

THE PENSION FUND ACCOUNTS

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FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

1 THE FINANCIAL STATEMENTS

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2026

	Notes	2024/25		2025/26	
		£000's	£000's	£000's	£000's
Dealings with members, employers and others directly involved in the fund					
Contributions	3		101,313		110,582
Transfers in from other pension funds	4		10,280		17,986
			111,593		128,568
Benefits paid	5		(128,055)		(131,288)
Payments to and on account of leavers / employer expenses	6		(7,488)		(23,510)
Net additions / (deductions) from dealings with members			(23,950)		(26,230)
Management expenses	7 & 8		(25,457)		(29,893)
Net additions / (deductions) including fund management expenses			(49,407)		(56,123)
Returns on investments					
Investment Income		78,134		73,935	
Taxes on Income		(271)		(605)	
Net investment income	9	77,863		73,330	
Profit / (losses) on disposal of investments and changes in the market value of investments	10(c)	39,123		242,957	
Net return on investments			116,986		316,287
Net increase (decrease) in the net assets available for benefits during the year			67,579		260,164
Net assets at the start of the year			3,408,111		3,475,690
Net assets at the end of the year			3,475,690		3,735,854

NET ASSETS STATEMENT AS AT 31 MARCH 2026

	Notes	31 March 2025	31 March 2026
		£'000	£'000
Long-term Investments	10	1,182	1,182
Investment assets	10	3,465,770	3,730,630
Investment liabilities	10	(410)	(310)
Total net investment assets		3,466,542	3,731,502
Long term assets		-	-
Current assets	12	17,800	10,076
Long term liabilities		-	-
Current liabilities	13	(8,652)	(5,724)
Net assets of the Fund available to fund benefits at the period end		3,475,690	3,735,854

2 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 (a): DESCRIPTION OF THE FUND AND BASIS OF PREPARATION

The Cumbria Local Government Pension Scheme (“Cumbria LGPS”, “the Fund” or “Cumbria Pension Fund”) is a contributory defined benefit scheme to provide pensions and other benefits for all members of the Fund. The Fund is administered by Westmorland and Furness Council.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income; and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Through balancing the strategic investment of the Fund’s assets to the liability profile of the membership, the aims of the Cumbria LGPS are to:

- ensure that sufficient resources are available to meet all liabilities as they fall due;
- manage employers’ liabilities effectively and enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers and the scheduled, resolution and admitted bodies;
- achieve and maintain Fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future; and
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

Membership to the Cumbria LGPS is open to:

- all eligible employees of scheduled bodies (local government, academies, colleges) within the County who are not covered by alternative pension arrangements (the main categories of employees covered by alternative arrangements are teachers, fire service uniformed personnel and police officers); and
- other eligible employees of admitted employers of the Fund (usually this includes employers to whom contracts have been awarded for the provision of public services within the county).

All eligible local government employees are automatically entered into the scheme. Employees may choose to opt out at any point in time.

As at 31 March 2026 the total membership of the Fund was 67,670 (2024/25: 67,223) and consisted of 21,035 contributors/actives (2024/25: 21,244), 25,016 deferred members (2024/25: 25,160) and 21,619 pensioners (2024/25: 20,819). The 2025/26 active membership numbers include scheme members who are not actively contributing into the scheme. This may be due to a break in service or potentially in the process of being transferred to deferred leaver status.

At 31 March 2026 there were 108 (31 March 2025: 109) employer bodies in the Cumbria LGPS (for the full list see **Note 25**). One new employer joined the Fund during the year, and two other employers left the Fund.

Basis of Preparation:

The Statement of Accounts for Cumbria LGPS is presented in its entirety and separately from the General Fund in Westmorland and Furness Council's Accounts. Although the Council is the Administering Authority, the Fund covers a number of other scheduled and admitted bodies.

The Accounts for the Cumbria LGPS summarise the Fund transactions for the financial year 2025/26 and the position at the year-end date, 31 March 2026. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

They do not take account of obligations to pay pensions, lump sums or other benefits which fall due after the financial year end. IAS 26 'Retirement Benefit Plans' requires the actuarial present value of promised retirement benefits to be disclosed and this information can be found in **Note 23** 'Actuarial Position of the Fund'.

The accounts have been prepared on a going concern basis.

NOTE 1 (b): INVESTMENT MARKET ACTIVITY DURING 2025/26

From April 2025 markets started with strong increases in global equity markets, particularly driven by technology stocks and companies either exposed to the AI investment boom or making memory chips. However, the political turmoil on tariffs, central bank rate cut expectations and ongoing political tensions led to money moving in and out of risk assets during the year. Inflation and economic growth cooled modestly by late 2025. Then 2026 began cautiously optimistic with improved earnings expectation and hopes for rate cuts. The financial year 2025/26, will mostly be remembered for the significant volatility in March with the US war with Iran, when markets took an acute downturn, bringing the worry of global inflation, fuel supply constriction, and the probability of rising interest rates.

Despite experiencing some volatility, one-year returns in listed equities were all double-digit for the 2025/26 period. The MSCI All Country World Index recorded a return of 17.5%, in sharp contrast to the strong returns of 4.9% for the previous twelve months. The UK FTSE All Share index was strong over twelve months with a return of 21.5%, with the best index, Developed Asia Pacific, recording a return of 47%.

The impact on other asset classes was varied. Government bond yields have experienced continued volatility with end of year values closing up for the year overall, as the UK Over-5 year index-linked gilts index showing a +3.8% return. UK real estate capital values increased over the past twelve months. Private market assets (i.e. private equity, private debt and infrastructure funds) were relatively stable at protecting capital and delivering positive returns.

NOTE 1 (c): FUND PERFORMANCE 2025/26

As at 31 March 2026 the unaudited value of the Fund’s net assets was £3,735.864m (an increase of £260.174m from £3,475.690m as at 31 March 2025). The Fund’s Actuary has estimated that the Cumbria LGPS was approximately 128.7% funded as at 31 March 2026. This was calculated by revising the results of the actuarial valuation as at 31 March 2025 (funding level of 124.0%) to include an update to the real discount rate, reflecting changes in real yields since the valuation and the correlation of the Fund’s holdings to those yields (based on assumptions per the full actuarial valuation as at 31 March 2025).

In order to protect Fund solvency and the affordability of employer contribution rates, the Fund seeks to dampen investment risk and deliver stable investment returns over the longer-term by investing in a diverse portfolio of assets. The Fund’s long-term approach to investment meant that, whilst it was affected by the market movements described at 1(b) above, the impact on performance was reduced. Overall, the Fund made a positive return on its investments of 9.5% (net of fees) for the year-ended 31 March 2026.

As a long term investor, the Fund is primarily focussed on longer-term performance. It has lagged its fund-specific 3 and 5 year benchmarks and matched its 10 year benchmark. The Fund’s performance (net of fees) to 31 March 2026 in relation to the Fund’s bespoke benchmark over these timeframes is shown in the table below.

	Cumbria Pension Fund Performance	Bespoke Benchmark	Variance to Benchmark
1 year performance	9.5%	10.3%	- 0.8%
3 year performance (per year)	6.5%	7.1%	- 0.6%
5 year performance (per year)	4.9%	5.3%	- 0.4%
10 year performance (per year)	6.8%	6.8%	+ 0.0%

During 2025/26, the Fund began a full Investment Strategy Review, to include a review of its Investment Beliefs and its Responsible Investment Policy. In March 2026, the Pensions Committee approved revised Investment Beliefs, and from June 2026

onwards will consider the revised Investment Strategy, including the target investment asset allocation, along with the required changes to the Fund's Investment Strategy Statement. The key theme is 'evolution, not revolution' and the weightings in the main building blocks of assets (growth, fixed income, real assets) remains very similar to the previous strategy.

Some revisions to sub-asset classes took place during 2025/26 in light of agreed target allocations, with the associated investment decisions being taken in a managed way. Key changes made in 2025/26 included:

- The continuation of capital drawdowns to previously agreed commitments to Border to Coast Pensions Partnership Ltd (BCPP) funds for infrastructure, private equity and private debt;
- The continuation of capital drawdowns to commitments made in March 2024 to BCPP funds for Climate Opportunities and UK Opportunities;
- Rebalancing to address larger underweight and overweight positions within the Fund that had developed through market movements during the year. This was accomplished by reducing equity and reinvesting these proceeds into index-linked gilts;
- The completion of a new weighting structure within the public equity allocation (35% of the Fund) with implementation steps taking place in March and May 2025.

NOTE 1 (d): BUSINESS PLAN ACHIEVEMENTS

2025/26 – 2027/28 Business Plan:

All targets set within the 2025/26 Business Plan have been achieved during the year with key tasks either completed, or ongoing work that is on track for completion. Key highlights of this work are summarised below.

- **Completion of the 2025 actuarial valuation**

Officers supported the Actuary in the valuation process by the provision of all required data to inform the valuation of liabilities. Regular updates were provided to the Pensions Committee and Local Pension Board throughout the year and the consultation on the Funding Strategy Statement was completed in January 2026. Employers have been provided with their contribution rates for the period April 2026 to March 2028.

- **Compliance with Pensions Dashboard requirements**

Fund officers worked closely throughout the year with Local Pension Partnership Administration (LPPA) officers to ensure the Fund was able to comply with the statutory requirements to connect to a dashboard. Correct data is paramount to being connected to the dashboard which will necessitate continual work with LPPA

to assess and improve data held on scheme members. The Fund achieved connection to the dashboard later in 2025/26.

- **Drive improvement to pension Administration activities**

Fund officers have continued to meet with LPPA and ensure that employers are appropriately supported to be able to meet any changes to operating practices. Administration KPI's have improved to above target in the year, and the Fund has worked with LPPA to develop and implement new and improved performance indicators to capture the member experience of bereavements and retirements.

- **Major annual pieces of work**

Preparation of the Annual Report and Accounts. The 2024/25 Financial Accounts and Annual Report were compiled in accordance with CIPFA's example accounts requirements. The accounts were audited by Grant Thornton UK LLP, who found that the accounts had been produced to a very high standard. An unqualified opinion was given with only minor recommendations being made. The auditor formally signed off the accounts on 25 February 2026 and the 2024/25 Annual Report (including draft financial statements) was published on 1 December 2025 in line with regulatory timeframes.

- **Activities to ensure compliance with the Pension Regulator's General Code**

Following an assessment of the Fund's compliance with the Pension Regulator's General Code of Practice, an action plan was created to address the small number of areas requiring further development. The Funds compliance improved from 90% compliant to 96% which is a strong position for the Fund with the outstanding actions relating to documentation of existing practices.

- **Pensions Review**

The Fund reviewed and responded to consultation documents associated with the 'Fit for the Future' review of pension provision. The main areas of focus for the LGPS focussed on; the expansion of investment pooling to cover all investments, with defined completion timescales; changes in scheme governance requirements; and the introduction of requirements to state 'Local Investment' objectives in the Fund's Investment Strategy Statement. The Fund has worked with BCPP to develop an action plan to transition to the pool those assets not currently managed by, or under the management of, BCPP. This action plan is being implemented throughout 2025/26 and into 2026/27.

- **Review the Fund's Investment Strategy Review following the 2025 Valuation**

Work to commence the review of the Fund's Investment Strategy was undertaken following the outcome of the 2025 Actuarial valuation and to start to consider associated changes to the Funding Strategy Statement and approach to Responsible Investment.

The Pensions Review signalled implications for standardising how the Fund's investment strategy should be expressed from April 2026 including that there will be more involvement by the BCPP pool as it becomes the Fund's principal source

of investment advice. This work will continue into 2026/27 and is detailed in the respective Business Plan for that year

- **Liaise with Border to Coast to ensure suitable investment opportunities are developed to allow the Fund to transition its Investment strategy.**

The Fund continued to actively engage in the development of investment opportunities with BCPP through Members, Officers and Advisors and the other 10 partner funds. Later in the year it was confirmed that seven new LGPS funds would be joining with the BCPP pool from 1st April 2026, and a large amount of work was begun in 2025/26 to plan for this. Substantial work will continue for some years, and new investment opportunities may arise for the Fund to consider

In addition to the 2025/26 Business Plan, originally approved in March 2025, the Fund has responded to unforeseen activities throughout the year. These activities included:

- Responding to the Government’s Pensions Review and its consultation on “LGPS - Fit for the Future” including engagement with BCPP on the impact for the pool, the Fund and the wider LGPS.
- Implications from the Pensions Review, in relation to expansion of the pool to include 7 new partners and the shortened timescales to pool investments.
- Ongoing staffing vacancies within the team managing the Fund which impacted on capacity and required prioritisation in the use of resources.
- During 2025/26 the Fund reviewed and responded to a consultation document in respect of Access & Fairness which seeks to address areas within existing regulations where the government believes there is existing discrimination.
- In addition, the Fund also reviewed and responded to a consultation document in respect of Access & Protections which covered the providing LGPS pension access to elected members along with the National minimum pension age, academies in the LGPS and new Fair Deal policy proposals. Phase 1 of the government’s response in respect of pension access to elected members has since been published and came into force in May 2026.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies have been reviewed in line with good practice. There have been no changes to accounting policies in 2025/26.

