PENSION FUND COMMITTEE

Tuesday, 22 July 2025

10:00

Democratic and Members' Services
Emma Duncan
Service Director: Legal and Governance

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

Red Kite Room
New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE

AGENDA

Open to Public and Press

Exclusion of Press and Public

To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraphs 1 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed: information relating to any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)

8. EXEMPT Minutes - 18 June 2025

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

9. EXEMPT Annual Investment Review

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

10. EXEMPT Annual Investment Consultancy Provider Review

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

11. EXEMPT Local Government Pension Scheme Asset Pooling - For for the Future

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

12. EXEMPT Member Engagement Survey

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

13. EXEMPT Investment Advisor Contract

- Information relating to any individual;
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

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Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting Democratic Services no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution: Procedure Rules hyperlink

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The Pension Fund Committee comprises the following members:

Councillor Geoffrey Seeff (Chair) Councillor Alison Whelan (Vice-Chair) Councillor Mike Black Liz Brennan Councillor Lara Davenport-Ray Councillor Stefan Fisher Councillor David Keane Councillor David Levien Mr Howard Nelson and Mr Matthew Pink

Clerk Name:	Richenda Greenhill
Clerk Telephone:	01223 699171
Clerk Email:	richenda.greenhill@cambridgeshire.gov.uk

Pension Fund Committee: Minutes – Public

Date: 18 June 2025

Time: 12.30 - 2.58pm

Venue: New Shire Hall, Alconbury Weald

Present: County Councillors M Black, S Fisher, D Keane, D Levine, G Seeff (Chair) and A Whelan (Vice Chair); Councillor L Davenport-Ray (to 2.30pm), Huntingdonshire District Council, L Brennan and M Pink

Advisers: I Colvin, C Henry, C McDines and S Scott (Hymans)

1. Notification of the Chair and Vice Chair for 2025/26

The committee noted the appointments by Council of Councillor G Seeff as chair of the Pension Fund Committee for 2025/26 and Councillor A Whelan as Vice Chair.

2. Apologies for absence and declarations of Interest

Apologies for absence were received from Councillor C Boden and Howard Nelson. There were no declarations of interest.

3. Minutes – 20 March 2025 (public) and Minutes Action Log

The public minutes of the Pension Fund Committee meeting on 20 March 2025 were approved as an accurate record.

The minutes action log was reviewed and one verbal update provided:

i. Minute 252: Minutes 19 December (public) and Minutes Action Log
The Head of Pensions advised that an update would be provided after the Investment Sub-Committee meeting on 26 June 2025. **Action required**

The minutes action log and verbal updates were noted.

4. Petitions and Public Questions

There were no petitions or public questions.

5. Governance and Compliance Report

The governance and compliance report included an update on the McCloud remedy which was designed to address historic age discrimination within the Local Government Pension Scheme (LGPS). Currently 150 pensioner cases were being reviewed and those affected would be contacted in June to explain their options. Standard benefits would be applied to any individuals who did not respond with the right to appeal. The deadline for rectification was 31 August 2025 and a report would be provided to the July meeting on the compliant and non-compliant elements. It was currently anticipated that there would be some non-compliance in certain areas, including a small number of complex death cases. There was no cut-off to applying the McCloud remedy and after the initial phase of work was completed it would become part of business as usual. The report also described updated King's Counsel (KC) advice on fiduciary duty in relation to the LGPS and further information on this could be provided to committee members on request. The previous committee had agreed to participate in a national skills assessment and all current committee members were asked to read or re-read the committee training strategy to ensure compliance. The previous committee had agreed to review Pension Fund policies and strategies every three years, with officers conducting annual reviews. Any non-material changes were reported through the governance and compliance report for transparency while any substantive changes were brought to the committee for decision. The Pension Scheme Bill was laid before Parliament on 5 June 2025 and more details would be provided at a future meeting. Since the report was published a consultation had been launched on LGPS Access and Benefits, with a deadline of 7 August 2025 for responses.

Individual members raised the following issues:

- asked whether the content of the new ministerial letter about amending employer contributions was known to the Fund's advisers when they gave their advice. The Hymans' representatives stated that the letter was issued after the majority of their advice had been provided, but that that it broadly supported that advice. The key points related to being cautious around high funding levels and making reductions to employer contributions. They had no concerns about this.

- asked about the availability of the McCloud webinars. Officers advised that these had run for several months. They would confirm outside of the meeting whether the webinars were still running. They would also consider if anything could be done to promote them more widely. **Action required**

The report was noted.

6. Administering Authority Discretions Policy

The purpose of the Administering Authority discretions policy was to provide a clear and consistent framework for the discharge of discretionary powers under local Government Pension Scheme (LGPS) regulations. This ensured that discretionary decisions were made consistently and fairly and that the decision-making process was transparent to employers and scheme members.

Individual members raised the following issues:

- noted that the Pension Fund Committee was responsible for approving the policy and that discharging it was an operational matter for officers with oversight from senior managers.

- asked about the scale of the financial implications covered by the discretions policy. The Head of Pensions advised that extra pension credits could have significant financial implications and an approach to this had been agreed with S151 officers, but most discretions were fairly minor.

It was resolved unanimously to approve the updated Administering Authority Discretions Policy located in Appendix 1.

7. Pensions Dashboards Update and Draft Matching Policy

Pensions dashboards were a government initiative that would allow individuals to see all their pensions in one place. The Pension Fund's responsibility was to send accurate data to the dashboard when it was requested and the deadline for the Fund to be ready was 31 October 2025. Government would decide when the dashboards would go live, and this was likely to be around October 2026. The importance of accurate data matching was highlighted, and a draft data matching policy was included at Appendix A of the report. It was anticipated that the policy would evolve over time in response to learning from early system adopters. Previous reports had focused on project costs, but the business as usual costs once the dashboards went live was also now being explored.

Individual members raised the following issues:

- asked about address matching for deferred members and the number of manual checks this was likely to entail. The Head of Pensions advised that deferred members were the hardest group to maintain up to date information. As long as the volume of requests was not too large it would be manageable and would be a way of keeping members' information up to date.

- noted that a high volume of enquiries would be expected when the dashboards first went live and asked how this would be managed. The Head of Pensions advised that this would be included in the 2026/27 business plan.

- suggested that the matching policy should be reviewed by the committee after its first year of operation rather than after the usual three years. **Action required**

- noted that different funds might have different matching criteria. The Head of Pensions advised that there was no connectivity between different funds. Each provider set its own matching criteria.

The committee noted the content of the report, including the draft Matching Policy at Appendix A.

8. Cambridgeshire Pension Fund Equality, Equity, Diversity and Inclusion Policy

The Pensions Regulator (TPR) issued guidance in March 2023 on equality, diversity and inclusion (EDI) which set out how scheme managers should approach EDI issues. This requirement was enhanced in January 2024 when TPR published a new General Code. An action plan was approved by the committee in June 2024, but some actions were behind schedule due to the need to prioritise statutory requirements. These would be re-scheduled with more realistic completion dates. The word 'equity' had been added to the policy title to reflect discussions in previous committee meetings. Examples of how this was being put into practice included the use of a TPR EDI template for recent recruitment exercises for the Pension Fund Board and creating a log reported difficulties accessing information to identify patterns and resolve these. Learning would also be taken from any complaints.

Individual members raised the following issues:

- asked whether EDI training would be mandatory and whether this would be specific to pensions. The Governance and Regulations Manager advised that bespoke EDI training had been delivered previously and this would be re-circulated to all committee members. Further training could be arranged if required. **Action required**

- commented that ensuring that everyone was able to access information and engage highlighted the importance of this policy in terms of levelling up. Digital exclusion was a particular concern.

It was resolved unanimously to approve the new Cambridgeshire Pension Fund Equality, Equity, Diversity and Inclusion Policy.

9. Administration Report

The administration report had been revised to merge four reports into one to provide an holistic picture across all administrative matters. The Head of Pensions provided a summary of each section of the new report. It was confirmed that staff sickness had been an issue earlier in the year, but additional resource had been allocated and the position was improving. It was stated that breaches of the law could happen, but usually these were immaterial breaches. Any material breaches were required to be reported to the Pensions Regulator. Some outsourcing was being considered to speed up work on unprocessed leavers' cases. A risk monitoring template had been implemented from April 2025 which included RAG (red/ amber/ green) ratings to offer assurance around how these were being managed. Three business plan activities were currently RAG rated as amber. Two of these were linked mainly to the Fit for the Future consultation and one was in relation to processing undecided leavers' cases. It was a requirement to advise the committee of any admissions and cessations at each meeting.

Individual members raised the following issues:

- noted that some administrative key performance indicators (KPIs) had been red for some time and asked if management was confident that enough staff had been recruited to resolve these issues. The Head of Pensions advised that improvements were being seen in many areas, although it was still proving difficult to produce pension estimates within target

times. The higher than desired level of staff sickness had contributed to this. A new team leader was in place which should speed up the checking process, but this might not show an immediate improvement.

The Chair asked how KPI's were set as there was no value in setting targets that were not achievable. The Head of Pensions advised that new KPIs were aligned with the Chartered Institute of Public Finance and Accountancy (CIPFA) annual report guidance.

It was resolved unanimously to:

i. note the contents of the report.

ii. review the Risk Register located in Appendix 5 and Exempt Appendix 7.

iii. note the admission of the following transferee admission bodies to the Cambridgeshire Pension Fund and approve the sealing of the admission agreements:

- ABM Catering Limited (Fulbourn Primary School)
- Compass Group UK and Ireland Limited (Four C's Multi Academy Trust)
- Innovate Services Limited (Astrea Multi Academy Trust)
- KGB Cleaning South West Limited (The Active Learning Trust)
- ServiceMaster Limited (Heltwate School)

iv. note one employer joining Cambridgeshire Pension Fund as a resolution body:

- Littleport Town Council

v. note the cessation of following admission agreements:

- Caterlink Limited (The Active Learning Trust)
- Edwards & Blake Limited (Bassingbourn Primary School)
- Hertfordshire Catering Limited Hauxton Primary School)
- ServiceMaster Limited (The Active Learning Trust)

vi. note the updates to two previously reported cessations relating to:

- Aspens Services Limited (St John the Baptist Catholic Academy Trust)
- Burwell Parish Council

10. Pension Fund Committee Agenda Plan

A member commented that the agenda for the July meeting looked light. The Governance and Regulations Manager advised that this was the annual meeting and that more reports would be included than were currently shown on the agenda plan. This would include a deep dive on investment performance and fees.

11. Appointment of ACCESS Joint Committee Representative and Substitute for 2025/26

The Head of Pensions advised that the Cambridgeshire Pension Fund was usually represented on the ACCESS Joint Committee by the chair of the Pension Fund Committee with the vice chair appointed as their substitute, but that any elected member could represent the Fund.

On being proposed by Councillor Whelan, seconded by Councillor Davenport-Ray, it was resolved unanimously to appoint Councillor G Seeff as the Cambridgeshire Pension Fund's ACCESS Joint Committee representative for 2025/26.

On being proposed by Councillor Seeff, seconded by Councillor Levien, it was resolved unanimously to appoint Councillor M Black as the Cambridgeshire Pension Fund's ACCESS Joint Committee substitute representative for 2025/26.

12. Exclusion of Press and Public

A member expressed reservations about excluding the press and public for the whole of the discussion of the ACCESS Update report. The Chair disagreed on the grounds that the report described on-going negotiations which could be compromised. The Executive Director of Finance and Resources endorsed the Chair's position, stating that future ACCESS Update reports would be reviewed to see what if any information could be placed in the public domain, but the information contained in the current report was commercially sensitive. The Vice Chair stated that they had advocated bringing as much information as possible into the public domain during their time as committee chair, but on this occasion they did not see how the content of the ACCESS Update report could be discussed in public.

It was resolved by a majority that the press and public be excluded from the meeting on the grounds that the following items contained exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed: information relating to the financial or business affairs of any particular person (including the authority holding that information).

The meeting was adjourned from 2.01pm to 2.15pm.

13. Minutes – 20 March 2025 (Confidential)

The confidential minutes of the meeting on 20 March 2025 were approved as an accurate record.

14. Valuation Report (Confidential)

The Administering Authority was required to obtain an actuarial valuation of the Pension Fund every three years. The most recent valuation date was 31 March 2025, which meant that the valuation must be completed and all documents obtained by 31 March 2026.

The committee noted the report.

15. ACCESS Update (Confidential)

The committee received a report summarising recent ACCESS Joint Committee meetings.

(Councillor Davenport-Ray left the meeting at 2.30pm)

The committee noted the report.

[Chair]

CAMBRIDGESHIRE PENSION FUND

Pension Fund Committee
Action log from previous meetings

Agenda Item No: 2 – Appendix 1

This log captures the actions from the Pension Fund Committee of the 18 June 2025 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at 10/07/2025.

Item No.	Item	Action to be taken by	Issue	Action/Status
5	Governance and Compliance Report	Michelle Oakensen	Officers to confirm if the McCloud webinars are still running, to see if the recordings can be shared and to consider if anything more can be done to promote them more widely.	**Completed**. Currently the McCloud webinars are available to be booked by members until **29 August 2025.** Members have been informed of the webinars via the pension service website and member newsletters.
7	Dashboard Update	Michelle Oakensen	Officers agreed that the matching policy would be brought back for review after one year of operation rather than the usual three years.	**Completed.** The policy review schedule has been updated to reflect the change.
8	Equality, Equity, Diversity and Inclusion (EEDI) Policy	Michelle Oakensen	To re-circulate the previous EEDI Committee training materials.	**Completed.** The link to the EEDI training materials has been circulated to Committee members.

