

Pension Fund Accounts

Cornwall Local Government Pension Scheme Accounts

Fund Account

	2022-23		2021-22		Notes
	£m	£m	£m	£m	
Dealings with members, employers and others directly involved in the Fund					
Contributions	96.118		95.963		P7
Transfers In from Other Pension Funds	6.215		5.332		P7
Total Contributions		102.333		101.295	
Benefits Payable	(87.738)		(85.244)		P7
Payments to and on account of leavers	(4.713)		(4.938)		P7
Total Payments		(92.451)		(90.182)	
Net Additions from Dealings with Members		9.882		11.113	
Management Expenses	(25.201)		(20.456)		P8
Net Additions including Fund Management Expenses		(15.319)		(9.343)	
Returns on Investments					
Investment Income	18.419		17.242		P9
Taxes on Income	(0.184)		(0.080)		P9
Profit and Loss on Disposal of Investments and Changes in Market Value of Investments	(20.991)		132.880		P10
Net Returns on Investment		(2.756)		150.042	
Net Increase / (Decrease) in the Net Assets Available for Benefits During the Year		(18.075)		140.699	
Opening Net Assets of the Scheme		2,362.903		2,222.204	
Closing Net Assets of the Scheme at 31 March		2,344.828		2,362.903	

Net Assets Statement

	31 March 2023 £m	31 March 2022 £m	Notes
Long Term Investments	0.707	0.838	
Investment Assets	2,336.951	2,351.899	P10
Investment Liabilities	-	-	
Total Net Investments	2,337.658	2,352.737	
Long Term Assets	2.142	2.635	P16
Current Assets	9.558	13.477	P16
Current Liabilities	(4.530)	(5.946)	P16
Net Assets of the Scheme as at 31 March	2,344.828	2,362.903	

These accounts summarise the transactions of the Fund during the year, both for benefits and investments, and show the position of the Fund on 31 March 2023. They provide information about the financial position, performance and financial adaptability of the Fund and show how we have managed the Fund and what assets were in the Fund at the period end. Liabilities to pay pensions and other benefits in the future are not included but are dealt with in the Actuarial data included in Notes P14 and P15.

Notes to the Pension Scheme Accounts

Note P1

Description of the Fund

The Cornwall Pension Fund "the Fund" is a Local Government Pension Scheme (LGPS).

General

Local Government Pension Schemes are required to be funded and the Fund is required to be sufficient to meet the estimated future pension entitlements of current and past employees. It is actuarially re-valued every three years to establish the contributions to be made by the employers to achieve this objective. Transfers into or out of the Fund are sums received from, or paid to, other pension schemes. These relate to new and former members' periods of pensionable employment, where transferable.

After meeting pension payments and other benefits, the balance of the Pension Fund is invested in a range of investments. The Fund is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

The LGPS Regulations 2013 (as amended)
The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
The LGPS (Management and Investment of Funds) Regulations 2016

The Pensions Committee is responsible for all matters relating to the Pension Fund. The membership includes two member-nominated representatives and two representatives of the employers in the scheme. The Pensions Committee has approved a scheme of delegation to the Section 151 Officer. Whereas the Pensions Committee approves all policies, the Section 151 Officer is empowered to invest monies of the Pension Fund. The Head of Pensions, Treasury and Technical also has delegated responsibilities based on the approved scheme of delegation. The Pensions Committee receives investment advice from the Fund's investment consultant, Mercer, and also receives guidance from an independent advisor who helps ensure good investment governance.

The Pensions Board carries out an oversight function to ensure such decisions are properly compliant with regulations, guidance and internal policies. An Investment Strategy Statement, setting out how the Fund's investments are managed, can be viewed on the Pension Fund website at www.cornwallpensionfund.org.uk or in the Pension Fund Annual Report.

Membership

All employees (except teachers and fire fighters who have their own schemes) are entitled to join the scheme. Individuals have the right to seek alternative pension arrangements if they so wish. On 31 March 2023 there were 146 employer records in the Fund with active members (148 in the previous year). The recent trend in the reduction in employer records is attributable to a number of contracts ending and Academies merging.

The table below shows a breakdown of the membership.

	2019	2020	2021	2022	2023
Contributors					
Cornwall Council	6,810	6,881	6,816	7,015	7,052
Academies	7,386	7,709	7,730	7,920	7,971
Other Bodies	3,888	3,816	3,558	3,413	3,465
Total Number of Contributors	18,084	18,406	18,104	18,348	18,488
Pensioners					
Receiving Benefits	14,460	15,329	16,256	16,905	17,569
Deferred Benefits	21,060	20,785	21,118	22,127	23,683
Total Number of Pensioners	35,520	36,114	37,374	39,032	41,252

Funding

Benefits are funded by contributions and investment earning. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013. There are two sections in the scheme, the main section and the 50/50 section. The main section contributions range from 5.5% to 12.5% of pensionable pay for the year ending 31 March 2023. The 50/50 section allows members of the scheme to elect to accrue a lower personal benefit by paying half contributions. Employer contributions are set during the triennial actuarial funding valuation, the actuary determines the appropriate level of employer contributions for each employer, and these can be found in the Rates and Adjustments Certificate. The last such valuation was at 31 March 2022, which revealed that the Fund's assets were valued at £2,363 million and were sufficient to meet 96% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £100 million. The next formal valuation will be carried out as at 31 March 2025, however the position is monitored on a quarterly basis by officers and the Pensions Committee, using a projection produced by the actuary for the valuation of the Fund's liabilities and the quarterly asset valuation from the Fund's custodian.

Benefits

Prior to 01 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service.

From 01 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is reviewed annually, in line with the Consumer Prices Index.

**Note
P2**

Basis of Preparation

These accounts summarise the Fund's transactions for 2022-23 and its position at the year ending 31 March 2023. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the code), based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2022/23.

