

Fund Account

31-Mar-19 £000	Notes	31-Mar-20 £000
Dealings with members, employers and others directly involved in the fund:		
124,572 Contributions	7	126,471
4,882 Transfers in from other pension funds	8	6,704
129,454		133,175
(106,259) Benefits	9	(107,863)
(11,171) Payments to and on account of leavers	10	(10,119)
(117,430)		(117,982)
12,024 Net additions/(withdrawals) from dealing with members		15,193
(16,889) Management Expenses	11	(19,004)
(4,865) Net additions/(withdrawals) including fund management expenses		(3,811)
Returns on investments:		
45,493 Investment income	13	34,447
(85) Taxes on income		(2)
182,745 Profit and (losses) on disposal of investments and changes in the value of investments	14a, 17b	(208,571)
228,153 Net return on investments		(174,126)
223,288 Net increase/(decrease) in the net assets available for benefits during the year		(177,937)
2,969,306 Opening net assets of the scheme		3,192,594
3,192,594 Closing net assets of the scheme		3,014,657

Notes on pages 47 to 80 form part of the financial statements.

Net Asset Statement

31-Mar-19			31-Mar-20
£000		Notes	£000
3,177,716	Investment assets		3,098,583
(345)	Investment liabilities		(101,964)
3,177,371	Total net investments	14	2,996,619
18,068	Current assets	21	27,209
(3,477)	Current liabilities	22	(9,171)
14,591	Net Current Assets		18,038
632	Non-current assets		-
3,192,594	Net assets of the Fund available to fund benefits at the end of the reporting period	17a	3,014,657

Notes on pages 49 to 80 form part of the financial statements.

Note: The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Notes to the Pension Fund Accounts

1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council 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 2019-20 on pages 1 to 46 and the underlying statutory powers underpinning the scheme.

General

The Fund is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by Cambridgeshire County Council to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire, and a range of other scheduled and admitted bodies within the county area. Teachers, Police Officers and 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.

As at 31 March 2020 there are 224 (2019: 254) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

	31-Mar-19	31-Mar-20
Number of employers with active members	254	197

The Fund has over 85,000 individual members, as detailed below:

Number of employees in scheme:		
County council	9,829	10,550
Other employers	19,147	19,872
Total	28,976	30,422

Number of Pensioners:		
County council	8,410	8,724
Other employers	10,365	10,916
Total	18,775	19,640

Deferred pensioners:		
County council	12,719	13,473
Other employers	14,940	15,986
Total	27,659	29,459

Undecided Leavers:		
County council	3,233	2,400
Other employers	4,266	3,844
Total	7,499	6,244

Total members	82,909	85,765
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Notes to the Pension Fund Accounts (continued)

Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2020. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers' contributions comprise a percentage rate on active payroll between 5.7% and 31.7% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Benefits

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

	Service pre 1 April 2008	Service 1 April 2008 to 31 March 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th or 1/98th for those members who have taken up the 50/50 option and pay proportionately lower contributions. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Cambridgeshire Pension Fund scheme handbook available from LGSS Pension Services based at One Angel Square, Angel Street, Northampton NN1 1ED. The Full Guide can also be found in the member section on the Pension's Fund website.

<https://lgssmember.pensiondetails.co.uk/>

Notes to the Pension Fund Accounts (continued)

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2019-20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2. of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019-20.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20. The Accounts have been prepared on a going concern basis.

At the date of authorisation of the financial statements, the Fund does not consider that any of the matters discussed above give rise to material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Cambridgeshire County Council remains satisfied the Fund that it administers continues to be a going concern.

The Pension Fund's latest actuarial valuation, as at 31 March 2019, showed it to be 100% funded – a significant increase from the position 3 years prior of 78.4%.

The impact of the Coronavirus pandemic on investment markets has affected the value of the Fund to 31 March 2020. The Fund's investment return for 2019-20 was -5.7% pa, less than the actuary's target return for the Fund of +4.1% pa.

The actuarial valuation includes the Rates and Adjustment certificate detailing the contributions to the Pension Fund that participating employers are expected to make. It remains the Fund's expectation that these will be paid as planned. To date no employers have enquired about deferring their contribution payments because of the Coronavirus pandemic.

The vast majority of employers in the pension scheme (66.5% of the Fund by active membership are scheduled bodies including Further and Higher Education employers) have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. In addition, following the latest triennial valuation, the Pension Fund has allowed employers to pay their deficit contributions in advance for either 1 or 3 years, as at May 2020 two prepayments have been made.