Actions from previous meetings:

March 2025

Item No.	Item	Action to be taken by	Issue	Action/Status
252	Minutes – 19 December 2024 (public) and Minutes Action Log	Ben Barlow	A member asked what the next steps are in relation to the issues around ethical investment raised in a public question to the December 2024 meeting. An update to be sent to Committee members outside of the meeting.	**Completed.** Further details regarding the conflict zone investments have been provided in the June Investment Sub-Committee Stewardship paper. The Stewardship report has been circulated to the Pension Committee members.

254	Internal Audit Report	Internal Auditors	A member raised concerns that there was a risk around how much reliance could be placed on information around the carbon net zero trajectory. The Group Auditor agreed to raise this issue with the Head of Internal Audit who would liaise with the Head of Pensions to see if this area might be included in the audit plan. Officers to provide an update on this action.	**In progress.** Officers are currently awaiting the audit plan in order to proceed with the next steps.

December 2024

Item No.	Item	Action to be taken by	Issue	Action/Status
248	Cyber Strategy	Michelle Oakensen	To obtain some further information on additional safeguards in place to protect systems.	**In progress.**

CAMBRIDGESHIRE PENSION FUND

To:	Pension Fund Committee
Meeting date:	22 July 2025
Report by:	Ben Barlow Investments and Fund Accounting Manager Ben.Barlow@westnorthants.gov.uk
Subject:	Pension Fund Statement of Accounts 2024-25
Purpose of the report:	To present the Draft Statement of Accounts of the Pension Fund for the 2024-25 financial year.
Recommendations:	The Pension Fund Committee is asked to note the Draft Statement of Accounts of the Pension Fund for the 2024-25 financial year.

Enquiries to:	Ben Barlow Investments and Fund Accounting Manager Ben.Barlow@westnorthants.gov.uk

1. Background

1.1 The Pension Fund's Statement of Accounts (SOA) form part of the Council's Statement of Accounts. These are audited by the Council's external auditor, KPMG. 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.

1.2 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 in order to give a true and fair statement of the Fund's financial position.

1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 (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).

1.4 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.

2. Executive summary

2.1 The report covers the key highlights from the Statement of Accounts. The Fund's assets have risen to £4,889.8m, following positive performance during the year with a net increase of £131.8m. Contributions have decreased since last year due to the prepayments of the secondary contributions paid during 2023/24 in relation to the period of 2023/24 – 2025/26 and the exit credits paid to the several exiting employers during 24/25. Benefits, Management Expenses and investment income have increased since last year.

2.2 The dates of the key milestones for the 2024-25 year end including audit testing and issuing of the audit results report ISA260 will be confirmed by the external audit plan report.

3. Highlights

3.1 The Fund Account and the Net Asset Statement provide a summary of the financial activity with the notes to the accounts providing further information.

3.2 The net increase for the year was £131.8m, with the Fund's net assets rising to £4,889.8m reflecting positive performance during the year.

3.3 Contribution receipts have decreased from £166.5m to £160.8m. The decrease in contributions payments reflects the following two elements;

- Two employers paid prepayment of their secondary contributions during 2023/24 in relation to the period 2023/24 – 2025/26.
- Exit credits totalling £5m were paid to the exiting employers following their cessation valuation and the Fund's determination process.

Contributions receipts are broken down in Note 7.

3.4 Benefit payments have increased from £138.7m to £155.3m. The increase in pension payments reflects the growth in the number of pensioners during the year and CPI uplifts to benefits in payment.

3.5 Management expenses are broken down in Note 11. The administration expenses have increased from £3m to £3.2m due to the increase in the staffing costs. Oversight and Governance costs have increased from £1.1m to £1.5m mainly due to additional investment consultancy work for the implementation of the strategic asset allocation and the pre-valuation actuarial work. Investment Management expenses increased from £21.3m to £27.1m, which are primarily driven by transaction costs due to changes in our asset holdings to align with the Investment Strategy.

3.6 The Fund returned 2.4% net of fees on investments during the year, resulting in a net market gain of £158.4m.

3.7 Investment income has increased from £62.2m in to £84.2m as a result of changes in our assets holdings in line with the Investment Strategy. These changes aimed to increase allocations to fixed income and alternatives providing greater exposure to inflation linked, cash generative investment.

4. Relevant Pension Fund objectives

- To ensure the long-term solvency of the Fund, so that sufficient funds are available to meet benefit payments as they fall due.
- To ensure an appropriate cash management strategy is in place and cash flows are timely and of the correct amount.
- To prudently set employer contributions that are as stable as possible whilst recognising the characteristics, circumstances and affordability constraints of each employer.
- To manage employer liabilities effectively, taking account of employer covenant, putting in place mitigations of adequate strength to protect the Fund.
- To ensure an appropriate cash management strategy is in place.
- To ensure benefit payments and other cashflows are timely and of the correct amount.
- To maximise investment returns over the long term within agreed risk tolerances.
- To invest sustainably to achieve better long-term outcomes for the Fund and its stakeholders.

5. Implications (including financial implications)

5.1 Resources and financial

5.1.1 There are no resources or financial implications arising from the proposals.

5.2 Legal

5.2.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective..

5.2.2 Squire Patton Boggs have reviewed the paper for legal implications.

5.3 Risk management

5.3.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below –

Risk No.	Risk	Residual risk rating
3a	Those charged with governance are unable to fulfil their responsibilities effectively	Amber
3b	Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
4b	Fund assets are not sufficient to meet obligations and liabilities.	Amber
2a	Information may not be provided to stakeholders as required	Green
8a	Failure to administer the scheme in line with regulations and guidance.	Green
11a	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	Green
4c	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green
5c	Pension Fund investments may not be accurately valued.	Green
6c	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

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

https://pensions.cambridgeshire.gov.uk/information/about-us/key-documents-cambridgeshire/governance-policies/#main

5.4 Consultation

5.4.1 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.

6. Background papers

6.1 None

7. Appendices

7.1 Appendix 1 – Cambridgeshire Pension Fund Statement of Accounts 2024-25

Cambridgeshire County Council Pension Fund

Statement of Accounts Year Ended 31 March 2025

Fund Account

31-Mar-24 £000		Notes	31-Mar-25 £000
	Dealings with members, employers and others directly involved in the fund:		
166,530	Contributions	Note 7	160,841
23,390	Transfers in from other pension funds	Note 8	15,722
189,920			**176,563**
-138,653	Benefits	Note 9	-155,322
-15,918	Payments to and on account of leavers	Note 10	-15,959
-154,571			**-171,281**
35,349	**Net additions/(withdrawals) from dealing with members**		**5,282**
-25,473	Management expenses	Note 11	-31,858
9,876	**Net additions/(withdrawals) including fund management expenses**		**-26,576**
	Returns on investments:		
62,246	Investment income	Note 13	84,209
-36	Taxes on income		-90
454,093	Profit and (losses) on disposal of investments and changes in the value of investments	Notes 14a and 17b	74,298
516,303	**Net return on investments**		**158,417**
526,179	**Net increase/(decrease) in the net assets available for benefits during the year**		**131,841**
4,231,796	Opening net assets of the scheme		4,757,975
4,757,975	**Closing net assets of the scheme**		**4,889,816**

Notes 1 to 26 form part of the financial statements.

Net Asset Statement

31-Mar-24 £000		Notes	31-Mar-25 £000
4,739,295	Investment assets		4,875,249
-1,770	Investment liabilities		-86
4,737,525	**Total net investments**	Note 14	**4,875,163**
27,851	Current assets	Note 21	23,263
-7,401	Current liabilities	Note 22	-8,610
20,450	**Net Current Assets**		**14,653**
4,757,975	**Closing net assets of the scheme**	Note 17a	**4,889,816**

Note 1 to 26 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 Pension 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 2024-25 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 LGPS (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 2025 there was 213 (2024: 197) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

	31-Mar-24	31-Mar-25
Number of employers with active members	197	213

*the individual academy and LEA school are not included in the above figure as they belong to their academy trusts or their responsible local authorities.

The Fund has over 101,000 individual members, as detailed below:

Number of employees in scheme:	31-Mar-24	31-Mar-25
County council	9,407	9,338
Other employers	19,629	19,983
Total	**29,036**	**29,321**
Number of Pensioners:		
County council	10,310	10,854
Other employers	13,114	13,755
Total	**23,424**	**24,609**
Deferred pensioners:		
County council	16,343	17,097
Other employers	20,737	21,939
Total	**37,080**	**39,036**
Undecided Leavers:		
County council	3,971	2,900
Other employers	6,328	5,228
Total	**10,299**	**8,128**
Total members	**99,839**	**101,094**

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 2025. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2022. Employers' contributions comprise a percentage rate on active payroll between 0% and 43.3% 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 2024-25 financial year and its financial position at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 (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.

Going Concern

The Funding Level as per the recent triennial valuation exercise (March 2022) was 125%. The Funding Level at year ending March 2025 was 170%.

There are 368 individual active employers as at 31 March 2025. 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 £155m, with contributions of £161m, showing a net cash inflow.

The actual annual investment return for March 2025 was 2.4% and the Fund value had increased to £4.89 billion, meaning the fund has increased by £132 million during the year. At 31 March 2025, the Pension Fund has 44% of its investments allocated to equities and 25% allocated to Bonds, with £74 million in cash, which are all assets that could be liquidated quickly to pay benefits should the need arise.

Notes to the Pension Fund Accounts (continued)

The Pension Fund has reviewed its cash flow forecast for the going concern period to 30 November 2026. The Pension Fund has sufficient cash liquidity to meet its payments without the need to sell any investments.

The Pension Fund is satisfied it has sufficient liquidity 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 £3.5 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 employers are set at the percentage rate recommended by the actuary in the payroll period to which they relate.

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

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for on a cash basis.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipt basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. There have been no group transfers in during 2023-24 and 2024-25.

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.

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.

Notes to the Pension Fund Accounts (continued)

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 costs 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 2024-25, £339k of fees are based upon such estimates (2023-24: £390K). In addition, manager fees deducted from pooled funds of £26.7m (2023-24: £20.7m) are based upon information received from fund managers.

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).

Notes to the Pension Fund Accounts (continued)

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).

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.

Notes to the Pension Fund Accounts (continued)

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 2025 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 £63m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £2m, and a 1-year increase in assumed life expectancy would increase the liability by approximately £140m. Although the example above is based on an increase, a decrease to discount rate and assumed life expectancy could also occur.

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. This valuation is reported to senior officers before being posted to the accounts.
- **Effect if Actual Results Differ from Assumptions:** The investment in the financial statements is £102.7m. There is a risk that this investment may be under or overstated in the accounts. As set out in the independent, professional valuation report, the valuation of the Cambridge and Counties Bank is in the range of £98.1m to £107.2m. The mid-point of this valuation range has been applied within the Fund's accounts.

Other Private Equity and Infrastructure Uncertainties:

- **Uncertainties:** All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.
- **Effect if Actual Results Differ from Assumptions:** Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £899.9m. 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 21.3%, which indicates that other private equity and infrastructure values may range from £708.2m to £1,091.6m.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2025, and up to the date when these accounts were authorised that require any adjustments to these accounts.

Notes to the Pension Fund Accounts (continued)

7. CONTRIBUTIONS RECEIVABLE

By Category:

31-Mar-24 £000		31-Mar-25 £000
36,248	**Employees' contributions**	**39,426**
	Employers' contributions:	
109,679	Normal contributions	116,933
21,158	Deficit recovery contributions	9,563
-555	Employers in surplus (exit credits paid)	-5,081
130,282	**Total employers' contributions**	**121,415**
166,530		**160,841**

By Authority:

31-Mar-24 £000		31-Mar-25 £000
35,202	Administering authority	36,354
128,104	Scheduled bodies	125,814
3,224	Admitted bodies	-1,327
166,530		**160,841**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-24 £000		31-Mar-25 £000
23,390	Individual transfers	15,722
23,390		**15,722**

9. BENEFITS PAYABLE

By category:

31-Mar-24 £000		31-Mar-25 £000
115,544	Pensions	126,680
20,353	Commutation and lump sum retirement benefits	25,244
2,756	Lump sum death benefits	3,398
138,653		**155,322**

By authority:

31-Mar-24 £000		31-Mar-25 £000
43,452	Administering authority	47,240
84,069	Scheduled bodies	93,266
11,132	Admitted bodies	14,816
138,653		**155,322**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-24 £000		31-Mar-25 £000
806	Refunds to members leaving service	720
15,112	Individual transfers	15,239
15,918		**15,959**

11. MANAGEMENT EXPENSES

31-Mar-24 £000		31-Mar-25 £000
3,010	Administrative costs	3,240
21,345	Investment management expenses[1]	27,112
1,118	Oversight and governance costs[2]	1,506
25,473		**31,858**

[1] Management expenses 24-25 are driven primarily by transaction costs due to changes in our asset holdings to align with the Investment Strategy

[2] Base fees payable to External Auditors, included within Oversight and Governance costs were £93k during the year (2023-24 £87k). The scale fee variation will be communicated in due course.

