



Cambridgeshire County Council Pension Fund Statement of Accounts Year Ended 31 March 2022

Fund Account

31-Mar-21 £000	Notes	31-Mar-22 £000
Dealings with members, employers and others directly involved in the fund:		
154,534 Contributions	Note 7	134,643
22,232 Transfers in from other pension funds	Note 8	11,532
176,766		146,175
-109,596 Benefits	Note 9	-118,306
-11,632 Payments to and on account of leavers	Note 10	-8,754
-121,228		-127,060
55,538 Net additions/(withdrawals) from dealing with members		19,115
-22,690 Management expenses	Note 11	-25,633
32,848 Net additions/(withdrawals) including fund management expenses		-6,518
Returns on investments:		
31,406 Investment income	Note 13	30,719
836,312 Profit and (losses) on disposal of investments and changes in the value of investments	Notes 14a and 17b	382,996
867,718 Net return on investments		413,715
900,566 Net increase/(decrease) in the net assets available for benefits during the year		407,197
2,997,669 Opening net assets of the scheme		3,898,235
3,898,235 Closing net assets of the scheme		4,305,432

Notes on pages 3 to 34 form part of the financial statements.

Net Asset Statement

31-Mar-21 £000		Notes	31-Mar-22 £000
3,913,043	Investment assets		4,290,145
-48,160	Investment liabilities		-2,445
3,864,883	Total net investments	Note 14	4,287,700
39,679	Current assets	Note 21	23,805
-6,327	Current liabilities	Note 22	-6,073
33,352	Net Current Assets		17,732
3,898,235	Closing net assets of the scheme	Note 17a	4,305,432

Notes on pages 3 to 34 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 2021-22 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 2022 there was 213 (2021: 217) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

	31-Mar-21	31-Mar-22
Number of employers with active members	217	213

The Fund has over 92,000 individual members, as detailed below:

Number of employees in scheme:	31-Mar-21	31-Mar-22
County council	9,483	9,362
Other employers	19,228	19,549
Total	28,711	28,911

Number of Pensioners:	31-Mar-21	31-Mar-22
County council	8,861	9,185
Other employers	11,519	12,155
Total	20,380	21,340

Deferred pensioners:	31-Mar-21	31-Mar-22
County council	13,793	13,859
Other employers	17,112	17,514
Total	30,905	31,373

Undecided Leavers:	31-Mar-21	31-Mar-22
County council	4,072	4,627
Other employers	5,339	6,384
Total	9,411	11,011

Total members	89,407	92,635
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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 2022. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers' contributions comprise a percentage rate on active payroll between 5.7% and 31.7% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Benefits

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

	Service pre 1 April 2008	Service 1 April 2008 to 31 March 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	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 2021-22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (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 2019) was 100%. The Funding Level at year ending March 2022 was 114%.

There are 499 individual active employers as at March 2022. 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 approximately £118m, with contributions of approximately £134m, showing a net cash inflow.

The actual annual investment return for March 2022 was 9.9% and the Fund value had increased to £4.305 billion (subject to audit), meaning the fund has increase by £407.2 million during the year. At 31 March 2022 the Pension Fund has 58% of its investments allocated to equities and 14% allocated to Bonds, with £27.8 million in cash, which are all assets that could be liquidated quickly to pay benefits should the need arise.

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 £3.1 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 an 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.

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 2021-22, £234k of fees are based upon such estimates (2020-21: £226K). In addition, manager fees deducted from pooled funds of £21.9m (2020-21: £16.8m) 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 2022 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 £115m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £8m, and a 1 year increase in assumed life expectancy would increase the liability by approximately £224m. 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 £85.0m. 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 £81.7m to £89.1m. The mid-point of this valuation range has been applied within the Fund's accounts.

