

Cambridgeshire Pension Fund

Pension Fund Committee

20 July 2023

Report by: Head of Pensions

Subject: Pension Fund Annual Report and Statement of Accounts 2022-23

Purpose of the Report: To present the Draft Annual Report and Statement of Accounts of the Pension Fund for the 2022-23 financial year.

Recommendations: The Pension Fund Committee:

- a) Note the Draft Annual Report and Statement of Accounts of the Pension Fund for the 2022-23 financial year.

Enquiries to: Ben Barlow, Investments & Fund Accounting Manager
Tel – 07831 123167
E-mail – Ben.Barlow@Westnorthants.gov.uk

1. Purpose of report

- 1.1 To present the Draft Annual Report and Statement of Accounts of the Cambridgeshire Pension Fund for the 2022-23 financial year.

2. Executive summary

- 2.1 The report covers the contents of the draft Annual Report and key highlights from the Statement of Accounts. The Fund's assets have fallen to £4,234.6m, following poor performance during the first half of the year with a net decrease of £70.8m. Contributions, Benefits and investment income have increased since last year while Management Expenses have decreased since last year.
- 2.2 The report sets out the delays with 2022-23 audit timescales and the delay on final sign off for the 2021-22 statement of accounts due to dependencies on the County Council and external auditors.

3. Report background

- 3.1 The Pension Fund's Statement of Accounts (SOA) form part of the Cambridgeshire County Council's Statement of Accounts. These are audited by the Council's external auditor Ernst & Young (EY). The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the financial year 1st April to 31st March and that the SOA is free from material mis-statement.
- 3.2 The accounts are based on transactions accounted for within the Fund's financial ledger, information received from Investment Managers and the Fund's Custodian Northern Trust, and assumptions and estimations utilising the professional judgement of officers and Fund professional advisers to give a true and fair statement of the Fund's financial position.

- 3.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code), which governs the preparation of the financial statements for Local Government Pension Scheme funds. A CIPFA template is used each year to ensure that the reporting meets the requirements of the Code and is compliant with International Financial Reporting Standards (IFRS). The Code is materially unchanged from 2021-22.
- 3.4 The structure and content of the Annual Report is also governed by Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).
- 3.5 The publication of the Accounts is an essential feature of public accountability and stewardship as it provides information on how the Fund has used the members' funds for which it is responsible.

4. Content, responsibilities and timeline

- 4.1 The Annual Report and Statement of Accounts contents are set out over eight sections: -
 - 4.1.1 Preface - provides an introduction to the Annual Report framing the arrangements for the management of the Fund, a statement of responsibilities and listing key third parties.
 - 4.1.2 Scheme Administration - describes the scheme framework, how the Fund is administered, the Administering Authority's role, membership movements and Pension Fund Committee and Local Pension Board membership. In addition, it sets out the key policies and strategies of the Fund and key policy changes through the financial year.
 - 4.1.3 Management and Financial Performance - describes the management of the Fund and sets out how decisions are made, the structure of the Pensions Service and sections on risk management and performance of the service. In addition, this section lists employer establishments, their contributions and status.
 - 4.1.4 Investment Policy and Performance - describes the legislation under which investment of Fund assets is undertaken, the Fund's investment strategy and performance including commentary on asset pooling. In addition, it includes savings generated by pooling of investment assets and cost transparency. The Fund's investment consultant reviews the economic market background for the year and the future outlook.
 - 4.1.5 Actuarial Information - describes how the Fund has complied with the Local Government Pension Scheme Regulations 2013 and the Fund's key funding principles adopted in the Funding Strategy Statement. This section describes the most recent triennial valuation and the key assumptions applied.
 - 4.1.6 Audit Opinion – Audit opinion issued by the Fund's auditors confirms the SOA reflect a true and fair view of the financial position for the financial year 1st April to 31st March and that the SOA is free from material mis-statement.
 - 4.1.7 Pension Fund Accounts - accounting statements and notes to the accounts and is approved as a section within the Administering Authority's SOA
 - 4.1.8 Glossary