Following the latest actuarial valuation and schedule of employer contribution payments, the Pension Fund has reviewed its cashflow forecast. The Fund should have sufficient cash for the next 3 years (excluding the receipt of any employer contributions paid in advance on 1 April 2021) to meet its obligations to pay pensions without selling any investments. Should investments be required to be sold as a result of negative cashflows or employers being unable to pay their contributions (which is not expected) the Pension Fund would have ready access to cash as 72% of the Fund could be sold at short notice from the Level 1 and Level 2 investments. For further information please refer to the Fund's Cash Management Strategy.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

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

Notes to the Pension Fund Accounts (continued)

Contribution Income (continued)

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

Transfers to and from Other Schemes

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

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

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment Income

i) Interest income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

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.

Stock lending

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

Notes to the Pension Fund Accounts (continued)

Fund Account – Expense Items

Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities and paid in the following month.

Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis.

All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

Fees of external Investment Managers and the Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

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 2019-20, £406k of fees are based upon such estimates (2018-19: £1.6m). In addition, manager fees deducted from pooled funds of £10.6m (2018-19: £7.2m) are estimated based upon information received from fund managers.

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

Notes to the Pension Fund Accounts (continued)

Net Assets Statement

Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis, except for loans and receivables.

Loans and receivables are assets for which the amounts receivable are fixed and determinable and where the Fund has not designated the asset at fair value through profit and loss. This includes contributions owing from employers and cash deposits. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset.

Investment assets, other than cash held by Investment Managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses recognised in the Fund Account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 15).

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

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

Financial Liabilities

The Fund initially recognises financial liabilities at fair value and subsequently measure them at amortised cost. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Note 20).

Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund's AVC providers are Prudential and Utmost Life. AVCs are deducted from the individual member's pay and paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts, in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (see Note 23).

Notes to the Pension Fund Accounts (continued)

Contingent Assets and Liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

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

Accounting Standards Issued, not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019 – 20 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted. There are no such standards which would materially impact the Fund.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Pension Fund Liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimated liability is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant Investment Management policies, for example in terms of the balance struck between longer term investment growth and short-term investment yield/return.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year.

Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Financial Statements as 31 March 2020 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. The actuary has included the McCloud judgement within their calculation shown in Note 20.

- **Effect if Actual Results Differ from Assumptions:**

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £443 million. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £33 million, and a 1 year increase in assumed life expectancy would increase the liability by approximately 3-5%. Although the example above is based on an increase, a decrease to discount rate and assumed life expectancy could also occur.

Notes to the Pension Fund Accounts (continued)

- **Cambridge and Counties Bank**

Uncertainties: Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. The Pension Fund has appointed an independent, professional valuer to advise a suitable valuation. The Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.

Effect if actual results differ from assumptions: The investment in the financial statements is £58m. 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 £56.6m to £59.4m. The mid-point of this valuation range has been applied within the Fund's accounts.

- **Other Private Equity and Infrastructure**

Uncertainties: All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. There is a higher level of uncertainty for Private Equity as a result of the Covid-19 pandemic. The Fund is monitoring the situation closely and liaising regularly with its investment adviser to consider any necessary actions to respond. 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 £459.8m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Alternative investments of 23.2%, which indicates that other private equity and infrastructure values may range from £566.5m to £353.1m.

6. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to year end, there has been a recovery in the markets following the Covid-19 pandemic however there is continuing volatility in the market. The Fund is monitoring the situation closely and liaising regularly with its investment adviser to consider any necessary actions to respond.

7. CONTRIBUTIONS RECEIVABLE

By Category:

31-Mar-19	31-Mar-20
£000	£000
26,427 Employees' contributions	27,710
Employers' contributions:	
84,341 Normal contributions	86,404
13,804 Deficit recovery contributions	12,357
98,145 Total employers' contributions	98,761
124,572	126,471

By Authority:

31-Mar-19	31-Mar-20
£000	£000
27,027 Administering Authority	27,237
91,122 Scheduled Bodies	92,321
6,423 Admitted Bodies	6,913
124,572	126,471

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-19	31-Mar-20
£000	£000
4,882 Individual transfers	6,704
- Group transfers	-
4,882	6,704

Notes to the Pension Fund Accounts (continued)