We have assessed the two accounting standards (noted below) that have been adopted by the CIPFA Code 2025/26; we consider that no material changes are required to our processes or disclosures.

- IFRS 17 Insurance contracts – the fund is not an entity that issues insurance contracts.
- IAS 21 Lack of Exchangeability – the fund already has disclosures in respect of foreign exchange risks and the potential sensitivities

Fund Account – revenue recognition

2.1. Contribution Income

Future service contributions, both from the members and from the employers within the Fund, are accounted for on an accruals basis at the rate recommended by the Fund Actuary for the payroll period to which they relate.

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

Other Employers' contributions including pension strain costs are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current debtor. Amounts not due until future years are classed as long-term debtors. There are no such long-term debtors at 31 March 2026.

Where an employer leaves the scheme, any contributions required or exit credit payable on closure is accrued in the year of departure. (See **Note 3** for further details).

2.2. 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. These are calculated in accordance with the Local Government Pension Scheme Regulations (see **Note 4 and Note 6**).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see 2.14) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see **Note 4**).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

2.3. Investment income (see Note 9)

- a) **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 or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- b) **Dividend income**: would be 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.

- c) **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. In pooled funds with accumulation units, the Fund does not receive investment income directly from dividends or bonds, as this is received by the pooled fund and increases the value of the unitised holdings.
- d) **Property-related income:** consists primarily of rental income. This is recognised on an accruals basis.
- e) **Movements in the net market value of investments:** changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised gains/losses during the year. Realised gains/losses have been classified where a purchase or sale of investments has occurred. Gains/losses on transfers of investments within the portfolio of an individual manager have been classified as unrealised gains/losses (i.e. where no cash transactions have taken place). (See **Note 10(c)**).

Fund Account – expense items

2.4. Benefits payable (Note 5)

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.

2.5. Taxation

The Scheme 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 is subject to withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises and is shown on the Fund Account as 'Taxes on income'.

2.6 Administrative expenses (Note 7)

All administrative expenses are accounted for on an accruals basis. All staff costs of the Council's pensions team are charged direct to the Fund, with management, accommodation and other overheads apportioned to the Fund in accordance with general Council practices. Staff and on-costs related to administration are apportioned to this heading.

This section also includes the cost of Local Pensions Partnership – Administration who provide the technical pension administration function for the Fund through a Delegation of Functions agreement with Lancashire County Council.

2.7. Investment management expenses (Notes 7, 8 and 8a)

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and 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.

Transaction costs and pooled fund fees/expenses are also included as investment management expenses. No employees are currently employed solely on in-house investment management.

The Fund has reviewed any fee information received from managers prior to the cut-off date for the 2025/26 accounts and used this in the Management Fees disclosed in the Accounts. Where fee information was not available from the manager, fees are estimated based on the market value of the investments and respective investment manager mandate.

The majority of the Fund's investment managers have signed up to the cost transparency code (the voluntary code which covers the provision of transparent and consistent investment cost and fee information between investment managers and Funds). However, the deadline for the returns is 30 June 2025 so the majority of the returns are received from managers after the cut-off date for inclusion within these Accounts. The cost transparency templates are assessed as they are received and will inform additional disclosures of investment costs in the Fund's 2025/26 Annual Report to be published by 1 December 2026. It is anticipated that in future years the templates received will provide greater consistency and completeness in reporting by managers. This will enable the Fund to further enhance the transparency of investment costs in coming years.

2.8. Oversight and Governance costs (Note 7)

All oversight and governance costs are accounted for on an accruals basis. All staff costs of the Council's Pensions team are charged direct to the Fund. Staff and on-costs apportioned to this activity are charged as oversight and governance expenses.

The expenses for those charged with the governance of the Fund (e.g. training, travel and allowances) and the cost of obtaining investment advice from external investment consultants and advisors is included in oversight and governance costs. This section also includes actuarial fees, legal fees and shareholder voting services.

Net Assets Statement

2.9 Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date

any gains or losses arising from changes in the fair value of assets are recognised by the Fund.

Investment Assets

Northern Trust Corporation, as independent Custodians to the Fund, value any directly held assets other than direct property and unquoted investments. This is done on a daily basis by a series of data quality verifications. All discrepancies outside a tolerance level are researched with a secondary source and resolved. This additional scrutiny provides an extra level of independence. The values on investment assets as shown in the net assets statement have been determined as follows:

- a) Unquoted investments: The fair value of investments for which market quotations are not readily available is determined as follows:
- Directly held investments include investment in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools of directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. Assurances are gained from the fact that valuations are audited for each investment manager by their respective auditors and reported to the Fund. Where the valuations are not audited as at 31 March 2026, the valuation is reported based on known transactional movement from the previous audited position. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
 - In the case of the unquoted equity shares for Cumbria LGPS's ownership of share capital in Border to Coast Pensions Partnership Ltd (BCPP), as no market or comparable market exists, there is no intention for the company to generate any material profit and as the financial accounts for the Company show the shareholder funds to be equivalent to the regulatory capital invested (at cost). Consequently, the shares are valued at cost as an appropriate estimate of fair value. At 31 March 2026, these are valued at £1,181,818 as detailed in **Note 22**.
 - Investments in private equity funds and unquoted limited partnerships (**Note 14**) are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by UK Private Capital (formerly British Venture Capital Association).
- b) Limited partnerships: Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership. All valuations are performed in accordance with the appropriate Uniform Standards of Professional Appraisal Practices ("USPAP") and International Valuation Standards ("IVS") or provides an IPEVC (International Private Equity and Venture

Capital) (or other recognised industry standard) compliant valuation as applicable. The General Partner is responsible for preparing financial statements which give a true and fair view in accordance with International Financial Reporting Standards and applicable laws. The Fund reviews the Annual Reports of the partnerships which have been independently audited.

- c) Pooled investment vehicles: Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31 March 2026. Unquoted pooled investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. For further information on pooled investment vehicles see **Note 10**.
- d) Freehold and leasehold properties: The one remaining directly held property is valued at fair value at 31 March 2026 by an independent valuer, Knight Frank LLP, in accordance with the Royal Institution of Chartered Surveyors' Valuation - Global Standards (incorporating the International Valuation Standards) and the UK national supplement ("the Red Book") current as at the valuation date.
- The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's-length terms.
 - Each valuation has been prepared on the basis of "Fair Value", which is defined as: "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" in International Financial Reporting Standard (IFRS) 13.
 - "Fair Value", for the purpose of financial reporting under International Financial Reporting Standards and UK GAAP (FRS 102), i.e. "the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's-length transaction", is effectively the same as "Market Value", which is defined in the Red Book as: "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion."
 - The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date.
 - i. No allowances have been made for any expenses of realisation or for taxation which might arise in the event of a disposal.
 - ii. The properties are valued individually, and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in "lots" or as a whole.

- iii. Acquisition costs have not been included in the valuation.
- iv. No account has been taken of any inter-company leases or arrangements, or of any mortgages, debentures or other charges.
- v. No account has been taken of the availability or otherwise of capital grants.

Further detail on Investment Properties is set out in **Note 10(b)**.

- e) Financial Assets measured at amortised cost: These are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost i.e. principal amount adjusted for any interest payable / receivable at the year-end date and may be referred to as Investment receivables or trade/other debtors.

2.10. 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. Northern Trust Corporation value all overseas securities and foreign currency balances outstanding at year end in local currency then convert to sterling using the WM Reuters 4pm exchange rates at 31 March 2026.

2.11. Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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.

2.12. Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

2.13. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund Actuary in accordance with the requirements of IAS 26 and relevant actuarial standards.

As permitted under IAS 26, 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 23**).

2.14. Additional voluntary contributions

Cumbria LGPS provides an additional voluntary contributions (AVC) scheme for its members. The Fund currently has three appointed AVC providers: Prudential Assurance Company, Standard Life and Scottish Widows. The previous AVC scheme on offer to employees was operated by Equitable Life Assurance Society but in December 2000 it closed to new business. From January 2020, the Equitable Life AVC closed with investments transferring to Utmost Life.

Employees' AVCs are paid over to one of the four providers by the Fund employers. These contributions are specifically for the purpose of providing additional benefits for individual contributors. Each AVC contributor receives an annual statement (from their provider) showing the amount held in their account and the movements in the year.

AVCs are not included in these accounts in accordance with Regulation 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 15**).

2.15. Contingent assets and contingent liabilities

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

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

Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

2.16. Stock Lending

The Fund's active equity is managed by BCPP who have a stock lending programme, where it is permissible, and as lenders of stock do not generally retain voting rights on lent stock. There are procedures in place to enable stock to be recalled prior to a shareholder vote if considered necessary from a responsible investment perspective. The Fund's passive global equity holding is managed by Legal and General who also operate a stock lending programme in selective overseas equity markets under strict conditions.

2.17. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise because of a change in accounting policies or to correct material errors.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Where the basis for measurement of an amount is uncertain, the Fund will use a suitable estimation technique determined by the Director of Resources (Section 151 Officer). Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Director of Resources (Section 151 Officer) will amend the Accounts accordingly. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures would be corrected retrospectively by amending opening balances and comparative amounts for the prior period. However, no such amendments have been necessary for the opening balance of the 2025/26 accounts.

NOTE 3: CONTRIBUTIONS

Benefits (see **Note 5**) are funded by contributions and investment earnings. Contributions are received both from active members and employers of the Fund. Contributions from active members are made in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) while individual employers' contribution rates are based on triennial actuarial funding valuations (see **Note 23**).

Contribution rates for 2025/26 are as follows:

- Employees - range from 5.5% to 12.5% of pensionable pay dependent on the full-time salary of the member (these rates are halved for those employees opting for the flexibility of the 50:50 section of the LGPS).
- Employers - range from 14.4% to 31.0% of pensionable pay for future service, plus a lump sum payment for deficit recovery contributions where appropriate. Individual employer rates are set by the Actuary on a three-yearly cycle, taking into account the employer's own attributes and particular circumstances. This includes the maturity profile of the membership, if the Admission body is open or closed to new members, and the maximum deficit recovery period as determined by the Fund Actuary in relation to the employer's covenant and membership profile.

The following table analyses the amount of total contributions receivable in the year, by category and by employer type:

By Category	2024/25 £'000	2025/26 £'000
Employee contributions to the fund	25,872	28,250
Employer contributions to the fund:		
Normal contributions	74,282	81,608
Deficit recovery contributions	1,159	724
Total Employer contributions	75,441	82,332
Total Contributions receivable	101,313	110,582
By Employer Type	2024/25 £'000	2025/26 £'000
Administering Authority	32,683	36,529
Other Scheduled bodies	67,655	73,135
Admitted bodies	975	918
Total Contributions receivable	101,313	110,582

In addition to future service contributions and historic deficit payments from employers, the contributions figure also includes the costs of pension strain arising from non ill-health early retirements and, where applicable, ill-health early retirements:

Non ill-health early retirements: Employers can make lump sum contributions towards pension strain costs or pay an additional employer contribution rate (as calculated by the Actuary). These contributions are recognised in line with the agreement with the employer. If there is no agreement, they are recognised when the Fund receives them.

Ill-health early retirements: Details of this are contained in the full **Actuarial Valuation Report as at 31 March 2025**, which is available on the Cumbria Pension Fund website. All other Cumbria LGPS employer policies that are relevant to the 2025/26 financial year are available under 'Forms and Publications / Policies'.

NOTE 4: TRANSFERS IN FROM OTHER PENSIONS

Transfers into the Fund have been made by individual members, where they decide to move pension benefits accrued from previous employment into their LGPS pension. These are variable year to year depending on choices made by individual members.

	2024/25 £'000	2025/26 £'000
Individual transfers	10,280	17,986
	10,280	17,986

NOTE 5: BENEFITS

Pension benefits within the LGPS are based on final pensionable pay or career average, and duration of pensionable service. Members have access to the schemes depending upon the period their active membership in the LGPS covers, i.e. whether their employment was previous to 1 April 2008, during the period 1 April 2008 to 31 March 2014, and employed post 1 April 2014. Details of the main benefits of membership of these schemes are summarised in the following table:

	Service Pre 1 April 2008	Service 1 April 2008 to 31 March 2014	Service Post 1 April 2014
Basis	Final salary	Final Salary	Career Average Revalued Earnings (CARE)
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked accrues 1/49th x pensionable salary.
Lump sum	Each year worked is worth 3/80 x final pensionable salary. 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.	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.

In addition to the pension and lump sums payable as detailed above, the pension fund also pays a death grant if a scheme member dies before drawing their pension or, in certain circumstances, within 10 years of starting to draw their pension. Such payments are in accordance with LGPS regulations and are dependent upon the dates in which the scheme member was a member of the Fund.

The following table analyses the amount of total benefits paid in the year, by category and by employer type:

By Category	2024/25 £'000	2025/26 £'000
Pensions paid	102,044	106,475
Lump sums on retirement	23,254	20,771
Lump sums on death	2,757	4,042
Total Pensions paid	128,055	131,288
By Employer Type	2024/25 £'000	2025/26 £'000
Administering Authority	17,720	19,505
Scheduled bodies	100,083	100,923
Admitted bodies	10,252	10,860
Total Pensions paid	128,055	131,288

As shown in the above table the Administering Authority (Westmorland & Furness Council) benefits paid for 2025/26 were £19.505m. This comprises of pension payments of ex-employees of Barrow Borough Council, Eden District Council, South Lakeland District Council and pensioners of Westmorland & Furness Council.