- 4.2 The Annual Report will be subject to further refinement, external auditor oversight and accessibility checks.
- 4.3 Due to internal and sector wide issues that continue to impact audit delivery and increasing EY's workload, there is a significant delay for when they can start 2022-23 audits. The earliest they can commence is November 2023, with this date dependent on their ability to conclude remaining 2021-22 audits and any prior year end audits before that date.
- 4.4 For the 2021-22 accounts opinion, the Fund are waiting for the County Council to resolve a small number of matters with external audit, including their long-term debtor position, infrastructure asset reporting and pension fund valuation. They are in the process of finalising these matters with EY.
- 4.5 Due to various dependencies there are some areas of the Annual Report and Statement of Accounts that are still missing information. These will be included in the final version of the report.
 - 4.5.1 Page 3 – Chair's Foreword
 - 4.5.2 Page 31 - ACCESS information
 - 4.5.3 Page 32 - Cost Transparency Initiative (deadline 31 July 2023)
 - 4.5.4 Valuation of Cambridge and Counties Bank

5. Highlights

- 5.1 The Fund Account and the Net Asset Statement provide a summary of the financial activity with the notes to the accounts providing further information.
- 5.2 The net decrease for the year was £70.8m, with the Fund's net assets falling to £4,234.6m reflecting negative performance in the first two quarters of the year.
- 5.3 Contribution receipts have increased from £134.6m to £148.9m. The increase in contributions payments reflects the increase in the average contribution rate for 2022-23.
- 5.4 Benefit payments have increased from £118.3m to £123.5m. The increase in pension payments reflects the growth in the number of pensioners during the year and CPI uplifts to benefits in payment.
- 5.5 Management expenses are broken down in Note 11. Administration expenses have increased from £2.6m to £2.9m mainly due to salary and inflationary increases. Oversight and Governance costs have increased from £901k to £1.1m mainly due to higher actuarial cost for valuation. Investment Management fees have decreased from £22.1m to £21.0m mainly due to negative performance and the fees being based on assets under management (AUM).
- 5.6 The one-year investment return as at 31st March 2023 was a net market loss of £131.0m.
- 5.7 Investment income has increased from £30.7m in to £52.6m mainly due to large income distributions from Dodge and Cox, J O Hambro, Longview and M&G Alpha.

Investment income is impacted by market performance however the main returns are reflected in market value increases.

6. Relevant Pension Fund Objectives

- 6.1 To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- 6.2 To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- 6.3 To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- 6.4 To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- 6.5 To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- 6.6 To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

7. Finance & Resources Implications

- 7.1 None, this paper is for information only.

8. Risk Management

- 8.1 The mitigated risks associated with this report have been captured in the Fund's risk register as detailed below -

Risk No.	Risk	Residual risk rating
4	Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
5	Fund assets are not sufficient to meet obligations and liabilities.	Amber
7	Information may not be provided to stakeholders as required	Green
9	Those charged with governance are unable to fulfil their responsibilities effectively	Green
10	Risk of fraud or error	Green
15	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green

Risk No.	Risk	Residual risk rating
17	Failure to administer the scheme in line with regulations and guidance.	Green
19	Pension Fund investments may not be accurately valued.	Green
25	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

The Fund's full risk register can be found on the Fund's website at the following link:

<https://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

9. Communication Implications

- 9.1 This information only paper does not require any further communication activities. Later communication and publication considerations in connection with the Annual Report and SOA will be set out once the audit timeline has been agreed with EY.

10. Legal Implications

- 10.1 There are no legal implications arising from the proposals.

11. Consultation with Key Advisers

- 11.1 The Pension Fund Accounts are produced utilising information and advice provided by Investment Managers, the Fund's Custodian Northern Trust and the Fund's Actuary, Hymans Robertson.

12. Alternative Options Considered

- 12.1 None.

13. Background Papers

- 13.1 None.

14. Appendices

- 14.1 Appendix A - Draft Annual Report and Statement of Accounts 2022-23

Checklist of Key Approvals

Is this decision included in the Business Plan? Not applicable.

Will further decisions be required? If so, please outline the timetable here No.

Is this report proposing an amendment to the budget and/or policy framework? No.

Has this report been cleared by Chief Finance Officer/Section 151 Officer?

Has this report been cleared by Head of Pensions? Yes. Mark Whitby

Has the Chair of the Pension Fund Committee been consulted? Yes, Alison Whelan

Has this report been cleared by Legal Services? Yes, Emma Duncan