9. BENEFITS PAYABLE

By category:

31-Mar-19 £000	31-Mar-20 £000
84,204 Pensions	88,520
19,244 Commutation and lump sum retirement benefits	16,162
2,811 Lump sum death benefits	3,181
106,259	107,863

By authority:

31-Mar-19 £000	31-Mar-20 £000
36,750 Administering Authority	35,395
60,117 Scheduled Bodies	63,221
9,392 Admitted Bodies	9,247
106,259	107,863

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-19 £000	31-Mar-20 £000
400 Refunds to members leaving service	248
4,732 Group transfers	-
6,039 Individual transfers	9,871
11,171	10,119

11. MANAGEMENT EXPENSES

31-Mar-19 £000	31-Mar-20 £000
2,018 Administrative costs	3,415
14,544 Investment management expenses	14,673
327 Oversight and governance costs*	916
16,889	19,004

*Fees payable to External Auditors, included within Oversight and Governance costs were £17k during the year (2018-19 £17k). Administration expenses have increase during the year due to expenditure relating to 2018-19 being paid in 2019-20

12. INVESTMENT MANAGEMENT EXPENSES

31-Mar-19 £000	31-Mar-20 £000
11,904 Management fees	12,199
1,068 Performance related management fees	1,175
606 Transaction costs	456
966 Other costs	843
14,544	14,673

13. INVESTMENT INCOME

31-Mar-19 £000	31-Mar-20 £000
424 Income from bonds	494
18,775 Income from equities	14,865
14,461 Pooled investments – unit trusts and other managed funds	4,807
7,277 Pooled Property Investments	8,000
4,001 Private equity/infrastructure income	5,649
360 Interest on cash deposits	561
195 Other – securities lending income	71
45,493	34,447

Notes to the Pension Fund Accounts (continued)

14. INVESTMENTS

31-Mar-19		31-Mar-20
£000		£000
Investment assets		
79,206	Bonds	155,686
377,322	Equities	1
2,086,961	Pooled investments	2,029,182
236,858	Pooled property investments	225,063
363,874	Private equity/infrastructure	517,798
27,593	Cash deposits	31,585
-	- Derivatives Contracts: Options	138,546
3,992	Investment income due	722
1,910	Amounts receivable for sales	-
3,177,716	Total investment assets	3,098,583
Investment liabilities		
-	- Derivatives Contracts: Options	(101,964)
(345)	Amounts payable for purchases	-
(345)	Total investment liabilities	(101,964)
3,177,371	Net investment assets	2,996,619

Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-19	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-20
	£000	£000	£000	£000	£000
Bonds	79,206	76,002	(1,127)	1,605	155,686
Equities	377,322	589,073	(928,370)	(38,024)	1
Pooled investments	2,086,961	521,533	(353,894)	(225,418)	2,029,182
Pooled property investments	236,858	11,362	(16,219)	(6,938)	225,063
Private equity/infrastructure	363,874	175,160	(43,927)	22,691	517,798
	3,144,221	1,373,130	(1,343,537)	(246,084)	2,927,730
Derivative contracts:					
• Forward Currency Contracts	-	3,846	(316)	(3,530)	-
• Purchased/written options	-	-	-	36,582	36,582
	3,144,221	1,376,976	(1,343,853)	(213,032)	2,964,312
Other investment balances:*					
· Cash deposits	27,593			4,301	31,585
· Investment income due	3,992			-	-
· Amount receivable for sales	1,910			-	722
· Spot FX contracts	-			160	-
· Amounts payable for purchases of investments	(345)			-	-
Net investment assets*	3,177,371			(208,571)	2,996,619

* Other investment balances and Net investment assets do not add across as purchases, sales and other movements (£0.8m) are not disclosed here, in accordance with CIPFA guidance

Notes to the Pension Fund Accounts (continued)