Notes to the Pension Fund Accounts (continued)

12. INVESTMENT MANAGEMENT EXPENSES

2024/25	Management fees	Performance related fees	Transaction costs	Other costs	Total
	£000	£000	£000	£000	£000
Equities	457	0	50	1	508
Bonds	0	0	0	0	0
Pooled investments	7,702	0	4,461	589	12,752
Pooled property investments	1,408	0	243	576	2,227
Private Equity/Infrastructure	7,527	1,338	112	2,601	11,578
Custody Fees	0	0	0	47	47
Total	**17,094**	**1,338**	**4,866**	**3,814**	**27,112**

2023/24	Management fees	Performance related fees	Transaction costs	Other costs	Total
	£000	£000	£000	£000	£000
Equities	10	0	0	346	356
Bonds	38	0	0	0	38
Pooled Investments	8,287	0	11	515	8,813
Pooled property investments	1,456	0	334	192	1,982
Private Equity/Infrastructure	5,793	1,958	96	2,274	10,121
Custody fees	0	0	0	35	35
Total	**15,584**	**1,958**	**441**	**3,362**	**21,345**

13. INVESTMENT INCOME

31-Mar-24		31-Mar-25
£000		£000
762	Income from bonds	0
4,409	Income from equities	6,004
28,132	Pooled investments – unit trusts and other managed funds	45,721
10,453	Pooled Property Investments	15,744
13,764	Private equity/infrastructure income	11,147
4,726	Interest on cash deposits	5,593
62,246		**84,209**

Notes to the Pension Fund Accounts (continued)

14. INVESTMENTS

31-Mar-24 £000		31-Mar-25 £000
	Investment assets	
320,177	Equities	333,619
0	Bonds	0
3,030,883	Pooled investments	2,990,218
380,587	Pooled property investments	462,168
942,397	Private equity/infrastructure	1,021,300
60,400	Cash deposits	66,640
	Derivatives contracts:	
0	· Options	0
27	· Futures	0
1,303	Investment income due	1,304
3,521	Amounts receivable for sales	0
4,739,295	**Total investment assets**	**4,875,249**
	Investment liabilities	
	Derivatives contracts:	
0	· Options	0
0	· Futures	-18
-1,770	Amounts payable for purchases	-68
-1,770	**Total investment liabilities**	**-86**
4,737,525	**Net investment assets**	**4,875,163**

Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-24	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-25
	£000	£000	£000	£000	£000
Equities	320,177	96,396	-91,208	8,254	**333,619**
Bonds*	0	0	0	0	**0**
Pooled investments	3,030,883	201,996	-255,027	12,366	**2,990,218**
Pooled property investments	380,587	90,042	-12,836	4,375	**462,168**
Private equity/infrastructure	942,397	84,559	-55,328	49,672	**1,021,300**
	4,674,044	**472,993**	**-414,399**	**74,667**	**4,807,305**
Derivative contracts:					
• Purchased/written options	0	0	0	0	0
• Futures	27	124	-195	26	-18
• Forward Currency Contracts	0	0	0	0	0
	4,674,071	**473,117**	**-414,594**	**74,693**	**4,807,287**
Other investment balances:					
· Cash deposits	60,400				**66,640**
· Investment income due	1,303				**1,304**
· Amount receivable for sales	3,521				**0**
· Amounts payable for purchases of investments	-1,770				**-68**
Net investment assets	**4,737,525**				**4,875,163**

*Investments in “Bonds” have transitioned to a pooled bond fund during 2024-25. This holding is now classified as “Pooled Investments”.

Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-23	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-24
	£000	£000	£000	£000	£000
Equity	0	215,860	-194,372	298,689	**320,177**
Bonds	197,030	0	-9,708	-187,322	**0**
Pooled investments	2,854,045	891,228	-975,264	260,874	**3,030,883**
Pooled property investments	267,510	130,198	-10,237	-6,884	**380,587**
Private equity/infrastructure	879,370	82,884	-46,397	26,540	**942,397**
	4,197,955	**1,320,170**	**-1,235,978**	**391,897**	**4,674,044**
Derivative contracts:					
• Purchased/written options	1,442	1,760	0	-3,202	**0**
• Futures	0	6	-152	173	**27**
• Forward Currency Contracts	0	71	0	-71	**0**
	4,199,397	**1,322,007**	**-1,236,130**	**388,797**	**4,674,071**
Other investment balances:					
· Cash deposits	11,448				**60,400**
· Investment income due	415				**1,303**
· Amount receivable for sales	0				**3,521**
· Amounts payable for purchases of investments	0				**-1,770**
Net investment assets	**4,211,260**				**4,737,525**

Notes to the Pension Fund Accounts (continued)

14(b). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-24 £000	% of net investment assets		Market value 31-Mar-25 £000	% of net investment assets
Investments managed under Pool Governance:				
1,763,383	37.2	Waystone Management Limited	1,780,582	36.5
98,376	2.1	Aviva Investors	148,486	3.0
91,805	1.9	IFM Infrastructure	98,453	2.0
75,569	1.6	JP Morgan	96,544	2.0
321,415	6.7	Osmosis Investment Management	335,653	6.9
1,171,181	24.9	UBS Global Asset Management	1,203,057	24.7
0	0.0	Stafford Capital Partners	18,685	0.4
0	0.0	CBRE UK Core Real Estate	287,710	5.9
3,521,729	**74.4**	**Total Investments managed under Pool Governance**	**3,969,170**	**81.4**
Investments managed outside Pool Governance:				
216,819	4.6	Adams Street Partners	224,125	4.6
14,045	0.3	Allianz Global Investors	13,558	0.3
30,135	0.6	Ares Management	29,215	0.6
84,800	1.8	Cambridge and Counties Bank	102,700	2.1
15,000	0.3	Cambridge Building Society	15,000	0.3
30,097	0.6	Equitix Investment Management	28,949	0.6
61,607	1.3	Foresight Group	71,873	1.5
224,970	4.7	HarbourVest Partners (UK)	229,057	4.7
74,499	1.6	M&G Investments	0	0.0
107,828	2.3	M&G Real Estate	110,665	2.3
34,961	0.7	Partners Group (UK)	31,096	0.6
273,509	5.8	Schroders Investment Management	60	0.0
6,242	0.1	UBS Infrastructure	4,357	0.1
41,284	0.9	Cash with custodian	45,338	0.9
1,215,796	**25.6**	**Total Investments managed outside Pool Governance**	**905,993**	**18.6**
4,737,525	**100.0**	**Net investment assets**	**4,875,163**	**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 as at 31st March 2025.

Security	31-Mar-24 £000	% of total fund %	31-Mar-25 £000	% of total fund %
UBS Global Asset Management - Life Climate Aware World Equity (Hedged)	765,982	16.1	**700,319**	**14.3**
UBS Global Asset Management- Over 5 years Index Linked Gilts Tracker	401,647	8.4	**501,786**	**10.3**
Waystone ACCESS Global Equity - J O Hambro	422,985	8.9	**349,421**	**7.2**
Waystone ACCESS Total Return Credit - BlueBay	307,872	6.5	**338,595**	**6.9**
Waystone ACCESS Alpha Opportunities - M&G	295,681	6.2	**347,758**	**7.1**
Waystone ACCESS Global Stock - Dodge and Cox	385,944	8.1	**345,990**	**7.1**
Waystone ACCESS Global Equity - Longview	350,900	7.4	**398,819**	**8.2**
	2,931,011		**2,982,688**	

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**

The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

Type	Expires	Economic exposure	Market Value as at 31/03/2024	Economic exposure	Market Value as at 31/03/2025
Assets					
UK Equity Futures	Less than one year	160	6	0	0
Overseas Equity Futures	Less than one year	846	21	0	0
Total Assets					**0**
Liabilities					
UK Equity Futures	Less than one	0	0	86	-1
Overseas Equity Futures	Less than one year	0	0	1,793	-17
Total Liabilities		**0**	**0**	**0**	**-18**
Net Futures					**-18**

Notes to the Pension Fund Accounts (continued)

16. FAIR VALUE

Valuation of Financial Instruments Carried At Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

Level 1 Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.

Level 2 Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. The price used is based upon inputs from observable market data.

Level 3 Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2022, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

16a. Fair value hierarchy

The following tables provides an analysis of the financial assets at fair value through profit and loss of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

Value at March 2025	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Equites	333,619	0	0	**333,619**
Bonds	0	0	0	**0**
Pooled Investments	7,531	2,982,687	0	**2,990,218**
Pooled Property Investments	11,070	111,011	340,087	**462,168**
Private Equity/Infrastructure	0	0	1,021,300	**1,021,300**
Derivatives	0	0	0	**0**
Net Investment Assets	**352,220**	**3,093,698**	**1,361,387**	**4,807,305**

Value at March 2024	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Equites	320,177	0	0	**320,177**
Bonds	0	0	0	**0**
Pooled Investments	25,373	3,005,510	0	**3,030,883**
Pooled Property Investments	0	0	380,587	**380,587**
Private Equity/Infrastructure	0	0	942,397	**942,397**
Derivatives	27	0	0	**27**
Net Investment Assets	**345,577**	**3,005,510**	**1,322,984**	**4,674,071**

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
Quoted Equities	Level 1	The published bid market price on the final day of the accounting period	Not required	Not required
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
Futures	Level 1	Published exchange price at the year-end	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 (2022)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.

Notes to the Pension Fund Accounts (continued)

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025.

Asset Type	Market Value as at 31-Mar-25 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £000
Pooled property investments	340,087	15.2	391,780	288,394
Private equity and infrastructure - equity	102,700	4.4	107,219	98,181
Private equity and infrastructure - other	918,600	21.3	1,114,262	722,938
Total Assets	**1,361,387**		**1,613,261**	**1,109,513**

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

Period 2024-25	Market value 01-Apr-24 £000	Transfers in/out of Level 3 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/(losses) £000	Realised gains/(losses) £000	Market value 31-Mar-25 £000
Pooled property investments	380,587	-121,230	232,499	-149,706	-11,244	9,181	340,087
Private equity and infrastructure - equity	84,800	0	0	0	17,900	0	102,700
Private equity and infrastructure - other	857,597	0	163,560	-131,868	8,440	20,871	918,600
Total	**1,322,984**	**-121,230**	**396,059**	**-281,574**	**15,096**	**30,052**	**1,361,387**

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-24				31-Mar-25		
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			
320,177	0	0	Equities	333,619	0	0
0	0	0	Bonds	0	0	0
3,030,883	0	0	Pooled investments	2,990,218	0	0
380,587	0	0	Pooled property investments	462,168	0	0
942,397	0	0	Private equity/Infrastructure	1,021,300	0	0
27	0	0	Derivative contracts	0	0	0
0	74,544	0	Cash	0	73,594	0
0	4,824	0	Other investment balances	0	1,304	0
0	13,707	0	Debtors	0	16,309	0
4,674,071	**93,075**	**0**		**4,807,305**	**91,207**	**0**
			Financial liabilities			
0	0	0	Derivative contracts	0	0	-18
0	0		Other investment balances	0	0	
0	0	-9,171	Creditors	0	0	-8,678
0	**0**	**-9,171**		**0**	**0**	**-8,696**
4,674,071	**93,075**	**-9,171**		**4,807,305**	**91,207**	**-8,696**
		4,757,975	**Total**			**4,889,816**

Notes to the Pension Fund Accounts (continued)

17b. Net Gains and Losses on Financial Instruments

31-Mar-24 £000		31-Mar-25 £000
	Financial assets:	
391,897	Fair value through profit and loss	74,667
65,658	Loans and receivables	-132
	Financial liabilities measured at amortised cost	
	Financial liabilities:	
-3,100	Fair value through profit and loss	26
-362	Loans and receivables	-263
	Financial liabilities measured at amortised cost	
454,093	**Total gains/(losses)**	**74,298**

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.

