

# Cambridgeshire Pension Fund

Pension Fund Committee

18 July 2024

Report by: Head of Pensions

Subject: Pension Fund Statement of Accounts 2023-24

Purpose of the Report: To present the Draft Statement of Accounts of the Pension Fund for the 2023-24 financial year.

Recommendations: The Pension Fund Committee:

a) Note the Draft Statement of Accounts of the Pension Fund for the 2023-24 financial year.

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## 1. Purpose of report

1.1 To present the Draft Statement of Accounts of the Pension Fund for the 2023-24 financial year.

## 2. Executive summary

2.1 The report covers key highlights from the Statement of Accounts. The Fund's assets have risen to £4,731.1m, following positive performance during the year with a net increase of £499.3m. Contributions, Benefits, Management Expenses and investment income have increased since last year.

2.2 The Scheme Advisory Board issued new Annual Report Guidance for Pension Funds in March 2024. The report lays out key changes made to the annual report this year to adhere to the new guidance.

## 3. Report background

3.1 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 Ernst & Young (EY). The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the financial year 1<sup>st</sup> April to 31<sup>st</sup> March and that the SOA is free from material mis-statement.

3.2 The accounts are based on transactions accounted for within the Fund's financial ledger, information received from Investment Managers and the Fund's Custodian Northern Trust, and assumptions and estimations utilising the professional judgement of officers and Fund professional advisers in order to give a true and fair statement of the Fund's financial position.

3.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued the

Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 (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).

- 3.4 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.
- 3.5 The structure and content of the Annual Report is governed is governed by the new guidance issued by the Scheme Advisory Board in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).

## 4. Highlights

- 4.1 The Fund Account and the Net Asset Statement provide a summary of the financial activity with the notes to the accounts providing further information.
- 4.2 The net increase for the year was £499.3m, with the Fund's net assets rising to £4,731.1m reflecting positive performance during the year.
- 4.3 Contribution receipts have increased from £148.9m to £166.5m. The increase in contributions payments reflects two employers paying their 3-year deficit payments during the first year of valuation.
- 4.4 Benefit payments have increased from £123.5m to £138.7m. The increase in pension payments reflects the growth in the number of pensioners during the year and CPI uplifts to benefits in payment.
- 4.5 The Fund returned 11.7% net of fees on investments during the year, compared with a weighted benchmark return of 14.2%, resulting in a net market gain of £427.2m.
- 4.6 Investment income has increased from £52.6m in to £62.2m mainly due to large income distributions from JP Morgan Infrastructure, Osmosis and interest on cash deposits. Investment income is impacted by market performance however the main returns are reflected in market value increases.

## 5. Annual report

- 5.1 The Scheme Advisory Board issued new Annual Report Guidance for Pension Funds in March 2024. The purpose of new guidance is to assist local government pension funds with the preparation and publication of the pension fund annual report, as required by regulation 57 of the Local Government Pension Scheme Regulations 2013. It also aims to ensure that reporting across the scheme is consistent and provides comparable data for all funds.
- 5.2 The guidance applies to 2023-24 annual reports and later years. For annual reports covering 2023-24, funds have been advised to use their best endeavours to comply fully with this guidance.
- 5.3 The Annual Report draft is currently being finalised and will be subject to further refinement, external auditor oversight and accessibility checks and a final version for publication will be brought to the October Pension Committee.
- 5.4 The statutory date for publication of the Pension Funds Annual Report is 1st December.
- 5.5 The following terms are used for levels of compliance to the guidance:

5.5.1 Must - Compliance is strongly expected. Any non-compliance should be clearly identified in the annual report and an explanation provided.

5.5.2 Should - Compliance is anticipated but is discretionary. Where non-compliance may be significant or material for the readers the non-compliance should be identified and explained.

