

Agenda Item 11 Pension Fund Account

31-Mar-18 £000		Notes	31-Mar-19 £000
	Dealings with members, employers and others directly involved in the fund:		
128,410	Contributions	7	124,572
4,932	Transfers in from other pension funds	8	4,882
133,342			129,454
(99,345)	Benefits	9	(106,259)
(10,126)	Payments to and on account of leavers	10	(11,171)
(109,471)			(117,430)
23,871	Net additions/(withdrawals) from dealing with members		12,024
(16,954)	Management Expenses	11	(16,889)
6,917	Net additions/(withdrawals) including fund management expenses		(4,865)
	Returns on investments:		
38,142	Investment income	13	45,493
(329)	Taxes on income		(85)
70,998	Profit and (losses) on disposal of investments and changes in the value of investments	14a, 17b	182,745
108,811	Net return on investments		228,153
115,728	Net increase/(decrease) in the net assets available for benefits during the year		223,288
2,853,578	Opening net assets of the scheme		2,969,306
2,969,306	Closing net assets of the scheme		3,192,594

Net Asset Statement

31-Mar-18 £000		Notes	31-Mar-19 £000
2,916,032	Investment assets		3,177,716
-	Investment liabilities		(345)
2,916,032	Total net investments	14	3,177,371
57,564	Current assets	21	18,068
(5,554)	Current liabilities	23	(3,477)
52,010	Net Current Assets		14,591
1,264	Non-current assets	22	632
2,969,306	Net assets of the Fund available to fund benefits at the end of the reporting period	17a	3,192,594

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 2018-19 on pages 1 to 43 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 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 fire-fighters 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.

As at 31 March 2019 there are 254 (2018: 206) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

The Fund has over 82k, individual members, as detailed below:

	31-Mar-18	31-Mar-19
Number of employers with active members	206	254
Number of employees in scheme:		
County council	9,726	9,829
Other employers	17,771	19,147
Total	27,497	28,976
Number of Pensioners:		
County council	8,352	8,410
Other employers	9,702	10,365
Total	18,054	18,775
Deferred pensioners:		
County council	16,962	12,719
Other employers	18,303	14,940
Total	35,265	27,659
Undecided Leavers:		
County council	*	3,233
Other employers	*	4,266
		7,499
Total members	80,816	82,909

*included in deferred pensioners at 31 March 2018

Notes to the Pension Fund Accounts (continued)

Funding

Benefits are funded by contributions and investment earnings.

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 2019.

Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. Employers' contributions comprise a percentage rate on active payroll between 11% and 25.1% 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, disability pensions and death benefits. For more details, please refer to the Cambridgeshire Pension Fund scheme handbook available from LGSS Pension Services based at One Angel Square, Angel Street, Northampton NN1 1ED.

Notes to the Pension Fund Accounts (continued)

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2018-19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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 2018-19.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which 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. The accounts have been prepared on a going concern basis.

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 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 in 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 (see below) to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In as set out in 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.

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.

Notes to the Pension Fund Accounts (continued)

Investment Income (Continued)

Stock lending

Stock lending income is recognised in the Fund Account as it accrues. Stock lending income represents the transfer of securities by the Pension Fund to an approved counterparty (“Borrower”), against a receipt of collateral (non-cash), for a fee, subject to the obligation by that same counterparty to redeliver the same or similar securities back to the Lender at a future date. Securities on loan remain assets of the Fund and are recorded in the net assets statement at fair value.

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 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. All staff costs associated with governance and oversight are charged direct 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.

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. In addition the Fund has negotiated with the following managers that an element of their fee be performance related:

■ JO Hambro Capital Management – Global Equities

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 2018-19, £1.6m of fees are based upon such estimates (2017-18: £ 1.5m). In addition, manager fees deducted from pooled funds of £7.2m (2017-18: £7.9m) are estimated based upon information received from Investment Managers.