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 2024-25 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	16.3
Global equities	18.6
Index linked bonds	6.7
Pooled fixed interest bonds	6.5
Multi-asset credit	6.3
Property	15.2
Cambridge and Counties Bank	4.4
Alternatives	21.3
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-25 Asset Type	Value as at 31-Mar-25 £000	% (rounded) Change	Value on Increase £000	Value on Decrease £000
UK equities	**12,348**	16.3	14,361	10,335
Global equities	**2,115,818**	18.6	2,509,360	1,722,276
Index linked bonds	**501,786**	6.7	535,406	468,166
Pooled fixed interest bonds	**0**	6.5	0	0
Multi-asset credit	**686,353**	6.3	729,593	643,113
Property	**462,168**	15.2	532,418	391,918
Cambridge and Counties Bank	**102,700**	4.4	107,200	98,100
Alternatives	**918,600**	21.3	1,114,262	722,938
Cash and other investment balances	**75,390**	0.3	75,616	75,164
Total Assets	**4,875,163**		**5,618,216**	**4,132,010**

31-Mar-24 Asset Type	Value as at 31-Mar-24 £000	% (rounded) Change	Value on Increase £000	Value on Decrease £000
UK equities	**11,951**	16.0	13,863	10,039
Global equities	**2,234,037**	16.7	2,607,121	1,860,953
Index linked bonds	**401,647**	7.1	430,164	373,130
Pooled fixed interest bonds	**74,499**	7.0	79,714	69,284
Multi-asset credit	**603,554**	7.1	646,406	560,702
Property	**380,587**	15.6	439,959	321,215
Cambridge and Counties Bank	**84,800**	4.4	88,500	81,100
Alternatives	**857,597**	23.9	1,062,563	652,631
Cash and other investment balances	**88,853**	0.3	89,120	88,586
Total Assets	**4,737,525**		**5,457,410**	**4,017,640**

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 Fund 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 2025 and 31 March 2024 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 Fund 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-24 £000	Asset Type	31-Mar-25 £000
60,400	Cash and cash equivalents	66,640
14,144	Cash balances	6,954
401,647	Index-linked securities	501,786
678,053	Fixed interest securities	686,353
1,154,244	**Total**	**1,261,733**

Exposure to interest rate risk	Asset values at 31-Mar-25 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	**66,640**	66,640	66,640
Cash balances	**6,954**	6,954	6,954
Index-linked securities	**501,786**	506,804	496,768
Fixed interest securities	**686,353**	693,217	679,489
Total change in assets available	**1,261,733**	**1,273,615**	**1,249,851**

Exposure to interest rate risk	Asset values at 31-Mar-24 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	**60,400**	60,400	60,400
Cash balances	**14,144**	14,144	14,144
Index-linked securities	**401,647**	405,663	397,631
Fixed interest securities	**678,053**	684,834	671,272
Total change in assets available	**1,154,244**	**1,165,041**	**1,143,448**

Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable 2024-25 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	**5,593**	5,649	5,537
Index-linked securities	**0**	0	0
Fixed interest securities	**10,158**	10,260	10,056
Total	**15,751**	**15,909**	**15,593**

Exposure to interest rate risk	Interest receivable 2023-24 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	**4,726**	4,773	4,679
Index-linked securities	**762**	770	754
Fixed interest securities	**10,158**	10,260	10,056
Total	**15,646**	**15,803**	**15,489**

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 Fund considers the likely volatility associated with foreign exchange rate movements to be 9.1% (the 1 year expected standard deviation). A 9.1% (31 March 2024: 9.3%) 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 9.1% 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-25 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - Hedged	**700,319**	0	700,319	700,319
Overseas equities - Unhedged	**1,094,230**	99,575	1,193,805	994,655
Overseas fixed income	**686,353**	62,458	748,811	623,895
Overseas cash fund	**7,531**	685	8,216	6,846
Total	**2,488,433**	**162,718**	**2,651,151**	**2,325,715**

Assets exposed to currency risk	Value at 31-Mar-24 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - Hedged	**765,983**	0	765,983	765,983
Overseas equities - Unhedged	**1,468,054**	136,529	1,604,583	1,331,525
Overseas fixed income	**382,371**	35,561	417,932	346,810
Overseas cash fund	**8,656**	805	9,461	7,851
Total	**2,625,064**	**172,895**	**2,797,959**	**2,452,169**

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.

Notes to the Pension Fund Accounts (continued)

Contractual credit risk is represented by the net payment or receipts that remain 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 Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Fund 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 2025 was £73.6m (31 March 2024: £74.5m). This was held with the following institutions:-

	Rating	31-Mar-24 £000	31-Mar-25 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	AAAm	0	0
Bank deposit account			
NatWest Bank	A-1	14,144	6,954
Bank current accounts			
Northern Trust custody accounts	A-1+	60,400	66,640
Total		**74,544**	**73,594**

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 2025 the value of illiquid assets was £1,361m, which represented 27.8% of the total Fund assets (31 March 2024: £1,323m, which represented 27.8% 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 2025 are due within one year.

d) Refinancing risk

A key risk for a Pension Fund is that it may be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

Notes to the Pension Fund Accounts (continued)

19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation will take place as at 31 March 2025 and will be published in 2026.

The key elements of the funding policy are:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient Funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent Funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2022 actuarial valuation, the Fund was assessed as 125% funded (100% at the March 2019 valuation). This corresponded to a surplus of £860m (2019 valuation: deficit of £11m) at that time.

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates. For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2022 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate £		
1 April 2023 to 31 March 2026	2023-2024	2024-2025	2025-2026
18.4%	£16,449,000	£14,485,000	£13,144,000

The Primary rate above includes an allowance of 0.8% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.4% of pensionable pay. Full details of the contribution rates payable can be found in the 2022 actuarial valuation report and the funding strategy statement on the Fund's website.

Notes to the Pension Fund Accounts (continued)

Basis of valuation

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

Assumption	31-Mar-19	31-Mar-22
Price Inflation (CPI)/ Pension increases	2.3%	2.7%
Pay increases	2.8%	3.2%
Discount rate	4.1%	4.9%

Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Assumed life expectancy at age 65	Active and Deferred Members Male	Active and Deferred Members Female	Current Pensioners Male	Current Pensioners Female
2019 valuation	22.7	25.5	22.0	24.0
2022 valuation	22.8	26.1	22.0	24.6

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.
Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

Other demographic valuation assumptions:

a) Retirements in ill health - Allowance has been made for ill-health retirements before Normal Pension Age.
b) Withdrawals - Allowance has been made for withdrawals from service.
c) Retirement age - The earliest age at which a member can retire with their benefits unreduced
d) Death in Service - Allowance has been made for death in service.
e) Promotional salary increases – Allowance has been made for promotional salary increases.
f) Family details - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.
g) Commutation - 51% of future retirements elect to exchange pension for additional tax-free cash up to HMRC limits.
h) 50:50 option - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

Notes to the Pension Fund Accounts (continued)

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31-Mar-24		31-Mar-25
£m		£m
-4,018	Present value of promised retirement benefits	-3,504
4,758	Fair value of scheme assets (bid value)	4,872
740	**Net Assets**	**1,368**

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

31-Mar-24 % p.a.	Assumption	31-Mar-25 % p.a.
2.75	Inflation/pension increase rate assumption	2.75
3.25	Salary increase rate	3.25
4.85	Discount rate	5.80

Notes to the Pension Fund Accounts (continued)

21. CURRENT ASSETS

31-Mar-24 £000		31-Mar-25 £000
	Debtors:	
2,092	Contributions Due – Members	2,874
6,167	Contributions Due – Employers	8,525
5,448	Sundry Receivables	4,910
13,707		**16,309**
14,144	Cash Balances	6,954
14,144		**6,954**
27,851		**23,263**

22. CURRENT LIABILITIES

31-Mar-24 £000		31-Mar-25 £000
5,928	Sundry Payables	6,334
1,473	Benefits Payable	2,276
7,401		**8,610**

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-24 £000		31-Mar-25 £000
9,157	Prudential	10,729
285	Utmost	279
9,442		**11,008**

Total contributions of £839K (2023-24: £1,341K) were paid directly to Prudential during the year. No new contributions were paid to Upmost during the year, as it is a closed arrangement.

24. AGENCY

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

31-Mar-24 £000		31-Mar-25 £000
3,582	Unfunded pensions	3,645
3,582		**3,645**

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. The Council incurred costs of £3.7m (2023-24: £3.4m) 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 £36.4m, excluding Local Education Authority schools, to the Fund in 2024-25 (2023-24: £35.2m). At 31 March 2025 there was £0.4m (31 March 2024: £0.3m) due to the Council by the Fund.

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 Alison Whelan, Councillor Alan Sharp, Councillor Henry Batchelor, Matthew Pink, Howard Nelson and Liz Brennan.

The following members are on the Board or an employee of an employer body in the Pension Fund;

Councillor Adele Costello, Councillor Andrew Wood, Matthew Pink, Howard Nelson and Liz Brennan.

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pension Fund Committee are required to declare their interests at each meeting.

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). The Fund has no controlling interest in the CCB and it is included within the Fund's financial statements as a minority interest. Each shareholder is entitled to appoint one shareholder Non-Executive Director to the Board of CCB. The Fund is represented by an external party to the Pension Fund (See Note 5).

ACCESS Pool

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pool in response to the Government's LGPS reform agenda. On 31 March 2025, the Cambridgeshire Fund had invested £1,929.1m in the ACCESS pool and £2,040.1m under pooled management resulting in pooled assets of £3,969.2m, representing 81.4% of the Fund's assets.

During 2024-25 a total of £224.2k was charged to the Pension Fund by ACCESS asset pool in respect of operating costs (£146.1k in 2023-24).

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 the Executive Director of Finance at West Northamptonshire Council, who is also the West Northamptonshire Section 151 Officer, 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.

Notes to the Pension Fund Accounts (continued)

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding contractual commitments at 31 March 2025 totalled £206.8m (31 March 2024: £249.9m).

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.

6 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.

A scheme employer may become an exiting employer when a cessation event is triggered. The LGPS regulations states that, where an employing authority ceases to be a scheme employer, the administrating authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date to identify whether cessation deficits or surplus exist. The regulations also state that where a cessation surplus exists, the Fund has full discretion over the extent to which any surplus results in the payment of an exit credit to the existing employer. The policy over the Fund's discretion at employer cessations can be found on our Cessation Policy.

The following table shows the open cessation cases as at 31/03/2025, which were possible to result in the payment of an exit credit, with the current progress noted.

Existing employer	Case status	Exit Date	Cessation surplus £000	Exit credit value £000	Case progress details
Burwell Parish Council	Complete	31/07/2024	26	26	Exit credit was determined and paid in April 25.
Taylor Shaw	On-going	31/07/2024	TBC	TBC	Cessation assessment is still pending.
Goshen Multi-service	On-going	30/09/2024	263	TBC	Exit credit determination is still pending.

Glossary

ACCRUAL An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

ACTUARY An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

ALTERNATIVES assets that fall outside of the traditional asset classes (equities, bonds and cash). Types of alternative investments include private equity, infrastructure and property.

ADMINISTERING AUTHORITY The LGPS is administered locally by 86 local pension funds. The administering authority is the body responsible for each fund. For the Cambridgeshire Pension Fund, the administering authority is Cambridgeshire County Council.

ADMISSION AGREEMENT A legal agreement allowing certain private companies and charities (Admission bodies) to participate in the LGPS.

ADMITTED BODIES Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

ANNUAL BENEFIT STATEMENT A document issued to active and deferred members on an annual basis informing them of the current and estimated future value of their pension benefits at the end of each scheme year.

AUTOMATIC ENROLMENT is the term used to describe an employer's duty to automatically enrol employees who meet certain criteria into a qualifying workplace pension scheme.

BOND Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured.

COMMUTATION Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

CURRENT ASSETS Short-term assets such as inventories, receivables and bank balances.

CURRENT LIABILITIES Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

CUSTODIAN An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

DEFINED BENEFIT a pension which guarantees you specific income throughout retirement

DEFFERED BENEFITS Deferred benefits are the pension benefits held within the pension fund for a member who has stopped building up new benefits in the LGPS but is not receiving payment of their pension benefits.

DEFICIT An outcome as a result of taking away all expenses from income. Additionally, the Fund is in deficit when the liabilities are larger than assets.

DERIVATIVE A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

DISCRETIONS are powers given to employers and administering authorities, by the LGPS, to choose how to apply the Scheme rules in certain situations. A guide to these discretions is available on the LGPS Regulations and Guidance website.

DIVIDEND The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

DLUHC The Department for Levelling Up, Housing and Communities is a ministerial department which supports communities across the UK to thrive, making them great places to leave and work.

Glossary (continued)

EBITDA Earnings Before Interest, Taxes, Depreciation, and Amortisation is a statistic used to assess a company's operating performance.

EQUITIES Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

FIXED INCOME asset or security that pay a fixed level of income to investors, typically in the form of fixed interest or divided. Government and corporate bonds are the most common types of fixed income products.

FORMAL VALUATION A valuation, carried out every three years, of the pension assets and liabilities held by each employer in the Pension Fund.

FINANCIAL INSTRUMENTS Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

GUARANTEED MINIMUM PENSIONS (GMPs) A member of LGPS who were an active member of the scheme between 6 April 1978 and 5 April 1997, did not pay into the State earnings Related Pension Scheme (SERPS). The GMPs are a pensions which LGPS must pay to the member at least as good as the member would have received from SERPS.

LEAVER An active member who ceases membership of the LGPS as a result of ending an employment. This includes someone who leaves employment voluntarily or who's employment is terminated by the employer.

LOCAL GOVERNMENT The term local government within this document covers:

- County, District and Borough councils
- Combined local authorities
- Police and Fire service civilian staff
- Town and Parish Council's
- Local authority schools (non-teaching staff)
- Academy trusts (non-teaching staff)
- Sixth form colleges (non-teaching staff)
- Further or Higher education establishments (non-teaching staff)
- Other tax raising bodies

LOCAL GOVERNMENT PENSION SCHEME (LGPS) The LGPS is a national pension scheme for people working in local government or working for other employers that participate in the scheme.

LOCAL PENSION BOARD The Local pension board is made up of employer and member representatives and provides assistance to the scheme manager with the administration of the pension fund.

HEDGE To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

INDEX LINKED Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

PENSION STRAIN Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

PORTFOLIO A collection of investments. This can refer to the investments managed by a particular Investment Manager, or to describe the whole Fund's investments.

PENSION FUND (FUND) The LGPS is split into 86 local pension funds. The pension fund or simply "Fund" is the collective term for both the employers participating in the LGPS within Cambridgeshire and the monies held to pay the benefits of those employers' members. The pension fund is administered by the administering authority and overseen by the pension fund committee and local pension board.