14(a) RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 01-Apr-18	Purchases during the year and derivative payments*	Sales during the year and derivative receipts*	Change in market value during the year	Market value 31-Mar-19
	£000	£000	£000	£000	£000
Bonds	74,578	702	-	3,926	79,206
Equities	371,765	66,282	(63,531)	2,806	377,322
Pooled investments	1,953,899	1,310,227	(1,316,014)	138,849	2,086,961
Pooled property investments	206,671	45,324	(21,495)	6,358	236,858
Private equity/infrastructure	274,393	95,027	(35,645)	30,099	363,874
	2,881,306	1,517,562	(1,436,685)	182,038	3,144,221
Derivative contracts:					
• Forward Currency Contracts	-	6	(15)	9	-
	2,881,306	1,517,568	(1,436,700)	182,047	3,144,221
Other investment balances:*					
• Cash deposits	31,191			723	27,593
• Investment income due	3,535			-	3,992
• Amount receivable for sales	-			-	1,910
• Spot FX contracts	-			(25)	-
• Amounts payable for purchases of investments	-			-	(345)
Net investment assets*	2,916,032			182,745	3,177,371

* Other Investment balances and Net investment assets do not add across as purchases, sales and other movements (£1.6m) are not disclosed here, in accordance with CIPFA guidance.

Notes to the Pension Fund Accounts (continued)

14(b). ANALYSIS OF INVESTMENTS

31-Mar-19 £000		31-Mar-20 £000
Bonds		
79,206	UK - Public sector quoted	155,686
79,206		155,686
Equities		
357,667	UK - Quoted	1
19,655	Overseas - Quoted	-
377,322		1
Pooled funds – additional analysis		
70,173	UK - Fixed income	-
70,343	UK - Equity	73,090
226,543	Overseas - Fixed income	203,953
1,718,324	Overseas - Equity	1,749,717
1,578	Overseas - Cash Fund	2,422
2,086,961		2,029,182
236,858	Pooled property investments	225,063
363,874	Private equity/ infrastructure	517,798
600,732		742,861
27,593	Cash deposits	31,585
3,992	Investment income due	722
-	Derivative assets	138,546
1,910	Amounts receivable from sales	-
33,495		170,853
3,177,716	Total investment assets	3,098,583
Investment liabilities		
(345)	Amounts payable for purchases	-
-	Derivative liabilities	(101,964)
(345)	Total investment liabilities	(101,964)
3,177,371	Net investment assets	2,996,619

Notes to the Pension Fund Accounts (continued)

14(c). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-19			Market value 31-Mar-20		
£000	% of net investment assets		£000	% of net investment assets	
Investments managed under Pool Governance:					
498,776	15.7	Link Fund Solutions	969,299	32.4	
765,050	24.1	UBS Global Asset Management	853,507	28.5	
1,263,826	39.8	Total Investments managed under Pool Governance	1,822,806	60.9	
Investments managed outside Pool Governance:					
80,458	2.5	Adams Street Partners	95,975	3.2	
12,447	0.4	Allianz Global Investors	19,719	0.7	
19,209	0.6	AMP Capital	41,117	1.4	
81,100	2.6	Cambridge and Counties Bank	58,000	1.9	
14,913	0.5	Cambridge Building Society	15,000	0.5	
33,341	1.0	Equitix Investment Management	37,172	1.2	
-	-	Foresight Group	4,972	0.2	
58,546	1.8	HarbourVest Partners (UK)	72,709	2.4	
-	-	IFM Infrastructure	60,937	2.0	
524,841	16.5	JO Hambro Capital Management	-	-	
60,888	1.9	M&G Investments	55,411	1.8	
9,759	0.3	M&G Real Estate	55,048	1.8	
37,370	1.2	Partners Group (UK)	42,816	1.4	
-	-	River and Mercantile Group	192,269	6.4	
946,737	29.9	Schroders Investment Management	373,605	12.5	
16,742	0.5	UBS Infrastructure	14,331	0.3	
17,194	0.5	Cash with custodian	34,732	0.7	
1,913,545	60.2	Total Investments managed outside Pool Governance	1,173,813	38.4	
3,177,371	100.0	Net investment assets	2,996,619	99.3	

All the above companies are registered in the United Kingdom.

Notes to the Pension Fund Accounts (continued)

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

Security	31-Mar-19	% of total fund	31-Mar-20	% of total fund
	£000	%	£000	%
LF ACCESS Global Stock - Dodge and Cox	498,776	15.6	316,598	10.5
J O Hambro Capital Management LTD Global Select Fund	509,096	15.9	-	-
LF ACCESS Global Equity - J O Hambro	-	-	386,254	12.8
LF ACCESS Global Equity - Longview	-	-	266,447	-
UBS Asset Management Life USA Equity Tracker Hedged	-	-	186,591	6.2
UBS Global Asset Life North America Equity Tracker	180,827	5.7	-	-
Schroder Investment Management Strategic Bond	165,656	5.2	148,542	4.9
	1,354,355		1,304,432	

14(d). STOCK LENDING

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2020, the value of quoted equities on loan was nil (31 March 2019: £66.2m). The Fund held fewer assets available for lending at 31 March 2020, as the Fund has transitioned its segregated holdings into pooled funds in the ACCESS pool.

