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 2024

	Notes	2022/23		2023/24	
		£000's	£000's	£000's	£000's
Dealings with members, employers and others directly involved in the fund					
Contributions	3		89,588		96,083
Transfers in from other pension funds	4		11,348		6,236
			100,936		**102,319**
Benefits paid	5		(99,033)		(114,305)
Payments to and on account of leavers / employer exit	6		(7,061)		(5,414)
Net additions / (deductions) from dealings with members			**(5,158)**		**(17,400)**
Management expenses	7 & 8		(18,477)		(22,420)
Net additions / (deductions) including fund management expenses			**(23,635)**		**(39,820)**
Returns on investments					
Investment Income		49,542		61,635	
Taxes on Income		(67)		(8)	
Net investment income	9	49,475		61,627	
Profit / (losses) on disposal of investments and changes in the market value of investments	10(d)	(180,240)		222,989	
Net return on investments			**(130,765)**		**284,616**
Net increase (decrease) in the net assets available for benefits during the year			**(154,400)**		**244,796**
Net assets at the start of the year			**3,317,715**		**3,163,315**
Net assets at the end of the year			**3,163,315**		**3,408,111**

NET ASSETS STATEMENT AS AT 31 MARCH 2024

	Notes	31 March 2023 £'000	31 March 2024 £'000
Long-term Investments	10	1,182	1,182
Investment assets	10	3,161,293	3,399,115
Investment liabilities	10	(3,466)	(2,882)
Total net investment assets		**3,159,009**	**3,397,415**
Long term assets		-	-
Current assets	12	6,496	12,544
Long term liabilities		-	-
Current liabilities	13	(2,190)	(1,848)
Net assets of the Fund available to fund benefits at the period end		**3,163,315**	**3,408,111**

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 was administered by Cumbria County Council until 31 March 2023. As a result of Local Government Reorganisation, from 1 April 2023, Cumbria County Council and the six District Councils within the geographical boundary of Cumbria ceased and were replaced by two Unitary Councils: Cumberland Council and Westmorland & Furness Council. As part of this reorganisation, the Administering Authority for Cumbria Pension Fund vested from Cumbria County Council to Westmorland and Furness Council in statutory legislation.

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 2024 the total membership of the Fund was 65,570 (2022/23: 62,278) and consisted of 22,430 contributors/actives (2022/23: 20,453), 23,344 deferred members (2022/23: 22,878) and 19,796 pensioners (2022/23: 18,947). The 2023/24 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 2024 there were 120 (31 March 2023: 125) employer bodies in the Cumbria LGPS (for the full list see **Note 25**). The movement in scheme employer membership was largely influenced by Local Government Reorganisation within Cumbria which saw the former Cumbria County Council and six District Councils leave the Fund and two new Unitary Authorities (Cumberland Council and Westmorland & Furness Council) and the Cumbria Commissioner Fire & Rescue Authority join the Fund. In addition to this, two other employers joined the Fund during the year, two existing employers merged (an Academy joined a Multi Academy Trust), and two other employers left the Fund.

<u>Basis of Preparation</u>:

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. These Accounts (financial statements and certain sections) are included in Westmorland and Furness Council's Annual Accounts.

The Accounts for the Cumbria LGPS summarise the Fund transactions for the financial year 2023/24 and the position at the year-end date, 31 March 2024. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 2023/24

The financial year 2023/24 was mostly focussed on inflationary pressures, the continuing Russian invasion of Ukraine, China's relaxation of its zero-Covid policy, and the impact artificial technology had on boosting technology stocks. The wider global markets remained resilient despite concerns over high inflation, base rate actions, and the prospect that developed economies could enter into recession.

One-year returns in listed equities were positive for the 2023/24 period, with the MSCI All Country World Index recording a return of 20.6% for the twelve months. The UK FTSE All Share index recorded a return of 8.4%, just ahead of emerging markets but trailing most developed indexes. Europe's greater proximity to Russia and Ukraine and its potential to be impacted more seriously by the economic fall-out of the conflict, resulted in the region underperforming the US for the twelve months but still delivering a positive return (Europe ex-UK 13.8% vs North America 26.8%).

The impact on other asset classes was varied. Government bond yields rose as higher inflation and increasing interest rates drove bond values downwards through the year, with the UK Over-5 year index-linked gilts index showing a -6.8% return. The declines in UK real estate capital values moderated over 2023 however property was still impacted by the higher inflation and interest rates, with the MSCI index (UK pension funds below £250m) showing a -0.5% return for the year. Private market assets (i.e. private equity, private debt and infrastructure funds) were relatively stable at protecting capital but, with single digit returns, failed to match the returns from public equities.

NOTE 1 (c): FUND PERFORMANCE 2023/24

As at 31 March 2024 the unaudited value of the Fund's net assets was £3,408.111m (an increase of £244.796m from £3,163.315m as at 31 March 2023). The Fund's Actuary has estimated that the Cumbria LGPS was approximately 110% funded as at 31 March 2024. This was calculated by revising the results of the actuarial valuation as at 31 March 2022 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.

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 7.8% (net of fees) for the year-ended 31 March 2024.

As a long term investor, the Fund is primarily focussed on longer-term performance, It has outperformed its 10 year benchmark, matched the 5 year benchmark and marginally lagged the 3 year benchmarks. The Fund's performance (net of fees) to 31

March 2024 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	7.8%	8.2%	- 0.4%
3 year performance (per year)	4.4%	4.5%	- 0.1%
5 year performance (per year)	5.4%	5.4%	+ 0.0%
10 year performance (per year)	7.3%	6.8%	+ 0.5%

As shown, the Fund's return of 7.8% for the year was below the Fund's bespoke index performance benchmark of 8.2% for the same period. The main detractors from performance against benchmark were assets with absolute or inflation-plus benchmarks. This included the Fund's UK property holdings and private market investments in infrastructure and private equity.

The process of implementing the Fund's agreed strategic asset allocation has been ongoing since 2019, with the associated investment decisions being taken in a managed way. Key changes made in 2023/24 included:

- The continuation of capital drawdowns to previously agreed commitments to infrastructure, private equity and private debt funds;

- 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 selection of suitable investments for the Private Markets portfolio in March 2024, including new investment commitments made to Border to Coast Pensions Partnership Ltd (BCPP) private markets funds to be launched following the year-end (£50m to Border to Coast Infrastructure 2024 and £75m to Border to Coast Private Credit 2024); and

- The selection of two new investments being launched by BCPP from April 2024, that have specific aims and objectives, and will be invested across a number of asset classes. These commitments were £60m to the Climate Opportunities 2024 Fund and £30m to the UK Opportunities Fund.

During 2023/24, the Fund commenced a full Investment Strategy Review, including a review of its Investment Beliefs and its Responsible Investment policy. The Pensions Committee agreed revised Investment Beliefs and a Responsible Investing Policy in December 2023 and March 2024 respectively. In June 2024, the Committee approved 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 was '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 will be take place during 2024/25 to commence implementation towards the agreed new target allocations.

NOTE 1 (d): BUSINESS PLAN ACHIEVEMENTS

2023/24 Business Plan:

All targets set within the 2023/24 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.