PENSION FUND COMMITTEE The pension fund committee is the ultimate decision maker for the pension fund. Its members act as 'quasi-trustees'. The pension fund committee decides the overall policy objectives, strategy and operation of the pension fund in line with the relevant legislation. It also decides the strategy for the investment of pension fund money

Glossary (continued)

PENSIONS OMBUDSMAN The Pensions ombudsman is the official body responsible for investigating complaints regarding pensions in the UK.

PENSIONS REGULATOR The pensions regulator is the official regulator of workplace pension schemes and is responsible for ensuring the pension schemes operating in the UK are managed in line with UK law.

PRAG Pensions Research Accountants Group is a leading independent industry body working for the development of occupational pension scheme, focusing on financial reporting and internal control.

RELATED PARTY A person or an organisation which has influence over another person or organisation.

RETIREMENT In this document retirement refers to the act, by an active or deferred member, of taking immediate payment of LGPS benefits following the end of a relevant employment regardless of whether that person stops all employment.

SAA Strategic Assets Allocation is a portfolio strategy by setting the target allocations for various asset classes and rebalancing the portfolio periodically.

SAB The Local Government Pension Scheme Advisory Board is a statutory body to help and support DLUHC and administering authorities fulfil their statutory duties and obligations in relation to the scheme.

SBTi alignment The Science Based Targets initiative (SBTi) is a corporate climate action organisation that enables companies and financial institutions worldwide to play their part in combating the climate crisis. They develop standards, tool and guidance which are line with climate science.

SCHEDULED BODIES Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

SCHEME EMPLOYER An employer participating in the pension fund with current employees enrolled in the LGPS.

SCHEME MEMBER An individual with pension benefits in the LGPS or who is in receipt of pension benefits from the LGPS. Members are categorized as:

- **Active member:** A current employee of a scheme employer building up pension benefits in the LGPS.
- **Deferred member:** A person who has pension benefits in the LGPS but who is neither building up new benefits in, or receiving payment of pension benefits from, the LGPS.
- **Pensioner member:** A person who receives payment of pension benefits from the LGPS. This may be someone who was an active member in the LGPS or a dependant of someone who was an active member of the LGPS and is being paid dependant benefits.

SCHEME YEAR The Scheme year runs from 1 April to 31 March.

STOCK Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

SURPLUS An outcome as a result of taking away all expenses from income. Additionally, the Fund is in surplus when the assets are larger than liabilities.

TRANSFER VALUES Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

TREASURY MANAGEMENT A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

UNFUNDED Pension benefits not funded by the Pension Fund. Benefits are fully reclaimed from the employer bodies.

UNIT TRUST An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Investment manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

VESTING PERIOD The length of time what an individual needs to be an active member of the LGPS to qualify for benefits in the scheme.

WEIGHTED AVERAGE CARBON INTENSITY (WACI) is a measure of carbon emissions calculated by a debtor/issuer divided by the debtor's/issuer's total revenue and weighted by the value of the creditor's/holder's investment as a share of its total investment portfolio.

Appendix A

The below table compares the 2008 and the 2014 schemes.

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

CAMBRIDGESHIRE PENSION FUND

To:	Pension Fund Committee
Meeting date:	22 July 2025
Report by:	Michelle Oakensen Governance and Regulations Manager
Subject:	Business Plan Activity Update
Purpose of the report:	To provide the Pension Fund Committee with updated Business Plan activities since its approval in March 2025.
Recommendations:	The Pension Fund Committee is asked to: a) note the proposed determination decision to extend the McCloud implementation phase by 12 months for certain qualifying members set out in paragraphs 3.12 to 3.13. b) approve the substitute business plan activities set out in paragraphs 3.17 to 3.21. c) approve the utilisation of Hymans Robertson to support the clearance of 1,000 unprocessed leaver cases as set out in paragraphs 3.22 to 3.25.
Enquiries to:	Michelle Oakensen Governance and Regulations Manager michelle.oakensen@westnorthants.gov.uk

1. Background

1.1 The Business Plan was previously approved in March 2025 which set out the key areas of focus for the Fund from 2025 through to 2028. Since this time there have been developments which has meant that activities now need to be updated to reflect the current position.

1.2 Regulatory developments have necessitated a determination decision for McCloud rectification, a wider approach to survivor benefits equalisation and inclusion of other areas, and a change in approach from building a Financial Conduct Authority (FCA) regulated entity to joining an alternative asset pool.

1.3 Due to conflicting statutory priorities, additional support to clear unprocessed leaver cases would alleviate pressure within the service and maximise record accuracy in preparation for Pension Dashboards.

1.4 There is a need to enact these changes to the Business Plan at this stage opposed to in line with the next update report due to the need to undertake elements of work before the September Committee meeting.

2. Executive summary

2.1 This report contains updates to Business Plan activities in the following areas:

2.2 **McCloud remedy rectification** – where all remedial work cannot be undertaken by 31 August 2025 as per the regulation and statutory guidance, a determination must be made to extend the McCloud implementation phase for certain qualifying members to the 31 August 2026.

2.3 **Rectify survivor benefit cases** – following the release of the LGPS Access and Fairness consultation, this activity has been updated to cover the wider remit of proposals contained.

2.4 **Support the build of the ACCESS FCA-regulated entity** – following the response to the "Fit for the Future" consultation, it has been necessary to reprofile this activity as the initial build activity is no longer a viable option.

2.5 **Processing of undecided leaver records** – the Fund has in place a plan to reduce the backlog of cases over a period of three years. Due to the number of competing statutory requirements, a proposal to outsource a proportion of the cases has been included.

3. McCloud remedy rectification

3.1 When public service pension schemes transitioned from final salary to career average schemes in 2014, transitional protections were offered – but only to older members. This meant that younger members were treated less favourably, which was ruled as unlawful age discrimination in the McCloud court case in 2018. To correct this, the McCloud remedy was introduced and for the LGPS this took effect from 1 October 2023. Eligible members are entitled to their pension benefits being compared between the old final salary scheme

and the new career average scheme for the period 1 April 2014 to 31 March 2022. Any cases where the final salary benefits would have been higher, the difference is added to the member's pension.

Challenges

3.2 Data collection and quality – The remedy requires comparing benefits under both career average and final salary schemes and this has resulted in considerable effort to retrieve, validate and input data from employers. Although the Cambridgeshire Pension Fund continued to collect hour change information prior to the ruling, data collection exercises were undertaken to confirm other data items such as career breaks.

3.3 Administrative complexities and scale – The rectification process involves complex calculations to adjust benefits retrospectively. The Government has estimated that 1.8 million LGPS members (E&W) are affected and final regulations were only implemented in the month before the remedy became effective. The retrospective nature of the remedy means that a large number of cases must be revisited to establish whether additional benefits are due. This is particularly challenging for members with multiple employments, who have transferred between schemes and who have since passed away.

3.4 The late issuance of guidance put significant pressure on the administration software provider to develop the required calculations, in some cases this has resulted in manual intervention where this has not been achieved in the prescribed timescale.

3.5 Resource allocation – Sufficient time has needed to be allocated to various strands of the project including technological, legislative and management of the implementation. This is just one project the Fund has been resourcing simultaneously with business as usual and other projects such as Pension Dashboards and the migration to Engage.

3.6 Communication with members – Effectively communicating the changes with members and their implications has been crucial, this includes explaining who is in scope and how the benefits will be adjusted if a final guaranteed amount is applicable. The Fund has a dedicated McCloud page on its website and has also included McCloud articles within newsletters.

McCloud implementation progress to date

3.7 The Government gave its view on how McCloud cases should be prioritised and this was published as part of its statutory guidance. The Cambridgeshire Pension Fund's progress against each category is detailed below:

New final underpin dates and deaths from 1 October 2023 (group 1) – **compliant**
The administration software functionality for the processing of McCloud cases was switch on in line with the regulations and therefore all benefit processing from this time has been compliant. This includes processing of benefits for retired members, deaths, trivial commutations and uplifts of Tier 3 benefits to Tier 2. For any areas where the system was not developed in time manual calculations were undertaken to maintain compliance.

Cases falling under part 3 of the 2023 Regulations (group 2) – **not fully compliant.**
Work has actively been ongoing in the area of retrospective retirement cases with resolution near completion. Retrospective survivor, death, transfer, trivial commutation, and cases where a member's underpin date has taken place before or after 1 October

2023 but not their final under pin date, require further work due to the complexities and sensitives involved with these cases.

All other cases (group 3) – **near compliant**
The majority of cases are expected to be compliant but there is a very small number of cases whereby further analysis is required. These areas include pension debits, club transfers and members with remedial service that has been transferred.

3.8 Details of compliance and associated actions can be located in Appendix A.

Determination

3.9 Regulation 2(4)(b) of the Local Government Pension Scheme (Information) Regulations 2024 allows administering authorities to determine whether this regulation should be extended, in respect of a member or class of members, to annual benefit statements for the 2024/25 scheme year. This is further detailed in the McCloud implementation statutory guidance.

3.10 Should a Fund be unable to conclude all of the remedial work by 31 August 2025, a determination can be enacted if it is considered reasonable and the affected members are notified.

3.11 The administering authority must consider a determination to extend 'reasonable in all the circumstances' of a case. It should be balanced with the following factors:

- Affected members have suffered unlawful discrimination and can expect that the McCloud discrimination should be resolved as soon as possible.
- The Government's guidance states that in their view, most of the McCloud remedy work should be concluded by 31 August 2025. Whilst this does not legally change the scope of the determination power, it should be considered as a factor.

3.12 Based on the challenges faced and the implementation progress to date, the Fund has determined that members who qualify for the remedy that fall into 'Group 2' of the McCloud Statutory guidance will not be rectified by 31 August 2025 and the implementation phase will therefore be extended to 31 August 2026.

3.13 The majority of members who fall into 'Group 3' of the McCloud statutory guidance will be rectified. However, cases linked to pension debits, club transfers and members with remedial service that has been transferred will not be rectified by 31 August 2025 and the implementation phase will therefore be extended to 31 August 2026.

Issuance of Annual Benefit Statements

3.14 There are approximately 28,900 active members and 39,000 deferred members who will be receiving an annual benefit statement for the 2024/25 period. In relation to McCloud underpin information being provided within the statements the following scenarios apply:

- Members who qualify for the underpin and a guaranteed amount is shown.
- Members who qualify for underpin protection but the career average benefits are currently better so a £0.00 value is shown.
- Records show that the member does not qualify for underpin protection under the McCloud remedy.
- Members who do not appear to be protected by the McCloud remedy based on the

information the administering authority holds; however, they have service that could be remediable service if other relevant membership of the LGPS or a different public service pension scheme is disclosed.

- Members protected by the McCloud remedy where the administering authority has exercised their discretion to not reflect the member's McCloud projection in their statement (as per the determination in 3.13).

3.15 There may be a small number of records where further analysis is required due to data quality issues.

Next steps

3.16 In line with the determination detailed in sections 3.12 to 3.13, the project plan will continue to be populated and monitored to ensure full compliance by 31 August 2026. Updates will continue to be provided to the Committee at each meeting via Business Plan update and the Governance and Compliance Report.

Rectify survivor benefit cases

3.17 The business plan has an activity to "Rectify survivor benefit cases" following a July 2020 ministerial statement confirming that public service schemes would be subject to legislation to equalise survivor benefits in certain cases where unequal treatment exists.

3.18 These changes have been set out in the "LGPS: Access and Fairness" consultation alongside a raft of further changes impacting survivor benefits more generally as well as the gender pensions gap, opt-outs, forfeiture, the McCloud remedy and other regulation changes.

3.19 The business plan activity has therefore been substituted to the following:

Activity	**Background**	**Key Milestones**	**Resources required**
Implement actions arising from the "LGPS: Access and Fairness" consultation	The "LGPS: Access and Fairness" consultation sets out proposed changes impacting: - Survivor benefits - Gender pensions gap - Opt-outs - Forfeiture - McCloud remedy - Other changes The Fund will need to comply with these changes once confirmed in regulations or guidance.	Respond to consultation (August 2025). Develop an action plan to implement changes (TBC).	No additional staffing costs.

Support the build of the ACCESS FCA-regulated entity

3.20 The business plan has an activity to "Support the build of the ACCESS FCA-regulated entity". As Government has not supported the ACCESS build, the Fund has been directed to join another LGPS asset pool and to confirm that destination pool "in principle" by September 2025.

3.21 The business plan activity has therefore been substituted to the following:

Activity	**Background**	**Key Milestones**	**Resources required**
Determine and join an alternative LGPS asset pool	The Fund has been directed to join an alternative LGPS asset pool to ACCESS, with the build of an FCA-regulated entity not being supported by Government. The Fund must identify their preferred pool destination and confirm an "in principle" decision by September 2025. The Fund will then become a shareholder of the pool company, which will require partner fund agreement, and transition assets to management of the new pool.	Committee agree destination pool "in principle" (July 2025). Committee agree destination pool to recommend to Council (September 2025). Council agree destination pool and delegate implementation (October 2025). Finalise shareholder status (March 2026). Transition assets to new pool (from April 2026).	No additional staffing costs. Circa £100k-£150k to complete assessment and full due diligence.