The cost of obtaining investment advice from external consultants is charged direct to the Fund. All staff costs associated with investment activity are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged to the Fund.

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, including those within the ACCESS asset pool, but excluding 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 a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 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 has appointed Prudential and Equitable Life as its AVC providers. 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 24).

Notes to the Pension Fund Accounts (continued)

Contingent Assets and Liabilities

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.

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.

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

Accounting Standards Issued, not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2018 – 2019 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted. There are no such standards which would materially impact the Fund.

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 2019 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 rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. The actuary has included the McCloud judgement within their calculation shown in note 20.

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 0.5% movement in the discount rate assumption would result in an increase or decrease in the pension liability of £516m, with a 0.5%. A 0.5% movement in assumed earnings inflation would increase or decrease the value of liabilities by approximately £69m, and a one-year increase in assumed life expectancy would approximately increase the liabilities by between 3-5%.

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 £81.1m. 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 £80.6m to £81.7m. 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 £282.8m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Alternative investments of 24.7%, which indicates that Other private equity and infrastructure values may range from £352.7m to £212.9m.

6. EVENTS AFTER THE BALANCE SHEET DATE

The actuary has included the McCloud judgement impact within their calculation within note 20. There have been no further events since 31 March 2019, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By category:

2017-18 £000		2018-19 £000
25,322	Employees' contributions	26,427
	Employers' contributions:	
82,290	Normal contributions	84,341
20,798	Deficit recovery contributions	13,804
103,088	Total employers' contributions	98,145
128,410		124,572

By authority:

2017-18 £000		2018-19 £000
38,591	Administering Authority	27,027
82,374	Scheduled bodies	91,122
7,445	Admitted bodies	6,423
128,410		124,572

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2017-18 £000		2018-19 £000
4,932	Individual transfers	4,882
4,932		4,882

Notes to the Pension Fund Accounts (continued)

9. BENEFITS PAYABLE

By category:

2017-18 £000		2018-19 £000
78,846	Pensions	84,204
18,573	Commutation and lump sum retirement benefits	19,244
1,926	Lump sum death benefits	2,811
99,345		106,259

By authority:

2017-18 £000		2018-19 £000
39,324	Administering Authority	36,750
51,707	Scheduled Bodies	60,117
8,314	Admitted Bodies	9,392
99,345		106,259

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2017-18 £000		2018-19 £000
358	Refunds to members leaving service	400
-	Group transfers	4,732
9,768	Individual transfers	6,039
10,126		11,171

11. MANAGEMENT EXPENSES

2017-18 £000		2018-19 £000
2,277	Administrative costs	2,018
14,502	Investment management expenses	14,544
175	Oversight and governance costs	327
16,954		16,889

Fees payable to External Auditors, included within Oversight and governance costs, were £17k during the year (2017-18 £22k).

12. INVESTMENT MANAGEMENT EXPENSES

2017-18 £000		2018-19 £000
12,233	Management fees	11,904
524	Performance related fees	1,068
1,212	Transaction costs	606
533	Other costs	966
14,502		14,544

Notes to the Pension Fund Accounts (continued)

13. INVESTMENT INCOME

2017-18 £000		2018-19 £000
421	Income from bonds	424
15,633	Income from equities	18,775
9,952	Pooled investments – unit trusts and other managed funds	14,461
6,747	Pooled Property Investments	7,277
4,733	Private equity/infrastructure income	4,001
441	Interest on cash deposits	360
215	Other – securities lending income	195
38,142		45,493

14. INVESTMENTS

31-Mar-18 £000		31-Mar-19 £000
	Investment assets	
74,578	Bonds	79,206
371,765	Equities	377,322
1,953,899	Pooled investments	2,086,961
206,671	Pooled property investments	236,858
274,393	Private equity/infrastructure	363,874
31,191	Cash deposits	27,593
3,535	Investment income due	3,992
-	Amounts receivable for sales	1,910
2,916,032	Total investment assets	3,177,716
	Investment liabilities	
-	Amounts payable for purchases	(345)
-	Total investment liabilities	(345)
2,916,032	Net investment assets	3,177,371