- Other Private Equity and Infrastructure 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 £714.7m. 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 23.7%, which indicates that Other private equity and infrastructure values may range from £545.3m to £884.1m.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2022, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By Category:

31-Mar-21		31-Mar-22
£000		£000
29,081	Employees' contributions	30,628
	Employers' contributions:	
89,914	Normal contributions	93,644
35,539	Deficit recovery contributions	10,371
125,453	Total employers' contributions	104,015
154,534		134,643

By Authority:

31-Mar-21		31-Mar-22
£000		£000
28,127	Administering authority	29,164
120,606	Scheduled bodies	99,693
5,801	Admitted bodies	5,786
154,534		134,643

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-21		31-Mar-22
£000		£000
6,750	Individual transfers	10,865
15,482	Group transfers	667
22,232		11,532

Notes to the Pension Fund Accounts (continued)

9. BENEFITS PAYABLE

By category:

31-Mar-21		31-Mar-22
£000		£000
92,311	Pensions	96,636
14,081	Commutation and lump sum retirement benefits	19,444
3,204	Lump sum death benefits	2,226
109,596		118,306

By authority:

31-Mar-21		31-Mar-22
£000		£000
35,867	Administering authority	36,422
64,819	Scheduled bodies	71,853
8,910	Admitted bodies	10,031
109,596		118,306

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-21		31-Mar-22
£000		£000
998	Refunds to members leaving service	793
5,113	Group transfers	0
5,521	Individual transfers	7,961
11,632		8,754

11. MANAGEMENT EXPENSES

31-Mar-21		31-Mar-22
£000		£000
2,726	Administrative costs	2,602
19,230	Investment management expenses	22,130
734	Oversight and governance costs*	901
22,690		25,633

*Base fees payable to External Auditors, included within Oversight and Governance costs were £17k during the year (2020-21 £17k). The scale fee variation will be communicated in due course.

Notes to the Pension Fund Accounts (continued)

12. INVESTMENT MANAGEMENT EXPENSES

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

2020/21	Management fees £000	Performance related fees £000	Transaction costs £000	Other costs £000	Total £000
Bonds	175	0	0	0	175
Pooled Investments	7,930	0	16	338	8,284
Pooled property investments	632	0	261	3	896
Private Equity/Infrastructure	5,021	3,092	0	1,762	9,875
Custody fees	0	0	0	0	0
Total	13,758	3,092	277	2,103	19,230

13. INVESTMENT INCOME

31-Mar-21 £000	31-Mar-22 £000
526 Income from bonds	780
3 Income from equities	0
11,975 Pooled investments – unit trusts and other managed funds	8,597
7,859 Pooled Property Investments	8,487
10,524 Private equity/infrastructure income	12,826
519 Interest on cash deposits	29
31,406	30,719

Notes to the Pension Fund Accounts (continued)

14. INVESTMENTS

31-Mar-21 £000	31-Mar-22 £000
Investment assets	
156,972 Bonds	210,791
2,761,795 Pooled investments	2,945,943
237,190 Pooled property investments	301,637
688,334 Private equity/infrastructure	799,689
66,353 Cash deposits	19,850
2,152 Derivatives contracts: Options	11,100
247 Investment income due	286
0 Amounts receivable for sales	849
3,913,043 Total investment assets	4,290,145
Investment liabilities	
-48,160 Derivatives contracts: Options	-2,410
0 Amounts payable for purchases	-35
-48,160 Total investment liabilities	-2,445
3,864,883 Net investment assets	4,287,700

Notes to the Pension Fund Accounts (continued)

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

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

Notes to the Pension Fund Accounts (continued)

14(a) Reconciliation of movements in investments and derivatives

	Market value 01-Apr-20	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-21
	£000	£000	£000	£000	£000
Bonds	155,686	0	0	1,286	156,972
Equities	1	0	-1	0	0
Pooled investments	2,029,182	420,916	-499,538	811,235	2,761,795
Pooled property investments	225,063	15,821	-4,215	521	237,190
Private equity/infrastructure	500,810	137,005	-55,395	105,914	688,334
	2,910,742	573,742	-559,149	918,956	3,844,291
Derivative contracts:					
• Purchased/written options	36,582	0	0	-82,590	-46,008
	2,947,324	573,742	-559,149	836,366	3,798,283
Other investment balances:*					
· Cash deposits	31,585				66,353
· Investment income due	722				247
Net investment assets*	2,979,631				3,864,883

Notes to the Pension Fund Accounts (continued)