For information, the benefits paid relating to legacy Cumbria County Council pensioners is included in the Scheduled bodies category.

NOTE 6: PAYMENTS TO AND ON ACCOUNT OF LEAVERS / EMPLOYER EXIT

Transfers out from the Fund have been made by individual members, where they have decided to take pension benefits accrued from previous employment within the Fund

to a pension elsewhere. These are variable year to year depending on choices made by individual members.

	2024/25 £'000	2025/26 £'000
Refund of member contributions	258	292
Individual transfers out to other Schemes	5,264	5,290
Group transfer out on exit or to other schemes	1,966	17,928
	7,488	23,510

In addition, in 2025/26 two employer group transfers out took place on the exit from the Fund of Home Group and South Lakes Housing.

NOTE 7: MANAGEMENT EXPENSES

Officers undertaking the day to day management and administration of the Cumbria Pension Fund are employed by the Administering Authority with their associated costs e.g. salaries, office space and information technology being charged to the Fund. In addition, the cost of maintaining the employee and employer contribution records, paying benefits and provision of other pension administration services, provided by delegation of function to Lancashire County Council, through Local Pensions Partnership - Administration (LPPA), are charged to the Fund. This is in accordance with the government regulations on the management of local government pension schemes.

Further details of management expenses are as follows:

	2024/25 £'000	2025/26 £'000
Administrative costs	2,487	2,596
Oversight and governance costs	1,005	1,046
Investment management costs	21,965	26,251
	25,457	29,893

The Code of Practice does not require any breakdown of pension fund administrative expenses. However, in the interest of greater transparency and comparability, the Council has opted to disclose its pension fund management expenses in accordance with best practice outlined in the CIPFA guidance on LGPS management costs (July

2016). To further aid comparison a detailed breakdown is provided for information in the next note.

Administrative costs were £0.109m (4.4%) higher in 2025/26 than the previous year. For further details refer to **Note 8**.

Oversight and governance costs were £0.041m (4.1%) higher in 2025/26 than the previous year. For further details refer to **Note 8**.

Investment management costs were £4.286m (19.5%) higher in 2025/26 than the previous year. For further details refer to **Note 8 and 8(a)**.

NOTE 8: MANAGEMENT EXPENSES ADDITIONAL INFORMATION

The Code of Practice does not require any breakdown of pension fund management expenses. However, for information only, to further aid comparison using the disclosure into the three headings suggested by CIPFA guidance, a detailed breakdown is provided below.

DRAFT

	2024/25 £'000	2025/26 £'000
Administrative costs:		
Pensions Administration	2,080	2,216
Employee costs	401	355
Legal advice	5	14
Other	1	11
	2,487	2,596
Oversight and governance costs:		
Employee costs	398	404
Pensions Committee	27	45
Pensions Board	54	27
Investment consultancy fees	153	111
Performance monitoring service	43	44
Shareholder voting service	12	12
Actuarial fees	133	224
Audit fees - current year	97	105
Audit fees - prior years	10	45
Legal and tax advice	27	15
Other (including bank charges)	51	14
	1,005	1,046
Investment management costs: See Note 8 (a)		
Management fees	15,961	17,671
Performance fees	5,972	8,560
Custody fees	32	20
	21,965	26,251
	25,457	29,893

Variations on expenditure between years include:

- Pension Administration costs increased in 2025/26 due to increased numbers of Scheme Members in the Fund as well as higher costs within LPPA arising from inflationary factors in addition to some additional resources to manage increased casework and data quality issues.
- Oversight and Governance costs – The principal increase was in respect of actuarial fees which increased during 2025/26 associated with the actuarial valuation of the Fund (which is undertaken every three years) together with some additional external audit fees relating to prior years. The majority of these additional costs were offset by staffing savings due to a number of budgeted vacancies in the pensions team and some savings in respect of Legal and tax advice which varies year on year.
- Investment Management Costs – Investment management costs increased in 2025/26 from £21.965m to £26.251m. In accordance with the CIPFA guidance,

disclosure note 8(a) has been included below to provide more detailed disclosure of Investment Management fees.

NOTE 8(a): INVESTMENT EXPENSES ADDITIONAL INFORMATION

As detailed above, in accordance with CIPFA Guidance this note provides more detailed disclosure of investment management fees across the more specific asset class headings for the Fund’s pooled investment holdings. The investment management fee values for 2024/25 are also provided for comparison purposes.

2025/26 Investment Management Expenses:

	Management Fees £'000	Performance Fees £'000	Transaction / Entry Costs £'000	2025/26 £'000
Asset Classes				
Public markets				
Pooled equity investments with BCPP	2,197	-	219	2,416
Pooled multi-asset credit with BCPP	471	-	-	471
Governance & development costs of BCPP	828	-	-	828
Pooled passive investments	3	-	13	16
	3,499	-	232	3,731
Private markets				
Infrastructure funds	4,177	2,566	-	6,743
Private equity funds	5,744	5,612	-	11,356
Private debt funds	2,579	382	-	2,961
Other multi asset funds	356	-	-	356
Property funds	1,084	-	-	1,084
	13,940	8,560	-	22,500
Directly held property				-
	17,439	8,560	232	26,231
Custody fees				20
Total Investment Management Expenses				26,251

- Total investment management expenses of £26.251m equate to 0.70% of the year-end asset value of £3.7 billion. The Fund had net of fees investment performance in 2025/26 of +9.5%, which equates to £329m increased value from 31 March 2025.
- BCPP asset pool – the 2025/26 fees represent the cost for the pooled public market funds (equity and multi-asset credit). In addition, there are the annual charges from the pool in relation to the governance costs and ongoing development of the company and related investment management projects to increase capacity. The Fund also invests in private markets with BCPP including a property fund.
- Private Markets - the objective of the Fund’s strategic investment allocation to private markets is to select a portfolio of private market assets which aids cash flow and increases diversification and stability. The significant growth in the portfolio values together with additional investments in private market funds has

led to increased management fees. In accordance with the CIPFA guidance, management fees and performance fees that have been deducted from within the private market funds during the year have been estimated and included in the table.

The management fees on private markets were £13.940 in 2025/26 which was an increase on the previous year (£12.070m in 2024/25). There was an increase in performance fees to £8.560m (£5.972m in 2024/25). However, it is recognised the levels of these fees are not consistent year on year, as the performance varies over the life cycle of the investment and is specific to the individual profitability and value of each investment. In the context of the year-end valuation of these assets at £1.564bn, the management and performance fees of £22.500m equate to around 1.4% of the asset value (1.2% for 2024/25).

- Transaction and Entry costs – there were transactions costs paid directly from investments during 2025/26 due to trading between pooled equity funds with BCPP and trading out of a fund with another manager.

2024/25 Investment Management Expenses:

	Management Fees £'000	Performance Fees £'000	Transaction / Entry Costs £'000	2024/25 £'000
Asset Classes				
Public markets				
Pooled equity investments with BCPP	2,363	-	258	2,621
Pooled multi-asset credit with BCPP	404	-	-	404
Governance & development costs of BCPP	325	-	-	325
Pooled passive investments	32	-	41	73
	3,124	-	299	3,423
Private markets				
Infrastructure funds	3,802	3,042	-	6,844
Private equity funds	5,007	2,211	-	7,218
Private debt funds	2,119	719	-	2,838
Other multi asset funds	401	-	-	401
Property funds	741	-	-	741
	12,070	5,972	-	18,042
Directly held property	291	-	177	468
	15,485	5,972	476	21,933
Custody fees				32
Total Investment Management Expenses				21,965

NOTE 9: NET INVESTMENT INCOME

The investment income of £73.330m net of £0.605m irrecoverable tax (2024/25 £77.863m net of £0.271m irrecoverable tax on dividends) can be analysed as follows:

	2024/25 £'000	2025/26 £'000
Income from equities	409	11
Infrastructure funds income	21,778	19,936
Private equity funds income	25,261	31,601
Private debt funds income	12,523	4,441
Multi-asset credit funds income	4,726	2,055
Property funds income	5,833	11,173
Rents from directly held property	4,890	121
Interest on cash deposits	2,443	3,992
	77,863	73,330

The Fund did not receive investment income directly from equity dividends in 2025/26, as this is received by the pooled fund and increases the value of the unitised holdings. The Fund switched its equity holdings into Income generating share classes in March 2026 which will increase income from equity in future years. The Fund, however, continues to receive class action income several years after its direct ownership of shares, and these receipts are shown above as income from equities.

The majority of income earned relates to the Fund's private market portfolio (infrastructure, private equity, and private debt funds). The difference in amounts received between 2024/25 and 2025/26 is due to the underlying investments maturing to varying degrees in each year. Overall, the Fund is committed to more investment in private markets. Timing of income is dependent on the investment stage of the underlying investments with higher returns later in the investment cycle. The Fund invests in these assets with the objective of generating stable and / or inflation protected income streams to support the payment of pensions.

The Fund transitioned all but one directly held property into the Border to Coast UK Real Estate part way through 2024-25 which has moved the majority of the income from Rents for Directly held Property to the Property funds income line above.

NOTE 10: INVESTMENT ASSETS

	Notes	31 March 2025		31 March 2026	
		Total £'000	Total £'000	Total £'000	Total £'000
<u>Long-Term assets</u>					
Unquoted Equities (shares in BCPP Ltd)			1,182		1,182
<u>Investment Assets</u>					
Pooled investment vehicles					
Pooled equity/fixed income (active):					
- UK equities		64,983		78,374	
- Global equities		770,891		794,911	
- Overseas equities		293,167		376,085	
- Fixed income funds		164,544		169,020	
		1,293,585		1,418,390	
Unitised insurance policies (passive):					
- Global equities		61,311		34,586	
- UK index-linked securities		498,387		554,364	
		559,698		588,950	
Other pooled funds and limited partnerships:					
- Infrastructure funds		540,210		581,712	
- Private Equity funds		396,444		382,966	
- Private Debt funds		291,016		313,353	
- Mixed asset private market funds		9,033		18,710	
- Multi Asset Credit / Fixed Income funds		63,186		-	
- Property funds		264,435		267,188	
		1,564,324		1,563,929	
Pooled investment vehicles & managed funds total			3,417,607		3,571,269
Investment properties	10(b)		3,625		3,100
Cash & cash equivalents			43,960		155,511
Amounts receivable for sales *			-		-
Investment income accrued *			298		575
Property rental debtors *			280		175
			44,538		156,261
Subtotal investment assets			3,465,770		3,730,630
<u>Investment liabilities</u>					
Amounts payable for purchases *			-		-
Property creditors *			(410)		(310)
Subtotal investment liabilities			(410)		(310)
Total Net Investments			3,466,542		3,731,502

* These current and long term assets / liabilities are not valued at 'Fair Value through profit and loss' and are therefore excluded from **Note 10(g)** - Fair Value Hierarchy.

Note 10(a) analyses the investments by Investment Manager.

Note 10(b) details the Fund's property portfolio.

The share capital in BCPP Ltd is shown as a long-term asset as unquoted equities in the above table at a value of £1.182m (a 1/11th share of the total share capital in BCPP). From 1st April 2026 the number of shareholders was expanded to 18, with each new shareholder bringing new share capital. The Cumbria Pension Fund share capital remained at £1.182m representing a 1/18th of the total share capital of BCPP.

The Fund's largest manager is BCPP. The Fund's liquid investments with BCPP total £1,418.390m and are shown in Note 10 as 'Pooled equity/fixed income (active)'. These consist of investments in the BCPP UK Equity Fund; the Global Equity Alpha Fund; the Overseas Developed Listed Equity Fund; the Global Multi Factor Equity fund and the Multi-Asset Credit (MAC) fund, the latter being shown as 'Fixed income funds'. In addition to this, the Fund has invested in a number of private market investments managed by BCPP (infrastructure, private equity, private credit and some mixed asset funds) The Fund also invests in the BCPP UK Real Estate Fund. For the Fund's total investments managed by BCPP please refer to **Note 10(a)**.

The Fund's second largest manager holding is the unitised insurance policies with Legal and General (LGIM) totalling £588.950m, shown in the table categorised into the underlying asset types. These unitised, index-tracking (passive) funds are used as an efficient low-risk method of investing in the asset classes. The underlying assets, the index-tracking funds held on behalf of clients, are quoted assets i.e. fixed interest gilts and equity.

The Fund holds a portfolio of private market investments (infrastructure, private equity, property funds, private debt and multi-asset funds) which are investment vehicles for collective investment such as limited partnerships and are shown as 'Other Pooled Funds and Limited Partnerships' in the table. The Fund's investment in private markets has the objective of generating diversification and more stable and / or inflation protected income streams. This portfolio totals £1,563.929m at 31 March 2026.