Notes to the Pension Fund Accounts (continued)

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

	Market value 1-Apr-18	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-19
	£000	£000	£000	£000	£000
Bonds	74,578	702	-	3,926	79,206
Equities	371,765	66,282	(63,531)	2,806	377,322
Pooled investments	1,953,899	1,310,227	(1,316,014)	138,849	2,086,961
Pooled property investments	206,671	45,324	(21,495)	6,358	236,858
Private equity/infrastructure	274,393	95,027	(35,645)	30,099	363,874
	2,881,306	1,517,562	(1,436,685)	182,038	3,144,221
Derivative contracts:					
• Forward Currency Contracts	-	6	(15)	9	-
	2,881,306	1,517,568	(1,436,700)	182,047	3,144,221
Other investment balances:*					
• Cash deposits	31,191			723	27,593
• Investment income due	3,535			-	3,992
• Amounts receivable from sales of investments	-			-	1,910
• Spot FX contracts	-			(25)	-
• Amounts payable for purchases of investments	-			-	(345)
Net investment assets*	2,916,032			182,745	3,177,371
				Note 17a	

*Other investment balances and Net investment assets do not add across as purchases, sales and other movements are not disclosed here, in accordance with CIPFA guidance.

Notes to the Pension Fund Accounts (continued)

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

	Market value 1-Apr-17	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-18
	£000	£000	£000	£000	£000
Bonds	74,590	-	-	(12)	74,578
Equities	357,733	45,642	(26,329)	(5,281)	371,765
Pooled investments	1,898,748	216,414	(196,223)	34,960	1,953,899
Pooled property investments	192,549	15,113	(19,066)	18,075	206,671
Private equity/infrastructure	246,179	57,023	(53,442)	24,633	274,393
	2,769,799	334,192	(295,060)	72,375	2,881,306
Derivative contracts:					
• Forward Currency Contracts	-	18	-	(18)	-
	2,769,799	334,210	(295,060)	72,357	2,881,306
Other investment balances:*					
• Cash deposits	41,910			(1,310)	31,191
• Investment income due	2,714			-	3,535
• Spot FX contracts	-			(49)	-
• Amounts payable for purchases of investments	(1,137)			-	-
Net investment assets*	2,813,286			70,998	2,916,032

*Other investment balances and Net investment assets do not add across as purchases, sales and other movements are not disclosed here, in accordance with CIPFA guidance.

Notes to the Pension Fund Accounts (continued)

14(b). ANALYSIS OF INVESTMENTS

31-Mar-18 £000		31-Mar-19 £000
	Bonds	
74,578	UK – Public sector quoted	79,206
74,578		79,206
	Equities	
357,135	UK - Quoted	357,667
14,630	Overseas - Quoted	19,655
371,765		377,322
	Pooled funds – additional analysis	
68,404	UK - Fixed income	70,173
257,953	UK - Equity	70,343
228,902	Overseas - Fixed income	226,543
1,380,326	Overseas - Equity	1,718,324
18,314	Overseas - Cash Fund	1,578
1,953,899		2,086,961
206,671	Pooled property investments	236,858
274,393	Private equity/ infrastructure	363,874
481,064		600,732
31,191	Cash deposits	27,593
3,535	Investment income due	3,992
-	Amounts receivable from sales	1,910
34,726		33,495
2,916,032	Total investment assets	3,177,716
	Investment liabilities	
-	Amounts payable for purchases	(345)
-	Total investment liabilities	(345)
2,916,032	Net investment assets	3,177,371

Notes to the Pension Fund Accounts (continued)