The Fund's Administering Authority is Cornwall Council, and the Council's professional staff who prepared these accounts, followed the same accounting policies, principles and practices that have been adopted for the Council's own Statement of Accounts for 2022-23.

The accounts have been prepared on a going concern basis.

**Note
P3**

Accounting Policies

Fund Account – Revenue Recognition and Expense Items

Contributions

These are included on an accrual's basis, where these amounts have been determined on the closure of accounts.

Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all LGPS schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

These accruals do not include the Fund's liabilities to pay pensions and other benefits, in the future, to all the present contributors to the Fund. These liabilities are taken account of in the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined at these valuations. Lump sum benefits are accrued at year end.

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

Investment Income and Expenses

Investment income for pooled funds is held back within the pooled funds and reinvested, this value is reflected in the unit price. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Interest income is recognised in the Fund Account as it accrues, and dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period are accrued for.

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.

Transfer Values to/from Other Funds

Transfer Values represent amounts received and paid during the period for individual members who have either joined or left the Cornwall Pension Fund during the financial year. Individual transfers in/out are accounted for on a received or paid basis during the year and are calculated in accordance with the LGPS Regulations. Block transfers would be accrued, if they straddled the year end.

Pension Fund Management Expenses

Pension Fund Management Expenses have been prepared in accordance with the CIPFA guidance, Accounting for Local Government Pension Scheme Management Expenses (2016), and as such have been split into administrative expenses, oversight and governance costs and investment management expenses. All items of expenditure are charged to the Fund on an accrual's basis.

Administrative Expenses

The staff costs of the pension benefits team are charged direct to the Fund, as is the associated management, accommodation and other overheads which are apportioned to this function.

Oversight and Governance Costs

These include the staff costs of the investments team, advisors to the Fund and other services which help the Fund provide effective oversight and governance. The associated management, accommodation and other overheads which are apportioned to this function are also charged to the Fund.

Investment Management Expenses

Investment Management Expenses comprise of expenses which are incurred in relation to the management of pension fund assets. Where an investment manager's fee note has not been received by the reporting period end date, an estimate based upon the market value of the mandate at the end of the reporting period has been used.

Management fees are agreed in the respective mandates governing the manager's appointments and are based on the market value of these investments under their management and therefore increase or reduce as the value of these investments change.

In addition, some of the Fund's investments have an element of their fee which is performance related.

Taxation

For taxation purposes, 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. As Cornwall Council is the Administering Authority for the Fund, VAT input tax is recoverable on all Fund activities, including expenditure on investment expenses.

Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

Net Assets Statement

Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset and any gains or losses arising from changes in the fair value are recognised in the Fund Account.

The values of investments included in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has been minded to take consideration of the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2018).

Cornwall Council and the other 9 shareholders each holds a 10% share in Brunel Pension Partnership Ltd (Company number 10429110). As such, no fund is deemed to have a significant influence and this long-term investment is accounted for at fair value. The asset was initially measured at cost and is subsequently revalued for any impairment.

The accounts for the year ended 31 March 2023 use the valuations for the Fund's assets based on the figures provided by the Fund's custodian, State Street.

Foreign Currency Transactions

Dividends, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction.

Investments held in foreign currencies are converted at the closing rates of exchange, as at the financial year-end date.

Cash and Cash Equivalents

Cash comprises cash in hand (Bank) and demand deposits (MMFs), which also includes amounts held by the custodian.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

Additional Voluntary Contributions:

Cornwall Pension Fund provides an AVC scheme for its contributors, the assets of which are invested separately from Cornwall Pension Fund. AVC's are 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 movements in the year.

The Fund has no involvement in the management of these assets and, for this reason, they are not included in Cornwall Pension Fund's financial statements in accordance with the LGPS (Management and Investment of Funds) Regulations 2016 section 4(2)(b) but are disclosed as a note. Further details are provided in Note P17.

The Actuarial Present Value of Promised Retirement Benefits

The Actuarial Present Value of Promised Retirement Benefits is disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, Cornwall Pension Fund has included a note disclosing the actuarial present value of retirement benefits (Notes P14 and P15).

Under the Pension Fund Regulations, employers' contribution rates are set to enable the Fund to meet, eventually, 100% of its overall liabilities to pay benefits for both local authorities and other bodies (see Note P14).

Contingent assets and contingent 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 Asset Statement but are disclosed by way of narrative in the notes.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

During the reporting period there were no prior period adjustments.

**Note
P4**

Critical Judgments in Applying Accounting Policies

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary, following work which is carried out to ensure that they are the most appropriate for the Fund and these assumptions are explained in Notes P14 and P15. The Fund has accepted the actuary's assumptions as they were considered to be reasonable and have not sought any alternative proposals in regard to the assumptions. The estimate of the Fund liability is subject to significant variances based on changes to the underlying assumptions. These 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 yield/return.

**Note
P5**

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

These financial statements contain estimated figures that are based on assumptions and judgements made by our investment managers/actuary about the future, or that are otherwise uncertain. These estimates and assumptions affect the amounts reported for the assets and liabilities at balance sheet date and the amounts reported for revenues and expenses during the year. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could differ from the assumptions and estimates. It should be noted that the Fund does not produce any of these significant estimates, they all come from highly regulated professionally qualified providers.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of consulting actuaries, Hymans Robertson, is engaged to provide the Fund with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in the individual assumptions can be measured. A 0.1% decrease in the real discount rate assumption would increase the pension liability by £47m. A 0.1% rise in the salary increase rate would increase the liability by £4m. A 0.1% increase in assumed pension increase rate would increase the liability by £43m. A 1-year increase in assumed life expectancy would increase the liability by £103m.</p> <p>More details on the Actuary's assumptions and projections are shown in Notes P14 and P15.</p>
Private Equities, Infrastructure, Property Limited Partnerships and Private Debt	<p>These investments are not publicly listed and as such there is a degree of estimation involved in their valuation.</p> <p>See Note P11, Fair Value - Basis of Valuation for further detail</p>	<p>The total private equity, infrastructure, property limited partnerships and Private Debt investments in the financial statements are £408.675m.</p> <p>There is a risk that these investments may be under - or over - stated in the accounts due to estimation uncertainties. See Note P11 for further details.</p>

Note P6 Events after the Reporting Date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

No material events have occurred.