- **Continual improvement activities**

  Continual improvement programme for the quality of data held by the Fund. Work undertaken by the Fund and the Fund's pensions administration provider (Local Pensions Partnership Administration, ("LPPA")) has continued to see high levels of common and conditional data scores reported to the Pensions Regulator.

- **Major annual pieces of work**

  Preparation of the Annual Report and Accounts. The 2022/23 Financial Accounts and Annual Report were compiled in accordance with CIPFA's example accounts requirements. The accounts were audited by Grant Thornton, who found that the accounts had been produced to a very high standard. An unmodified opinion was given with no recommendations arising. The auditor formally signed off the accounts on 13 February 2024 and the 2022/23 Annual Report (including draft financial statements) was published on 1 December 2023 in line with regulatory timeframes.

- **Undertake a full Investment Strategy Review and seek suitable investment options to implement the Investment Strategy approved by Pensions Committee.**

  The Fund undertook a full review of its investment strategy in 2023/24. In September 2023, Pensions Committee reviewed the Fund's investment beliefs and, in March 2024, approved a new Responsible Investment policy having undertaken wide engagement with scheme employers, scheme members and other interested parties. The investment beliefs and responsible investment policy informed a review of the Investment Strategy with the revised strategy approved by Pensions Committee in June 2024.

- **Liaison with Border to Coast Pensions Partnership Ltd (BCPP) to ensure that suitable opportunities were available within the pool for the Fund to transition to its amended investment strategy.**

  The Fund continued to be active in influencing the range of sub-funds that BCPP provide with the aim of being reflective of the majority of Investment Strategy asset classes.

  New investment commitments to BCPP private markets funds were agreed by Pensions Committee in March 2024 including commitment to a UK Opportunities Fund and Climate Opportunities Fund. Additionally, during the year the Fund undertook due diligence on the proposed UK Real Estate sub fund that led to the decision to transition the Fund's direct property portfolio to BCPP, with the transition scheduled for late 2024.

- **Continue to improve pension administration arrangements for the benefit of scheme members and employers within the Fund.**

The Fund continued to work with its pension administration provider, LPPA, to improve pension arrangements. LPPA performance was reported to the Pensions Committee with the Local Pension Board providing specific scrutiny to the performance of the pension administrator.

The Fund has worked with LPPA to consider the impact of and implement any required changes to the Scheme arising from new regulations. For example, the McCloud resolution (the resolution to an age discrimination finding across public sector pension schemes) came into effect on 1 October 2023. The Fund and LPPA liaised with employers to ensure that all available data was retained to support the required calculations for the 11,265 scheme members identified as being in scope for an "underpin" calculation to assess if their pension will be increased as a result of the resolution.

- **Address any issues associated with the pensions administration of the Cumbria Pension Fund resulting from Local Government Reorganisation (LGR).**

Local Government Reorganisation in Cumbria resulted in a number of actions, rights and decisions being triggered for members subject to TUPE transfer to the new Councils and Fire and Rescue Authority. This included the right to transfer-in pension benefits held with other providers as well as combining any deferred pension benefits held within the Fund with active records. Additionally, members were able to separate their pension benefits at 31 March 2023, creating a deferred and active record.

Officers have supported LPPA in ensuring that around 14,500 pension records were transferred to the appropriate new Council or Cumbria Fire and Rescue Authority from 1 April 2023.

- **Review of governance arrangements in response to financial, regulatory and structural changes.**

The implementation of the McCloud resolution from 1 October 2023 was the main change to LGPS regulations in 2023/24. The Fund has liaised with all employers to ensure that that all available data has been submitted to LPPA to support the required calculations and the Pensions Committee and Local Pension Board have been appraised of the resolution, its complexity and the work being undertaken by LPPA and the Fund to implement the resolution.

In addition, the Pensions Regulator's new General Code of Practice came into effect from 27 March 2024. The Fund continues to await other announcements including the outcome of the Good Governance Review.

In addition to the 2023/24 Business Plan, originally approved in March 2023, the Fund has had to respond to unforeseen activities throughout the year. These activities included:

- Enhanced levels of work to review the Fund's investment beliefs and engage with stakeholders on the Fund's Responsible Investment policy;
- monitoring the continued appropriateness of the Fund's Investment Strategy in light of sustained high levels of inflation in the first half of the year; and
- staffing vacancies within the team managing the Fund.

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 2023/24.

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 2024.

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 2.15) 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 (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***: is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement.

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(d)**).

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 2023/24 accounts and used this to include in the Management Fees disclosed in the Accounts. Where fee information was not available from the manager, officers have estimated these fees 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 was 30 June 2024 so the majority of the returns were 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 2023/24 Annual Report to be published by 1 December 2024. 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 2024, 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. At 31 March 2024, 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 the 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 2024. 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 properties are valued at fair value at 31 March 2024 by an independent valuer, CBRE Ltd, 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 2024.

2.11. Derivatives

The Fund may use derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not currently hold derivatives for speculative purposes. There were no derivatives as at 31 March 2024.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. The contracts would be valued using the WM/Reuters 4pm closing spot/forward foreign exchange rates.

Fair value of Exchange Traded Futures contracts would be determined based on market quoted prices as at the reporting date. Fair value is the unrealised profit or loss at the market quoted price of the contract.

Derivatives are covered in more detail in **Note 10(c)**.

2.12. 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.

2.13. 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.

2.14. 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**).

2.15. 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).**

2.16. 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.

2.17. Stock Lending

Securities on loan at the 31 March, if any, are included in the Net Assets Statement to reflect the Fund's continuing economic interest in the securities. BCPP has an active 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.

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

Prior period adjustments may arise as a result 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 Finance (S151 Officer). Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Director of Finance (S151 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 2023/24 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 2023/24 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 13.7% to 34.5% 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 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	2022/23 £'000	2023/24 £'000
Employee contributions to the fund	22,062	24,085
Employer contributions to the fund:		
Normal contributions	64,503	71,386
Deficit recovery contributions	3,023	612
Total Employer contributions	67,526	71,998
Total Contributions receivable	**89,588**	**96,083**
By Employer Type	**2022/23 £'000**	**2023/24 £'000**
Administering Authority	51,852	30,393
Other Scheduled bodies	36,541	64,615
Admitted bodies	1,195	1,075
	89,588	**96,083**

As noted previously, from 1 April 2023, Local Government Reorganisation within Cumbria saw the cessation of Cumbria County Council and the creation of two unitary Councils – Cumberland Council (a new scheduled body) and Westmorland and Furness Council which became the administering authority for the Cumbria Pension Fund. As shown in the above table, the administering authority's contributions in 2023/24 were £30.393m from Westmorland and Furness Council. The prior year comparator is shown for Cumbria County Council as the Administering Authority for £51.852m in 2022/23.

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:

<u>Non ill-health early retirements</u>: 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.

<u>Ill-health early retirements</u>: Details of this are contained in the full **Actuarial Valuation Report as at 31 March 2022**, which is available on the Cumbria Pension Fund website. All other Cumbria LGPS employer policies that are relevant to the 2023/24 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.