14(c). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-18			Market value 31-Mar-19	
£000	% of net investment assets		£000	% of net investment assets
Investments managed by ACCESS asset pool:				
-	-	Link Fund Solutions - ACCESS Global Stock Fund	498,776	15.7
Investments managed outside of ACCESS asset pool:				
67,151	2.3	Adams Street Partners	80,458	2.5
-	-	Allianz Global Investors	12,447	0.4
9,575	0.3	AMP Capital	19,209	0.6
65,850	2.3	Cambridge and Counties Bank	81,100	2.6
10,000	0.3	Cambridge Building Society	14,913	0.5
472,147	16.2	Dodge & Cox Worldwide Investments	-	-
32,669	1.1	Equitix Investment Management	33,341	1.0
46,647	1.6	HarbourVest Partners (UK)	58,546	1.8
472,488	16.2	JO Hambro Capital Management	524,841	16.5
59,054	2.0	M&G Investments	60,888	1.9
-	-	M&G Real Estate	9,759	0.3
26,527	0.9	Partners Group (UK)	37,370	1.2
918,053	31.5	Schroders Investment Management	946,737	29.9
693,644	23.8	UBS Global Asset Management	765,050	24.1
16,339	0.6	UBS Infrastructure	16,742	0.5
25,888	0.9	Cash with custodian	17,194	0.5
2,916,032	100.0		3,177,371	100.0

All the above companies are registered in the United Kingdom.

Notes to the Pension Fund Accounts (continued)

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

Security	Market value 31-Mar-18	% of total fund	Market value 31-Mar-19	% of total fund
	£000	%	£000	%
JO Hambro Capital Management Global Select Fund Sterling Z shares	472,488	15.9	509,096	15.94
Link Fund Solutions - ACCESS Global Stock	-	-	498,776	15.62
UBS Global Asset Life North American Equity Tracker	-	-	180,827	5.66
Schroders International Selection Fund – Strategic Bond	169,848	5.7	165,656	5.19

14(d). STOCK LENDING

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2019, the value of quoted equities on loan was £66.2m (31 March 2018: £92.7m). These equities continue to be recognised in the Fund's financial statements. Counterparty risk is managed through holding collateral at the Fund's custodian. At the year end the custodian held collateral at fair value of £71.4m (31 March 2018: £99.3m) representing 108% of stock lent. Collateral consists of acceptable securities and government debt.

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 (IMA) agreed between the Fund and the various Investment Managers.

■ Futures

The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements. There were no outstanding exchange traded future contracts at 31 March 2019 or 31 March 2018.

■ Forward Foreign Currency

To maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund's Investment Managers enter into forward foreign currency contracts to take advantage of current exchange rates. There were no open forward currency contracts at 31 March 2019 or 31 March 2018.

■ 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. There were no outstanding option contracts at 31 March 2019 or 31 March 2018.

Notes to the Pension Fund Accounts (continued)

16. FAIR VALUE

16a. FAIR VALUE HIERARCHY

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. There has been no change in the valuation techniques used for individual investments during the year.

The following tables analyses the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

Values at 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	458,106	2,163,820	522,295	3,144,221
Total financial assets	458,106	2,163,820	522,295	3,144,221

Values at 31 March 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	468,191	2,002,760	413,890	2,884,841
Total financial assets	468,191	2,002,760	413,890	2,884,841

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
Market quoted investments	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	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
Pooled investments – not exchange traded closed ended funds	Level 3	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.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and lack of liquidity.
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 Advisors, 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 2019.

Asset Type	Value as at 31-Mar-19 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £000
Property	168,180	14.3%	192,230	144,130
Private Equity	354,115	24.7%	441,490	266,740
Total Assets	522,295		633,720	410,870

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

Period 2018-19	Market value 1-Apr- 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/ (losses)	Realised gains/ (losses)	Market value 31-Mar-2019
	£000	£000	£000	£000	£000	£000
Pooled property investments	139,497	36,990	(13,160)	4,055	798	168,180
Private equity and infrastructure - equity	65,850	20,500	-	(5,250)	-	81,100
Private equity and infrastructure - other	208,543	64,768	(35,645)	17,915	17,434	273,015
Total	413,890	122,258	(48,805)	16,720	18,232	522,295

There were no transfers between levels during the year, and the movements noted above relate to additions or disposals of assets, and gains and losses. Unrealised and realised gains and losses are recognised in the changes in value of investments line of the Fund Account.