14(b). Investments analysed by fund manager

Market value 31-Mar-21			Market value 31-Mar-22	
£000	% of net investment assets		£000	% of net investment assets
Investments managed under Pool Governance:				
1,358,174	35.1	Link Fund Solutions	1,709,669	39.9
957,079	24.8	UBS Global Asset Management	959,654	22.4
2,315,253	59.9	Total Investments managed under Pool Governance	2,669,323	62.3
Investments managed outside Pool Governance:				
131,898	3.4	Adams Street Partners	178,519	4.2
19,736	0.5	Allianz Global Investors	19,190	0.4
45,488	1.2	Ares Management	41,671	1.0
183,388	4.7	BlueBay Asset Management	197,832	4.6
76,000	2.0	Cambridge and Counties Bank	85,000	2.0
15,000	0.4	Cambridge Building Society	15,000	0.3
32,176	0.8	Equitix Investment Management	28,356	0.7
15,225	0.4	Foresight Group	20,565	0.5
123,900	3.2	HarbourVest Partners (UK)	159,331	3.7
62,786	1.6	IFM Infrastructure	76,081	1.8
59,218	1.5	JP Morgan	59,578	1.4
247,048	6.4	M&G Investments	81,036	1.9
54,400	1.5	M&G Real Estate	57,452	1.3
41,798	1.1	Partners Group (UK)	50,001	1.1
141,770	3.7	River and Mercantile Group*	0	0.0
252,654	6.5	Schroders Investment Management	520,488	12.1
10,710	0.3	UBS Infrastructure	8,946	0.2
36,435	0.9	Cash with custodian	19,331	0.5
1,549,630	40.1	Total Investments managed outside Pool Governance	1,618,377	37.7
3,864,883	100.0	Net investment assets	4,287,700	100.0

All the above companies are registered in the United Kingdom.

* River and Mercantile Group were acquired by Schroders Investment Management in January 2022.

Notes to the Pension Fund Accounts (continued)

The following investments represent more than 5% of the net assets of the scheme.

Security	31-Mar-21	% of total fund	31-Mar-22	% of total fund
	£000	%	£000	%
LF ACCESS Global Stock - Dodge and Cox	486,668	12.5	562,493	13.1
LF ACCESS Global Equity - J O Hambro	509,482	13.1	539,385	12.5
LF ACCESS Global Equity - Longview	362,023	9.3	414,792	9.6
UBS Asset Management Life USA Equity Tracker Hedged	209,901	5.4		
	1,568,074		1,516,670	

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 2022 or 31 March 2021.

• 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 2022 or 31 March 2021. 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-21	Notional Holdings	31-Mar-22
				£000		£000
Assets						
Overseas equity purchased	One to three months	Put	158,099	2,152	132,999	11,100
Total assets				2,152		11,100
Liabilities						
Overseas equity written	One to three months	Put	-203,057	-285	-170,996	-1,485
Overseas equity written	One to three months	Call	-154,327	-47,875	-132,999	-925
Total liabilities				-48,160		-2,410
Net purchased/written options				-46,008		8,690

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 2015, 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 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
Equities	0	0	0	0
Pooled Investments	13,089	2,932,854	0	2,945,943
Pooled Property Investments	0	0	301,637	301,637
Private Equity/Infrastructure	0	0	799,689	799,689
Derivatives	0	11,100	0	11,100
Net Investment Assets	223,880	2,943,954	1,101,326	4,269,160

Value at March 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Bonds	156,972	0	0	156,972
Equities	0	0	0	0
Pooled Investments	16,106	2,745,689	0	2,761,795
Pooled Property Investments	0	0	237,190	237,190
Private Equity/Infrastructure	0	0	688,334	688,334
Derivatives	0	2,152	0	2,152
Net Investment Assets	173,078	2,747,841	925,524	3,846,443

Notes to the Pension Fund Accounts (continued)

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities valued at a market value based on current yields.	Not required	Not required
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Unquoted bonds and unit trusts	Level 2	Average of broker prices	Evaluated price feeds.	Not required
Pooled Property	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure- equity	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure - other	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	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 2022.