Note P7 Analysis of Total Contributions and Benefits

The total contributions receivable and benefits payable during the year ending 31 March 2023 were as shown below:

	Cornwall Council £m	Scheduled Bodies £m	Designatory Bodies £m	Admitted Bodies £m	2023 £m	2022 £m
Contributions Receivable						
Employers' normal	28.332	20.940	7.612	2.180	59.064	60.119
Employers' fixed deficit	11.474	4.477	0.185	0.740	16.876	16.972
From Employees (normal and additional)	10.522	6.933	1.990	0.721	20.166	18.868
Transfers In						
Individual transfers	4.892	1.228	0.085	0.010	6.215	5.332
Other Income	0.008	0.002	0.001	0.001	0.012	0.004
Total Income	55.228	33.580	9.873	3.652	102.333	101.295
Benefits Payable						
Pensions	(55.788)	(8.863)	(3.829)	(5.212)	(73.692)	(69.079)
Lump Sums	(6.823)	(2.450)	(1.654)	(1.011)	(11.938)	(14.466)
Death Benefits	(0.910)	(0.478)	(0.483)	(0.195)	(2.066)	(1.652)
Taxation where lifetime or annual allowance exceeded	(0.028)	(0.003)	(0.011)	-	(0.042)	(0.047)
Payments on Account of Leavers						
Refunds of Contributions	(0.084)	(0.096)	(0.023)	(0.005)	(0.208)	(0.232)
Transfers Out						
Individual transfers	(3.327)	(0.879)	(0.119)	(0.180)	(4.505)	(4.706)
Total Expenditure	(66.960)	(12.769)	(6.119)	(6.603)	(92.451)	(90.182)

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Fund in exchange for the Fund settling their tax liability.

Note
P8 **Management Expenses**

For the years ended 31 March, the analysis of management expenditure was as follows:

	2023 £m	2022 £m
Management Expenses		
Administrative Costs ¹	1.576	0.927
Investment Management Expenses		
Management Fees	12.511	12.543
Performance Fees	0.597	1.175
Transaction Costs ²	5.518	1.930
Other Costs ³	3.922	2.950
Custody Fees ⁴	0.023	0.019
Oversight and Governance Costs	1.054	0.912
Total Investment and Administration Expenses	25.201	20.456

1 Administrative Costs have increased in 2022-23, this is in line with the increased budget approved by the Pensions Committee designed to pro-actively future proof the service and build in sufficient capacity for a number of significant administration projects.

2 Whilst management and performance fees have remained broadly flat in 2022-23, the Fund has seen an increase in transaction costs due to trading within the portfolio and the transitioning of assets to the Brunel Pension Partnership.

3 Other Costs are investment management expenses incurred which do not fall into the other subheadings

4 Custody Fees are the total of Custodian fees charged directly to the Fund

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the costs of investment acquisitions and in proceeds from the sales of investments (see Note P10).

Included in Oversight and Governance Costs is £0.043m for the year to 31 March 2023 (£0.038m for the year to 31 March 2022) which relates to the external audit of the Pension Fund accounts. There is also a charge included from the Scheme's external auditor, which relates to the provision of IAS19 assurances to Scheme employer auditors, which was £0.008m for the year to 31 March 2023 (£0.007m for the year to 31 March 2022), these are recharged to the relevant employer.

Note
P9 **Investment Income**

The income paid back to the Fund generated by the Fund's investments, net of tax, amounted to £18.235m. Other income is generated by the Fund's investments, but the holdings are invested in accumulation shares, which are held for capital growth. The income is held back and reflected in the unit price. Investment income for the year ended 31 March was received from the following sectors:

	2023 £m	2022 £m
Overseas Equities ¹	0.388	-
Pooled Investment Vehicles		
Private equities, infrastructure and private debt	12.837	9.426
Pooled Property Investments	4.792	4.299
Unit Trust Bonds	-	0.387
Other	0.081	-
Gain/(Loss) on foreign currency transactions when trading	(1.121)	2.525
Interest on cash deposits	1.129	0.565
Other	0.313	0.040
Gross Investment Income	18.419	17.242
Irrecoverable Withholding Tax	(0.184)	(0.080)
Net Investment Income	18.235	17.162

¹ This income came from a temporary holding during the transition from Global Core Equities to the Global High Alpha Equity Fund

Note P10 Investments

	31 March 2023 £m	31 March 2022 £m	Notes
Long Term Investments			
Brunel Pension Partnership Ltd ¹	0.707	0.838	
Investment Assets			
Pooled Investments	2,142.884	2,128.463	
Pooled Property Investments	138.479	154.653	
Cash Deposits	45.486	53.035	P13
Other Investment Balances	10.102	15.748	
Net Investment Assets	2,337.658	2,352.737	

¹ See Note P20 (Contingent Liability) for further information re the Brunel Pension Partnership long-term investment.

The following note shows the pooled investments split by asset class at 31 March 2023.

	31 March 2023 £m	31 March 2022 £m
Investment Assets		
Pooled Investments		
Multi Asset Credit	157.816	163.430
Equities	837.278	847.682
Diversified Growth Funds	189.996	251.491
Infrastructure Funds	235.672	168.522
Pooled Property Investments	138.479	154.653
Private Debt	109.554	78.116
Private Equity	61.678	60.699
Risk Management Framework	351.930	354.406
Unitised Insurance Fund	198.960	204.117
	2,281.363	2,283.116
Cash Deposits	45.486	53.035
Investment Income Due and tax receivable	0.102	0.026
Amounts Receivable from Sales	10.000	15.722
	55.588	68.783
Net Investment Assets of the Scheme as at 31 March	2,336.951	2,351.899

The following note shows the reconciliation of movements in investments for the year ending 31 March 2023.