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.

Fair value through profit and loss £000	31-Mar-18			Fair value through profit and loss £000	31-Mar-19	
	Assets at amortised cost £000	Liabilities at amortised cost £000			Assets at amortised cost £000	Liabilities at amortised cost £000
Financial assets						
74,578	-	-	Bonds	79,206	-	-
371,765	-	-	Equities	377,322	-	-
1,953,899	-	-	Pooled investments	2,086,961	-	-
206,671	-	-	Pooled property investments	236,858	-	-
274,393	-	-	Private equity/ infrastructure	363,874	-	-
-	-	-	Derivative contracts	-	-	-
	73,422	-	Cash	-	32,300	-
3,535	-	-	Other investment balances	-	5,902	-
-	16,597	-	Debtors	-	13,993	-
2,884,841	90,019	-		3,144,221	52,195	-
Financial liabilities						
-	-	-	Derivative contracts	-	-	-
-	-	-	Other investment balances	-	-	(345)
-	-	(5,554)	Creditors	-	-	(3,477)
-	-	(5,554)		-	-	(3,822)
2,884,841	90,019	(5,554)	Total	3,144,221	52,195	(3,822)
	2,969,306					3,192,594

Notes to the Pension Fund Accounts (continued)

17b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

2017-18 £000		2018-19 £000
	Financial assets:	
72,375	Fair value through profit and loss	182,038
-	Amortised cost – realised gains on de-recognition of assets	723
-	Amortised cost – unrealised gains	-
	Financial liabilities:	
(18)	Fair Value through profit and loss	9
(1,359)	Amortised cost – realised losses on de-recognition of assets	(25)
-	Amortised cost – unrealised losses	-
70,998	Total gains	182,745

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 Council 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.

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 Advisors 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. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

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 Advisors, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2018-19 reporting period. The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment Advisors 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	16.6%
Overseas equities	16.9%
Global pooled equities	16.9%
Index-linked bonds	9.2%
Pooled fixed interest bonds	10.5%
Property	14.3%
Alternatives	24.7%
Cash and Other investment balances	0.5%

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 March 2019	Value as at	% (rounded) Change	Value on Increase	Value on Decrease
Asset Type	31-Mar-19		£000	£000
	£000			
UK equities	428,009	16.6	499,059	356,960
Overseas equities	19,655	16.9	22,976	16,333
Global pooled equities	1,718,325	16.6	2,008,721	1,427,928
Index-linked bonds	79,206	9.2	86,493	71,919
Pooled fixed interest bonds	296,716	10.5	327,871	265,561
Property	236,858	14.3	270,728	202,978
Alternatives	363,874	24.7	453,657	274,092
Cash and Other investment balances	34,728	0.5	34,902	34,555
Total Assets	3,177,371		3,704,407	2,650,326

31 March 2018	Value as at	% (rounded) Change	Value on Increase	Value on Decrease
Asset Type	31-Mar-18		£000	£000
	£000			
UK equities	615,088	16.8	718,423	511,753
Overseas equities	14,630	17.9	17,249	12,011
Global pooled equities	1,385,253	17.9	1,633,213	1,137,293
Index-linked bonds	74,578	9.2	81,439	67,717
Pooled fixed interest bonds	297,306	10.2	327,631	266,981
Property	201,744	14.3	230,593	172,895
Alternatives	274,393	25.5	344,363	204,423
Cash and Other investment balances	53,040	0.5	53,305	52,775
Total Assets	2,916,032		3,406,216	2,425,848