NOTE 10(a): INVESTMENTS ANALYSED BY EXTERNAL MANAGER

Manager	Asset Class	31 March 2025		31 March 2026	
		£'000	%	£'000	%
Investments Managed by Border to Coast Pensions Partnership Ltd					
Border to Coast Global Equity Alpha Fund	Equities	770,891	22.2%	403,272	10.8%
Border to Coast Multi Factor Equity Fund	Equities	-	0.0%	391,639	10.5%
Border to Coast Overseas Developed Eq	Equities	293,167	8.5%	376,085	10.1%
Border to Coast UK Equity Fund	Equities	64,983	1.9%	78,374	2.1%
Border to Coast Multi Asset Credit Fund	Fixed Income	164,544	4.7%	169,020	4.5%
Border to Coast UK Real Estate Fund	Property fund	167,796	4.8%	170,304	4.6%
Border to Coast Cumbria LP	Infrastructure funds	232,715	6.7%	279,422	7.5%
Border to Coast Cumbria LP	Private Equity funds	217,940	6.3%	246,372	6.6%
Border to Coast Cumbria LP	Private Credit funds	190,220	5.5%	244,022	6.5%
Border to Coast Cumbria LP	Climate Opportunities fund	6,963	0.2%	13,992	0.4%
Border to Coast Cumbria LP	UK Opportunities fund	2,070	0.1%	4,718	0.1%
Managed by BCPP Pool		2,111,289	60.9%	2,377,220	63.7%
Investments Managed outside Border to Coast Pensions Partnership Ltd					
Legal & General	Index-linked gilts	498,387	14.4%	554,364	14.9%
JP Morgan	Infrastructure fund	192,924	5.6%	202,489	5.4%
Strategic cash allocation	Cash	43,231	1.2%	152,087	4.1%
Partners Group	Infrastructure funds	71,389	2.1%	56,433	1.5%
Partners Group	Private Market Credit funds	71,721	2.1%	48,577	1.3%
Pantheon	Private Equity funds	62,241	1.8%	47,403	1.3%
abrdn (formerly Aberdeen SL Capital)	Infrastructure fund	43,183	1.2%	43,369	1.2%
Patria (formerly Aberdeen SL Capital)	Private Equity funds	45,640	1.3%	40,022	1.1%
Legal & General	Global equities	61,311	1.8%	34,586	0.9%
Aviva	Property fund	34,152	1.0%	33,978	0.9%
M&G	Property fund	31,901	0.9%	32,682	0.9%
Hearthstone	Residential Property fund	30,586	0.9%	30,224	0.8%
Healthcare Royalty Partners	Royalties funds	48,122	1.4%	29,904	0.8%
Barings	Private Loan funds	29,076	0.8%	20,754	0.6%
Unigestion	Private Equity funds	20,730	0.6%	17,551	0.5%
Federated Hermes	Money market fund	-	0.0%	3,200	0.1%
abrdn (formerly Aberdeen Standard)	Direct property	4,222	0.1%	3,188	0.1%
BlackRock	Private Equity fund	1,771	0.1%	1,714	0.0%
Border to Coast Ltd	Share capital	1,182	0.0%	1,182	0.0%
Interest and tax accruals	Cash/Overseas/UK equities	298	0.0%	575	0.0%
Apollo	Multi Asset Credit fund	53,397	1.5%	0	0.0%
CQS	Multi Asset Credit fund	9,789	0.3%	0	0.0%
Outside of BCPP Pool		1,355,253	39.1%	1,354,282	36.3%
Total Net Investments		3,466,542	100.0%	3,731,502	100.0%

NOTE 10(b): INVESTMENT PROPERTIES

The Fund invests in UK property holdings for rental income and capital growth, and to maximise diversification thereby reducing the risk across the portfolio. During 2024/25, the Fund transferred the majority of its directly owned property portfolio into a new Border to Coast Pensions Partnership (BCPP) UK Real Estate Fund.

One property located in Scotland remains in the ownership of Cumbria Pension Fund at 31 March 2026 valued at £3.100m, as shown in the following tables.

Property holdings do not fall into the definition of a financial instrument and therefore are not covered in **Note 11(a)** 'Valuation of Financial Instruments carried at fair value'. However, they are valued at fair value (as detailed in Note 2.9(e)). As these assets are illiquid and prices are not readily quantifiable, they are categorised as level 3 assets in the Fair Value analysis in **Notes 10(e) to (g)**.

'Net rental income from investment property' has been accounted for in the Fund

Account under ‘Net Investment Income’ and is analysed as follows:

	2024/25 £'000	2025/26 £'000
Rental income from investment property	5,244	243
Direct operating expenses arising from investment property	(354)	(108)
	4,890	135

There are no restrictions on the Fund’s ability to realise the value inherent in its one investment property or on the Fund’s right to the remittance of income and the proceeds of disposal. The property is held by a wholly owned nominee company on behalf of the Fund and the Fund is entitled to all income and capital proceeds. The Fund has no contractual obligation to purchase, construct or develop properties, and the Fund has its normal obligations in respect of repairing and maintaining properties where the costs are generally passed onto the tenants where a lease is in place.

The following table summarises the movement in the fair value of investment property over the year:

	2024/25 £'000	2025/26 £'000
Balance at the start of the year	157,675	3,625
Additions:		
Purchases	10,909	-
Subsequent expenditure	263	6
Disposals	(165,135)	-
Net gains/(losses) from fair value adjustments	(87)	(531)
Balance at the end of the year	3,625	3,100

The Fund’s one remaining directly owned property investment is a commercial leased out property, which is an operating lease. The future minimum lease payments receivable under non-cancellable lease in future years are shown below:-

	2024/25 £'000	2025/26 £'000
Not later than one year	192	332
Later than one year and not later than five years	560	1,164
Later than five years	405	265
Total future lease payments due under existing contracts	1,157	1,761

To satisfy the requirements of IFRS 9 Credit Losses, an individual targeted assessment has been performed to quantify possible credit losses (or bad debt provisions) on rental income, rather than adopting a matrix based collective assessment. Historical loss rates have been assessed to adjust forward looking information. A combination of the assessment of historic rental payment trends for individual occupiers by the managing agents, with the use of a credit check risk score based on company accounts, payment information and up to date news reports, gives an individual assessment of balances. Where a provision is recommended, it is for 100% of the arrears rather than on a probability-adjusted basis.

The full potential rental income receivable for the property going forward is currently £0.333m per year, and due to the above targeted and prudent approach to the certainty of payment and bad debt provision, the future lease payments did not need to be reduced by an allowance for expected credit losses.

As at 31 March 2026, an allowance of £0.166m for expected credit loss on outstanding rent arrears (which totalled £0.227m as at 31 March 2025), is recognised within the 'Property rental creditors' figure of £0.310m at Note 10. It is considered that the level of provisioning is appropriately prudent in the context of the financial statements.

NOTE 10(c): PROFIT AND LOSSES ON DISPOSAL OF INVESTMENTS AND CHANGES IN THE MARKET VALUE OF INVESTMENTS

During the financial year the following purchases and sales of investments were made. Purchases and sales also include transfers of investments if appropriate, and cash transfers from and to the Administering Authority.

The table below reconciles the movements in investments and derivatives ('Total net investments') for the current year.

Asset Class	Value at 1 April 2025 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Changes in value during the year £'000	Value at 31 March 2026 £'000
Equities					
UK equities	1,182	-	-	-	1,182
Pooled investment vehicles	1,853,283	419,827	(486,072)	220,302	2,007,340
Other Managed funds	1,564,324	181,146	(204,771)	23,230	1,563,929
Property (See Note 10b)	3,625	6	-	(531)	3,100
	3,422,414	600,979	(690,843)	243,001	3,575,551
Cash & cash equivalents	43,960			(44)	155,511
Amounts receivable for sales	-				-
Investment income accrued	298				575
Property rental debtors	280				175
Amounts payable for purchases	-				-
Property creditors	(410)				(310)
Total Net Investments	3,466,542			242,957	3,731,502

Analysis of gains/(losses) for the year	2025/26 £'000
Realised - Profit and losses on disposal of investments	504,769
Unrealised - Changes in the market value of investments	(261,812)
	242,957

The following table reconciles the movements in investments and derivatives for the previous year.

Asset Class	Value at 1 April 2024 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Changes in value during the year £'000	Value at 31 March 2025 £'000
Equities					
UK equities	1,182	-	-	-	1,182
Pooled investment vehicles	1,924,505	216,711	(277,728)	(10,205)	1,853,283
Other Managed funds	1,261,655	384,046	(131,219)	49,842	1,564,324
Property (See Note 10b)	157,675	-	-	-	3,625
	3,345,017	600,757	(408,947)	39,637	3,422,414
Cash & cash equivalents	53,575			(427)	43,960
Amounts receivable for sales	-				-
Investment income accrued	372				298
Property rental debtors	1,333				280
Amounts payable for	-				-
Property creditors	(2,882)				(410)
Total Net Investments	3,397,415			39,210	3,466,542
Analysis of gains/(losses) for the year					2024/25 £'000
Realised - Profit and losses on disposal of investments					100,742
Unrealised - Changes in the market value of investments					(61,619)
					39,123

NOTE 10(d): INVESTMENTS REPRESENTING MORE THAN 5% OF THE NET ASSETS OF THE FUND

It is a requirement of the Pensions Statement of Recommended Practice (SORP) and the CIPFA Code of Practice on Local Authority Accounting to declare if an investment accounts for more than 5% of the Fund. The occurrences of this within the Cumbria Fund in 2025/26 are six pooled sub-funds managed by BCPP, one unitised insurance fund held with Legal and General, and an infrastructure investment with JP Morgan.

Holding	31 March 2025 £'000	% of Total Net Investments	31 March 2026 £'000	% of Total Net Investments
Border to Coast Pension Partnership Ltd - Global Equity Alpha	770,891	22.2%	403,272	10.8%
Border to Coast Pension Partnership Ltd - Multi Factor Equity	-	0.0%	391,639	10.5%
Border to Coast Pension Partnership Ltd - Overseas Equity	293,167	8.5%	376,085	10.1%
Border to Coast Pension Partnership Ltd - Infrastructure funds	232,715	6.7%	279,422	7.5%
Border to Coast Pension Partnership Ltd - Private Equity funds	217,940	6.3%	246,372	6.6%
Border to Coast Pension Partnership Ltd - Private Credit funds	190,220	5.5%	244,022	6.5%
Investments over 5% managed by Border to Coast	1,704,933	49.2%	1,940,812	52.0%
Legal and General Over 5 Yr Index-Linked Gilts Index	498,387	14.4%	554,364	14.9%
Investments over 5% managed by Legal and General	498,387	14.4%	554,364	14.9%
Other pooled investments over 5% of Net Investment Assets				
JPMorgan - Institutional Infrastructure fund	192,924	5.6%	202,489	5.4%
	2,396,244	69.2%	2,697,665	72.3%

During 2024/25 Cumbria LGPS agreed a revised structure for the public equity allocation and completed the transfer between funds in 2025/26 by moving into a new BCPP Multi Factor Equity fund at its launch. To address an overweight position which had developed due to growth in equity values, the Fund withdrew £35m from L&G FTSE World Equity fund to rebalance into index-linked gilts. The Fund also withdrew £45m from BCPP equity investments to deploy into private market assets.

NOTE 10(e): FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value.

Description of Asset/Liability	Basis of Valuation	Observable and unobservable inputs	Key Sensitivities affecting the valuations provided
LEVEL 1			
Cash and cash equivalents	Carrying value is fair value because of short-term nature (daily access)	Not required	Not required
LEVEL 2			
Pooled investments - unithised funds with underlying assets in quoted equity (UK or overseas), quoted fixed income, index-linked gilts or cash	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis	Not required
LEVEL 3			
Investment Properties: Freehold and leasehold properties and property funds	The properties are valued at fair value at the year-end using the investment method of valuation by independent valuers Knight Frank LLP in accordance with the <i>RICS Valuation Global Standards</i> (incorporating the International Valuation Standards) and the UK national supplement ("the Red Book") current as at the valuation date.	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Private equity and other private market assets (Pooled funds in infrastructure, private equity, private debt, unquoted multi-asset credit)	Investments in private equity funds and unquoted limited partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.	Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

NOTE 10(f): FAIR VALUE – SENSITIVITY OF ASSET VALUES AT LEVEL 3

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above for the Level 3 investments are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of Level 3 investments held at 31 March 2026.

	Assessed valuation range (+/-)	Value at 31 March 2026 £'000	Value on increase £'000	Value on decrease £'000
Private market funds - Infrastructure	6.7%	600,422	640,650	560,194
Private market funds - Private Equity	6.7%	382,966	408,625	357,307
Private market funds - Private Debt	4.8%	313,353	328,394	298,312
Property - direct and pooled funds	2.1%	270,288	275,964	264,612
Total		1,567,029	1,653,633	1,480,425

Further details on estimates and sensitivities of values are set out in **Note 22** to the Accounts (Critical judgements in applying accounting policies and the use of estimates and uncertainties).

Potential price changes are determined based on the observed historical volatility of the Fund's own asset class returns. The potential volatilities represent a one standard deviation movement in the change in value of the assets over the latest three years (i.e. 68% of the observed values were within these ranges). This volatility can be applied to the investment assets of the Fund at the period end in the above table to show the potential increase and decrease of value.