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 between the Fund and the various investment managers.

• Futures

There were no outstanding exchange traded future contracts at 31 March 2020 or 31 March 2019.

• Forward foreign currency

The Fund's Investment Managers may enter into forward foreign currency contracts to take advantage of current exchange rates in order to maintain appropriate diversification, take advantage of overseas investment returns and reduce the volatility associated with fluctuating currency rates.

There were no open forward currency contracts at 31 March 2020 or 31 March 2019. There is no specified requirement to use currency hedging within the Fund's Investment Management Agreements. Instead, the Fund managers use their discretion as to whether or not any currency hedging should be used to mitigate any potential risk.

Notes to the Pension Fund Accounts (continued)

•Options

In order to minimize the risk of loss of value through adverse equity price movements, equity option contracts can protect the Fund from falls in value in its main investment markets, principally the UK, USA and Europe.

Investment underlying option contract	Expires	Put/Call	Notional Holdings	31-Mar-19	Notional Holdings	31-Mar-20
Assets				£000		£000
Equity purchased	Over three months	Put	-	-	172,896	138,545
Total assets						138,545
Liabilities						
Equity written	Over three months	Put	-	-	(222,053)	(98,506)
Equity written	Over three months	Call	-	-	(168,826)	(3,457)
Total liabilities						(101,963)
Net purchased/written options						36,582

Notes to the Pension Fund Accounts (continued)

16. FAIR VALUE

16a. Fair value hierarchy

Valuation of Financial Instruments Carried at Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

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

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

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

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2015, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate. There has been no change in the valuation techniques used for individual investments during the year.

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

Values at 31 March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	2,423	2,376,040	687,813	3,066,276
Total financial assets	2,423	2,376,040	687,813	3,066,276

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

Notes to the Pension Fund Accounts (continued)

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Pooled investments – not exchange traded closed ended funds	Level 3	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and lack of liquidity.
Private equity and infrastructure – equity	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure – other	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.

Notes to the Pension Fund Accounts (continued)

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment 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 2020.

Asset Type	Market Value as at 31-Mar-20 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £000
Private Equity	462,750	23.2%	570,108	355,392
Property	225,063	14.2%	257,022	193,104
Total Assets	687,813		827,130	548,496

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

Period 2019-20	Market value 01- Apr-19	Transfers in/out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31- Mar-20
	£000	£000	£000	£000	£000	£000	£000
Pooled property investments	168,180	68,678	11,363	(16,219)	(11,379)	4,440	225,063
Private equity and infrastructure - equity	81,100	-	-	-	(23,100)	-	58,000
Private equity and infrastructure - other	273,015	-	129,576	(43,585)	30,549	15,195	404,750
Total	522,295	68,678	140,939	(59,804)	(3,930)	19,635	687,813

Reclassification of Pooled property investments from Level 2 to Level 3 in agreement with the fair value techniques for property.

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-19			31-Mar-20		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000	£000	£000	£000
Financial assets					
79,206	-	- Bonds	155,686	-	-
377,322	-	- Equities	1	-	-
2,086,961	-	- Pooled investments	2,029,182	-	-
236,858	-	- Pooled property investments	225,063	-	-
363,874	-	- Private equity/Infrastructure	517,798	-	-
-	-	- Derivative contracts	138,546	-	-
-	32,300	- Cash	-	40,661	-
-	5,902	- Other investment balances	-	722	-
-	13,993	- Debtors	-	18,133	-
3,144,221	52,195	-	3,066,276	59,516	-
Financial liabilities					
-	-	- Derivative contracts	-	-	(101,964)
-	-	(345) Other investment balances	-	-	-
-	-	(3,477) Creditors	-	-	(9,171)
-	-	(3,822)	-	-	(111,135)
3,144,221	52,195	(3,822)	3,066,276	59,516	(111,135)
3,192,594 Total			3,014,657		

Notes to the Pension Fund Accounts (continued)

17b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31-Mar-19 £000		31-Mar-20 £000
Financial assets:		
182,038	Fair value through profit and loss	(246,084)
723	Loans and receivables	4,461
Financial liabilities:		
9	Fair value through profit and loss	33,052
(25)	Loans and receivables	-
-	Financial liabilities measured at amortised cost	-
182,745	Total gains/(losses)	(208,571)

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.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. The Fund entered into derivative contracts to manage the overweight in equities compared to the strategic allocation.