	2022/23 £'000	2023/24 £'000
Individual transfers	11,348	6,236
	11,348	**6,236**

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	2022/23 £'000	2023/24 £'000
Pensions paid	82,764	92,586
Lump sums on retirement	13,778	18,957
Lump sums on death	2,491	2,762
	99,033	**114,305**
By Employer Type	**2022/23 £'000**	**2023/24 £'000**
Administering Authority	54,487	14,826
Scheduled bodies	35,684	89,452
Admitted bodies	8,862	10,027
	99,033	**114,305**

As shown in the above table the Administering Authority (Westmorland and Furness Council) benefits paid for 2023/24 were £14.826m. This comprises of pension payments of employees of Barrow Borough Council, Eden District Council, South Lakeland District Council and the new Westmorland & Furness Council.

The prior year is shown for Cumbria County Council as the Administering Authority as £54.487m in 2022/23. For information, the benefits paid in 2023/24 relating to legacy Cumbria County Council pensioners was £59.268m and is included in 2023/24 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.

	2022/23 £'000	2023/24 £'000
Refund of member contributions	194	175
Individual transfers out to other Schemes	6,326	5,204
Group transfer out to other Schemes	541	35
	7,061	**5,414**

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:

	2022/23 £'000	2023/24 £'000
Administrative costs	1,872	1,980
Investment management costs	15,811	19,561
Oversight and governance costs	794	879
	18,477	**22,420**

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 for 2023/24 is provided for information in the next note.

Administrative costs were £0.108m (5.8%) higher in 2023/24 than the previous year. For further details refer to **Note 8**.

Investment management costs were £3.750m (23.7%) higher in 2023/24 than the previous year. For further details refer to **Note 8 and 8(a)**.

Oversight and governance costs were £0.085m (10.7%) higher in 2023/24 than the previous year. For further details refer to **Note 8**.

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 for 2023/24 is provided below.

	2022/23 £'000	2023/24 £'000
Administrative costs:		
Pensions Administration	1,499	1,611
Employee costs	349	358
Legal advice	23	8
Other	1	3
	1,872	1,980
Investment management costs: See Note 8 (a)		
Management fees	11,762	14,934
Performance fees	4,016	4,595
Custody fees	33	32
	15,811	19,561
Oversight and governance costs:		
Employee costs	378	432
Pensions Committee	26	36
Pensions Board	18	40
Investment consultancy fees	48	57
Performance monitoring service	41	43
Shareholder voting service	10	11
Actuarial fees	156	67
Audit fees	31	99
Legal and tax advice	20	64
Other (including bank charges)	66	30
	794	879
	18,477	**22,420**

Variations on expenditure between years include:

- Pension Administration costs increased in 2023/24 due to increased numbers of Scheme Members in the Fund as well as higher costs within LPPA arising from additional scheme complexity, enhanced technology and improved customer service processes.

- Investment Management Costs – Investment management costs increased in 2023/24 from £15.811m to £19.561m. In accordance with the CIPFA guidance, disclosure note 8(a) has been included below to provide more detailed disclosure of Investment Management fees.

- Oversight and Governance costs – The principal increase was in respect of Audit fees related to additional fees for prior year audits and the changes relating to new audit requirements. Actuarial fees reduced during 2023/24 as no costs were incurred associated with the actuarial valuation of the Fund (which is undertaken every three years).

NOTE 8(a): INVESTMENT MANAGEMENT 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 2022/23 are also provided for comparison purposes.

<u>2023/24 Investment Management Expenses:</u>

	Management Fees £'000	Performance Fees £'000	Transaction / Entry Costs £'000	2023/24 £'000
Asset Classes				
BCPP Asset Pool				
Pooled equity investments with BCPP	2,168	-	253	2,421
Pooled multi-asset credit with BCPP	394	-	-	394
Governance & development costs of BCPP	1,041	-	-	1,041
Pooled passive investments	25	-	-	25
	3,628	-	253	3,881
Private markets				
Infrastructure funds	3,445	2,315	-	5,760
Private equity funds	3,883	1,381	-	5,264
Private debt funds	1,988	899	-	2,887
Multi asset credit funds	642	-	-	642
Property funds	541	-	-	541
	10,499	4,595	-	15,094
Directly held property	554	-	-	554
Cash		-	-	-
	14,681	4,595	253	19,529
Custody fees				32
Total Investment Management Expenses				**19,561**

- Total investment management expenses of £19.561m equate to 0.57% of the year-end asset value of £3.4 billion.

- BCPP asset pool – the 2023/24 fees represent the cost for the pooled equity funds and the pooled Multi Asset Credit fund. In addition, there are the annual charges from the pool in relation to the operational and governance costs and ongoing development of the company and related investment management projects to increase capacity.

- 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 £10.499m in 2023/24 which was an increase on the previous year (£7.808m in 2022/23). There was an increase in the value of performance fees to £4.595m (£4.016m in 2022/23). 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 value of each investment. In the context of the year-end valuation of these assets at £1,261m, the management and performance fees of £15m equate to around 1.2% of the asset value (1.0% for 2022/23).

- Transaction and Entry costs – there were transactions costs paid directly from investments during 2023/24 due to trading out of pooled equity funds.

<u>2022/23 Investment Management Expenses:</u>

	Management Fees £'000	Performance Fees £'000	Transaction / Entry Costs £'000	2022/23 £'000
Asset Classes				
BCPP Asset Pool				
Pooled equity investments with BCPP	1,950	-	-	1,950
Pooled multi-asset credit with BCPP	378	-	-	378
Governance & development costs of BCPP	901	-	-	901
Pooled passive Investments	48	-	-	48
	3,277	-	-	3,277
Private Markets				
Infrastructure funds	2,365	2,396	-	4,761
Private equity funds	2,086	1,376	-	3,462
Private debt funds	1,403	244	-	1,647
Multi asset credit funds	1,383	-	-	1,383
Property funds	571	-	-	571
	7,808	4,016	-	11,824
Directly held Property	671	-	-	671
Cash & FX contract costs	6	-	-	6
	11,762	4,016	-	15,778
Custody fees				33
Total Investment Management Expenses				**15,811**

NOTE 9: NET INVESTMENT INCOME

Accruals are made for dividends receivable, interest receivable, and the recoverable tax on dividends. The investment income of £61.627m net of £0.008m irrecoverable tax on dividends (2022/23 £49.475m, net of £0.067m irrecoverable tax on dividends) can be analysed as follows:

	2022/23 £'000	2023/24 £'000
Income from equities	91	624
Infrastructure funds income	14,635	12,770
Private equity funds income	10,164	13,909
Private debt funds income	4,918	12,211
Multi-asset credit funds income	8,463	7,758
Property funds income	2,274	3,191
Rents from directly held property	7,221	8,115
Interest on cash deposits	1,709	3,049
	49,475	**61,627**

The Fund does not receive investment income directly from equity dividends, as this is received by the pooled fund and increases the value of the unitised holdings. The Fund, however, continues to receive class action income several years after its direct ownership of shares, and this is 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 increase in amounts received between 2022/23 and 2023/24 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.