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 2019 and 31 March 2018 is set out below. 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-18 £000	Asset Type	31-Mar-19 £000
31,191	Cash and cash equivalents	27,593
42,231	Cash balances	4,707
74,578	Index-linked securities	79,206
297,306	Fixed interest securities	296,716
445,306	Total	408,222

Assets exposed to interest rate risk	Asset values at 31-Mar-19 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	27,593	27,593	27,593
Cash balances	4,707	4,707	4,707
Index-linked securities	79,206	78,414	79,998
Fixed interest securities	296,716	293,749	299,683
Total change in assets available	408,222	404,463	411,981

Exposure to interest rate risk	Asset values at 31-Mar-18 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	31,191	31,191	31,191
Cash balances	42,231	42,231	42,231
Index-linked securities	74,578	73,832	75,324
Fixed interest securities	297,306	294,333	300,279
Total change in assets available	445,306	441,587	449,025

Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable 2018-19 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	360	364	356
Index-linked securities	424	428	420
Fixed interest securities	3,598	3,598	3,598
Total	4,382	4,390	4,374

Exposure to interest rate risk	Interest receivable 2017-18 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	441	445	437
Index-linked securities	421	425	417
Fixed interest securities	4,044	4,044	4,044
Total	4,906	4,914	4,898

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 Council and its investment Advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Notes to the Pension Fund Accounts (continued)

Currency Risk – Sensitivity Analysis

Following analysis of historical data with the Fund's Advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 10.0% (the 1 year expected standard deviation).

A 10.0% (31 March 2018: 10.0%) fluctuation in the currency is considered reasonable based on the Fund Advisors 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 10.0% 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-19 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	1,737,979	173,798	1,911,777	1,564,181
Overseas Fixed Income	226,543	22,654	249,197	203,889
Overseas Cash Fund	1,578	158	1,736	1,420
Total	1,966,100	196,610	2,162,710	1,769,490

Assets exposed to currency risk	Value at 31-Mar-18 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	1,394,955	139,496	1,534,451	1,255,460
Overseas Fixed Income	228,902	22,890	251,792	206,012
Overseas Cash Fund	18,314	1,831	20,145	16,483
Total	1,642,171	164,217	1,806,388	1,477,955

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 2019 was £38.7m (31 March 2018: £73.4m). This was held with the following institutions:-

	Rating	31-Mar-18 £000	31-Mar-19 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	31,034	27,427
Bank deposit account			
Barclays Bank	A	42,232	4,707
Bank current accounts			
Northern Trust custody accounts	P-1	157	166
Total		73,422	32,300

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 2019 the value of illiquid assets was £600.7m, which represented 18.8% of the total Fund assets (31 March 2018: £481.1m, which represented 16.2% 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 2019 are due within one year.

d) Refinancing Risk

The key risk is that the Fund will 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 2016. The next valuation will take place as at 31 March 2019 and will be published in 2020.

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 2016 actuarial valuation, the Fund was assessed as 78.4% funded (72.4% at the March 2013 valuation). This corresponded to a deficit of £625m (2013 valuation: £728m) 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 2016 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 %		
	2017/2018	2018/2019	2019/2020
1 April 2017 to 31 March 2020 18.1%	£26,039,000	£17,959,000	£18,355,000

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 2016 actuarial valuation report and the funding strategy statement on the Fund's website. At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

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	Description	31-Mar-13		31-Mar-16	
		Nominal	Real	Nominal	Real
Price inflation (RPI)		3.3%	-	3.3%	-
Price Inflation (CPI)/ Pension increases		2.5%	-	2.1%	-
Pay increases - 2016	RPI minus 0.7% p.a.*	n/a	n/a	2.4%	(0.7)%
Pay increases - 2013	RPI plus 1% p.a.*	4.3%	1.0%	n/a	n/a
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.8% p.a. (2013: 1.6% p.a).	4.6%	n/a	4.0%	n/a

*Plus an allowance for promotional pay increases.