Asset Type	Market Value as at 31-Mar-22	Assessed valuation range (+/-)	Value on Increase	Value on Decrease
	£000		£000	£000
Private Equity	799,689	23.7	989,215	610,163
Property	301,637	15.0	346,883	256,391
Total Assets	1,101,326		1,336,098	866,554

16(b) Reconciliation of fair value measurements within Level 3

Period 2021-22	Market value 01- Apr-21	Transfers in/out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31- Mar-22
	£000	£000	£000	£000	£000	£000	£000
Pooled property investments	237,190	0	45,014	-21,426	44,918	-4,059	301,637
Private equity and infrastructure - equity	76,000	0	0	0	9,000	0	85,000
Private equity and infrastructure - other	612,334	0	75,093	-87,909	75,309	39,862	714,689
Total	925,524	0	120,107	-109,335	129,227	35,803	1,101,326

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-21			31-Mar-22		
Fair value through profit and loss	Loans and receivables	Financial Liabilities	Fair value through profit and loss	Loans and receivables	Financial Liabilities
£000	£000	£000	£000	£000	£000
Financial assets					
156,972	0	0	210,791	0	0
2,761,795	0	0	2,945,943	0	0
237,190	0	0	301,637	0	0
688,334	0	0	799,689	0	0
2,152	0	0	11,100	0	0
0	90,818	0	0	27,877	0
0	247	0	0	1,135	0
0	15,214	0	0	15,778	0
3,846,443	106,279	0	4,269,160	44,790	0
Financial liabilities					
0	0	-48,160	0	0	-2,410
0	0	0	0	0	-35
0	0	-6,327	0	0	-6,073
0	0	-54,487	0	0	-8,518
3,846,443	106,279	-54,487	4,269,160	44,790	-8,518
3,898,235 Total					4,305,432

Notes to the Pension Fund Accounts (continued)

17b. Net Gains and Losses on Financial Instruments

31-Mar-21		31-Mar-22
£000		£000
Financial assets:		
918,956	Fair value through profit and loss	423,999
5	Loans and receivables	1,360
0	Financial liabilities measured at amortised cost	
Financial liabilities:		
-82,590	Fair value through profit and loss	-42,005
-59	Loans and receivables	-358
0	Financial liabilities measured at amortised cost	0
836,312	Total gains/(losses)	382,996

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 2021-22 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	19.9
Global equities	20.1
Index linked bonds	9.2
Pooled fixed interest bonds	8.1
Multi asset credit	7.4
Property	15.0
Alternatives	23.7
Cash and other investment balances	0.3

Notes to the Pension Fund Accounts (continued)

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

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

31-Mar-21	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-21	Change	Increase	Decrease
	£000		£000	£000
UK equities	85,032	16.7	99,232	70,832
Overseas equities	2,230,221	17.4	2,618,279	1,842,163
Global pooled equities	156,972	7.5	168,745	145,199
Index linked bonds	64,500	8.0	69,660	59,340
Pooled fixed interest bonds	365,936	6.2	388,624	343,248
Property	237,190	14.2	270,871	203,509
Alternatives	688,334	23.5	850,092	526,576
Cash and Other investment balances	36,698	0.3	36,808	36,588
Total Assets	3,864,883		4,502,311	3,227,455

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 2022 and 31 March 2021 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-21	Asset Type	31-Mar-22
£000		£000
66,353	Cash and cash equivalents	19,850
24,465	Cash balances	8,027
156,972	Index-linked securities	210,791
430,436	Fixed interest securities	456,530
678,226	Total	695,198

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

Exposure to interest rate risk	Asset values	Impact of 1%	Impact of 1%
	31-Mar-21	decrease	increase
	£000	£000	£000
Cash and cash equivalents	66,353	66,353	66,353
Cash balances	24,465	24,465	24,465
Index-linked securities	156,972	158,542	155,402
Fixed interest securities	430,436	434,740	426,132
Total change in assets available	678,226	684,100	672,352

Notes to the Pension Fund Accounts (continued)

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

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2020-21		
	£000	£000	£000
Cash deposits, cash and cash equivalents	519	524	514
Index-linked securities	526	531	521
Fixed interest securities	1,989	2,009	1,969
Total	3,034	3,064	3,004

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 9.5% (the 1 year expected standard deviation). A 9.5% (31 March 2021: 9.8%) 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 9.8% 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-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
Total	2,841,613	218,952	3,060,565	2,622,661