NOTE 10: INVESTMENT ASSETS

	Notes	31 March 2023		31 March 2024	
		Total £'000	Total £'000	Total £'000	Total £'000
Long-Term assets					
Unquoted Equities (shares in BCPP Ltd)			**1,182**		**1,182**
Investment Assets					
Pooled investment vehicles					
Pooled equity/fixed income (active):					
- UK equities		149,663		160,748	
- Global equities		682,461		797,033	
- Overseas equities		152,081		183,770	
- Fixed income funds		146,913		160,667	
		1,131,118		1,302,218	
Unitised insurance policies (passive):					
- Global equities		172,833		177,054	
- UK index-linked securities		444,547		445,233	
		617,380		622,287	
Other pooled funds and limited partnerships:					
- Infrastructure funds		414,735		480,712	
- Private Equity funds		309,840		370,640	
- Private Debt funds		221,060		253,073	
- Multi Asset Credit / Fixed Income funds		142,479		63,468	
- Property funds		86,442		93,762	
		1,174,556		1,261,655	
Pooled investment vehicles & managed funds total			**2,923,054**		**3,186,160**
Investment properties	10(b)		**156,540**		**157,675**
Derivative contracts			**-**		**-**
Cash & cash equivalents			**79,636**		**53,575**
Amounts receivable for sales *			**-**		**-**
Investment income accrued *			**406**		**372**
Property rental debtors *			**1,657**		**1,333**
			81,699		**55,280**
Subtotal investment assets			**3,161,293**		**3,399,115**
Investment liabilities					
Derivative contracts			**-**		**-**
Amounts payable for purchases *			**-**		**-**
Property creditors *			**(3,466)**		**(2,882)**
Subtotal investment liabilities			**(3,466)**		**(2,882)**
Total Net Investments			**3,159,009**		**3,397,415**

* 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).

The Fund's largest manager is BCPP. The Fund's liquid investments with BCPP total £1,302.218m and are shown in Note 10 as 'Pooled equity/fixed income (active)'. These consist of investments in the Border to Coast UK Equity Fund; the Border to Coast Global Equity Alpha Fund; the Border to Coast Overseas Developed Listed Equity fund; and the Border to Coast Multi-Asset Credit (MAC) fund, 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, and private credit). For a summary of the Fund's total investments with 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 £622.287m, 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, long-lease property, private debt and multi-asset credit 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 is increasing its investment into private markets with the objective of generating diversification and more stable and / or inflation protected income streams. This portfolio totals £1,261.655m at 31 March 2024.

NOTE 10(a): INVESTMENTS ANALYSED BY EXTERNAL MANAGER

Manager	Asset Class	31 March 2023		31 March 2024	
		£'000	%	£'000	%
Investments Managed by Border to Coast Pensions Partnership Ltd					
Border to Coast Global Equity Alpha Fund	Equities	682,461	21.6%	797,033	23.5%
Border to Coast UK Equity Fund	Equities	149,663	4.7%	160,748	4.7%
Border to Coast Overseas Developed Eq	Equities	152,081	4.8%	183,770	5.4%
Border to Coast Multi Asset Credit Fund	Multi-asset credit	146,913	4.7%	160,667	4.7%
Border to Coast Cumbria LP	Infrastructure funds	123,900	3.9%	180,113	5.3%
Border to Coast Cumbria LP	Private Equity funds	108,212	3.4%	162,330	4.8%
Border to Coast Cumbria LP	Private Credit funds	51,859	1.7%	98,920	2.9%
	Managed by BCPP Pool	**1,415,089**	**44.8%**	**1,743,581**	**51.3%**
Investments Managed outside Border to Coast Pensions Partnership Ltd					
Legal & General	Index-linked gilts	444,547	14.1%	445,233	13.1%
Legal & General	Global equities	172,833	5.5%	177,054	5.2%
JP Morgan	Infrastructure fund	179,541	5.7%	186,021	5.5%
abrdn (formerly Aberdeen Standard)	Direct property	159,654	5.1%	159,605	4.7%
Partners Group	Private Market Credit funds	124,498	3.9%	112,161	3.3%
Partners Group	Infrastructure funds	70,149	2.2%	72,201	2.2%
Pantheon	Private Equity funds	70,075	2.2%	70,656	2.1%
Healthcare Royalty Partners	Royalties funds	51,210	1.6%	61,941	1.8%
Apollo	Multi Asset Credit fund	113,223	3.6%	53,731	1.6%
Strategic cash allocation	Cash	74,712	2.4%	50,096	1.5%
abrdn (formerly Aberdeen SL Capital)	Infrastructure fund	41,146	1.3%	42,377	1.3%
abrdn (formerly Aberdeen SL Capital)	Private Equity funds	41,717	1.3%	42,197	1.2%
Barings	Private Loan funds	44,703	1.4%	41,992	1.2%
Aviva	Property fund	36,989	1.2%	34,681	1.0%
M&G	Property fund	33,057	1.0%	31,780	0.9%
Unigestion	Private Equity funds	36,343	1.2%	31,180	0.9%
Hearthstone	Residential Property fund	16,396	0.5%	27,301	0.8%
CQS	Multi Asset Credit fund	29,256	0.9%	9,737	0.3%
BlackRock	Private Equity fund	2,283	0.1%	2,336	0.1%
Border to Coast Ltd	Share capital	1,182	0.0%	1,182	0.0%
Transition residual, tax accruals	Overseas/UK equities	406	0.0%	372	0.0%
	Outside of BCPP Pool	**1,743,920**	**55.2%**	**1,653,834**	**48.7%**
Total Net Investments		**3,159,009**	**100.0%**	**3,397,415**	**100.0%**

NOTE 10(b): INVESTMENT PROPERTIES

The Fund invests in direct property holdings for rental income and capital growth, and to maximise diversification thereby reducing the risk across the portfolio. At 31 March 2024 the portfolio valued at £157.675m included 22 properties ranging from £1.800m to £15.650m each. These properties cover a mix of sectors such as offices, industrial, retail units and retail warehouses, and are also geographically spread across England and Scotland. The intention of this diversification is to mitigate risk by enhancing the diversification within this asset class.

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(f)). 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(f) to (h).**

'Net rental income from investment property' has been accounted for in the Fund Account under 'Net Investment Income' and is analysed as follows:

	2022/23 £'000	2023/24 £'000
Rental income from investment property	7,922	8,601
Direct operating expenses arising from investment property	(701)	(486)
	7,221	**8,115**

There are no restrictions on the Fund's ability to realise the value inherent in its investment property or on the Fund's right to the remittance of income and the proceeds of disposal. The properties are 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 properties over the year:

	2022/23 £'000	2023/24 £'000
Balance at the start of the year	**209,300**	**156,540**
Additions:		
Purchases	-	6,225
Subsequent expenditure	979	734
Disposals	(7,008)	-
Net gains/(losses) from fair value adjustments	(46,731)	(5,824)
Balance at the end of the year	**156,540**	**157,675**

The Fund's property investments are commercial leased out properties, all of which are operating leases. The future minimum lease payments receivable under non-cancellable leases for these land and buildings in future years are shown below:-:

	2022/23 £'000	2023/24 £'000
Not later than one year	7,716	8,428
Later than one year and not later than five years	24,697	25,462
Later than five years	40,840	44,175
Total future lease payments due under existing contracts	**73,253**	**78,065**

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 properties going forward is currently £8.428m 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. To provide context to this, it is worth noting that as at 31 March 2024 the Fund held £0.313m of deposits paid by tenants which help to mitigate loss to the Fund should rents not be paid.