	Value 1 April 2022 £m	Purchases at cost £m	Sales Proceeds £m	Profit / Loss and Change in Market Value £m	Value 31 March 2023 £m
Long Term Investments					
Brunel Pensions Partnership Ltd	0.838	-	-	(0.131)	0.707
Investment Assets					
Pooled Investment Vehicles					
Pooled Equity Funds	847.682	221.759	(226.920)	(5.243)	837.278
Pooled Property Investments	154.653	35.309	(36.371)	(15.113)	138.479
Other Pooled Investments	1,280.781	185.387	(160.033)	(0.529)	1,305.606
	2,283.954	442.455	(423.324)	(21.016)	2,282.070
Other adjustments for revaluation	-			0.025	-
Cash Deposits	53.035				45.486
Other Investment Balances	15.748				10.102
Net Investment Assets	2,352.737			(20.991)	2,337.658

The comparative data for the previous year are as follows:

	Value 1 April 2021 £m	Purchases at cost £m	Sales Proceeds £m	Profit / Loss and Change in Market Value £m	Value 31 March 2022 £m
Long Term Investments					
Brunel Pensions Partnership Ltd	0.768	-	-	0.070	0.838
Investment Assets					
Pooled Investment Vehicles					
Pooled Equity Funds	772.262	59.000	(17.220)	33.640	847.682
Pooled Property Investments	140.459	52.895	(63.205)	24.504	154.653
Other Pooled Investments	1,275.949	453.194	(523.122)	74.760	1,280.781
	2,189.438	565.089	(603.547)	132.974	2,283.954
Other adjustments for revaluation	-			(0.094)	-
Cash Deposits	21.850				53.035
Other Investment Balances	0.019				15.748
Net Investment Assets	2,211.307			132.880	2,352.737

The fund managers' portfolios were valued as follows:

Fund Manager	31 March 2023		31 March 2022	
	£m	% of Total	£m	% of Total
Investments managed by Brunel Ltd				
Brunel Core Global Equities ¹	-	0.0%	289.392	12.3%
Brunel Diversifying Returns Fund ²	189.996	8.1%	173.978	7.4%
Brunel Emerging Market Equities	170.274	7.3%	179.508	7.6%
Brunel Global Sustainable Equities	319.165	13.7%	323.254	13.7%
Brunel Global High Alpha Equity ¹	321.115	13.7%	28.026	1.2%
Brunel Infrastructure Portfolio	100.656	4.3%	54.969	2.3%
Brunel Multi Asset Credit	157.816	6.8%	163.430	6.9%
Brunel Private Debt	50.050	2.1%	17.434	0.7%
Brunel Private Equities	19.807	0.8%	11.195	0.5%
Brunel Property	138.479	5.9%	154.653	6.6%
Brunel Risk Management Framework (BlackRock)	351.930	15.1%	354.406	15.1%
Brunel Local Impact Portfolio ³	24.707	1.1%	-	0.0%
Brunel Smaller Companies Equities	26.724	1.1%	27.502	1.2%
Total Investments managed by Brunel Ltd	1,870.719	80.0%	1,777.747	75.6%
Investments managed outside of Brunel Pension Partnership				
Aberdeen Standard Investments (Private Equity)	3.870	0.2%	6.389	0.3%
Arcmont Asset Management (Private Debt)	24.120	1.0%	27.453	1.2%
Environmental Technology Fund (Private Equity)	0.064	0.0%	0.062	0.0%
Golub (Private Debt)	35.384	1.5%	33.228	1.4%
Federated Hermes (Infrastructure)	48.534	2.1%	58.444	2.5%
Infracapital Partners (Infrastructure)	61.775	2.6%	55.110	2.3%
Invesco Perpetual (Diversified Growth Fund) ²	-	0.0%	77.513	3.3%
Wilshire Associates (Private Equity)	37.937	1.6%	43.053	1.8%
Legal & General Investment Management (Insurance Fund)	198.960	8.6%	204.117	8.7%
Total Investments managed by Cornwall Pension Fund	410.644	17.6%	505.369	21.5%
Total Investments with external managers	2,281.363	97.6%	2,283.116	97.1%
Accruals and Cash Deposits	55.588	2.4%	68.783	2.9%
Total Investment Assets	2,336.951	100.0%	2,351.899	100%

1 During the 2022-23 financial year, the Fund's Brunel Core Global Equities holding was sold down and the proceeds were invested in the Brunel Global High Alpha Equity Fund.

2 In line with LGPS pooling, during the 2022-23 financial year, the Fund's Invesco Perpetual holding was sold down and the proceeds were invested in the Brunel Diversifying Returns Fund

3 During the 2022-23 financial year, the Fund made a new allocation to the Brunel Local Impact portfolio, the monies are currently invested in Listed Infrastructure assets while awaiting the fund managers drawing down capital commitments.

The following holdings each represent more than 5% of the net assets of the Fund:

	31 March 2023		31 March 2022	
	£m	% of Total	£m	% of Total
Brunel Risk Management Framework (BlackRock)	351.930	15.1%	354.406	15.1%
Brunel Global High Alpha Equity ¹	321.115	13.7%	28.026	1.2%
Brunel Global Sustainable Equities	319.165	13.7%	323.254	13.7%
Legal & General Investment Management (Insurance Fund Policy 37084)	198.960	8.6%	204.117	8.7%
Brunel Diversifying Returns Fund ²	189.996	8.1%	173.978	7.4%
Brunel Emerging Market Equities	170.274	7.3%	179.508	7.6%
Brunel Multi Asset Credit	157.816	6.8%	163.430	6.9%
Brunel Property	138.479	5.9%	154.653	6.6%
Brunel Core Global Equities ¹	-	0.0%	289.392	12.3%

1 During the 2022-23 financial year, the Fund's Brunel Core Global Equities holding was sold down and the proceeds were invested in the Brunel Global High Alpha Equity Fund.