Processing of undecided leaver records

3.22 The business plan activity "Processing of undecided leaver records" is reducing the volume of unprocessed early leaver records down to a baseline of <1,000 aged cases. As at May 2025 there were approximately 5,400 aged cases to be processed to reach this target.

3.23 An opportunity has arisen to utilise the Fund's benefits consultancy supplier, Hymans Robertson, to supplement internal processing by contracting them to process 1,000 cases over an 8-to-12-month period. This would therefore span the 2025-26 and 2026-27 financial years.

3.24 The Fund has an existing contractual relationship with Hymans Robertson and has discussed the work they have been undertaken in a similar vein with another LGPS fund. Generally, resources of this nature are restricted across the industry at the present time due to the amount of projects being undertaken across the LGPS community. Fund officers therefore wish to secure this opportunity due to the desire to maximise the quality of records and data prior to Pension Dashboards going live. This would also assist the management of competing resource pressures.

3.25 Associated costs to undertake this work are detailed in Exempt Appendix 2.

5. Relevant Pension Fund objectives

- To ensure compliance with the LGPS Regulations and other legislation and guidance, including the Pensions Regulator's Code of Practice.
- To ensure individuals responsible for managing the Fund and delivering its services have the appropriate knowledge and expertise.
- To manage the Fund in a fair and equitable manner, and be accountable to the Fund's stakeholders.
- To ensure robust processes, controls and risk management are in place.
- To administer the Fund in a professional, effective and cost-efficient manner, utilising technological solutions and collaboration.
- To promote the scheme and ensure members understand the benefits provided.
- To deliver clear, inclusive, accessible communications to stakeholders, including up-to-date information in order that informed decisions can be made.

6. Implications (including financial implications)

6.1 Resources and financial

6.1.1 There are no significant resources or financial implications arising from the report.

6.2 Legal

6.2.1 Squire Patton Boggs conducted a legal review of the paper. No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

6.2.2 Failure to produce a determination could result in the Fund having to submit a report to The Pension Regulator (TPR) for group 2 and some group 3 cases.

6.2.3 Failure to follow the "Fit for the Future" and "Access and Fairness" requirements would result in a compliance failure and, for the former, could lead to action by the Secretary of State.

6.3 Risk management

6.3.1 The risks associated with this report are as follows:

6.3.4 The Fund's risk register can be found on the Pensions website: key documents cambridgeshire.

Risk	Residual risk rating
Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Failure to provide relevant information to the Pension Fund Committee to enable informed decision making.	Green

6.4 Consultation

6.4.1 Not required.

7. Background papers

7.1 None.

8. Appendices

8.1 Appendix 1 – McCloud compliance summary and associated actions.
EXEMPT Appendix 2 – Associated costs for the processing of the undecided leaver records

Benefit rectification Group 1 – New final underpin dates and deaths from 1 October 2023			
Rectification area	**Compliant?**	**Comment**	
Retirements on or after 1 October 2023.	Yes.	The McCloud functionality within the Altair pension administration was switched on from 1 October 2023 and therefore all benefit processing from this time has been in accordance with the regulations. Any inadequacies within the system resulted in manual work around solutions to ensure compliance. The system is now fully operational in all of these areas.	
Deaths on or after 1 October 2023 of eligible members.	Yes.		
Trivial commutations calculated on or after 1st October 2023, where the final underpin date or date of member's death was before that date.	Yes.		
Uplifts of Tier 3 benefits to Tier 2, where the final underpin date for the Tier 3 pension was before 1st October 2023 but the uplift decision was on or after then.	Yes.		
Benefit rectification Group 2 - Cases falling under part 3 of the 2023 Regulations			
Rectification area	**Compliant?**	**Comment**	**Proposed date for resolution**
Cases where a member or survivor pension is in payment and the underpin date is before 1 October 2023.	No.	Work has been undertaken to establish the number of pensioners who are in scope of the McCloud remedy. Following further analysis, pensioners where there is a final guaranteed amount (FGA) have/will be sent a letter asking whether they wish to take the additional benefit as standard or converted. No work has been undertaken to date on the survivors pensions due to sensitives with making contact when the originators date of death could have been some time ago. An update is awaited as to whether centralised letter templates are being produced.	31 March 2026.

Member or survivor pensions that have ended:			
Non club transfer out cases.	No.	This area is of concern for rectification due to the system functionality not being in place. Currently all cases identified will need a substantial amount of manual intervention to establish whether a FGA is payable.	31 August 2026 (dependent upon system functionality).
Club Transfer out cases.	No.	This area is of concern for rectification due to the system functionality not being in place. Currently all cases identified will need a substantial amount of manual intervention to establish whether a FGA is payable.	31 August 2026 (dependent upon system functionality).
Trivial Commutations or small pot payment.	No.	Work to identify the number of members in scope will commence at the start of November. The volumes are expected to be low and rectification concluded within 2 months.	31 December 2025.
Death grant payments with no survivor.	No.	Once the cases where rectification is required have been identified, there will be manual intervention required to assess where the payment is to be made, as things could have moved on from the original payment there will be sensitives around this. As with the survivors pensions, an update is awaited as to whether centralised letter templates are being produced.	31 August 2026.
Cases where a member's underpin date has taken place before or after 1 October 2023 but not their final under pin date.	Yes.	All members in this category have had a provisional guaranteed amount generated.	N/A

Benefit rectification Group 3 – All other cases			
Rectification area	**Compliant?**	**Comment**	**Proposed date for resolution**
Eligible members who do not fall within groups 1 or 2 are those who are in scope of McCloud remedy, but who remain in active membership and have not yet had their underpin date.	Near compliant.	The majority of cases are compliant but there is a very small number of cases whereby further analysis is required. These areas include pension debits, club transfers and members with remedial service that has been transferred. There may also be some members in this group where the underpin information may not look correct and further analysis may be required	31 March 2026.

CAMBRIDGESHIRE PENSION FUND

To:	Pension Fund Committee
Meeting date:	22 July 2025
Report by:	Ben Barlow Investments and Fund Accounting Manager Ben.Barlow@westnorthants.gov.uk
Subject:	KPMG Audit Plan for Cambridgeshire Pension Fund 2024-25
Purpose of the report:	To present the Audit Plan from KPMG.
Recommendations:	The Pension Fund Committee is asked to note the Audit Plan 2024-25.

Enquiries to:	Ben Barlow Investments and Fund Accounting Manager Ben.Barlow@westnorthants.gov.uk

1. Background

1.1 The Pension Fund's Statement of Accounts (SOA) form part of Cambridgeshire Council's Statement of Accounts. These are audited by the Council's external auditor KPMG. 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 1 April to 31 March and that the SOA is free from material mis-statement.

2. Executive summary

2.1 KPMG act as the Cambridgeshire Pension Fund's external auditors. As the external auditors they have produced a plan of the 2024-25 audit of the Cambridgeshire Pension Fund.

2.2 The significant risks and areas of focus for KPMG are management override of controls and the valuation of Cambridge and Counties Bank.

2.3 Other audit risks being considered by KPMG are:

2.3.1 Level 1, 2 and 3 investments are not complete, do not exist or are not accurately recorded;

2.3.2 Valuation of Level 1, 2 and 3 investments is misstated;

2.3.3 The actuarial position of the scheme is not appropriately presented in the financial statements.

2.4 Materiality for the financial statements is £48m, 1% of total of draft total assets as at 31 March 2025. Materiality misstatements to be reported is £2.4m.

2.5 The total audit fees for the year are £98,000, excluding IAS 19 letters for employer body auditors.

3. Content, Responsibilities and Timeline

3.1 KPMG have been appointed as Independent External Auditors to provide an audit opinion on:

3.1.1 whether the financial statements of Cambridgeshire Pension Fund give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2025; and

3.1.2 the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

3.2 KPMG have produced an audit plan, setting out identified audit risks, expected materiality levels, the scope of their audit, the team, and the planned delivery of the audit process.

3.3 Page 6 of the accompanying report identifies the key risks and areas of auditor focus, details the Auditor's planned approach to these risk areas. These, along with the Fund's approach are summarised in the following table.

Risk/area of focus	**Audit approach**	**Fund approach**
Management override of controls	• Assess accounting estimates for biases.	• Ensure process notes include identified risks

Risk/area of focus	Audit approach	Fund approach
	• Evaluate selection and application of accounting policies. • Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimate. • Assess the business rationale and the appropriateness of the accounting for significant transactions. • Evaluate the design and implementation of controls over journal entries and post-closing adjustments. • Test the operating effectiveness of controls over journal entries and post-closing adjustments. • Using the high-risk criteria to identify the journals for any further investigation.	• Provide written process notes which detail controls • Make copy journals available • Provide working papers demonstrating the value used for the journals
Valuation of Cambridge and Counties Bank (CCB)	• Obtain copies of the CCB valuation report completed by a third-party specialist (Grant Thornton). • Assess Grant Thornton's competency as a valuation expert and their work. • Engage KPMG specialists to review the valuation methodology and assumptions. • Challenge the valuer on the valuation inputs. • Identify and evaluate the design and implementation of controls in place for management to review the valuation.	• Instruct Grant Thornton to provide a valuation report for Cambridge and Counties Bank and make this, and supporting information, available to the auditor. • Provide working papers demonstrating the value used at the year end and the valuation methodology. • Provide evidence of management review control to the valuation.
Level 1, 2 and 3 investments are not complete, do not exist or are not accurately recorded	• Gain an understanding of the control environment at all the investment managers and custodian by reviewing their internal controls • Obtain direct confirmations from the custodian and investment managers. • Vouch purchases and sales to investment manager and custodian reports.	• Provide working papers demonstrating the value used at the year end and the valuation methodology. • Provide quarterly reconciliation reports and performance reports • Liaise with Investment Managers and custodian to provide information to auditors on a timely basis.

Risk/area of focus	Audit approach	Fund approach
	• Recalculate change in market value and compare to overall investment return.	
Valuation of Level 1, 2 and other level 3 investments are misstated.	• Use of the in-house investment valuation team, iRADAR – approach differs per investment type and is set out on Page 8 of the audit plan. • Obtaining unaudited Net Asset Value (NAV) statements for Level 3 pooled investment vehicles.	• Provide working papers demonstrating the value used at the year end and the valuation methodology. • Provide quarterly reconciliation reports and performance reports • Liaise with Investment Managers and custodian to provide information to auditors on a timely basis.
The actuarial position of the Fund is not appropriately presented in the financial statements	• Understand the processes in place to set the assumptions used in the valuation. • Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations. • Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made. • Test the data provided used within the scheme valuation. • Evaluate the key assumptions applied against externally derived data.	• Ensure process notes include identified risks. • Provide written process notes which detail controls. • Liaise with Hymans to provide information to the auditors on a timely basis,

3.4 Page 3 of the accompanying report sets out the materiality levels for the audit, based on 1% of draft net assets of £4.75bn, which are planned to be:

Audit Area	Materiality
Materiality for the Financial statements as a whole	£48m
Procedure designed to detect individual errors at this level	£36m
Audit Differences	£2.4m

3.5 Page 16 and 17 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

Milestone	Planned dates	Status
Planning and Interim fieldwork	April 2025	Completed
Presenting audit plan to the Committee	July 2025	Completed
Year end Audit	July -September 2025	Ongoing
Audit Results Report	September 2025	To be completed
Sign off	November 2025	To be completed

3.6 Page 18 sets out the audit fees for the year. £98,000 is the fee for auditing the financial statements. For comparison, the 2023-24 fee was £98,600 (excluding fee for the IAS19 assurance letters). The scale fee does not include the impact of ISA315, which may increase audit hours by 10% to 20%. External audit fees are agreed with Public Sector Audit Appointments (PSAA).

4. Relevant Pension Fund objectives

4.1 To ensure compliance with the LGPS Regulations and other legislation and guidance, including the Pensions Regulator's Code of Practice.

4.2 To ensure individuals responsible for managing the Fund and delivering its services have the appropriate knowledge and expertise.

4.3 To manage the Fund in a fair and equitable manner and be accountable to the Fund's stakeholders.

4.4 To ensure robust processes, controls and risk management are in place.

4.5 To continually measure and monitor success against the Fund's objectives.

4.6 To deliver clear, inclusive, accessible communications to stakeholders, including up-to-date information in order that informed decisions can be made.

5. Implications (including financial implications)

5.1 Resources and financial

5.1.1 The proposed costs of external audit by KPMG is set out in the paragraph 3.3.

5.1.2 There are no resources or financial implications arising from the proposals.

5.2 Legal

5.2.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective..

5.2.2 Squire Patton Boggs have reviewed the paper for legal implications.

5.3 Risk management

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

Risk No.	Risk	Residual risk rating
3a	Those charged with governance are unable to fulfil their responsibilities effectively	Amber
3b	Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
4b	Fund assets are not sufficient to meet obligations and liabilities.	Amber
2a	Information may not be provided to stakeholders as required	Green
8a	Failure to administer the scheme in line with regulations and guidance.	Green
11a	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	Green
4c	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green
5c	Pension Fund investments may not be accurately valued.	Green
6c	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

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

https://pensions.cambridgeshire.gov.uk/information/about-us/key-documents-cambridgeshire/governance-policies/#main

5.4 Consultation

5.4.1 The Pension Fund Annual Report is produced utilising information and advice provided by Investment Managers, the Fund's Custodian, Northern Trust, and the Fund's Actuary, Hymans Robertson.