As at 31 March 2024, an allowance of £0.271m for expected credit loss on outstanding rent arrears (which totalled £0.286m as at 31 March 2023), is recognised within the 'Property rental creditors' figure of £2.882m at Note 10. This represents approximately 3.3% of the 2023/24 net rental income of £8.115m. It is considered that the level of provisioning is appropriately prudent in the context of the financial statements.

NOTE 10(c): DERIVATIVES

A derivative is a permitted investment under LGPS Investment Regulations. It is a contract between two or more parties whose value is derived from the performance of the underlying asset, for example a currency or an equity index such as the FTSE 100.

One way for pension funds 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.

The Fund seeks to manage its exposure to currency risk by investing in a diversified portfolio of assets using active management, holding the majority of its more stable contractual mandates (such as private debt and infrastructure) in sterling share classes, and maintaining an unhedged public equity exposure (to provide diversification during extreme markets movement).

The Fund had no directly held derivatives on 31 March 2024 or 31 March 2023.

NOTE 10(d): 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 2023 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Changes in value during the year £'000	Value at 31 March 2024 £'000
Equities					
UK equities	1,182	-	-	-	1,182
Pooled investment vehicles	1,748,498	27,186	(40,000)	188,821	1,924,505
Other Managed funds	1,174,556	200,130	(153,066)	40,035	1,261,655
Property (See Note 10b)	156,540	6,959	0	(5,824)	157,675
	3,080,776	**234,275**	**(193,066)**	**223,032**	**3,345,017**
Cash & cash equivalents	79,636			(43)	53,575
Amounts receivable for sales	-				-
Investment income accrued	406				372
Property rental debtors	1,657				1,333
Amounts payable for purchases	-				-
Property creditors	(3,466)				(2,882)
Total Net Investments	**3,159,009**			222,989	**3,397,415**

Analysis of gains/(losses) for the year	**2023/24 £'000**
Realised - Profit and losses on disposal of investments	127,931
Unrealised - Changes in the market value of investments	95,058
	222,989

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

2022/23:

Asset Class	Value at 1 April 2022 £'000	Purchases at Cost and Derivative Payments £'000	Sales Proceeds and Derivative Receipts £'000	Changes in value during the year £'000	Value at 31 March 2023 £'000
Equities					
UK equities	1,182	-	-	-	1,182
Pooled investment vehicles	1,872,802	78,671	(57,158)	(145,817)	1,748,498
Other Managed funds	1,146,427	227,763	(225,007)	25,373	1,174,556
Property (See Note 10b)	209,300	979	(7,008)	(46,731)	156,540
Derivatives (forward foreign exchange contracts, futures)	(4,142)	20,358	(2,200)	(14,016)	0
	3,225,569	**327,771**	**(291,373)**	**(181,191)**	**3,080,776**
Cash & cash equivalents	85,614			951	79,636
Amounts receivable for sales	-				-
Investment income accrued	727				406
Property rental debtors	2,219				1,657
Amounts payable for purchases	-				-
Property creditors	(3,711)				(3,466)
Total Net Investments	**3,310,418**			(180,240)	**3,159,009**

Analysis of gains/(losses) for the year	2022/23 £'000
Realised - Profit and losses on disposal of investments	14,054
Unrealised - Changes in the market value of investments	(194,294)
	(180,240)

NOTE 10(e): 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 2023/24 are one of the three pooled sub-funds managed by BCPP, the two unitised insurance funds held with Legal and General, and an infrastructure investment with JP Morgan.

Holding	31 March 2023 £'000	% of Total Net Investments	31 March 2024 £'000	% of Total Net Investments
Border to Coast Pension Partnership Ltd - Global Equity Alpha	682,461	21.6%	797,033	23.5%
Border to Coast Pension Partnership Ltd - Overseas Equity	152,081	4.8%	183,770	5.4%
Border to Coast Pension Partnership Ltd - Infrastructure funds	123,900	3.9%	180,113	5.3%
Investments over 5% managed by Border to Coast	**832,124**	**30.3%**	**1,160,916**	**34.2%**
Legal and General Over 5 Yr Index-Linked Gilts Index	444,547	14.1%	445,233	13.1%
Legal and General FTSE World Equity Index	172,833	5.5%	177,054	5.2%
Investments over 5% managed by Legal and General	**617,380**	**19.6%**	**622,287**	**18.3%**
Other pooled investments over 5% of Net Investment Assets				
JPMorgan - Institutional Infrastructure fund	179,541	5.7%	186,021	5.5%
	1,629,045	**55.6%**	**1,969,224**	**58.0%**

NB: Due to the removal of UK equity (below 5%) and the addition of Overseas Equity and Infrastructure funds for comparator purposes (over 5%), the totals no longer agree to that stated in this note in the prior year accounts.

During the year Cumbria LGPS withdrew £10m from the BCPP Global Equity Alpha fund and £30m from L&G FTSE World Equity fund to address an overweight position which had developed due to growth in equity in the Fund, this was used to both rebalance £30m into index-linked gilts and to make investments in private market assets.

The Legal and General holdings are unitised, index-tracking funds and are used as an efficient liquid method of investing in the underlying asset classes. The underlying assets, the index-tracking funds held on behalf of clients, are quoted assets such as fixed interest bonds and equity and as such are easily and readily convertible if required.

NOTE 10(f): 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 - unitised 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 CBRE Ltd in accordance with the *RICS Valuation Global Standards* (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.

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 2024.

Fair Value – Sensitivity of Asset values at Level 3

	Assessed valuation range (+/-)	Value at 31 March 2024 £'000	Value on increase £'000	Value on decrease £'000
Private market funds - Infrastructure	9.5%	480,712	526,380	435,044
Private market funds - Private Equity	9.9%	370,640	407,333	333,947
Private market funds - Private Debt	2.7%	253,073	259,906	246,240
Private market funds - Multi Asset Credit	4.5%	63,468	66,324	60,612
Property - direct and pooled funds	16.2%	251,437	292,170	210,704
Total		**1,419,330**	**1,552,113**	**1,286,547**

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 four years (i.e. 68% of the observed values were within these ranges). The use of actual data means that the period between April 2021 and March 2024, which included significant volatility related to recovery from COVID-19, Russia's invasion of Ukraine, and also a period of high inflation, has been included in the 3 year period being assessed to develop the volatility percentages. 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: 2% of Total Investments (2022/23: 3%)
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: 56% of Total Investments (2022/23: 55%)
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 (2022/23: 42%)
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** paragraph 2.9 (c), (d) and (f). 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 & 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 2023				31 March 2024			
	Quoted market price	Using observable inputs	With significant unobservable inputs		Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'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	-	1,748,498	1,174,556	2,923,054	-	1,924,505	1,261,655	3,186,160
Derivative contracts	-	-	-	-	-	-	-	-
Cash & cash equivalents	82,309	-	-	82,309	57,487	-	-	57,487
Total Financial assets at fair value through profit and loss	**82,309**	**1,748,498**	**1,175,738**	**3,006,545**	**57,487**	**1,924,505**	**1,262,837**	**3,244,829**
Investment properties (Non-financial assets) at fair value through profit and loss	-	-	156,540	156,540	-	-	157,675	157,675
Financial liabilities (Derivative contracts) at fair value through profit and loss	-	-	-	-	-	-	-	-
Total Investments at Fair Value	**82,309**	**1,748,498**	**1,332,278**	**3,163,085**	**57,487**	**1,924,505**	**1,420,512**	**3,402,504**
Percentage of Total Investments	**3%**	**55%**	**42%**	**100%**	**2%**	**56%**	**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 2023/24	Market value 1 April 2023 £'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 2024 £'000
Unquoted Equities	1,182	-	-	-	-	-	-	1,182
Level 3 pooled investments (i.e. Other managed funds)	1,174,556	-	-	200,130	(153,066)	11,060	28,975	1,261,655
Investment Properties	156,540	-	-	6,959	0	0	(5,824)	157,675
	1,332,278	**-**	**-**	**207,089**	**(153,066)**	**11,060**	**23,151**	**1,420,512**