2 In line with LGPS pooling, during the 2022-23 financial year, the Fund's Invesco Perpetual holding was sold down and the proceeds were invested in the Brunel Diversifying Returns Fund

Note

P11 Fair Value Hierarchy

The Fund is required to classify its investments using a fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. Fair value is the value at which the investments could be realised within a reasonable timeframe. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. The fair value hierarchy has the following levels:

- Level 1 – Unadjusted, quoted prices in an active market for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

- Level 2 – Inputs, other than quoted prices under Level 1, that are observable for the asset or liability, either directly or indirectly. 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 and where these techniques use inputs that are based significantly on observable market data.
- Level 3 – These are financial instruments where at least one input that could have a significant effect on the valuation is not based on observable market data.

Fair Value – Basis of Valuation

The basis of valuation of each class of investment asset is set out below:

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not Required	Not Required
Diversified Growth Funds	Level 2	Valued using vendor pricing and OTC pricing models	Evaluated price feeds	Not Required
Pooled Equity Funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required
Multi Asset Credit	Level 2	Average of broker price feeds	Evaluated price feeds	Not Required
Risk Management Framework	Level 2	Valued using vendor pricing and OTC pricing models	Evaluated price feeds, OTC Modelling and economics of Swap	Not Required
Property Unit Trusts (UK)	Level 2	Closing bid price where bid and offer prices are published	NAV-based pricing set on a forward pricing basis	Not Required
Insurance Policies	Level 2	Closing bid price where bid and offer prices are published	Evaluated price feeds	Not Required
Listed Infrastructure	Level 2	Closing bid price where bid and offer prices are published	NAV-based pricing set on a forward pricing basis	Not Required
Private Debt	Level 3	Fair value derived from the amortised cost measurement	Initial recognition cost, Principal repayments, effective interest method, Impairment reductions	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, as the fund is exposed to credit risk, any asset determined to be uncollectible will need to be written off and by any differences between the audited and unaudited accounts.
Property Limited Partnerships	Level 3	Valued at fair value at the year-end using a number of different models that reflect the general partner's determination of assumptions and inputs that market participants might reasonably use in valuing the securities	NPV of projected cash flows, internally-generated pricing models utilising NAV methodologies, underlying property valuations, transactions observable in the marketplace and reported NAV as provided by the investee	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Infrastructure Funds	Level 3	Direct investments: Independent valuation performed using discounted cash flow methodology in accordance with international private equity valuation guidelines	Future free cash flows from underlying investments Cost of capital of underlying investments	Valuations could be affected by material events occurring after the preparation of the independent reports, and by changes to expected cash flows.
Private Equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Sensitivity of assets valued at level 3

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

	Assessed valuation range (+/-)	Value at 31 March 2023 £m	Value on increase £m	Value on decrease £m
Private Debt	5	109.554	115.031	104.076
Property Limited Partnerships	10	26.478	29.126	23.830
Private Equities	15	61.678	70.930	52.426
Infrastructure Funds	10	210.965	232.062	189.869
Total		408.675	447.149	370.201

The comparative data for the previous year are as follows:

	Assessed valuation range (+/-)	Value at 31 March 2022 £m	Value on increase £m	Value on decrease £m
Private Debt	5	78.116	82.021	74.210
Property Limited Partnerships	10	19.615	21.577	17.654
Private Equities	15	60.699	69.803	51.594
Infrastructure Funds	10	168.522	185.375	151.670
Total		326.952	358.776	295.128

The following table sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31st March 2023:

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Investment Assets as at 31 March 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial Assets at Fair Value Through Profit and Loss	-	1,872.688	408.675	2,281.363
Other Investment Assets	55.588	-	-	55.588
Total Investment Assets	55.588	1,872.688	408.675	2,336.951

The comparative table for 31st March 2022 is shown below:

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Investment Assets as at 31 March 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial Assets at Fair Value Through Profit and Loss	-	1,956.164	326.952	2,283.116
Other Investment Assets	68.783	-	-	68.783
Total Investment Assets	68.783	1,956.164	326.952	2,351.899

Reconciliation of Fair Value Measurements within level 3

	Private Equities £m	Infrastructure Funds £m	Private Debt £m	Property Limited Partnerships £m	Total value £m
Market value April 2022	60.699	168.522	78.116	19.615	326.952
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Purchases during the year	9.313	63.372	37.474	17.773	127.932
Sales during the year	(9.025)	(12.026)	(10.451)	(12.356)	(43.858)
Unrealised gains/losses	(3.809)	(14.011)	4.415	1.414	(11.991)
Realised gains/losses	4.500	5.108	-	0.032	9.640
Market value 31 March 2023	61.678	210.965	109.554	26.478	408.675

The comparative table for 31st March 2022 is shown below:

	Private Equities £m	Infrastructure Funds £m	Private Debt £m	Property Limited Partnerships £m	Total value £m
Market value April 2021	51.608	132.970	71.742	19.083	275.403
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Purchases during the year	9.114	35.326	20.913	2.623	67.976
Sales during the year	(16.161)	(6.208)	(17.861)	(4.557)	(44.787)
Unrealised gains/losses	9.916	6.371	3.050	2.379	21.716
Realised gains/losses	6.222	0.063	0.272	0.087	6.644
Market value 31 March 2022	60.699	168.522	78.116	19.615	326.952

**Note
P12**

Financial Instruments

Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value.