Notes to the Pension Fund Accounts (continued)

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2019-20 reporting period.

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment 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	27.5%
Overseas equities	28.0%
Global pooled equities	28.0%
Index Linked Bonds	7.4%
Pooled fixed interest bonds	9.8%
Property	14.2%
Alternatives	23.2%
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-20	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-20	Change	Increase	Decrease
	£000		£000	£000
UK equities	73,091	27.5%	93,191	52,991
Global pooled equities	1,749,717	28.0%	2,239,637	1,259,796
Index Linked Bonds	155,686	7.4%	167,207	144,165
Pooled fixed interest bonds	203,953	9.8%	223,941	183,966
Property	225,063	14.2%	257,022	193,104
Alternatives	517,798	23.2%	638,067	397,528
Cash and Other investment balances	71,311	0.3%	71,525	71,097
Total Assets	2,996,619		3,690,590	2,302,647

31-Mar-19	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-19	Change	Increase	Decrease
	£000		£000	£000
UK equities	428,009	16.6%	499,059	356,960
Overseas equities	19,655	16.9%	22,978	16,333
Global pooled equities	1,718,325	16.9%	2,008,723	1,427,928
Index Linked Bonds	79,206	9.2%	86,494	71,919
Pooled fixed interest bonds	296,716	10.5%	327,872	265,561
Property	236,858	14.3%	270,730	202,987
Alternatives	363,874	24.7%	453,752	273,997
Cash and Other investment balances	34,728	0.5%	34,903	34,554
Total Assets	3,177,371		3,704,511	2,650,239

Notes to the Pension Fund Accounts (continued)

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-19 Asset Type £000	31-Mar-20 £000
27,593 Cash and cash equivalents	31,585
4,707 Cash balances	9,076
79,206 Index-linked securities	155,686
296,716 Fixed interest securities	203,953
408,222 Total	400,300

Exposure to interest rate risk	Asset values at 31-Mar-20 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	31,585	31,585	31,585
Cash balances	9,076	9,076	9,076
Index-linked securities	155,686	157,243	154,129
Fixed interest securities	203,953	205,993	201,913
Total change in assets available	400,300	403,897	396,703

Exposure to interest rate risk	Asset values at 31-Mar-19 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	27,593	27,593	27,593
Cash balances	4,707	4,707	4,707
Index-linked securities	79,206	79,998	78,414
Fixed interest securities	296,716	300,279	293,749
Total change in assets available	408,222	412,577	404,463

Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable 2019-20 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	561	567	555
Index-linked securities	494	499	489
Fixed interest securities	2,026	2,046	2,006
Total	3,081	3,112	3,050

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

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.

During the year the Fund partially hedged the currency exposures on its equity investments by transferring into currency hedged share classes of its passive equity funds

Notes to the Pension Fund Accounts (continued)

Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 10.0% (the 1 year expected standard deviation). A 10.0% (31 March 2019: 10.0%) 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 10.0% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at	Potential market	Value on increase	Value on decrease
	31-Mar-20			
	£000	£000	£000	£000
Overseas Equities - Hedged	577,099	-	577,099	577,099
Overseas Equities - Unhedged	1,172,618	117,262	1,289,880	1,055,356
Overseas Fixed Income	203,953	20,395	224,348	183,558
Overseas Cash Fund	2,422	242	2,664	2,180
Total	1,956,092	137,899	2,093,991	1,818,193

Assets exposed to currency risk	Value at	Potential market	Value on increase	Value on decrease
	31-Mar-19			
	£000	£000	£000	£000
Overseas Equities	1,737,979	173,798	1,911,777	1,564,181
Overseas Fixed Income	226,543	22,654	249,197	203,889
Overseas Cash Fund	1,578	158	1,736	1,420
Total	1,966,100	196,610	2,162,710	1,769,490

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

Notes to the Pension Fund Accounts (continued)

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2020 was £40.6m (31 March 2019: £32.3m). This was held with the following institutions:-

	Rating	31-Mar-19 £000	31-Mar-20 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	27,427	30,835
Bank deposit account			
Barclays Bank	A	4,707	9,076
Bank current accounts			
Northern Trust custody accounts	P-1	166	750
Total		32,300	40,661

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 2020 the value of illiquid assets was £742.9m, which represented 24.6% of the total Fund assets (31 March 2019: £600.7m, which represented 18.8% 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 2020 are due within one year.

d) Refinancing risk

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

Notes to the Pension Fund Accounts (continued)

19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022 and will be published in 2023.