Assets exposed to currency risk	Value at 31-Mar-21 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - Hedged	548,469	0	548,469	548,469
Overseas equities - Unhedged	1,681,752	164,812	1,846,564	1,516,940
Overseas fixed income	430,436	42,183	472,619	388,253
Overseas cash fund	1,046	103	1,149	943
Total	2,661,703	207,098	2,868,801	2,454,605

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 2022 was £27.8m (31 March 2021: £90.8m). This was held with the following institutions:-

	Rating	31-Mar-21 £000	31-Mar-22 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	AAAm	23,878	1,249
Bank deposit account			
Barclays Bank	A	421	34
NatWest Bank	A	24,044	7,993
Bank current accounts			
Northern Trust custody accounts	A-1+	42,475	18,601
Total		90,818	27,877

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 2022 the value of illiquid assets was £1,101m, which represented 25.7% of the total Fund assets (31 March 2021: £925.5m, which represented 23.9% 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 2022 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 2019. The next valuation will take place as at 31 March 2022 and will be published in 2023.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- To ensure that employer contribution rates are as stable as possible;
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The 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 2019 actuarial valuation, the Fund was assessed as 100% funded (78.4% at the March 2016 valuation). This corresponded to a deficit of £11m (2016 valuation: £625m) 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 2019 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		
	2020-2021	2021-2022	2022-2023
1 April 2020 to 31 March 2023	2020-2021	2021-2022	2022-2023
18.4%	£19,425,000	£19,061,000	£19,082,000

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2019 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-16	31-Mar-19
Price Inflation (CPI)/ Pension increases	2.1%	2.3%
Pay increases	2.4%*	2.8%**

*CPI plus 0.3%

**2% until March 2020 followed by CPI plus 0.5%

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		Current Pensioners	
	Male	Female	Male	Female
2016 valuation	24.0	26.3	22.4	24.4
2019 valuation	22.7	25.5	22.0	24.0

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) **Retirements in normal health** - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.
- 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 the member and the dependant of a female member is assumed to be 3 years older than the member.
- g) **Commutation** - 25% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 64% for service from 1 April 2008).
- 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-21 £m		31-Mar-21 £m
-5,774	Present value of promised retirement benefits	-5,591
3,898	Fair value of scheme assets (bid value)	4,305
-1,876	Net liability	-1,286

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 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-21 % p.a.	Assumption	31-Mar-22 % p.a.
2.85%	Inflation/pension increase rate assumption	3.20%
3.35%	Salary increase rate	3.70%
2.00%	Discount rate	2.70%

Notes to the Pension Fund Accounts (continued)

21. CURRENT ASSETS

31-Mar-21	31-Mar-22
£000	£000
Debtors:	
2,326 Contributions Due – Members	2,602
6,079 Contributions Due – Employers	8,081
6,809 Sundry Receivables	5,095
15,214	15,778
24,465 Cash Balances	8,027
39,679	23,805

22. CURRENT LIABILITIES

31-Mar-21	31-Mar-22
£000	£000
4,823 Sundry Payables	5,146
1,504 Benefits Payable	927
6,327	6,073

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-21	31-Mar-22
£000	£000
8,173 Prudential	8,629
403 Utmost	320
8,576	8,949

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-21	31-Mar-22
£000	£000
3,539 Unfunded pensions	3,418
3,539	3,418

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 £2.5m (2020-21: £2.0m) 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 £29.1m, excluding Local Education Authority schools, to the Fund in 2021-22 (2020-21: £21.5m). At 31 March 2022 there was £7.2m (31 March 2021: £7.1m) due to the Fund by the Council.

Governance

The following 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:

Councillor Alan Sharp, Councillor Joshua Schumann, Councillor Ian Gardener, Matthew Pink and John Walker.

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

Lee Phanco

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pension Fund Board 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 Officer of the Pension Fund, for which CCB paid £52,250 during the year (2021-22 £52,250) 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 2022, the Cambridgeshire Fund had invested £1,709.7m in sub-funds of the ACCESS Authorised Contractual Scheme and £959.7m in the UBS passive arrangement resulting in £2,669.4m of assets under pool management representing 62.3% of the Fund's assets.

During 2021/22 a total of £95.2k was charged to the Pension Fund by ACCESS asset pool in respect of operating costs (£78.4k in 2020/21).

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 2022 totalled £304.3m (31 March 2021: £303.3m).

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.

Eleven 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.