Classification of Financial Instruments

	31 March 2023 £m	31 March 2022 £m
Financial Assets		
Fair value through profit or loss		
Pooled Investments	2,142.884	2,128.463
Pooled Property Investments	138.479	154.653
Long Term Investments	0.707	0.838
Assets at amortised cost		
Cash	47.186	54.120
Other Investment Balances	10.102	15.748
Debtors	10.000	15.027
Total Financial Assets	2,349.358	2,368.849
Financial Liabilities		
Measured at amortised cost		
Creditors	(4.530)	(5.946)
Total Financial Liabilities	(4.530)	(5.946)
Grand Total	2,344.828	2,362.903

Net Gains and Losses on Financial Instruments

	31 March 2023 £m	31 March 2022 £m
Financial Assets		
Fair Value Through Profit and Loss	(20.991)	132.880
Loans and Receivables	-	-
Total	(20.991)	132.880

Note P13

Nature and Extent of Risks Arising from Financial Instruments

The Cornwall Council Pension Fund's objective is to generate positive investment returns for a given level of risk. Therefore, the Fund holds financial instruments such as equities, bonds, and cash and cash equivalents in a number of different investment vehicles. In addition, debtors and creditors arise as a result of its operations. The value of these financial instruments in the financial statements approximates to their fair value.

The main risks from the Fund's holding of financial instruments are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk and foreign currency risk.

The Fund's investments are managed on behalf of the Fund by the appointed fund managers. Each fund manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus. The Pensions Committee has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each manager and considers and takes advice on the nature of the investments made and associated risks.

The Fund's investments are held by State Street Bank and Trust Company, who act as custodian on behalf of the Fund, or with the custodian appointed by the pooled investment vehicle.

Because the Fund adopts a long-term investment strategy, the high-level risks described below will not alter significantly during the year unless there are significant strategic or tactical changes in the portfolio.

Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed through its investments, to all of these market risks. The aim of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return from the investment portfolio.

In general, market risk is managed through the diversification of the investments held by asset class, investment mandate guidelines and fund managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee. The Fund also has a Risk Management Framework in place, which provides the Fund with a level of equity protection (to protect from significant equity market falls) and it also provides the Fund with a level of currency hedging on its equities.

Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate caused by factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general e.g. Geopolitical trade tensions.

Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital; the maximum risk being determined by the fair value of the financial instruments. The fund managers mitigate this risk through diversification, in line with their own investment strategies and mandate guidelines.

Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of return experienced in each asset class on a three-year average basis, as observed and provided by PIRC during the year to 31 March 2023. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables remain constant.

Movements in market prices would have increased or decreased the net assets, at 31 March 2023, by the amounts shown overleaf:

As at 31 March 2023	Value £m	Volatility of Return %	Value on Increase £m	Value on Decrease £m
Global Equities	837.278	13.26%	948.286	726.270
Property	138.479	6.35%	147.268	129.690
Bonds	157.816	6.34%	167.815	147.816
Other pooled investment vehicles and private equities	957.794	3.17%	988.160	927.428
Diversified Growth Fund	189.996	6.76%	202.832	177.160
Total¹	2,281.363	5.25%	2,401.122	2,161.603

¹ The percentage change for total assets includes the impact of correlation across asset classes. Therefore, the values on increase and decrease do not add to the totals.

The comparative data for the previous year are as follows:

As at 31 March 2022	Value £m	Volatility of Return %	Value on Increase £m	Value on Decrease £m
Global Equities	847.682	12.75%	955.767	739.598
Property	154.653	3.30%	159.763	149.543
Bonds	163.430	7.88%	176.308	150.551
Other pooled investment vehicles and private equities	865.860	3.73%	898.140	833.580
Diversified Growth Fund	251.491	9.17%	274.554	228.427
Total¹	2,283.116	7.53%	2,455.045	2,111.187

¹ The percentage change for total assets includes the impact of correlation across asset classes. Therefore, the values on increase and decrease do not add to the totals

Interest Rate Risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables remain constant and shows the effect of a +/- 1% change in interest rates.

Interest Rate Risk as at 31 March 2023	Value £m	Potential movement 1% change in interest rates £m	Value on Interest Rate Decrease £m	Value on Interest Rate Increase £m
Risk Management Framework	351.930	0.976	352.906	350.954
Brunel Multi Asset Credit	157.816	3.646	161.462	154.170
Total	509.746	4.622	514.368	505.124

The comparative data for the previous year are as follows:

Interest Rate Risk as at 31 March 2022	Value £m	Potential movement 1% change in interest rates £m	Value on Interest Rate Decrease £m	Value on Interest Rate Increase £m
Risk Management Framework	354.406	1.149	355.556	353.257
Brunel Multi Asset Credit	163.430	3.677	167.107	159.753
Total	517.836	4.826	522.663	513.010

Foreign Currency Risk Comparators

Foreign currency risk represents the risk that the fair value of financial instruments when expressed in sterling, the Fund's base currency, will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on investments denominated in a currency other than sterling. For a sterling-based investor, when sterling weakens, the sterling value of foreign currency denominated investments rises. As sterling strengthens, the sterling value of foreign currency denominated investment falls.

Foreign Currency Risk - Sensitivity Analysis

The following table analyses the Fund's currency exposure as at 31st March 2023 as observed and provided by PIRC. PIRC analysed historical data and considered the potential volatility associated with foreign exchange rate movements to be 8.18% (as measured by one standard deviation).

The below table reports foreign currency sensitivity only for the pooled funds denominated in a currency other than sterling, for the pooled funds which are denominated in sterling at the 31 March 2023, the Fund is of the opinion that these represent a fair valuation of the pooled funds in sterling, when taken in conjunction with the market price risk sensitivity analysis.