The key elements of the funding policy are:

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

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

At the 2019 actuarial valuation, the Fund was assessed as 100% funded (78.4% at the March 2016 valuation). This corresponded to a deficit of £11m (2016 valuation: £625m) at that time.

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

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2019 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate %		
1 April 2020 to 31 March 2023	2020/2021	2021/2022	2022/2023
18.4%	£19,425,000	£19,061,000	£19,082,000

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

Notes to the Pension Fund Accounts (continued)

Basis of valuation

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

Financial assumptions

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

Assumption	Description	31-Mar-16	31-Mar-19
Price Inflation (CPI)/ Pension increases		2.1%	2.3%
Pay increases		2.4%*	2.8%**

*CPI plus 0.3%

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

Mortality assumptions

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

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	Female	Male	Female
2016 valuation	24.0	26.3	22.4	24.4
2019 valuation	22.7	25.5	22.0	24.0

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

Other demographic valuation assumptions:

- a) Retirements in ill health** - Allowance has been made for ill-health retirements before Normal Pension Age.
- b) Withdrawals** - Allowance has been made for withdrawals from service.
- c) Retirements in normal health** - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.
- d) Death in Service** - Allowance has been made for death in service.
- e) Promotional salary increases** - Allowance has been made for promotional salary increases.
- f) Family details** - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependant of a female member is assumed to be 3 years older than her.
- g) Commutation** - 25% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 64% for service from 1 April 2008).
- h) 50:50 option** - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

Notes to the Pension Fund Accounts (continued)

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

31-Mar-19 £m		31-Mar-20 £m
(4,829)	Present value of promised retirement benefits	(4,305)
3,187	Fair value of scheme assets (bid value)	3,015
(1,642)	Net liability	(1,290)

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

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

Assumptions used

31-Mar-19 % p.a.	Assumption	31-Mar-20 % p.a.
2.5	Inflation/pension increase rate assumption	1.9
2.8	Salary increase rate	2.4
2.4	Discount rate	2.3

Notes to the Pension Fund Accounts (continued)

21. CURRENT ASSETS

31-Mar-19	31-Mar-20
£000	£000
Debtors:	
1,847 Contributions Due – Members	2,288
5,900 Contributions Due – Employers	6,018
5,614 Sundry Receivables	9,827
13,361	18,133
4,707 Cash Balances	9,076
18,068	27,209

22. CURRENT LIABILITIES

31-Mar-19	31-Mar-20
£000	£000
3,088 Sundry Payables	7,363
389 Benefits Payable	1,808
3,477	9,171

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-19	31-Mar-20
£000	£000
7,683 Prudential	7,653
363 Equitable Life	-
- Utmost	361
8,046	8,014

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-19	31-Mar-20
£000	£000
3,625 Unfunded pensions	3,618
3,625	3,618

Notes to the Pension Fund Accounts (continued)

25. RELATED PARTY TRANSACTIONS

Cambridgeshire County Council

The Cambridgeshire County Council Pension Fund is administered by Cambridgeshire County Council. Consequently there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.4m (2018-19: £2.2m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £21.0m, excluding Local Education Authority schools, to the Fund in 2019-20 (2018-19: £21.0m). At 31 March 2020 there was £5.7m (31 March 2019: £0.2m) due to the Fund by the Council.

Governance

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

- Councillor Richard Robertson
- John Walker
- Lee Phanco

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

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). As the Fund has no controlling interest in the Bank and it is included within the Fund's financial statements as a minority interest. An Officer of the Pension Fund is a Non-executive Director on the Board of CCB, for which CCB paid £52,250 during the year (2018-19 £49,688) to the Council.

25(a) KEY MANAGEMENT PERSONNEL

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

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2020 totalled £318.0m (31 March 2019: £315.0m).

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.

27. CONTINGENT ASSETS

Nineteen 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.