6. Background papers

6.1 None

7. Appendices

7.1 Appendix 1 – External Audit Plan & Strategy for Cambridgeshire Pension Fund 2024-25

KPMG

Cambridgeshire Pension Fund

Report to the Pensions Fund Committee

External Audit Plan & Strategy for the year ended 31 March 2025

22 July 2025

Introduction

To the Pensions Fund Committee of Cambridgeshire County Council

We are pleased to have the opportunity to meet with you on 22 July 2025 to discuss our audit of the financial statements of Cambridgeshire Pension Fund for the year ended 31 March 2025.

This report provides the Pensions Fund Committee with an opportunity to review our planned audit approach and scope for the 2024/25 audit. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and is carried out in compliance with the NAO's 2024/25 Code of Audit Practice, auditing standards and other professional requirements.

This report outlines our risk assessment and planned audit approach. Our planning activities are still on-going, and we will communicate any significant changes to the planned audit approach.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

Contents	Page

The engagement team

Sarah Brown, is the engagement partner on the audit. She has over 20 years of public sector audit experience and is responsible for the audit opinion.

Asim Iqbal is the senior manager on the audit. He has over 11 years of public sector audit experience.

Other key members of the engagement team include Japneet Kaur with 5 years of audit experience.

Yours sincerely,

Sarah Brown,

Partner, KPMG LLP

22 July 2025

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner.

We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

We are committed to providing you with a high-quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Sarah Brown (sarah.brown1@kpmg.co.uk), the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler (tim.culter@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can raise your complaint as per the following process Complaints

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the entity financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of total assets which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, concentration of ownership and other sensitivities such as changes in stake holder when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £36.4m / 75% of materiality, driven by our expectations of increased level of undetected or uncorrected misstatements in the period.

We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons, such as benefit payments during the year.

We will report misstatements to the Pensions Fund Committee including:

- Corrected and uncorrected audit misstatements above £2.4m.
- Errors and omissions in disclosure (corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures.

Entity Materiality

	Pension Fund 2024/2025	Pension Fund 2023/2024
Materiality for the financial statements as a whole	£48m (1% of draft total Assets £4,751m as at 31 March 2025)	£42.3m (1% of Total Assets £4,238m as at 31 March 2024)
Performance Materiality	£36m (75% of Materiality)	£27.4m (65% of Materiality)
Misstatements reported to the Pensions Fund Committee	£2.4m (5% of Materiality)	£2.1m (5% of Materiality)

The materiality for the 2024/ 2025 audit has been calculated at 1% of the draft total assets as at 31 March 2025, and is subject to change when the final trial balance/ draft TB for the year ended 31 March 2025 are received.

Overview of planned scope including materiality (cont.)

Timing of our audit and communications

- We will maintain communication led by the engagement director and senior manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in June 2025 where we present our draft audit plan outlining our audit approach and discuss management's progress in key areas;
- Pensions Fund Committee meeting on 22 July 2025 where we present our final audit plan;
- Status meetings with management throughout the audit where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management in September 2025 where we discuss the auditor's report and any outstanding deliverables;
- Pensions Fund Committee meeting on 30 September 2025 where we communicate audit misstatements and significant control deficiencies; and
- Biannual private meetings can also be arranged with the Pensions Fund Committee chair, if there is interest.

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
iRADAR	Our in-house investment team, iRADAR, will review the valuation of Level 1 and 2 assets held to identify any potential material pricing issues.
KPMG Corporate Finance	KPMG will engage in-house Corporate Finance Team whose services will be used to determine the appropriateness of the valuations of the Pension Fund's holding in Cambridge and Counties Bank.
IT specific team member	We will be utilising our IT team to gain an understanding of the key financial systems and processes within the Fund.
Actuarial Specialist	KPMG will engage an Actuarial Specialist to determine the compliance of the disclosure of the promised retirement benefits liability of the pension fund with the requirements of IAS26.

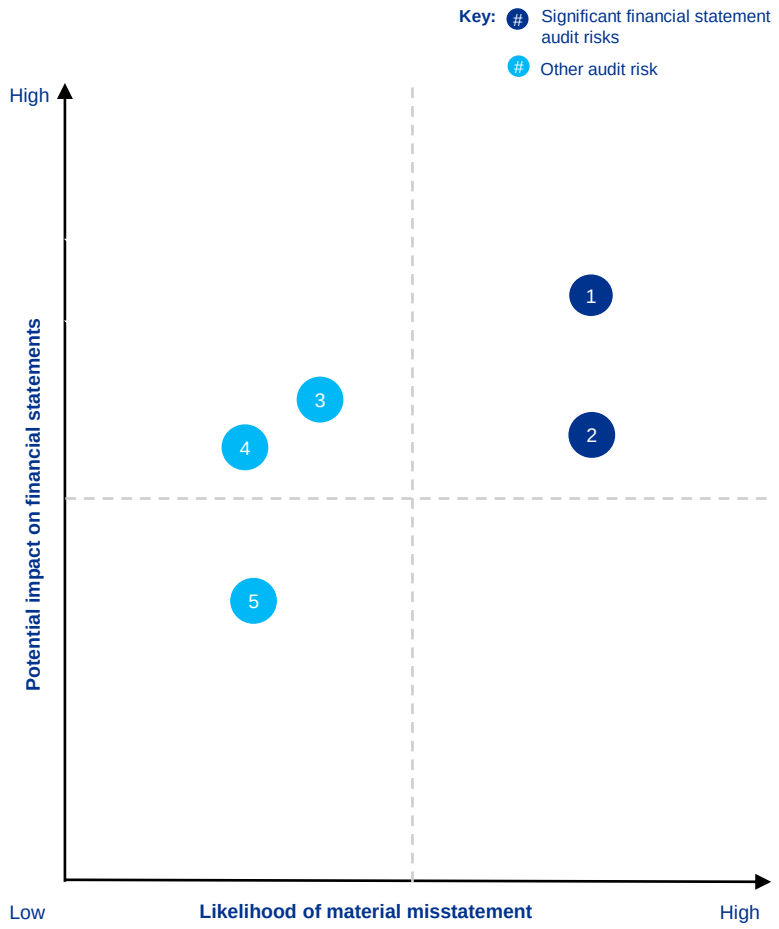
Significant risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which Cambridgeshire Pension Fund operates.

We also use our regular meetings with senior management to update our understanding and take input from internal audit reports.

Significant risks	
1.	Management override of controls
2.	Valuation of Cambridge and Counties Bank

Other audit risks	
3.	Valuation of Level 1, Level 2 and Level 3 Investments
4.	Level 1, Level 2 and Level 3 investments are not complete, do not exist or are not accurately recorded
5.	The actuarial position of the Fund is not appropriately presented in the financial statements



Audit risks and our audit approach

1 Management override of controls (a)

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business or are otherwise unusual.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- In line with our audit plan, test the operating effectiveness of controls over journal entries and post closing adjustments.
- Using the high-risk criteria to identify the journals for any further investigation.

Audit risks and our audit approach (cont.)

2 Valuation of Valuation of Cambridge and Counties Bank

Significant audit risk

- The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). The Fund has no controlling interest in the Bank and it is included within the Fund's financial statements as a minority interest. The investment is valued at £102.7m as at 31 March 2025.
- An inappropriate amount is estimated for the value of CCB due to inappropriate assumptions, errors in the underlying data or inaccurate computation of the valuation estimate.
- There is a significant risk of material misstatement relating to fair value of CCB due to estimation uncertainty resulting from unobservable inputs used in the valuation of the properties, complexities in valuation and impact of macro-economic conditions on the valuation.

Planned response

- Cambridgeshire Pension Fund appoints a third-party specialist (Grant Thornton) to value the holding in CCB. We will obtain the valuation reports produced by the third-party valuer as at 31st March 2025.
- We will assess Grant Thornton as a management valuer and assess their competency as a valuation expert and their work for use as audit evidence.
- We will engage KPMG Corporate Finance Team who will undertake a review of the valuation model provided by Grant Thornton considering appropriateness of assumptions and inputs used in determining the valuation
- The KPMG Corporate Finance team will challenge the valuer on the valuation inputs, including the historical performance along with assessing the dividend discount model used for the valuation.
- Under the International Standards of Auditing, we are required to identify and evaluate the design and implementation of an internal control in relation to significant risks. Whilst the Trustee appoints a third party (Grant Thornton) to value the Cambridge and Counties Bank investment, our work over the valuation of Cambridge and Counties Bank valuation in the prior year found this management review control to be ineffective.

Audit risks and our audit approach (cont.)

3 Valuation of Level 1, Level 2 and Level 3 investments is misstated

Other risks

- Investments are held to pay benefits of the Fund. They are held with 21 investment managers. The investments are material to the financial statements (99.6% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a base risk of material misstatement relating to fair values of Level 1 and 2 assets, due to the estimation uncertainty resulting from the pricing of these investments.
- There is an elevated risk of material misstatement relating to fair values of Level 3 pooled investments, due to the estimation uncertainty resulting from unobservable inputs to these investments.

Planned response

Our approach in relation to valuation for different types of investments is as follows:

- Level 1 & 2 assets: We will recalculate the value of the Level 1 and 2 assets using published pricing of the pooled investment vehicles at the year end. Our in-house investment valuation team, iRADAR, will be engaged to independently reprice these positions.
- Level 3 pooled investment vehicles: For each Level 3 pooled investment vehicle investment manager, we will obtain the unaudited Net Asset Value ('NAV') Statement at (or closest to) the measurement date and vouch the valuation to this. For a sample of Level 3 pooled investment vehicles, we will further assess the reliability of the NAV statement by:
  - Obtaining and inspecting the latest audited financial statements for the underlying funds where available;
  - Inspecting the audit report to confirm that it is unqualified and that the audit has been carried out by a reputable audit firm; and
  - Comparing the unaudited pricing information at the year end to the audited financial statements valuation. Where the audited financial statements are not as at the Fund year end date, we will agree them to unaudited pricing information at that date and reconcile significant movements to the Fund year end date agreeing movements to quarterly NAV/transaction statements.

Audit risks and our audit approach (cont.)

4 Level 1, Level 2 and Level 3 investments are not complete, do not exist or are not accurately recorded

Other risks

- Level 1, Level 2 and Level 3 investments are not complete, do not exist or are not accurately recorded.
- Investments are held to pay benefits of the Fund. They are held with 21 investment managers across a number of asset classes. The investments are material to the financial statements (99.6% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk of material misstatement relating to completeness, existence and accuracy as there has been a number of investment transitions in the year between investment managers.

Planned response

- As part of our audit procedures, we will gain an understanding of the processes over the completeness, existence and accuracy of Level 1, Level 2 and Level 3 investments. This will include gaining an understanding of the control environment at all the investment managers and the custodian by reviewing their internal controls reports to identify any control deficiencies that would impact our audit approach.
- We will obtain direct confirmations from your custodian and all your investment managers to vouch the holdings and valuation of assets at the year end.
- We will vouch purchases and sales to investment manager and/or custodian reports.
- We will recalculate change in market value and compare this to the overall investment return stated in the Pension Fund Committee's report for consistency with the amounts reported in the financial statements. We will investigate any material deviations.

Audit risks and our audit approach (cont.)

5 The actuarial position of the Fund is not appropriately presented in the financial statements

Other risk

- The actuarial position of the Fund is not appropriately presented in the financial statements
- The actuarial position is not recognised on the Statement of Net Assets but is disclosed in the Notes
- The value of the liability is an estimate involving the selection of appropriate actuarial assumptions, most notably the discount rate applied to the Fund liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective.

Planned response

We will perform the following procedures:

- Understand the processes in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Test the data provided used within the calculation of the Fund valuation; and
- Evaluate, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data.

Audit risks and our audit approach (cont.)

Revenue – rebuttal of significant risk	Expenditure – rebuttal of significant risk
Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Revenue in a pension fund equates to contributions receivable. This revenue is recognized based on specific instructions as set out in the appropriate schedule(s). There are no subjective issues concerning when contributions need to be recognised. Amounts involved cannot easily be manipulated through accounting policies, issue of credit notes, timing or other policies. There is little incentive for the Fund management to manipulate the financial reporting of contributions. Therefore, in the absence of specific fraud risk factors, the presumption that fraudulent revenue recognition is a significant risk is rebutted for pension fund audits.	Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered. Expenditure in a pension Fund equates to payments to members and management expenses. There are no subjective issues concerning when expenses need to be recognised. Amounts involved cannot easily be manipulated through accounting policies, timing or other policies. There is little incentive for the Fund to manipulate the financial reporting of expenses. Therefore, in the absence of specific fraud risk factors, there is no risk of fraudulent financial reporting arising from the manipulation of expenditure recognition for the Fund.

Mandatory communications - additional reporting

Going concern

We will assess the risk relating to management's judgement on the use (or otherwise) of the going concern basis and the adequacy of related disclosures, including any possible material uncertainty. Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.

Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily	We have identified issues that we may need to report	Work is completed at a later stage of our audit so we have nothing to report

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Mandatory communications

Type	Statements
Management's responsibilities (and, where appropriate, those charged with governance)	Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error. Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.
Auditor's responsibilities	Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor's responsibilities – Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor's responsibilities – Other information	Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Independence	Our independence confirmation at page 19 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement director and audit staff.

