0</b>	<b>4,202,096</b>	<b>38,150</b>	<b>0</b>
<b>Financial liabilities</b>					
0	0	-2,410	0	0	-2,699
0	0	-35	0	0	0
0	0	-6,073	0	0	-5,751
<b>0</b>	<b>0</b>	<b>-8,518</b>	<b>0</b>	<b>0</b>	<b>-8,450</b>
<b>4,269,160</b>	<b>44,790</b>	<b>-8,518</b>	<b>4,202,096</b>	<b>38,150</b>	<b>-8,450</b>
<b>4,305,432 Total</b>			<b>4,231,796</b>		

# Notes to the Pension Fund Accounts (continued)

## 17b. Net Gains and Losses on Financial Instruments

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

## 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:

<b>31-Mar-23</b>	<b>Value as at</b>	<b>% (rounded)</b>	<b>Value on</b>	<b>Value on</b>
<b>Asset Type</b>	<b>31-Mar-23</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
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
<b>Total Assets</b>	<b>4,211,260</b>		<b>4,952,555</b>	<b>3,469,965</b>

<b>31-Mar-22</b>	<b>Value as at</b>	<b>% (rounded)</b>	<b>Value on</b>	<b>Value on</b>
<b>Asset Type</b>	<b>31-Mar-22</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
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
<b>Total Assets</b>	<b>4,287,700</b>		<b>5,073,795</b>	<b>3,501,605</b>

# 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
<b>695,198</b>	<b>Total</b>	<b>678,312</b>

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
<b>Total change in assets available</b>	<b>678,312</b>	<b>684,841</b>	<b>671,783</b>

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
<b>Total change in assets available</b>	<b>695,198</b>	<b>701,871</b>	<b>688,525</b>

# 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
<b>Total</b>	<b>8,708</b>	<b>8,795</b>	<b>8,621</b>

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
<b>Total</b>	<b>2,759</b>	<b>2,787</b>	<b>2,732</b>

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 31-Mar-23 £000	Potential market movement £000	Value on increase £000	Value on decrease £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
<b>Total</b>	<b>2,756,079</b>	<b>222,018</b>	<b>2,978,097</b>	<b>2,534,061</b>

Assets exposed to currency risk	Value at 31-Mar-22 £000	Potential market movement £000	Value on increase £000	Value on decrease £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
<b>Total</b>	<b>2,841,613</b>	<b>218,952</b>	<b>3,060,565</b>	<b>2,622,661</b>

## 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
<b>Money market funds</b>			
Northern Trust Global Investors Global Cash Fund	AAAm	1,249	1
<b>Bank deposit account</b>			
Barclays Bank	A-1	34	0
NatWest Bank	A-2	7,993	13,912
<b>Bank current accounts</b>			
Northern Trust custody accounts	A-1+	18,601	11,447
<b>Total</b>		<b>27,877</b>	<b>25,360</b>

## 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
<b>-1,231</b>	<b>Net (Liability) / Asset</b>	<b>279</b>

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
<b>Debtors:</b>	
2,602 Contributions Due – Members	2,007
8,081 Contributions Due – Employers	5,076
5,095 Sundry Receivables	5,292
<b>15,778</b>	<b>12,375</b>
8,027 Cash Balances	13,912
<b>23,805</b>	<b>26,287</b>

## 22. CURRENT LIABILITIES

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

## 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

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
<b>3,418</b>	<b>3,377</b>

# 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.