NOTE 10(g): FAIR VALUE – HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair value. Transfers between levels are recognised in the year in which they occur.

To show the liquidity of the assets the Fund holds, under IFRS the valuation of investments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The aim being to show how much can be easily liquidated and thereby readily made available as cash if required with level 1 representing the most liquid and level 3 the most illiquid. This illiquidity assessment is subjective. As with any assessed additional investment risk investors should expect to be rewarded for illiquidity through higher investment returns.

To ensure that it continues to meet its funding target the Fund seeks to generate excess returns on investments at an acceptable level of risk. To do this the Fund diversifies across asset classes, managers and products, making use of its strong covenant as an open Public Sector Pension Scheme. As such it can take advantage of the potentially higher returns offered for investing in more illiquid asset classes such as private equity and infrastructure. Thus, the liquidity or how easily a financial asset can be quantified at a point in time does not automatically equate to the benefit of it to the Fund, merely how readily it can be realised as cash if required.

Level 1: 4% of Total Investments (2024/25: 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 are mainly quoted equity shares, quoted fixed interest securities,

quoted index linked securities, cash and unit trusts that can be freely traded in active markets.

These are considered the most reliably quantifiable and easily liquidated i.e. converted into cash, assets carrying the lowest valuation and liquidity risk.

Level 2: 54% of Total Investments (2024/25: 54%)

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 techniques used are based significantly on observable market data.

While these assets are not usually convertible into cash immediately, they are still considered to be relatively liquid with easily verified and relatively certain asset pricing of the underlying stocks if not the pooled fund itself.

This includes pooled funds where the underlying assets are quoted assets such as equity and fixed interest bonds. Though the funds themselves are not traded on active markets, they have pre-set, often weekly trading dates, such that liquidation is relatively easy with a short lead-in time.

Level 3: 42% of Total Investments (2024/25: 45%)

Assets and liabilities at level 3 are those where quoted market prices are not available and at least one input that could have a significant effect on the valuation is not based on observable market data.

For many of these assets, prices are not readily quantifiable, and they often prove to be the most illiquid. As such they hold both the highest liquidity and valuation risk.

Such investments include unquoted equity investments, limited partnerships and property, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. These estimation techniques are referred to in **Note 2**. The investment may be tied in for some time (in particular with private equity) and withdrawal would take longer than levels 1 or 2. The values of funds are based on the net asset value provided by the fund manager. Assurances are gained from the fact that valuations are audited for each investment manager by their respective auditors and reported to the Fund.

The following tables provide 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. Those current and long term assets/liabilities detailed in **Note 10** Investment Assets which are not measured at 'fair value through profit and loss' have not been included in this or the following table.

	31 March 2025				31 March 2026			
	Quoted market price	Using observable inputs	With significant unobservable inputs	Total	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Level 3 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Level 3 £'000
Financial assets at fair value through profit and loss								
Unquoted Equities (shares in BCPP Ltd)	-	-	1,182	1,182	-	-	1,182	1,182
Pooled Investments	-	1,853,283	1,564,324	3,417,607	-	2,007,340	1,563,929	3,571,269
Cash & cash equivalents	50,848	-	-	50,848	156,615	-	-	156,615
Total Financial assets at fair value through profit and loss	50,848	1,853,283	1,565,506	3,469,637	156,615	2,007,340	1,565,111	3,729,066
Investment properties (Non-financial assets) at fair value through profit and loss	-	-	3,625	3,625	-	-	3,100	3,100
Total Investments at Fair Value	50,848	1,853,283	1,569,131	3,473,262	156,615	2,007,340	1,568,211	3,732,166
Percentage of Total Investment:	1%	54%	45%	100%	4%	54%	42%	100%

NOTE 10(h): RECONCILIATION OF FAIR VALUE MEASUREMENT WITHIN LEVEL 3

The following table sets out the reasons for movement in the valuations within the Fund’s assets categorised at level 3. More information regarding transfers is provided below the table as appropriate. Unrealised and realised gains and losses are recognised in the ‘profit and losses on disposal and changes in market value of investments’ line of the Fund Account.

Period 2025/26	Market value 1 April 2025 £'000	Transfers into level 3 £'000	Transfers out of level 3 £'000	Purchases during the year and derivatives payments £'000	Sales during the year and derivatives receipts £'000	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Market value 31 March 2026 £'000
Unquoted Equities	1,182	-	-	-	-	-	-	1,182
Level 3 pooled investments (i.e. Other managed funds)	1,564,324	-	-	181,146	(204,771)	27,653	(4,427)	1,563,925
Investment Properties	3,625	-	-	6	-	-	(531)	3,100
	1,569,131	-	-	181,152	(204,771)	27,653	(4,958)	1,568,207

NOTE 11: FINANCIAL INSTRUMENTS

Accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses, including fair gains and losses, are recognised. Investment property is not a financial instrument and as such does not

feature in any but the first of the following tables. The following table analyses the fair value amounts of financial assets and liabilities by category, and the net gains and losses. No financial assets were reclassified during the accounting period.

The Net Assets of the Fund can be classified as Financial Instruments and Investment Property as follows:

	31 March 2025 £'000	31 March 2026 £'000
Financial Instruments	3,464,771	3,722,276
Statutory debts / liabilities & provisions	7,294	7,278
Investment Property	3,625	3,100
Net Assets of the Fund	3,475,690	3,732,654

NOTE 11(a): CLASSIFICATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The following table analyses the carrying amount of financial instruments by category and net asset statement heading.

	31 March 2025				31 March 2026			
	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CLASSIFICATION								
Financial Assets								
Investments								
Equities	1,182	-	-	1,182	1,182	-	-	1,182
Pooled investment vehicles	3,417,607	-	-	3,417,607	3,571,269	-	-	3,571,269
Cash & cash equivalents	42,082	8,766	-	50,848	150,013	3,402	-	153,415
Investment receivables/debtors	-	578	-	578	-	750	-	750
Current & long-term assets	-	2,198	-	2,198	-	256	-	256
	3,460,871	11,542	-	3,472,413	3,722,464	4,408	-	3,726,872
Financial Liabilities								
Investment payables/creditors	-	-	(410)	(410)	-	-	(310)	(310)
Current/long-term liabilities	-	-	(7,232)	(7,232)	-	-	(4,286)	(4,286)
Total Financial Instruments	3,460,871	11,542	(7,642)	3,464,771	3,722,464	4,408	(4,596)	3,722,276
ANALYSIS OF NET GAINS AND (LOSSES) FOR YEAR ENDED 31st MARCH								
Financial Assets	39,210	-	-	39,210	243,488	-	-	243,488
Financial Liabilities	-	-	-	-	-	-	-	-
Total Net Gains/(Losses)				39,210				243,488

The values shown in the above table for 'Assets at amortised cost' and 'Financial liabilities at amortised cost' are equivalent to the fair value.

NOTE 12: CURRENT ASSETS

Revenue transactions are recorded on a system of receipts and payments. Capital and income accruals (debtors) have been introduced in respect of major items of income

due but not received at 31 March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2025 £'000	31 March 2026 £'000
Cash balances	6,888	1,104
Current Debtors		
Contributions due	8,711	8,713
Miscellaneous	2,201	259
Total Current Debtors	10,912	8,972
Total Current Assets	17,800	10,076

Cash balances held by the Administering Authority are variable as the need arises to have cash available for pension payments and deployment into new investments.

Contributions due at 31 March vary from year to year, depending on the actual dates that payments are made by employers in respect of contributions and in settlement of invoices.

NOTE 13: CURRENT LIABILITIES

Payments during the year have been converted to an expenditure basis by the introduction of capital and expense accruals (creditors), to record significant amounts owed at 31 March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2025 £'000	31 March 2026 £'000
Current Creditors		
Investment Managers fees	7	28
Tax payable	1,420	1,438
Miscellaneous	7,225	4,258
Total Current Liabilities	8,652	5,724

NOTE 14: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Pension Fund maintains positions in a variety of financial instruments including bank deposits, equity instruments, fixed interest securities. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk. These risks are a function of investing and cannot be completely avoided. They are however closely monitored and where possible appropriate mitigation methods are used to limit the Fund's exposure.

The following table presents a summary of financial risks to provide an overview of the different types of risks that apply to the asset categories held by the Fund, with the corresponding values of those assets to provide context. The darkness of each marker against the asset categories indicates the varying degree to which the respective risk affects the different assets and thereby allow for comparison.

Summary of Financial Risks	Credit Risk	Market Risk				2024/25 £'000	2025/26 £'000
		Foreign Exchange	Interest rate	Liquidity	Other risks		
UK Equities	●	●	●	○	●	66,165	79,556
Overseas Equities	●	●	●	○	●	1,125,369	1,205,582
Index Linked Gilts	○	○	●	○	●	498,387	554,364
Property *	●	○	●	●	●	3,625	3,100
Alternative Investments	●	●	●	●	●	1,728,868	1,732,949
UK Cash	●	○	●	○	●	42,758	138,792
Overseas Cash	●	●	●	○	●	8,090	17,823
Total Investments at Fair Value						3,473,262	3,732,166

In the above table the risks noted effect the asset class either:

○ Minimally ● Partially ● Significantly

* Property is not a Financial instrument, it has been included above to provide a complete picture of investment assets.

Overall Procedures for Managing Risk

The principal powers under which a LGPS invests are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and require an Administering Authority to invest any pension scheme money that is not needed immediately to make payments from the Fund. These regulations require the Fund to formulate a policy for the investment of its Fund money. Cumbria LGPS practices are outlined in the Fund Policy Documents and can be found on-line on the Cumbria Pension Fund website under 'Forms and Publications / Policies'.

With regards to investing, to minimise risks in this area the Administering Authority's risk management procedures focus on the unpredictability of financial markets, implementing operating restrictions on managers and diversification across the managers and asset classes within the portfolio.

The Fund annually reviews its policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed. These are detailed in the Fund's Investment Strategy Statement.

The Investment Strategy Statement (ISS) and the Cash Investment Policy can both be found in the Fund Policy Documents published on-line, on the Cumbria Pension Fund website under 'Forms and Publications / Policies'.

The Fund keeps its Investment Strategy under continual review. Local Government Pension Schemes have a long term liability profile, and their investment strategy should be undertaken with a view to matching this. Switching asset allocations is expensive, resource intensive and time consuming. While conducting an annual review to keep abreast of trends in market conditions and liability profiles (e.g. discounted future pensions payments) is appropriate, a more detailed review, leading to material changes in asset classes should only be undertaken every 3-5 years.

The current Investment Strategy was agreed in June 2024 with the Pensions Committee approving a target investment asset allocation, along with the required changes to the Fund's Investment Strategy Statement. Follow up work regarding the equity allocation was considered by the Investment Sub-Group and Pensions Committee in 2025. During 2025/26, the Fund began a full Investment Strategy Review, to include a review of its Investment Beliefs and its Responsible Investment policy. In March 2026, the Pensions Committee approved revised Investment Beliefs, and from June 2026 onwards will consider a revised Investment Strategy, including the target investment asset allocation, along with the required changes to the Fund's Investment Strategy Statement. The key theme is 'evolution, not revolution' and the weightings in the main building blocks of assets (growth, fixed income, real assets) remain very similar to previously.

As at 31 March 2026, the Fund had in place a longer-term target strategic allocation. Undertaking reviews to continually evolve the strategy, ensures the Fund fully considers the risk being taken within the investment portfolio, and therefore challenges its ability to meet the Actuarial objectives of the Fund.

The key elements considered in the design of the Fund's strategic asset allocation, were:

- Return generation – the Fund needs to continue to generate sufficient return to meet its liabilities.
- Stability for employers - a strategy needs to deliver both a return in line with the funding strategy and reduced volatility to help protect those employers with lower funding levels which are therefore more vulnerable to sudden changes in employer contributions.
- Inflation risk – the Fund's inflation-linked discount rate means that it is largely protected against day to day inflation volatility. However, the Fund recognises that, as part of its diversified portfolio, it requires allocations to assets that are linked to inflation e.g. long lease property, index-linked gilts and infrastructure equity/debt, to maintain its strong funding position.
- Illiquidity premium – the Fund is long-term and can lock up capital for longer to take advantage of the additional premium this offers. The Strategy seeks to increase the Fund's exposure to less liquid assets in order to benefit from the illiquidity premium.

The targeted investment asset allocation is specified in the Fund's Investment Strategy Statement, which has been agreed by the Pensions Committee, and also includes a section detailing the Fund's Investment Beliefs.

The Pensions Committee reviews the total Fund investment performance against its bespoke total benchmark return on a quarterly basis. Individual managers' performance is monitored by the Investment Sub-Group and reported by exception to the Pensions Committee quarterly, enabling Committee time to focus on more strategic issues such as risk and wider governance. Performance of the external Investment Managers is compared to both benchmark and target returns, and against a wider set of metrics. The Investment Sub-Group and associated governance processes have been developed and strengthened over the 10+ years it has been in place. The process continues to evolve as the Fund continues to enhance its governance and monitoring.

As a further control, a substantial amount of due diligence is performed at the appointment stage both by Officers and the Fund's independent advisors and / or consultants to ascertain managers' risk control, audit and monitoring procedures.