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 2023 £'000	31 March 2024 £'000
Financial Instruments	3,004,115	3,245,366
Statutory debts / liabilities & provisions	2,660	5,225
Investment Property	156,540	157,675
Net Assets of the Fund	**3,163,315**	**3,408,266**

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 2023				31 March 2024			
	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	2,923,054	-	-	2,923,054	3,186,160	-	-	3,186,160
Derivative contracts	-	-	-	-	-	-	-	-
Cash & cash equivalents	73,219	9,090	-	82,309	46,829	10,658	-	57,487
Investment receivables/debtors	-	2,063	-	2,063	-	1,705	-	1,705
Current & long-term assets	-	341	-	341	-	2,444	-	2,444
	2,997,455	**11,494**	**-**	**3,008,949**	**3,234,171**	**14,807**	**-**	**3,248,978**
Financial Liabilities								
Derivative contracts	0	-	-	0	-	-	-	-
Investment payables/creditors	-	-	(3,466)	(3,466)	-	-	(2,882)	(2,882)
Current/long-term liabilities	-	-	(1,368)	(1,368)	-	-	(730)	(730)
Total Financial Instruments	**2,997,455**	**11,494**	**(4,834)**	**3,004,115**	**3,234,171**	**14,807**	**(3,612)**	**3,245,366**
ANALYSIS OF NET GAINS AND (LOSSES) FOR YEAR ENDED 31st MARCH								
Financial Assets	(133,509)	-	-	(133,509)	228,813	-	-	228,813
Financial Liabilities	0	-	-	0	-	-	-	-
Total Net Gains/(Losses)				(133,509)				228,813

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 2023 £'000	31 March 2024 £'000
Cash balances	**2,673**	**3,912**
Current Debtors		
Contributions due	3,073	6,462
Miscellaneous	750	2,170
Total Current Debtors	**3,823**	**8,632**
Total Current Assets	**6,496**	**12,544**

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. The restructure of local government and change of administering authority has led to the requirement to invoice the largest employers which was not the case up to 31 March 2023.

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 2023 £'000	31 March 2024 £'000
Current Creditors		
Investment Managers fees	316	565
Tax payable	822	1,118
Miscellaneous	1,052	165
Total Current Liabilities	**2,190**	**1,848**

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 and derivatives. 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: Foreign Exchange	Market Risk: Interest rate	Liquidity	Other risks	2022/23 £'000	2023/24 £'000
UK Equities	◉	◉	◉	○	◉	150,845	161,930
Overseas Equities	◉	●	◉	○	◉	1,007,375	1,157,857
Index Linked Gilts	○	○	◉	○	◉	444,547	445,233
Property *	◉	○	◉	●	◉	156,540	157,675
Alternative Investments	◉	◉	◉	●	◉	1,321,469	1,422,322
UK Cash	◉	○	◉	○	◉	73,081	52,854
Overseas Cash	◉	●	◉	○	◉	9,228	4,633
Total Investments at Fair Value						**3,163,085**	**3,402,504**

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 Document 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 Document 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.

As at 31 March 2024, the Fund had in place a longer-term target strategic allocation which was agreed at Pensions Committee in March 2021. Follow up work regarding implementation steps to achieve the longer-term allocation was considered by the Investment Sub-Group and Pensions Committee in late 2021 and early 2022 and a further "sense check" of the Strategy was undertaken in mid-2022 in response to rising inflation. 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.

N.B. in recognition of rises in inflation in both the UK and globally the Fund undertook a "sense check" of the Fund's Investment Strategy to assess whether any changes were required in response to the impact of inflation on both the Fund's liabilities and the Actuary's assumptions in relation to the future investment returns of the current Investment Strategy. The conclusion in September 2022 was that no changes to the Fund's long-term asset allocations were required.

- 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.

During 2023/24, the Fund commenced a full Investment Strategy Review, including a review of its Investment Beliefs and its Responsible Investment policy. The Pensions Committee agreed revised Investment Beliefs and a Responsible Investing Policy in September 2023 and March 2024 respectively. The Investment Strategy review concluded in June 2024 with the Pensions Committee approving a revised target investment asset allocation, along with the required changes to the Fund's Investment

Strategy Statement. The key theme of the review was ‘evolution, not revolution’ and the weightings in the main building blocks of assets (growth, fixed income, real assets) remain very similar to previously. Some revisions to sub-asset classes will be taking place during 2024/25 to commence implementation towards the new target allocations.

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 2024 were £3.912m (2022/23: £2.673m) within current assets (see **Note 12**), and £53.575m (2022/23: £79.636m) 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 2024	Balances as at 31 March 2023 £'000	Balances as at 31 March 2024 £'000
Money Market Funds			
Northern Trust GBP Liquidity Fund	AAA	65,456	42,326
Northern Trust USD Liquidity Fund	AAA	5,099	3,875
Northern Trust EUR Liquidity Fund	AAA	2,664	628
Bank deposit accounts			
National Westminster Bank	A+	2,673	3,912
Bank current accounts			
Barclays Bank	A+	4,924	3,479
Northern Trust Company (GBP)	AA	28	3,137
Northern Trust Company (USD, EUR)	AA	1,465	130
Total		**82,309**	**57,487**

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 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). The use of actual data means that the period between April 2021 and March 2024, which included significant volatility related to recovery from COVID-19, Russia's invasion of Ukraine, and high inflation have been included in the 3 year period being assessed, to develop the volatility percentages. 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	2023/24 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Equities	1,319,787	11.5%	1,471,563	1,168,011
Index-linked gilts	445,233	17.7%	524,039	366,427
Infrastructure funds	480,712	9.5%	526,380	435,044
Private Equity funds	370,640	9.9%	407,333	333,947
Private Debt funds	253,073	2.7%	259,906	246,240
Multi Asset Credit funds	224,135	4.5%	234,221	214,049
Property and property funds	251,437	16.2%	292,170	210,704
Cash	57,487	2.5%	58,924	56,050
	3,402,504		**3,774,536**	**3,030,472**

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 2024, the Fund had overseas investments of £2,040.398m and £4.633m cash 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 means that the period between April 2021 and March 2024, which included significant volatility related to recovery from COVID-19, Russia's invasion of Ukraine, and high inflation have been 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 £132.429m, or 3.9% of the Fund's total value.