5.5.3 May - Compliance is recommended but is discretionary.

5.6 The Fund is making the following changes to adhere to the new guidance, categorised by the above terms:

| <b>Must</b>  | <b>Should</b>  | <b>May</b>   |
|--|--|--|
| Includes a summary of administration activities, linked to the business plan, undertaken during the year                                     | Actions taken to deliver the communications policy   | Freedom of Information Request received during the year                                    |
| Additional information included on Key Performance indicators, including casework, communications and engagement, resources and data quality | More information included about the internal dispute resolution procedure (IDRP), The Pensions Ombudsman and the number of formal complaints received during the year (not through IDRP) | Table showing UK levelling up assets and % of total assets invested in levelling up assets |
| Further information on asset pooling and plans for the future.   | Results from member and employer satisfaction surveys  |  |
| Table showing asset class split by pooled, under pooled governance and not pooled  | Additional information on the roles of Committee and Board members and training that is required from each member  |  |
| Table showing UK assets split by pooled, under pooled governance and not pooled  | Summary of activities carried out by Committee and Board during the year   |  |
| Net savings of pooling   | Information on the Funds conflict of interest policy   |  |

|                           |                                      |  |
|---------------------------|--------------------------------------|--|
| Value for Money statement | Breakdown of administration expenses |  |
|---------------------------|--------------------------------------|--|

5.7 In addition to the above, the annual report will include a summary report at the beginning of the document. This is being added to improve readability, make the report more engaging and signpost key information throughout the document.

5.8 A copy of the guidance can be found here: [Preparing the Pension Fund Annual Report - Guidance for Local Government Pension Scheme Funds \(APRIL 2024\) \(lgpsboard.org\)](https://www.lgpsboard.org/Preparing%20the%20Pension%20Fund%20Annual%20Report%20-%20Guidance%20for%20Local%20Government%20Pension%20Scheme%20Funds%20(APRIL%202024))

## 6. Relevant Pension Fund Objectives

6.1 To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.

6.2 To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.

6.3 To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

6.4 To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

6.5 To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.

6.6 To maintain accurate records and ensure data is protected and used for authorised purposes only.

6.7 To promote the scheme as a valuable benefit.

6.8 To deliver accessible communications to stakeholders.

6.9 To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.

6.10 To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

## 7. Finance & Resources Implications

7.1 None, this paper is for information only.

## 8. Risk Management

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

| <b>Risk</b>   | <b>Residual risk rating</b> |
|---|-----------------------------|
| Contributions to the Fund are not received on the correct date and/or for the correct amount  | Amber                       |
| Failure to administer the scheme in line with regulations and guidance.   | Green                       |
| Information may not be provided to stakeholders as required   | Green                       |
| Those charged with governance are unable to fulfil their responsibilities effectively   | Green                       |
| Risk of fraud or error  | Green                       |
| Custody arrangements may not be sufficient to safeguard Pension Fund assets.  | Green                       |
| Failure to administer the scheme in line with regulations and guidance.   | Green                       |
| Pension Fund investments may not be accurately valued.  | Green                       |
| Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided. | Green                       |
| Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.       | Green                       |

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

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

## 9. Communication Implications

9.1 This information only paper does not require any further communication activities.

## 10. Legal Implications

10.1 The production of the Annual Report is a regulatory requirement and needs to be published by 1 December. It is proposed that the Committee approves the Annual report its meeting in October to enable compliance.

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

## 11. Consultation with Key Advisers

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

## 12. Alternative Options Considered

12.1 Not applicable.

### 13. Background Papers

13.1 Not applicable.

### 14. Appendices

14.1 Appendix A - Draft Statement of Accounts 2023-24

#### Checklist of Key Approvals

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

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

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

Has this report been cleared by Chief Finance Officer/Section 151 Officer? Sarah  
Heywood –  
10/07/2024

Has this report been cleared by Head of Pensions? Yes. Mark Whitby – 25/06/2024

Has this report been cleared by Legal Services? Emma Duncan -10/07/2024