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
2013 valuation	24.4	26.9	22.5	24.5
2016 valuation	24.0	26.3	22.4	24.4

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:

- Retirements in ill health** - Allowance has been made for ill-health retirements before Normal Pension Age.
- Withdrawals** - Allowance has been made for withdrawals from service.
- Family details** - A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Husbands are assumed to be 3 years older than wives.
- Commutation** - Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 25% of HMRC limits for service to 31 March 2008 and 63% of HMRC limits for service from 1 April 2008.
- 50:50 option** - 5.0% of members (uniformly distributed across the age, service and salary range) are assumed to choose the 50:50 option under which they pay 50% lower contributions and receive proportionately lower retirement benefits.

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-18		31-Mar-19
£m		£m
(4,267)	Present value of promised retirement benefits	(4,829)
2,958	Fair value of scheme assets (bid value)	3,187
(1,309)	Net liability	(1,642)

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Note that the above figures include allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Assumptions Used

	31-Mar-18	31-Mar-19
	% p.a.	% p.a.
Inflation/pension increase rate assumption	2.4	2.5
Salary increase rate	2.7	2.8
Discount rate	2.7	2.4

Notes to the Pension Fund Accounts (continued)

21. CURRENT ASSETS

31-Mar-18 £000		31-Mar-19 £000
Debtors:		
1,544	Contributions due – members	1,847
3,671	Contributions due – employers	5,900
10,117	Sundry receivables	5,614
15,332		13,361
42,232	Cash balances	4,707
57,564		18,068

22. NON CURRENT ASSETS

At 31 March 2019, a total of £1,264,000 was still due from the Ministry of Justice, with £632,000 being shown in Current Assets and £632,000 being due after 31 March 2020 shown in Non Current Assets.

23. CURRENT LIABILITIES

31-Mar-18 £000		31-Mar-19 £000
5,113	Sundry payables	3,088
441	Benefits payable	389
5,554		3,477

24. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31-Mar-18 £000		Market value 31-Mar-19 £000
403	Equitable Life	363
7,741	Prudential	7,683
8,144		8,046

No contributions (2017-18: no contributions) were paid to Equitable Life during the year and total contributions of £737k (2017-18: £799k) were paid directly to Prudential during the year.

25. AGENCY SERVICES

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.

2017-18 £000		2018-19 £000
3,605	Unfunded pensions	3,625
3,605		3,625

Notes to the Pension Fund Accounts (continued)

26. 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 £2.2m (2017-18: £2.4m) 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 £21.0m, excluding Local Education Authority schools, to the Fund in 2018-19 (2017-18: £22.1m). At 31 March 2019 there was £0.2m (31 March 2018: £2.0m) due to the Fund by the Council.

Governance

The following Pension Fund Committee members declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme:-

- Councillor Anne Hay
- Councillor Michael Shellens
- Liz Brennan
- Matthew Pink
- Tracy Roden

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. The Council's Section 151 Officer was a Non-executive Director on the Board of CCB, and was replaced by an Officer of the Pension Fund during the year, for which CCB paid £49,688 during the year (2017-18 £40,000) to the Council.

26(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by LGSS Pensions which is a shared service arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Head of Pensions in the shared service unit reported directly to the LGSS Director of Finance, followed by the Interim Managing Director of LGSS, whose costs are reported in the Northamptonshire County Council statement of accounts. Other key personnel include the Section 151 Officer who is Treasurer to the Fund, and the Head of HR. The Interim Managing Director of LGSS, the Section 151 Officer and the Head of HR are remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from LGSS the proportion of costs relating to these services to the Fund.

27. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2019 totalled £315.0m (31 March 2018: £210.7m).

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.

28. CONTINGENT ASSETS

Sixteen 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.