Foreign Exchange - Sensitivity Analysis	2023/24 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
US Dollar denominated assets	1,299,886	8.3%	1,407,777	1,191,995
European currency denominated assets	321,986	4.3%	335,831	308,141
Other currency denominated assets	190,955	5.6%	201,648	180,262
UK assets within Global equity funds	232,204	0.0%	232,204	232,204
	2,045,031		**2,177,460**	**1,912,602**

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. It is common for funds 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 4.25% in March 2023, and was increased on three occasions in the twelve months, to 5.25% in March 2024. The interest rate risk is that if rates rise further, 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 6.0% or down to 4.50%) will increase or reduce the Fund's return by £3.770m (2022/23 £3.951m) on an annualised basis.

Assets exposed to interest rate risk	31 March 2023 £'000	31 March 2024 £'000
Fixed interest securities (including pooled investments)	444,547	445,233
Cash and cash equivalents	9,090	10,658
Money market funds and pooled cash vehicles	73,219	46,829
	526,856	**502,720**

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 2023/24, 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, this will be kept under active review and reassessed in the next Actuarial Valuation.

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 2024 the value of assets which could be converted to cash within three months, without significant loss to the Fund, is £1,981.992m, i.e. 58% of net assets (31 March 2023 £1,830.807m). The value of the illiquid assets including investment properties was £1,420.512m which represented 42% of net assets (31 March 2023 £1,332.278m).

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 2024 are as follows:

Asset Class	2022/23 £'000	2023/24 £'000	Manager	Holding Details
Pooled investment vehicles				
Managed by Pool	1,131,118	1,302,218	Border to Coast	UK, overseas and global equity funds, fixed income multi-asset fund
	123,900	180,113	Border to Coast Cumbria LP	Infrastructure funds
	108,212	162,330	Border to Coast Cumbria LP	Private Equity funds
	51,859	98,920	Border to Coast Cumbria LP	Private Credit funds
Unitised insurance policies	617,380	622,287	Legal and General	Index tracking funds
Other managed funds	179,541	186,021	JP Morgan	Infrastructure fund
	124,498	112,161	Partners Group	Private Market Credit funds
	70,149	72,201	Partners Group	Infrastructure funds
	70,075	70,656	Pantheon	Private Equity funds
	51,210	61,941	Healthcare Royalty Partners	Royalties funds
	113,223	53,731	Apollo	Multi Asset Credit fund
	41,146	42,377	abrdn (formerly Aberdeen SL Capital)	Infrastructure fund
	41,717	42,197	abrdn (formerly Aberdeen SL Capital)	Private Equity funds
	44,703	41,992	Barings	Private Loan funds
	36,989	34,681	Aviva	Property fund
	33,057	31,780	M&G	Property fund
	36,343	31,180	Unigestion	Private Equity funds
	16,396	27,301	Hearthstone	Residential Property fund
	29,256	9,737	CQS	Multi Asset Credit fund
	2,283	2,336	BlackRock	Private Equity fund
UK equity unquoted	1,182	1,182	Border to Coast	Company share capital
	2,924,237	**3,187,342**		

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:

	2022/23 £'000	2023/24 £'000
Standard Life	407	407
Scottish Widows*	820	820
Utmost Life	361	279
Prudential Assurance Company	3,997	5,227
Total AVCs	**5,585**	**6,733**

*Due to administration issues, Scottish Widows have been unable to provide values as at 31 March 2024, the value for 2023/24 in the above table is a carry forward of the 2022/23 valuation.

AVC contributions of £1.810m 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)

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.

There are no material transactions in respect of related parties requiring separate reporting for 2023/24.

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 2023/24 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 2023/24, with 90% coverage.

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 2023/24 (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 2023/24 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 2023/24.

- 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 2023/24 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 2023/24 was £6,500.

- The Independent Chair of the Local Pension Board received remuneration of £10,000 per annum in relation to his role. The Chair was paid £7,150 in 2023/24 reflecting that he was appointed during the year.

- Other Members of the Pensions Committee and Local Pension Board are not remunerated for their attendance.

2023/24 Remuneration as charged to Cumbria LGPS of Senior Officers of Westmorland and Furness Council who have 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)	16,421	16,421	2,841	19,262
Senior Manager – Pensions & Financial Services (Deputy S151 Officer - LGPS)*	37,028	37,028	6,406	43,434
Interim Senior Manager – Pensions & Financial Services (Deputy S151 Officer - LGPS)*	44,050	44,050	7,534	51,584
	97,499	**97,499**	**16,781**	**114,280**

* During 2023/24 a Senior Manager left the Fund and an interim Senior Manager was appointed whilst a permanent replacement was recruited.

2022/23 Remuneration as charged to Cumbria LGPS of Senior Officers of Cumbria County 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 Finance (S151 Officer)*	10,472	10,472	1,877	12,349
Senior Manager – Pensions & Financial Services (Deputy S151 Officer - LGPS)	51,376	51,376	11,929	63,305
	61,848	**61,848**	**13,806**	**75,654**

* Director of Finance in role until 31 December 2022.

NOTE 17: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

There are no contingent liabilities or outstanding contractual commitments at 31 March 2024.

NOTE 18: CONTINGENT ASSETS

Tax Reclaims

Cumbria Pension Fund has potential claims against HM Revenue and Customs and 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.

Following the disbandment of the **FIDs/Manninen** and the **Manufactured overseas dividends (MODs)** group litigations in 2023, participants were required to settle final payments in relation to outstanding legal fees and adverse costs. Cumbria Pension Fund has now settled all fees in relation to these disbanded claims, the total incurred is £0.265m (£0.123m for FIDs/Manninen and £0.142m for MODs).

Fokus Bank: The Fund successfully recovered £0.401m (including interest) from the French Tax Authorities (FTA) during 2023/24 relating to withholding tax claims for 2004, 2005, 2006, 2008 (part) and 2009. With the assistance of a leading professional services firm, the Fund has appealed the claims for 2007 and 2008 which were rejected by the FTA. The German Central Tax office has issued information requests to claimants and work is ongoing by officers in the Cumbria Fund to establish the availability and cost of providing any requested historic data.

The estimated value of Fokus Bank claims still outstanding at 31 March 2024 is £0.674m (value in GBP based on exchange rates at 31.3.2024). These are now the only claims in which the Fund remains as an ongoing participant and this total can be split by region as France £0.187m, Germany £0.282m and Italy £0.204m. The total fees incurred to date for Fokus Bank claims is £0.291m.

The fees incurred to date for all of the outstanding tax claims mentioned above total £0.556m 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 2023/24 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 2023/24.

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 £8.787m (£3.823m at 31 March 2023) of current debtors (see **Note 12**) is £0.869m of debtors aged between two and six months (£0.011m at 31 March 2023) and £0.052m of debtors aged greater than six months (£0.029m 31 March 2023).

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). The stock lending programme was wound down in 2020/21.

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 2024 and earned no income directly in 2023/24 through stock lending.

NOTE 21: EVENTS AFTER THE REPORTING DATE

This section will be completed prior to the approval of the financial statements by the Fund’s external auditors.

This section will highlight any actions taken after the date of the balance sheet (31 March 2024) that may have a material effect on the financial position of the Fund. In previous years, this has included an update on market volatility and its impact on the value of the Fund, and global events with the potential to affect asset values such as the Covid pandemic.

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	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. 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. Property – Fair Value (IFRS 13) valuations use the expected cashflow streams from current leases with	For every 1% increase in market value of all assets, the value of the Fund will increase by approx. £33.974m, with a decrease having the opposite effect. 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. Property – when properties are marketed for sale, the bids received from interested buyers can be above or below valuation due to market reasons.