Credit Risk

Credit Risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into. In essence the Fund's entire investment portfolio is exposed to some form of credit risk. The market values of investments generally reflect an assessment of credit in their pricing. Consequently, the risk of loss is implicitly provided for in the carrying values of the Fund's financial assets and liabilities. In addition to this, 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. The Fund has had no experience of default or uncollectable deposits over recent years.

Through review of annual internal control reports from the Fund's external Investment Managers the Fund monitors its exposure to credit and counterparty risk. This review is aimed at ensuring that Managers exercise reasonable care and due diligence in its activities on behalf of the Fund.

The Fund's cash and cash-like holdings as at 31 March 2026 were £1.104m (2024/25: £6.888m) within current assets (see **Note 12**), and £155.511m (2024/25: £43.960m) shown as cash and cash equivalents within investments (see **Note 10**). These funds were held in cash awaiting drawdowns for new investments. The credit ratings of the accounts and funds were as follows:

Cash and Cash Equivalents	Rating at 31 March 2026	Balances as at 31 March 2025 £'000	Balances as at 31 March 2026 £'000
Money Market Funds			
Northern Trust GBP Liquidity Fund	AAA	33,995	132,192
Northern Trust USD Liquidity Fund	AAA	5,273	11,436
Northern Trust EUR Liquidity Fund	AAA	2,814	6,385
Federated Prime GBP Liquidity Fund	AAA	-	3,200
Bank deposit accounts			
National Westminster Bank	A+	6,888	1,104
Bank current accounts			
Barclays Bank	A+	729	224
Northern Trust Company (GBP)	AA	1,146	2,073
Northern Trust Company (USD, EUR)	AA	3	1
Total		50,848	156,615

Market Risk

Market value risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk reflects interest rate risk, currency risk and other price risks.

The Fund is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Fund's assets failing to deliver the returns required to match the underlying liabilities of the Fund over the longer term.

To mitigate against market value risk, the Fund has set restrictions on the type of investment it can hold. These restrictions are subject to investment limits, in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. Details can be found in the Fund's Investment Strategy Statement (ISS). The Fund has adopted a specific benchmark and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. This allocation is designed to diversify the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic / political regions within each asset class.

Mitigation against market risk is also achieved by diversification across multiple underlying Investment Managers and regularly reviewing the Investment Strategy and performance of the Fund. On a daily basis, Investment Managers will manage risk in line with policies and procedures put in place in the Investment Manager Mandates and ensure that the agreed limit on maximum exposure to any issuer or class is not breached.

To increase diversification across the Fund and, amongst other things, further reduce the Fund’s overall market risk, the Investment Strategy includes private market asset classes (e.g. infrastructure, real estate debt, private equity secondary funds, royalties, private market loans) which the Fund is now investing in.

Market Risk – Sensitivity Analysis

The Fund’s funding position is sensitive to changes in market prices (which affect the net assets available to pay benefits) and the Consumer Price Index (CPI) (which affect the value placed on the Fund’s liabilities). The valuation of liabilities is based on a CPI+ model in the actuarial valuation.

Potential price changes are determined based on the observed historical volatility of the Fund’s own asset class returns. Historical evidence suggests that ‘riskier’ assets such as equities are expected to display greater potential volatility than bonds as an example. The potential volatilities represent a one standard deviation movement in the change in value of the assets over the latest three years (i.e. 68% of the observed values were within these ranges). This volatility can be applied to the investment assets of the Fund at the period end in the following table to show the potential increase and decrease of value.

Market Risk - Sensitivity Analysis	2025/26 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Equities	1,285,138	10.1%	1,414,937	1,155,339
Index-linked gilts	554,364	11.5%	618,116	490,612
Infrastructure funds	600,422	6.7%	640,650	560,194
Private Equity funds	382,966	6.7%	408,625	357,307
Private Debt funds	313,353	4.8%	328,394	298,312
Fixed Income/Multi Asset Credit	169,020	2.7%	173,584	164,456
Property and property funds	270,288	2.1%	275,964	264,612
Cash	156,615	7.1%	167,735	145,495
	3,732,166		4,028,005	3,436,327

Foreign Exchange Risk

The Fund holds a range of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. At 31 March 2026, the Fund had overseas investments of £2,356.958m denominated in currencies other than sterling.

To assess the risk the Fund is exposed to as a result of holding these currencies, taking into account information provided by Pensions & Investment Research Consultants Ltd (PIRC), it is considered that the movements shown below are a reasonable measure to apply to the currencies. The potential volatilities represent a one standard deviation movement in the volatility of currencies over the latest three years (i.e. 68% of the

observed values were within these ranges). The use of actual data is included in the 3 year period being assessed to develop the volatility percentages.

The impact of these movements in the value of foreign currencies against sterling would be to increase (or decrease) the fund value by approximately £143.531m, or 3.8% of the Fund’s total value.

Foreign Exchange - Sensitivity Analysis	2025/26 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
US Dollar denominated assets	1,591,408	6.8%	1,699,624	1,483,192
European currency denominated assets	355,684	3.3%	367,422	343,946
Other currency denominated assets	346,715	6.8%	370,292	323,138
UK assets within Global equity funds	63,151	0.0%	63,151	63,151
	2,356,958		2,500,489	2,213,427

Foreign Exchange – Derivative Contracts

One way for pension schemes to reduce the volatility from their foreign currency exposures is to convert these exposures back to the domestic currency – this process is known as currency hedging. Some funds chose to hedge some of their foreign currency exposure to minimise potential losses due to adverse currency movements between the purchase and sale of an asset. As such, during recent Investment Strategy Reviews the Fund’s approach to hedging has been reviewed.

The conclusion was that the Fund should hold its more stable contractual mandates (such as private debt and infrastructure) in sterling share classes where possible.

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 UK Bank Rate had been 4.50% in March 2025 and was decreased in the twelve months, to 3.75% in March 2026. The interest rate risk is that if rates rise, it causes the value of bonds and bond funds to fall.

The Fund’s direct exposure to interest rate movements is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value. Therefore a 0.75% change in interest rates (which would bring the base rate up to 4.50% or down to 3.00%) will increase or reduce the Fund's return by £5.332m (2024/25 £4.119m) on an annualised basis.

Assets exposed to interest rate risk	31 March 2025 £'000	31 March 2026 £'000
Fixed interest securities (including pooled investments)	498,387	554,364
Cash and cash equivalents	8,766	3,402
Money market funds and pooled cash vehicles	42,082	153,213
	549,235	710,979

Liquidity Risk

Liquidity Risk is the risk that the Fund will not be able to meet its financial obligations when they fall due.

The main liquidity risk for the Fund is not having monies available to meet commitments to make pension payments to members as they fall due. The Administering Authority, with the Actuary, frequently reviews the overall cash flow position of the Fund to ensure its obligations can be covered.

As part of both the Triennial Valuation and the investment reviews, Fund membership and projected maturity profiles are reviewed. Currently the Fund is cash positive (i.e. it collects more in annual income from contributions and investments than it requires to fulfil all obligations).

In 2025/26, as in past years, the Fund experienced a contribution cash deficit, i.e. the income received from contributions from members and employers was less than payments paid to members.

On advice from the Fund's Actuary it is projected that the Fund will remain cash positive (including yield from investments) for the medium term. However, cash flow projections were reassessed following the 2025 Actuarial Valuation to ensure that the Fund receives a stream of investment income in an efficient manner.

Note 10(g) explains the Fair Value hierarchy and how the Fund holds a large value of very liquid securities which could be promptly realised if required (levels 1 and 2). As at 31 March 2026 the value of assets which could be converted to cash within three months, without significant loss to the Fund, is £2,163.955m, i.e. 58% of net assets (31 March 2025 £1,904.131m). The value of the illiquid assets including investment properties was £1,568.211m which represented 42% of net assets (31 March 2025 £1,569.131m).

External Investment Managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions. The Fund's investments in unitised pooled funds are largely made up of listed securities on major stock exchanges and are therefore considered readily realisable.

The current liabilities of the Fund (see **Note 13**) are all due within 12 months from the Net Assets Statement date. The Fund has no long-term liabilities over 12 months.

Counterparty Risk

The principal mitigation of the counterparty risk on investment assets including foreign currency trades is the rigour of the counterparty selection and monitoring process. Trades are only executed with approved counterparties, who have satisfied requirements in terms of market capability and credit standing. The list of potential counterparties is subject to approval and monitoring by advisors and investment managers as part of the oversight of risks. Subject to overriding requirements as the Fund's fiduciary agent to demonstrate best execution, they will assess and choose the preferred counterparty from the list for any particular trade against the following criteria:

- previous dealing experience of the counterparty,
- level of confidence in the counterparty's ability to absorb a trade of that size, based on ongoing research into the capabilities of the main counterparty banks, and
- the bank's position in the market for sourcing Private Finance Initiative (PFI), corporate, utility and other non-government sources of inflation-linked debt.

Neither the investment manager nor any of its related companies would act as counterparty in a deal they traded. As part of the manager's credit and counterparty risk framework, the creditworthiness of all counterparties is reviewed on a regular basis.

Settlement Risk

If the counterparty fails on the settlement date itself, and more specifically if it fails after the Fund has delivered payment but before the counterparty has delivered its payment then there would be a small time-limited risk of payment versus non-payment. This occurs when a party faces possible loss between the time a settlement payment is made and a payment is received on the same business day. This risk is more frequent in exchange of different currencies. Investment managers usually apply operational settlement netting, thus allowing clients to reduce their settlement exposures by having smaller amounts due to or from them.

Unquoted Investments

The Fund holds significant amounts of unquoted securities and has increased since the pooling of investment assets in the LGPS and the creation of the BCPP pool to do so. It is also due to the fact that the unitised insurance policy held by the passive manager, Legal and General, is invested in unquoted, unitised, index-tracking funds, used as an efficient liquid method of investing in the asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as bonds and equity.

The Fund has allocations to unquoted pooled investment vehicles including infrastructure, pooled property funds, private loan funds and other pooled investments. These provide an efficient method of accessing exposure to these assets for a fund of Cumbria’s size.

Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31 March. Unquoted pooled investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. The valuations are audited for each investment manager by their respective auditors and reported to the Fund as clients.

The unquoted investments held at 31 March 2026 are as follows:

Asset Class	2024/25 £'000	2025/26 £'000	Manager	Holding Details
Pooled investment vehicles				
Managed by Pool	1,293,585	1,418,390	Border to Coast	UK, overseas and global equity, fixed income multi-asset fund
	232,715	279,422	Border to Coast Cumbria LP	Infrastructure funds
	217,940	246,372	Border to Coast Cumbria LP	Private Equity funds
	190,220	244,022	Border to Coast Cumbria LP	Private Credit funds
	167,796	170,304	Border to Coast	UK Real Estate fund
	6,963	13,992	Border to Coast Cumbria LP	Climate Opportunities fund
	2,070	4,718	Border to Coast Cumbria LP	UK Opportunities fund
Unitised insurance policies	559,698	588,950	Legal and General	Index tracking funds
Other managed funds	192,924	202,489	JP Morgan	Infrastructure fund
	71,389	56,433	Partners Group	Infrastructure funds
	71,721	48,577	Partners Group	Private Market Credit funds
	62,241	47,403	Pantheon	Private Equity funds
	43,183	43,369	abrdrn (formerly Aberdeen SL Capital)	Infrastructure fund
	45,640	40,022	Patria (formerly Aberdeen SL Capital)	Private Equity funds
	34,152	33,978	Aviva	Property fund
	31,901	32,682	M&G	Property fund
	30,586	30,224	Hearthstone	Residential Property fund
	48,122	29,904	Healthcare Royalty Partners	Royalties funds
	29,076	20,754	Barings	Private Loan funds
	20,730	17,551	Unigestion	Private Equity funds
	1,771	1,714	BlackRock	Private Equity fund
	53,397	-	Apollo	Multi Asset Credit fund
	9,789	-	CQS	Multi Asset Credit fund
UK equity unquoted	1,182	1,182	Border to Coast	Company share capital
	3,418,791	3,572,452		

NOTE 15: ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Fund operates an additional voluntary contribution scheme. Employees are allowed to pay voluntary contributions to one of three independent AVC scheme providers. To comply with Regulation 4(1)(b) of the Local Government Pension

Scheme (Management and Investment of Funds) Regulations 2016 the transactions are treated separately to the Fund’s accounts and therefore do not form part of these accounts.

The three AVC providers offered by the Fund are Prudential Assurance Company, Standard Life and Scottish Widows. The Fund gives no guarantee of investment performance of the providers and makes no contribution to the employees’ funds. The previous scheme on offer to employees was the Equitable Life Assurance Society but in December 2000 it stopped accepting new business. From January 2020, the Equitable Life AVC closed with investments transferring to Utmost Life.

The values of the three active schemes for Cumbria LGPS, along with the value of Utmost Life, are shown below:

	2024/25 £'000	2025/26 £'000
Standard Life	368	368
Scottish Widows	820	748
Utmost Life	279	251
Prudential Assurance Company	7,265	9,467
Total AVCs	8,732	10,834

AVC contributions of £3.002m were paid from employees to the providers during the year, or via their employer as part of a salary sacrifice shared cost AVC scheme.