The pooled funds denominated in sterling will on a day-to-day basis be subject to foreign currency risk (due to underlying holdings in other markets), which is taken into account with the sterling unit pricing of these pooled funds as at 31 March 2023. The managers of the pooled funds have the ability to manage this exposure by using forward exchange contracts or hedging the sterling value of investments that are priced in other currencies, if they deem this risk material. The Fund also has a Risk Management Framework in place, which provides the Fund with a level of currency hedging on its underlying equities holdings in other currencies.

The analysis assumes that all other variables, in particular interest rates, remain constant:

Overseas Assets as at 31 March 2023	Value £m	Potential Percentage Change	Value on Increase £m	Value on Decrease £m
Cash	0.014	8.18%	0.016	0.013
Property	0.314	8.18%	0.340	0.288
Alternatives	113.643	8.18%	122.935	104.351
Total Overseas Assets	113.971	8.18%	123.291	104.652

The comparative data for the previous year are as follows:

Overseas Assets as at 31 March 2022	Value £m	Potential Percentage Change	Value on Increase £m	Value on Decrease £m
Cash	3.967	7.72%	4.273	3.661
Property	5.575	7.72%	6.005	5.145
Alternatives	108.483	7.72%	116.853	100.113
Total Overseas Assets	118.025	7.72%	127.131	108.919

Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk.

The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties (including brokers, custodian and investment managers) minimises the credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's contractual exposure to credit risk is represented by the net payment or receipt that remains outstanding and the cost of replacing the position in the event of a counterparty default. Bankruptcy or insolvency of the Custodian may affect the Fund's access to its assets. However, all assets held by the Custodian are ring-fenced as client assets and therefore cannot be claimed by creditors of the Custodian. The Fund manages its risk by monitoring the credit quality and financial position of the Custodian.

The Fund does not hold any fixed interest securities directly and the manager of the Multi-Asset Credit funds is responsible for managing credit risk. The market prices of the bonds incorporate an assessment of credit quality in their valuation, which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed in line with Cornwall Pension Fund's Cash Management Strategy. The Fund invests surplus cash with the Custodian in diversified, money market funds. (See table below for breakdown of this).

Liquidity Risk

Cash and cash equivalents		At 31 March 2023 £m	At 31 March 2022 £m
	Rating		
Money Market Funds			
Aberdeen Standard Liquidity Fund	AAA	18.698	16.331
State Street Global Advisors (SSGA)	AAA	26.421	26.154
Bank			
Natwest Plc	A+	1.700	1.085
State Street Bank & Trust Company	AA-	0.367	10.550
Total cash and cash equivalents		47.186	54.120

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. A substantial portion of the Fund's investments consist of readily realisable securities (e.g. equities and bonds). However, the main liability of the Fund is the benefits payable, which fall due over a long period and the investment strategy reflects the long-term nature of these liabilities. Therefore, the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes which are subject to longer redemption periods and cannot be considered as liquid as the other investments. The Fund maintains a cash balance to meet cashflow requirements.

The majority of the Fund's invested assets could be realised within a three-month period. The exceptions to this would be private equities, infrastructure, private debt, and property limited partnerships. At 31 March 2023, these amounted to £408.675m, which represented 17.5% of the Fund's investment assets (at 31st March 2022, these amounted to £326.952m, which represented 13.9% of the Fund's investment assets).

Note Actuarial Statement for 2022-23**P14**

(This note has been prepared by the Fund's Actuary, Hymans Robertson)

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 Environmental, Social and Governance (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 £2,363 million, were sufficient to meet 96% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £100 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.

The below table shows the funding level has changed between valuations. There has been a reduction in the funding deficit from £207m to £100m, with the investments having returned 20.3% over the 3-year period compared with the expected returns of 12.8%.

Valuation Date	31 March 2019	31 March 2022
Past Service Liabilities	(£m)	(£m)
Employees	717	774
Deferred Pensioners	447	552
Pensioners	970	1,137
Total Liabilities	2,133	2,463
Assets	1,926	2,363
Surplus / (Deficit)	(207)	(100)
Funding Level	90%	96%

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 and FSS.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial Assumptions	31 March 2022 % p.a.
Discount rate	4.4%
Salary increase assumption	2.7%
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	21.5 years	24.3 years
Future Pensioners ¹	22.4 years	25.8 years

¹ 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 and on the Fund's website.

Experience over the period since 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 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.

Julie West FFA

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
12 May 2023

**Note
P15****Actuarial present value of Promised Retirement Benefits**

(This note was prepared by the Fund's Actuary, Hymans Robertson)

CIPFA's Code of Practice on Local Authority Accounting 2022/23 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Cornwall Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the Cornwall Pension Fund, which is in the remainder of this note.

Present value of promised retirement benefits

Year ended	31 March 2023 £m	31 March 2022 £m
Active members	867	1,344
Deferred members	572	931
Pensioners	1,147	1,379
Present value of Promised Retirement Benefits	2,586	3,654

The promised retirement benefits at 31st March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31st March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £1,389m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £23m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 March 2023 % p.a.	31 March 2022 % p.a.
Pensions Increase Rate	2.95%	3.20%
Salary Increase Rate	2.95%	3.20%
Discount Rate	4.75%	2.70%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.7 years	24.5 years
Future Pensioners ¹	22.8 years	26.3 years

¹ Aged 45 at the 2019 valuation

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

Julie West FFA

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
12 May 2023

**Note
P16****Current Assets and Liabilities**

	31 March 2023 £m	31 March 2022 £m
Current Assets		
Administration income receivable	0.202	0.212
Employees Contributions receivable	2.046	2.112
Employers Contributions receivable	5.603	5.893
Pension strain income receivable ¹	0.007	4.175
Cash Balances	1.700	1.085
Total Current Assets	9.558	13.477
Current Liabilities		
Administration expenses payable	(3.973)	(3.321)
Pension lump sums payable	(0.557)	(2.625)
Total Current Liabilities	(4.530)	(5.946)
Total Current Assets and Liabilities	5.028	7.531