Appendix

Audit team and rotation

Your audit team has been drawn from our specialist local government and pensions audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit director and firm.

	Sarah Brown is the partner responsible for our audit. They will lead our audit work, attend the Audit and Governance Committee and be responsible for the opinions that we issue.		Asim Iqbal is the senior manager responsible for our audit. He will co-ordinate our audit work, attend the Pension Fund Committee and ensure we are co-ordinated across our accounts work.		Japneet Kaur is the in-charge responsible for our audit. She will be responsible for our on-site fieldwork. GB will complete work on more complex sections of the audit.

To comply with professional standard we need to ensure that you appropriately rotate your external audit director. There are no other members of your team which we will need to consider this requirement for:

This will be Sarah Brown's second year as your engagement lead.

She is required to rotate every five years, extendable to seven with PSAA approval.

Audit timeline

We have developed our audit timeline based on management's financial reporting timetable. If we need to make significant changes to the audit timeline below, then we will communicate the reasons to you on a timely basis.

	2025							
Activity	**Apr**	**May**	**Jun**	**July**	**August**	**Sept**	**Oct**	**Nov**
Risk assessment and planning		Inquiries of those charged with governance from April 2025						
Audit complex accounting estimates								
Year-end audit fieldwork								
Procedures on financial statements/annual report		Audit findings report issued in September 2025						
Consistency opinion on Pension Fund Annual Report							TBC	

* Dates for issuing deliverables are preliminary and based on information available at planning. They are therefore subject to change.

Audit cycle & timetable

Our schedule April 2025 – February 2026

We have worked with management to generate our understanding of the processes and controls in place at the Cambridgeshire Pension Fund in it's preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to finalise our audit by 30 September 2025. Signing of the opinion will be dependent on the Council audit timetable and is likely to be between November 2025 and February 2026 (the backstop date).

Given the ongoing consultation happening in regard to the scope and timing of local government audit this **schedule may be subject to change** due to the link with the audit of the administering authority.

Fees

Audit fee

Our fees for the year ended 31 March 2025 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2024/25 (£'000)	2023/24 (£'000)
Statutory audit	98	87
ISA 315 (R) *	-	4.3
Other assurance services (IAS19 Assurance letters) **	TBC	48
Additional fee for opening balances confirmation and valuation of CCB	-	7.3
TOTAL	**TBC**	**146.6**

**The scale fees agreed with the PSAA do not take into account the impact of ISA315 (Revised). We expect compliance with ISA315R to increase audit hours by between 10% and 20% for our pension fund audits. We will agree a fee variation in respect of ISA351R with you once we have a clearer idea of the impact for your audit.*

***The Code of Audit Practice also sets the expectation that local auditors will co-operate where it is possible and efficient to do so. As part of this, auditors have agreed a voluntary protocol with each other and the NAO that covers the agreement of timescales for requesting and providing assurances and keeping auditors informed of potential delays. Consistent with this principle, the provision of IAS 19 assurances to auditors of relevant authorities under the Act and in accordance with the protocol should be considered work undertaken under the Code of Audit Practice." If we are requested by other schedule/ admitted bodies auditors to provide these IAS 19 assurance letters, fee for these letters will be charged as per the PSAA fee variation arrangements.*

Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Basis of fee information

Our fees are subject to the following assumptions:

- The Cambridgeshire Pension Fund's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The Cambridgeshire Pension Fund's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Pensions Fund Committee members

Assessment of our objectivity and independence as auditor of Cambridgeshire Pension Fund

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

The conclusion of the audit engagement Director as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate, is subject to review by an engagement quality control reviewer, who is a Partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

No non-audit services are being provided to the Fund during the year ended 31 March 2025 and we have not committed to providing any such services. We will provide further detail to the Pension Fund Committee in future reporting.

Confirmation of Independence (cont.)

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Pensions Fund Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the director and audit staff is not impaired.

This report is intended solely for the information of the Pensions Fund Committee of the Pension Fund and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

Sarah Brown

KPMG LLP

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

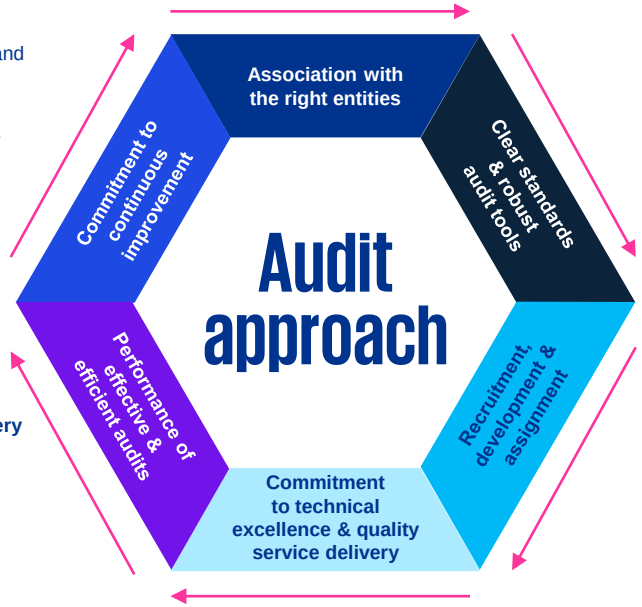
To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Commitment to continuous improvement
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits
- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Commitment to technical excellence & quality service delivery
- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



Association with the right entities
- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

Clear standards & robust audit tools
- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Recruitment, development & assignment of appropriately qualified personnel
- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

Statement on the Effectiveness of our system of quality management

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2023, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.

Our full Statement on the effectiveness of the System of Quality Management of KPMG UK LLP as at 30 September 2023 can be found here.

The extract below is the Statement on the Effectiveness of our system of quality management taken from our Transparency Report:

As required by the International Auditing and Assurance Standards Board (IAASB)'s, International Standard on Quality Management (ISQM1), the Financial Reporting Council (FRC)'s International Standard on Quality Management (UK) 1 (ISQM (UK) 1), and KPMG International Limited Policy, KPMG UK LLP (the "Firm" and/or "KPMG UK") has responsibility to design, implement and operate a System of Quality Management for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm.

The objectives of the System of Quality Management are to provide the Firm with reasonable assurance that:

a) The Firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and

b) Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

KPMG UK outlines how its System of Quality Management supports the consistent performance of quality engagements in the 2023 Transparency Report.

Integrated quality monitoring and compliance programmes enable KPMG UK to identify and respond to findings and quality deficiencies both in respect of individual engagements and the overall System of Quality Management.

If deficiencies are identified when KPMG UK performs its annual evaluation of the System of Quality Management, KPMG UK evaluates the severity and pervasiveness of the identified deficiencies by investigating the root causes, and by evaluating the effect of the identified deficiencies individually and in the aggregate, on the System of Quality Management, with consideration of remedial actions taken as of the date of the evaluation.

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2023, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.

Understanding of IT

Effect on audit effort

Summary

The release of ISA 315 (UK) revised brought an increased focus on Understanding of IT in the audit, and it continues to be an area of focus.

Stakeholders now expect auditors to not only understand IT in detail, but also to consider the impact of the findings from their risk assessment procedures on their planned audit approach.

Why is Understanding of IT so important?

Businesses continue to embrace increasingly complex and sophisticated IT systems and place more and more reliance on automated IT processing not simply for a competitive advantage, but also for "business as usual" operations.

This increased reliance means that to effectively audit accounts, balances and transactions, auditors are required to understand and challenge more around how those IT system and process work.

Therefore, Understanding of IT is a crucial building block of our audit strategy and influences our planned audit approach at every stage.

This is true regardless of whether controls reliance is planned or the audit is expected to be fully substantive in nature.

What kind of things might we identify?

As part of our risk assessment procedures, we perform:

- An assessment of the formality, or otherwise, of certain financially relevant IT processes
- An evaluation of the design and implementation of related general IT controls
- An evaluation of the design and implementation of automated process level controls

As a result of these procedures, we may identify IT control deficiencies or IT process informalities that may have an impact on our planned audit approach.

Additionally, we may identify findings related to the wider control environment or threats to the accuracy or completeness of the information used by both entity management and auditors alike.

What does this mean for our audits?

Auditors are being asked to consider the findings from their risk assessment procedures over IT in relation to the planned audit approach.

The findings may impact any area of the audit, however there are three main areas of focus where we anticipate that most impact as a result of identifying IT deficiencies or IT process informality;

- Increased risk to data integrity
- Additional fraud risk factors
- Additional high-risk criteria to be used in journals analysis

It is important to understand that these findings may have an impact regardless of planned reliance on automated controls and general IT controls.

FRC's areas of focus

The FRC released their Annual Review of Corporate Reporting 2023/24 ('the Review') in September 2024 having already issued three thematic reviews during the year.

The Review and thematics identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.

Key expectations for 2024/25 annual reports

Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'. 'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and company-specific.

Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continue to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the company's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

FRC's areas of focus (cont.)

Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent company investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in it's current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the group's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the 'Offsetting in the financial statements' thematic.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

Climate

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any non-compliance and the steps and timeframe for remedying that non-compliance. Where a company is also applying the Companies Act 2006 Climate-related Financial Disclosures, these are mandatory and cannot be 'explained', further the required location in the annual report differs.

Companies are reminded of the importance of focusing only on material climate-related information. Disclosures should be concise and company specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements.

Financial instruments

The number of queries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for non-financial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Companies should ensure sufficient explanation is provided of material financial instruments, including company-specific accounting policies.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the company. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant judgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.

FRC's areas of focus (cont.)

Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover company-specific material accounting policy information.

A thorough review should be performed for common non-compliance areas of IAS 1.

Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

Strategic report and Companies Act

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the company.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

Thematic reviews

The FRC has issued three thematic reviews this year: 'Reporting by the UK's largest private companies' (see below), 'Offsetting in the financial statements', and 'IFRS 17 Insurance contracts –Disclosures in the first year of application'. The FRC have also performed Retail sector research (see below).

UK's largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- whether it omits immaterial information, or
- whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions

Retail sector focus

Retail is a priority sector for the FRC and the research considered issues of particular relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

- Industrial metals and mining
- Retail
- Construction and materials
- Gas, water and multi-utilities
- Food producers
- Financial Services

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Cambridgeshire Pension Fund Committee/Investment Sub Committee Agenda Plan

Meeting Date	Agenda item	Lead officer
July 2025 PFC	Draft Annual Report and Statement of Accounts [to note]	B Barlow
	Review of the Action Log [standing item]	B Barlow
	Business Plan Activity Update	M Oakensen
	EXEMPT Annual Investment Review [to note]	B Barlow
	EXEMPT Investment Consultant Review [to note]	B Barlow
	EXEMPT Pooling ACCESS Update [approval]	B Barlow
	EXEMPT Member Engagement Survey [approval]	B Barlow
	EXEMPT Internal Audit Contract [approval]	B Barlow
September 2025 ISC	Review of the Action Log [standing item]	B Barlow
	Stewardship and Engagement Report [to note]	B Barlow
	Current Investment Topics [to note]	B Barlow
	Quarterly Performance Report [standing item]	B Barlow
	EXEMPT Quarterly Performance Report	B Barlow
	EXEMPT Minutes of the Investment Sub-Committee Meeting held in Private on 16th June 2025	B Barlow
	EXEMPT Equity Portfolio Review	B Barlow
	Pooling Update	B Barlow
	Cambridge and Counties Bank	B Barlow
	Manager Presentation	B Barlow

September 2025 PFC	Governance and Compliance Report [standing item]	M Oakensen
	Investment Strategy Statement	B Barlow
	Cessations Policy [approval]	C Blose
	Funding Strategy Statement [approval]	C Blose
	Final Annual Report and Statement of Accounts	B Barlow
	Cambridgeshire Gender Pay Gap Analysis [to note]	M Oakensen
	Pension Dashboard Update	M Whitby
	Administration Report (including Risk Monitoring, Business Plan Update and Admissions and Cessations) [standing item]	M Whitby
	EXEMPT Valuation Update (incl. Funding Strategy Statement draft) [to note]	C Blose
	EXEMPT ACCESS Update [to note]	M Whitby
December 2025 PFC	Governance and Compliance Report [standing item]	M Oakensen
	Effectiveness Reviews & conclusion of 2024 actions [to note]	M Bratec
	Conflicts of Interest Policy [approval]	M Oakensen
	Data Improvement Policy [approval]	M Whitby
	Pension Dashboard Update [to note]	M Whitby
	Administration Report (including Risk Monitoring, Business Plan Update and Admissions and Cessations) [standing item]	M Whitby
	EXEMPT Valuation Update [to note]	C Blose
	EXEMPT ACCESS Update [to note]	M Whitby
March 2026 PFC	Annual Business Plan and Medium Term Strategy [approval]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen

	Pension Dashboard Update [to note]	M Whitby
	Internal Audit Report [to note]	M Oakensen
	Communications Strategy and Plan [approval]	C Blose
	GCOP review and conclusion of 2024 actions [to note]	M Bratec
	Administration Report (including Risk Monitoring, Admissions and Cessations) [standing item]	M Whitby
	EXEMPT Valuation Update [to note]	C Blose
	EXEMPT ACCESS Update [to note]	M Whitby