Members have the option of contributing to the various Schemes offered by their chosen provider. The purpose of contributions paid by a member is the securing of a pension at retirement, usually by taking a lump sum payment, buying an annuity or transferring the investment into the main Scheme. The investment could be realisable earlier in the event of a member’s death before retirement.

NOTE 16: RELATED PARTY TRANSACTIONS

In day-to-day operations the Fund has many transactions with Westmorland and Furness Council as the Administering Authority of the Fund, including the pension contributions as an employer, payments on the Fund’s behalf for manager fees and administration, and recharges for services provided. There are no material transactions in respect of related parties requiring separate reporting. The Fund has not, for example, invested in schemes of economic regeneration sponsored by any of the employing bodies including the Council.

There are normal transactions with all the employers who have members in the Fund, who may be regarded as related parties, predominantly relating to employee and employer contributions. These transactions are reported as part of the income and expenditure statements.

Border to Coast Pension Partnership Ltd (BCPP) is the organisation set up to run pooled LGPS investments for the Fund and 10 other Pension Funds. The company is a private limited company limited by shares and its company registration number is 10795539 (England & Wales). The shares have full voting rights, dividend and capital distribution rights. Westmorland and Furness Council as Administering Authority for the Cumbria Local Government Pension Scheme holds £1 of A Ordinary share capital. For accounting purposes this holding is included and reported within the Cumbria LGPS Annual Report and Accounts.

Following the Government's Fit for the Future Pensions Review and MHCLG not accepting the transitions plan of the ACCESS and Brunel Pools, seven LGPS Funds previously members of the ACCESS Pool indicated their preference to join the existing 11 BCPP funds. This came into effect on 1 April 2026 and therefore does not affect the 2025/26 reporting year.

There are no material transactions in respect of related parties requiring separate reporting for 2025/26.

Senior employees of the main Employer organisations within the Cumbria Local Government Pension Scheme (LGPS), Members of the Cumbria Pensions Committee and Cumbria Local Pension Board, and senior officers with significant influence on the Fund are required to complete an annual declaration on related parties. The 2025/26 returns revealed no material transactions between the members/officers and their families affecting involvement with the Fund.

Related parties' returns are also sent to the main employer organisations, and the aim is for receipt of returns to cover at least 85% of the active membership. This target has been exceeded in 2025/26, with 90% coverage.

The Fund publishes a specific Conflicts of Interest policy in compliance with the Pension Regulator's General Code of Practice, which sets out the responsibilities of those charged with the management and governance of the Cumbria Pension Fund. In addition, each member of the Pensions Committee formally considers conflicts of interest at each meeting, and the outcome is declared in the public minutes. Any transactions as have been identified are either non-material or are associated with the normal activities of the individuals in question.

Key Management Personnel

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in Section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit (England) Regulations 2015) satisfy the key management personnel disclosure

requirements of paragraph 17 of IAS 24. This applies equally to the accounts of Cumbria Local Government Pension Scheme.

The Fund does not employ any staff directly. Westmorland and Furness Council employed the staff involved in providing the duties of the Administering Authority (excluding the pensions administration service which is provided by 'LPPA') for the Fund. Disclosures of the remuneration awarded to key management personnel is therefore included in the officers' remuneration disclosure in the notes to the Westmorland and Furness Council Annual Financial Report 2025/26 (see Note 14 to those statements).

In the interests of transparency, the Fund has incorporated disclosure of the remuneration of Senior Officers employed by Westmorland and Furness Council and elected Members who have responsibility of the management of the Fund to the extent that they have power to direct or control the major activities of the Fund (in particular activities involving the expenditure of money) whether solely or collectively with other persons.

Notes on below table:

- Salary - includes salary in respect of the post and other payments received by the officer, for example, allowances for special duties.
- Benefits in Kind – includes expense allowances liable for taxation including for example, travel and mileage expenses. For 2025/26 the Council's mileage rate, applicable for the reimbursement of business mileage travelled, was at or below the HMRC rate so there is deemed to be no benefit received. There were no benefits in kind in 2025/26.
- Westmorland and Furness Council's Employer's Future Service Rate – LGPS 18.9%.
- Time spent on LGPS – as noted above no officers are employed by Cumbria LGPS. The Fund is therefore charged by Westmorland and Furness Council for the time spent by officers undertaking Scheme work. These percentages are the time spent by Senior Officers during 2025/26 on Cumbria LGPS specific work.
- In addition to the basic allowance paid to elected members of Westmorland & Furness Council, the Chair of the Pensions Committee receives a Special Responsibility Allowance. This allowance in 2025/26 was £7,140.
- The Independent Chair of the Local Pension Board received remuneration of £10,000 during 2025/26 in relation to his role.
- Other Members of the Pensions Committee and Local Pension Board are not remunerated for their attendance.

2025/26 Remuneration as charged to Cumbria LGPS of Senior Officers of Westmorland & Furness Council who had significant management responsibilities for Cumbria LGPS:

Post Title	Salary recharged to Cumbria LGPS £	Total Remuneration excluding pension contributions recharged to Cumbria LGPS £	Employer's Pension contributions recharged to Cumbria LGPS £	Total Remuneration including pension contributions recharged to Cumbria LGPS £
Director of Resources (S151 Officer) (from 1 June 2025)	13,803	13,803	2,240	16,043
Senior Manager – Cumbria Pension Fund (Deputy S151 Officer - LGPS)	83,932	83,932	14,520	98,452
	97,734	97,734	16,760	114,495

2024/25 Remuneration as charged to Cumbria LGPS of Senior Officers of Westmorland and Furness Council who had significant management responsibilities for Cumbria LGPS:

Post Title	Salary recharged to Cumbria LGPS £	Total Remuneration excluding pension contributions recharged to Cumbria LGPS £	Employer's Pension contributions recharged to Cumbria LGPS £	Total Remuneration including pension contributions recharged to Cumbria LGPS £
Director of Resources (S151 Officer)	17,715	17,715	2,943	20,658
Senior Manager – Cumbria Pension Fund (Deputy S151 Officer - LGPS) (from 03 June 2024)	67,323	67,323	11,647	78,970
Interim Senior Manager – Pensions & Financial Services (Deputy S151 Officer - LGPS) (to 02 June 2024)	13,089	13,089	2,265	15,354
	98,128	98,128	16,854	114,982

NOTE 17: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

There are no contingent liabilities or outstanding contractual commitments at 31 March 2026, other than outstanding investment drawdown commitments to be made to closed-ended funds in private markets of c£764m at 31 March 2026.

NOTE 18: CONTINGENT ASSETS

Tax Reclaims

Cumbria Pension Fund has potential claims against some European countries for tax withheld on foreign income dividends. These claims are made on the basis that within the European Union all member states should enjoy the same status. In respect of tax, resident investors should not be treated differently from non-residents.

Fokus Bank: Following the payment of the claim by the French Tax Authorities in 2024-25 there has been no further movement on the remaining claims, the estimated value of Fokus Bank claims still outstanding at 31 March 2026 is £0.497m (value in GBP based on exchange rates at 31 March 2026). These are now the only claims in which the Fund remains as an ongoing participant and this total can be split by region as, Germany £0.288m and Italy £0.209m.

In summary, Cumbria has recovered approximately £0.969m from settled withholding tax claims in the Netherlands, Austria, Norway Spain and France. The fees incurred to date for the tax claims mentioned above total £0.296m and have been charged as expenditure to the fund account in the appropriate accounting period.

Class Actions

Where shareholder value has been eroded by wrongful action by company directors, it may be possible for monies to be recovered via the courts through a shareholder class action against the company or its directors. The Fund uses Institutional Protection Services Ltd to monitor these class actions. The Fund will seek to recover any significant monies due where professional advice has been received detailing that the probability of success is believed to outweigh the additional cost of doing so.

NOTE 19: IMPAIRMENT LOSSES

All outstanding debts for non-recovery of pension overpayments and all other debts raised during 2025/26 are considered to be recoverable with no further impairment beyond the existing provision for credit losses or bad and doubtful debts.

There were no impairments of investments during 2025/26.

Financial Assets That Are Past Due As At 31 March But Not Impaired:

The Fund generally allows a payment period of 30 days. Included within the £9.569m (£10.912m at 31 March 2025) of current debtors (see **Note 12**) is £0.086m of debtors aged between two and six months (£1.270m at 31 March 2025) and £0.334m of debtors aged greater than six months (£0.847m 31 March 2025).

NOTE 20: STOCK LENDING

Stock lending is the loan of specific securities from one investor to another that entitles the lender to continue receiving income generated by the stock plus an additional payment by the borrower. Exposure to risk is reduced by the borrower providing high quality collateral (cash, securities or gilts).

Within the BCPP UK and Global equity sub-funds that the Fund has subscribed to, BCPP actively participates in stock lending and the income from this forms part of the return on the holding. Legal and General also operate a stock lending programme in selective overseas equity markets under strict conditions and income from this forms part of the return on the passive global equity holding.

The Fund had no securities on loan at 31 March 2026 and earned no income directly in 2025/26 through stock lending.

NOTE 21: EVENTS AFTER THE REPORTING DATE

To be completed in final version. There have been no material events after the reporting date that are required to be taken into account in the financial statements.

The Fund's Investment Strategy is positioned to absorb downside risk as well as being targeted at achieving long-term stability and asset growth. This is achieved by diversification across the portfolio (e.g. between asset classes, sectors, risk appetite and geographic regions).

NOTE 22: JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND THE USE OF ESTIMATES AND UNCERTAINTIES

In applying the policies, the Fund has had to make certain judgements about complex transactions, or those involving uncertainty.

Critical Judgements

It is considered that these financial statements do not contain any critical judgements in applying accounting policies.

Use of Estimates and Major Sources of Uncertainty:

Those charged with governance have been provided with further information detailing the use of estimates within these financial statements. This includes the processes and procedures in place including the risks and associated controls so as to ensure that they understand and are content with the levels of scrutiny and controls in place where estimates are applied. This includes estimates used to determine the value of:

- Level 3 assets (as provided by Investment Managers and the underlying independent valuers (where applicable));
- Property (as provided by an independent property valuer); and
- Historic pension liabilities (as assessed by the Fund’s Actuary).

Compliance with IFRS requires the assumptions and uncertainties contained within figures in the accounts and the use of estimates to be explained. Pension Fund Accounts contain estimated figures, taking into account historical experience, current trends and other relevant factors, as detailed in the following table:

Item	Uncertainties	Effect if actual differs from assumptions
Market Value of Investments	<p>Investments at Level 1 & 2 - Valuations depend on market forces impacting the current price of stocks, shares and other investment instruments. Investments have been valued at the IFRS accepted method of ‘Fair Value’ since 2008/09, this being the ‘bid price’ where possible and therefore there is not expected to be any material uncertainty of the valuation of these assets.</p> <p>Investments at Level 3 – the hardest to value holdings often do not depend on market forces but are subject to uncertainties unique to each holding. Valuations are mostly based on future cash flow so will depend on the expectations of the specific income streams and inflation linkage.</p> <p>Property – Fair Value (IFRS 13) valuations use the expected cashflow streams from current leases with reference also to the value of the property on the open market.</p>	<p>For every 1% increase in market value of all assets, the value of the Fund will increase by approx. £37.315m, with a decrease having the opposite effect.</p> <p>Level 3 investments including property – often income will be inflation linked e.g. CPI uplifts, based on throughput e.g. power production or infrastructure usage, or underlying company performance in the case of private equity. If actual outcomes for these variables differ greatly from expectations, valuations can be lower than expected and also higher too. Manager skill and experience is essential in predicting the variables, and planning and controlling the outcomes.</p> <p>Property – when properties are marketed for sale, the bids received from interested buyers can be above or below valuation due to market reasons. For each case the underlying factors would be considered before acceptance or otherwise of the sale.</p> <p>For further information on the Sensitivity of Asset values at Level 3</p>

Item	Uncertainties	Effect if actual differs from assumptions
		including property, please refer to Note 10(f). Further information on the sensitivity analysis of market prices for the Fund's investments (excluding derivatives) is included in the Market Risk section of Note 14.
Pensions Liability (or Surplus)	<p>Assumptions such as mortality expectations, future inflation, returns on investments, and rate of pay increases.</p> <p>For further information on the assumptions contained in the Actuarial valuation, and how sensitive the funding position is to changes in those assumptions, please refer to the published Actuarial Valuation report which is available on the Cumbria Pension Fund website.</p>	<p>The effects on the funding level of changes in the individual assumptions can be measured but interact in complex ways.</p> <p>For instance:</p> <ul style="list-style-type: none"> • a 0.25% increase in life expectancy would result in a £-15m decrease in funding surplus; • a 0.25% reduction in the real investment return achieved would result in a £102m decrease in the funding surplus, or; • a 25% reduction in Asset values would result in a £-869m decrease in the funding surplus; as determined at the 2025 valuation.

The valuation of 'level 3' assets

Valuations for private market investments are received at least a quarter in arrears, and these investments are therefore valued in the unaudited accounts at an estimate to the fair value at 31 March, as best as is available at the time of preparation.