¹ Pension strain income receivable was higher in 2021-22 due to the large number of Cornwall Council redundancies in the Our Shape voluntary redundancy program

Long Term Debtors

	31 March 2023 £m	31 March 2022 £m
Long Term Debtors		
Reimbursement of Lifetime Allowance Tax Charges	0.231	0.244
Cessation Payment Due	1.911	2.391
Total Long Term Debtors	2.142	2.635

**Note
P17****Additional Voluntary Contributions (AVC)**

	Value 31 March 2023 £m	Value at 31 March 2022 £m
AVC Scheme		
Standard Life	2.443	2.440
Utmost	0.274	0.329
Total	2.717	2.769
Changes During the Year		
Contributions	0.394	0.340
Paid Out	(0.383)	(0.538)
Change in Market Value	(0.063)	0.110

**Note
P18****Related Party Transactions**

Cornwall Council is the Administering Authority of the Fund. The majority of investments are managed by external fund managers, although during the year a small proportion was held as cash and controlled in nominated money market accounts for cash flow management purposes, see Note P13 for details. Transactions with the Fund in respect of employees in the Scheme are shown in Note P7.

Included in Management Expenses (see Note P8) are charges amounting to £1.982m incurred for the internal costs of providing these services during the year to 31 March 2023 (£1.271m for the year to 31 March 2022). For the year to 31 March 2023 this is composed of £1.576m Administrative Costs, £0.395m Oversight and Governance Costs and £0.011m of Oversight and Governance Costs which was recharged to the 9 other Administering Authorities in the Brunel Pension Partnership, as the Fund provides administration services to the Partnership. This was £0.927m Administrative Costs and £0.344m Oversight and Governance Costs for the year to 31 March 2022.

Senior officers of the Pension Fund are members of the Fund as employee contributors. In terms of the Pensions Committee, following the local elections in May 2017, Cornwall Council Councillors are no longer eligible for active membership of the Pension Fund however, as at 31 March 2023, both Employee Representatives on the Pensions Committee were pensioners of the Fund and one Councillor (through another role), and one Employer Representative were active members of the Fund.

The Council made payments to each Cornwall Council elected Member serving on the Pensions Committee, in accordance with the Council's Member's Allowances Scheme. These payments were met by Cornwall Council and declared in their statutory accounts.

Brunel Pension Partnership Ltd (Company number 10429110)

Brunel Pensions Partnership Ltd (Brunel) was formed on the 14th of October 2016 and will oversee the investment of pension fund assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds.

Each of the 10 local authorities, including Cornwall Council, own 10% of Brunel. For the year ended 31 March 2023, Brunel's service charge to the Cornwall Pension Fund totalled £1.042m (£1.059m for the year to 31 March 2022).

Key Management Personnel

The key management personnel of the Fund are the Section 151 Officer, the Head of Pensions, Treasury & Technical and the Pensions Committee. The table below shows the benefits they receive. This is not the total remuneration these posts receive, but is a notional amount based on their time allocated to the Fund.

	2023 £m	2022 £m
Short-term benefits	0.080	0.064
Post-employment benefits	0.009	0.006
Total	0.089	0.070

**Note
P19****Contractual Commitments, Contingent Assets and Contingent Liabilities**

Outstanding capital commitments (investments) at the prevailing exchange rate on the day at 31 March 2023 were £420.120m (£551.228m at 31 March 2022). This has decreased, as commitments have been called by the Fund Managers.

These commitments relate to outstanding call payments due to the Fund's limited partnerships for private equities, private debt, infrastructure, property and the social impact portfolio. The amounts called by these limited partnerships are irregular in both size and timing, they are typically called over a period of between four and six years from the date of each original commitment.

28 admitted body employer contracts in the Cornwall Pension 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. No such defaults have occurred in 2022/23 or 2021/22.

**Note
P20****Contingent Asset**

Cornwall Pension Fund has ongoing claims against some European countries for tax withheld on foreign dividends. KPMG, who submitted these claims in 2007, are still pursuing these claims on behalf of the Fund.

These claims are made on the basis that, within the European Union, all member states should enjoy the same tax status. Resident investors should not be classed differently to non-residents. Court cases such as those known as 'Fokus' have added to the strength of the arguments. The value of these claims is in excess of £250,000.

No accruals have been included in the accounts for these tax claims because outcomes are uncertain.

Contingent Liability

The staff at Brunel Ltd (of which Cornwall Council is a 1/10th shareholder) have access to the Local Government Pension Scheme (LGPS), which comes with a pension obligation risk. As Brunel is a Markets in Financial Instruments Directive ("MiFID") regulated firm, it is required to hold regulatory capital for this risk. This is because it is identified in the MIFIDPRU Prudential sourcebook, under the provision MIFIDPRU 4.3 (Own funds requirement) as a source of risk for which firms must assess and maintain, on an ongoing basis, the capital resources that are considered adequate to mitigate these risks. If this pension obligation risk were to increase, then any additional capital, would have to be called from the shareholders as and when required.

In September 2020, the Brunel shareholders entered into a Pension Cost Recharge Agreement (PRA), which was deemed a more capital efficient way to deal with this pension obligation risk. It provides assurance that the shareholders will reimburse any LGPS pension related cashflows, including reimbursement of contributions and exit payments, as and when required, which mitigates the requirement for Brunel to hold regulatory capital for this risk.

The value of the Pension Cost Recharge Agreement from Brunel's 2022 Financial Statements is £0.102m (£7.676m in 2021), Cornwall Pension Fund's share of this is £0.010m (£0.768m in 2021) however, the actual amount payable and date of any cash flows would need to take into account returns on assets which are inherently uncertain and a range of actuarial considerations. Brunel will be reimbursed through separate one-off invoices prior to any exit payments or additional employer pension contribution payments. This is not deemed to be material and is disclosed here for transparency.