For 31 March 2026, the 31 December 2025 valuations have been the latest available for £382.966m (all) of the private equity investments shown at Note 10 (10.3% of the net investments assets), and further cash transactions up to 31 March are reflected. To remain prudent no assumptions for a value uplift have been incorporated into the estimate to fair value. No private equity March valuations were available at the time of preparation.

Infrastructure and multi-asset private market funds are also valued during the following quarter and for 31 March 2026, the 31 December 2025 valuations have been the latest available for £379.223m of the infrastructure/multi-asset investments shown at Note 10 (10.2% of the net investments assets), and further cash transactions up to 31 March are reflected. To remain prudent no assumptions for a value uplift have been incorporated into the estimate to fair value. March valuations were available at the time of preparation for £202.489m of infrastructure, totalling 5.4% of the net investments.

NOTE 23: ACTUARIAL POSITION OF THE FUND

The Fund Actuary assessed the valuation of the Cumbria Local Government Pension

Scheme as at 31 March 2025 to determine the employer contribution rates with effect from 1 April 2026 to 31 March 2029.

The full Actuarial Valuation Report as at 31 March 2025 is available on the Cumbria Pension Fund website at www.cumbriapensionfund.org.

The Scheme Actuary is also required by the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) to present a statement detailing both the actuarial valuation result and the actuarial value of the Fund’s past service liabilities calculated in a manner consistent with International Accounting Standard 19 (IAS 19). The statement also complies with the requirements of IAS 26.

The calculation of the liabilities in compliance with IAS 19 uses different assumptions than those used for the valuation basis. For example:

- The IAS 19 valuation calculates growth on the basis of bond yields at balance sheet date. The actuarial valuation, whilst also based on bond yields at balance sheet date, will generally look to dampen the effect of any perceived short term market volatility on yields (i.e. it takes a ‘smoothing’ approach).
- The IAS 19 valuation calculation requires that all entities assume their pension Fund grows at a standard rate, whereas the actuarial valuation considers the expected investment return of the assets actually held by the Fund, (e.g. IAS 19 requires that all funds use a generic discount rate whereas the discount rate used by the Fund in the actuarial valuation basis reflects the expected investment return based on the unique combination of assets it holds).

The table below details the valuation of the assets and liabilities of the Fund using both the valuation basis and the IAS 19 methodology.

	31 March 2025 £'m	31 March 2026 £'m
Valuation Basis		
Present value of past service liabilities	(3,093)	(2,902)
Net assets of the Fund	3,543	3,736
Net Surplus (Liability)	450	834
IAS 19 Basis		
Present value of past service liabilities	(2,630)	(2,760)
Net assets of the Fund	3,543	3,736
Net Surplus (Liability)	913	976

The statement from the Scheme Actuary as required by the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) and in compliance with IAS 26 and on the basis of IAS19 is presented below.

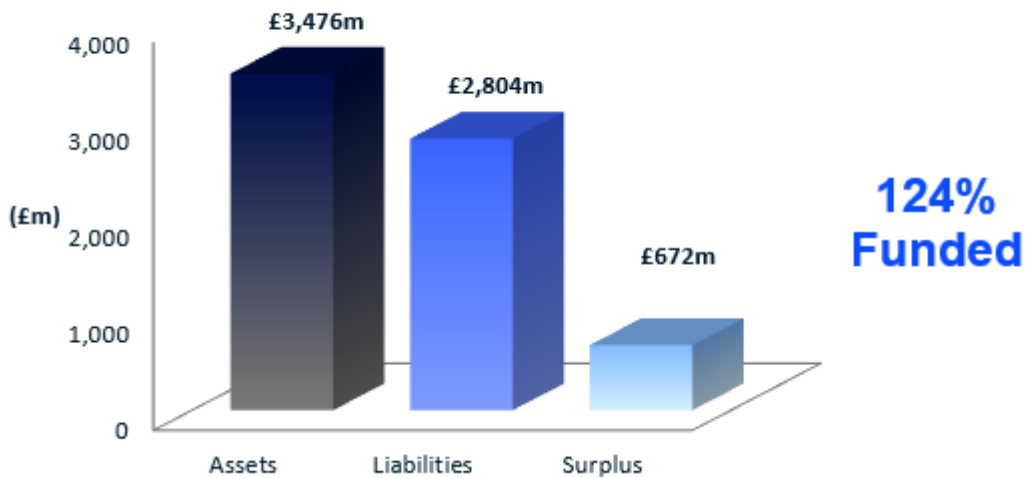


CUMBRIA LOCAL GOVERNMENT PENSION SCHEME
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2026 – STATEMENT BY THE
CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Cumbria Local Government Pension Scheme was carried out as at 31 March 2025 to determine the contribution rates with effect from 1 April 2026 to 31 March 2029.

On the basis of the assumptions adopted, the Fund’s assets of £3,476 million represented 124% of the Fund’s past service liabilities of £2,804 million (the “Solvency Funding Target”) at the valuation date. The surplus at the valuation was therefore £672 million.



The valuation also showed that a Primary Contribution rate of 16.4% of pensionable pay per annum was required from employers. The Primary rate was calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it may be

appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the contributions in respect of any deficit / surplus for each employer. At the 2025 actuarial valuation the average recovery period adopted for employers in deficit was 10 years, and the run off period for employers with a recoverable surplus was 15 years. The resulting total “Secondary Rate” for 2026/29 was, on average, a surplus offset of approximately £29m per annum (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2026.

The valuation was carried out using the projected unit actuarial method. Full yield curves were used in calculating the liabilities and the approximate single equivalent rates for the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary Contribution Rate, were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	5.35% per annum	4.85% per annum
Rate of pay increases (long term)	4.10% per annum	4.10% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.60% per annum	2.60% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2028. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2029.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes. The assumptions adopted are shown in the Appendix.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

	£m
Start of period liabilities	2,630
Interest on liabilities	149
Net benefits accrued / paid over the period*	(59)
Actuarial (gains) / losses (see below)	40
End of period liabilities	2,760

**this includes any increase in liabilities arising as a result of early retirements*

Key Factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased over the year, with a corresponding increase in discount rate from 5.8% p.a. to 6.2% p.a. The long-term assumed CPI also increased over the year from 2.6% p.a. to 2.9% p.a. The net effect is a small reduction in liabilities.
- **Change in demographic assumptions:** As noted in the Appendix, the mortality assumptions have been updated to reflect the latest mortality study carried out for the 2025 actuarial valuation. This acts to slightly reduce the liabilities.
- **Pension increases / inflation experience:** The figures allow for the impact of actual CPI over the year compared to the start of the period assumption (experience to September 2025 fed into the April 2026 pension increase of 3.8%, and actual inflation from that point will feed into the 2027 increase). As

inflation over the year was higher than the long-term assumption, this slightly increases the liabilities.

- **Allowance for 2025 actuarial valuation results:** The figures allow for the now completed 2025 actuarial valuation of the Fund. The effect of this is an increase in liabilities.

Mark Wilson
FIA C. Act

Clive Lewis
FIA C. Act

June 2026

Appendix: Additional Considerations

The “McCloud judgement”: The figures above allow for the impact of the judgment based on the remedy and the data provided for the 2025 actuarial valuation.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

Market volatility: There was significant volatility in markets both shortly before and after the accounting date. The period-end figures reflect market conditions as at the accounting date, but do not allow for any subsequent experience.

Virgin Media Court Case: Our current understanding is that, while HM Treasury are still assessing the implications, they do not believe the case is relevant to public service pension schemes. Given this, and the unknown impact on benefits even if it were to be required, we have not made any allowance for the Virgin Media judgment.

Financial and Demographic Assumptions

To assess the liability of the benefits, we have used the following assumptions as at 31 March 2026 (the 31 March 2025 assumptions are included for comparison):

Financial assumptions

	31 March 2025	31 March 2026
Rate of return on investments (discount rate)	5.80% per annum	6.20% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.60% per annum	2.90% per annum
Rate of pay increases	4.10% per annum	4.40% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	2.70% per annum	3.00% per annum

Post retirement mortality (normal health)

	31 March 2025 (M/F)	31 March 2026 (M/F)
Base mortality table	SAPS 4 / SAPS 4 middle	SAPS 4 / SAPS 4 middle
Future improvements	CMI 23 1.5%	CMI 24 1.5%
Other choices	S=7, A=0 W20=W21=0%, W22=W23=15%	Core Underlying
<i>Non-retired members (currently age 45):</i>		
Weightings	104% / 97%	110% / 99%
Life expectancies at age 65	22.8 / 25.7	22.7 / 25.6
<i>Retired members (current age 65):</i>		
Weightings	100% / 96%	105% / 96%
Life expectancies at age 65	21.5 / 24.0	21.4 / 24.1

The start of period assumptions is set based on the most recent mortality analysis as at the previous accounting date (so from the 2022 actuarial valuation), but with:

- a best estimate long-term improvement rate of 1.5%
- an update to the future improvement model (CMI 2023)
- an update to the base tables (S4 tables, with a reweighting to maintain consistency with the underlying mortality analysis)

The end of period base tables are set based on the updated analysis undertaken as part of the 2025 actuarial valuation (note that the 1.5% improvement rate is still our best estimate assumption).

Other demographic assumptions

The other demographic assumptions as at the start of period are the same as those used for 2022 actuarial funding valuation – full details are set out in the formal report on the actuarial valuation dated March 2023.

Those as at the end of period are the same as those used for the 2025 actuarial funding valuation – full details are set out in the formal report on the actuarial valuation dated March 2026.

NOTE 24: ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Fund is required to disclose information relating to the impact of Accounting Standards that have been issued but have not yet been adopted.

There have been no accounting standards issued but not yet adopted that would materially impact on the 2025/26 financial statements.

NOTE 25: PARTICIPATING EMPLOYERS OF THE FUND

As at 31 March 2026 the scheduled and admitted bodies within the Cumbria Local Government Pension Scheme were:

Employers of the Fund as at 31 March 2026 (total 108)		
Scheduled Scheme Employers (9)	Scheduled Bodies - Academies (cont)	Admitted Bodies Transferee (cont)
Cumberland Council Westmorland and Furness Council Cumbria Commissioner Fire and Rescue Cumbria Chief Constable Cumbria Police, Fire & Crime Commissioner Furness College Kendal College Lake District National Park Authority Lakes College (West Cumbria)	Furness Education Trust George Hastwell School Academy Ghyllside Academy Great Corby Academy James Rennie Academy Keswick Academy Kirkbie Kendal Academy Learning for Life Trust Lunesdale MAT Mater Christi MAT Richard Rose Academies Seaton Academy South Cumbria MAT South Westmorland MAT - Dallam Academy Stanwix School Academy The Good Shepherd MAT Trinity Academy	People First Tullie House Trust
Scheduled Designated Bodies (16)		Admitted Bodies Community (8)
Barrow Forward Ltd Brampton Parish Council Cleator Moor Town Council Cockermouth Town Council Egremont Town Council Grange Town Council Kendal Town Council Keswick Town Council Maryport Town Council Orlan Solutions Penrith Town Council Seaton Parish Council Ulverston Town Council Whitehaven Town Council Wigton Town Council Workington Town Council		Cumbria Cerebral Palsy Eden Housing Association Glenmore Trust Higham Hall Lakeland Arts Trust Morton Community Centre Oaklea Trust West House
Scheduled Bodies - Academy Employers (29)	Scheduled Designated Bodies No Actives (1)	Admitted Bodies No Actives (25)
Appleby Grammar Academy Arnside National CofE Academy Bassenthwaite Academy Branthwaite Academy Burton Morewood Primary Academy Caldew Academy Cartmel Priory Academy Changing Lives Learning Trust Crosby on Eden Academy Cumbria Education Trust Eaglesfield Paddle Academy Energy Coast UTC	Millom Town Council	Bulloughs (Caldew Academy) Carlisle Mencap - Hart St Carlisle Mencap - Huntley Ave Caterlink - Longtown Caterlink - W/Lakes Caterlink - WHT Computeam Ltd Cumbria Deaf Vision Cumbria Teacher Training Cumbria Training Partnership Direct Training Services Egremont & District Pool Trust Henry Lonsdale Trust Kendal Citizens Advice Lake District Cheshire Homes Longtown Memorial Hall Community Centre Mellors Catering Services - Rockcliffe NRCS Ltd (Neighbourhood Revitalisation) Orlan (Ghyllside) Priority Facilities (Ashfield Infs) Priority Facilities (St Mary's, Work) Project Homeless Soundwave Troutbeck Bridge Swimming Pool Wigton Joint Burial Committee
	Scheduled Bodies No Actives (10)	
	Allerdale Waste Services Charlotte Mason College Cumbria Institute of the Arts Cumbria Primary Teacher Training Cumbria Sea Fisheries Dept Constit Affairs (Cumbria Magistrates) Health Authority Port of Workington Practical Alternatives to Custody (Ltd) Water Authority	
	Admitted Bodies Transferee (10)	
	Carlisle Leisure Ltd Caterlink - St Bernard's CHS Dolce Ltd (St Martin & St Mary's) Dolce Ltd (Ulverston Victoria High School) new Greenwich Leisure (Copeland) Greenwich Leisure (South Lakes) Mellors Catering - Appleby Mellors Catering - Kirkby Stephen	