Item	Uncertainties	Effect if actual differs from assumptions
	reference also to the value of the property on the open market.	For each case the underlying factors would be considered before acceptance or otherwise of the sale. For further information on the Sensitivity of Asset values at Level 3 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)	Assumptions such as mortality expectations, future inflation, returns on investments, and rate of pay increases. 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.	The effects on the funding level of changes in the individual assumptions can be measured but interact in complex ways. For instance: • a 0.25% increase in life expectancy would result in a £23m decrease in funding surplus; • a 0.25% reduction in the real investment return achieved would result in a £134m decrease in the funding surplus, or; • a 25% reduction in Asset values would result in a £829m decrease in the funding surplus; as determined at the 2022 valuation.

The valuation of 'level 3' assets

Valuations for Private Equity investments are received at least a quarter in arrears, and these investments are therefore valued at an estimate to the fair value at 31 March, as best as is available at the time of preparation. For 31 March 2024, the 31 December 2023 valuations have been the latest available for the majority of private equity investments shown at Note 10 (9.1% 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. Some private equity March valuations were available at the time of preparation, totalling 1.8% of the net investments.

Infrastructure investments are also valued during the following quarter and for 31 March 2024, the 31 December 2023 valuations have been the latest available for £294.691m of the infrastructure investments shown at Note 10 (8.7% 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 £186.021m of infrastructure, totalling 5.5% 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 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

The full Actuarial Valuation Report as at 31 March 2022 and the previous Actuarial Valuation Report as at 31 March 2019 are 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 2023 £'m	31 March 2024 £'m
Valuation Basis		
Present value of past service liabilities	(2,986)	(3,084)
Net assets of the Fund	3,163	3,408
Net Surplus (Liability)	**177**	**324**
IAS 19 Basis		
Present value of past service liabilities	(2,913)	(2,967)
Net assets of the Fund	3,163	3,408
Net Surplus (Liability)	**250**	**441**

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.

Mercer

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

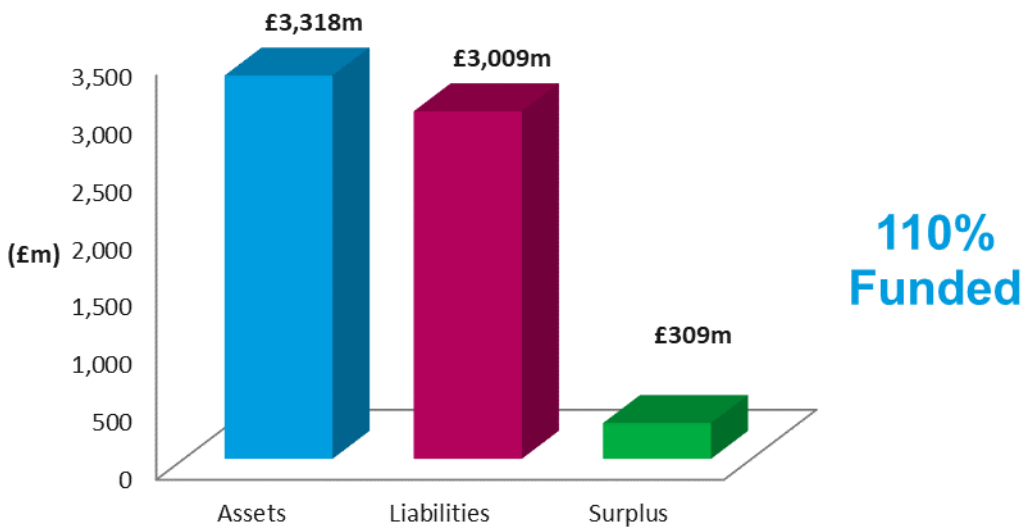
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024 - STATEMENT BY THE CONSULTING ACTUARY

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 Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £3,318 million represented 110% of the Fund's past service liabilities of £3,009 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £309 million.

Actuarial Valuation as at 31 March 2022



The valuation also showed that a Primary contribution rate of 18.9% of pensionable pay per annum was required from employers. The Primary rate is 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 recovery plan in respect of each employer. At the actuarial valuation the average recovery period adopted was 10 years, and the total initial recovery payment (the “Secondary rate” for 2023/26) was a surplus offset of approximately £2.1m per annum in £ terms (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 2023.

In practice, each individual employer’s position is assessed separately, and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution 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)	4.35% per annum	5.10% per annum
Rate of pay increases (long term)	4.6% per annum	4.6% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.1% per annum	3.1% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

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

IAS 26 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.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2024 (the 31 March 2023 assumptions are included for comparison):

	31 March 2023	31 March 2024
Rate of return on investments (discount rate)	4.8% per annum	4.9% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	2.7% per annum
Rate of pay increases	4.2% per annum	4.2% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	2.8% per annum	2.8% per annum

The demographic assumptions are the same as those used for funding purposes for the 2022 actuarial valuation but with a long-term rate of life expectancy improvement of 1.5% p.a. For the year end assumptions, we have also updated to the latest CMI tables available (CMI 2022) and applied a suitable reweighting.

Full details of the demographic assumptions are set out in the formal report on the actuarial valuation dated March 2023.

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

Start of period liabilities	**£2,913m**
Interest on liabilities	£138m
Net benefits accrued/paid over the period*	(£18m)
Actuarial (gains)/losses (see below)	(£66m)
End of period liabilities	**£2,967m**

**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 slightly over the year, with a corresponding increase in discount rate from 4.8% p.a. to 4.9% p.a. The long-term assumed CPI is the same at the end of year as it was at the start of year. In combination, these factors lead to a small reduction in liabilities.

- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the new CMI model available. This acts to reduce the liabilities.

- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2024 pension increase of 6.7%, to the extent it wasn't allowed for in the 2023 statement, along with known CPI since September 2023 (which will feed into the 2025 pension increase). As inflation over the year was higher than the long-term assumption, this increases the liabilities.

Mark Wilson

Fellow of the Institute and Faculty of Actuaries

Mercer Limited
June 2024

Appendix - additional considerations

The "McCloud judgment": The figures above allow for the impact of the judgment based on the proposed remedy.

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.

Covid 19 / Ukraine / Gaza conflict: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

High inflation over last two years: The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

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 2023/24 financial statements.

NOTE 25: PARTICIPATING EMPLOYERS OF THE FUND

As at 31 March 2024 the scheduled and admitted bodies within the Cumbria Local Government Pension Scheme were:

Employers of the Fund as at 31 March 2024 (total 120)

Scheduled Scheme Employers (9)
- Cumberland Council (new)
- Westmorland and Furness Council (new)
- Cumbria Commissioner Fire and Rescue (new)
- Cumbria Chief Constable
- Cumbria Police, Fire & Crime Commissioner
- Furness College
- Kendal College
- Lake District National Park Authority
- Lakes College (West Cumbria)

Scheduled Designated Bodies (16)
- Allerdale Waste Services
- Aspatria Town Council
- Barrow Forward Ltd (new)
- Cleator Moor Town Council
- Cockermouth Town Council
- Egremont Town Council
- Grange Town Council
- Kendal Town Council
- Keswick Town Council
- Maryport Town Council
- Orian Solutions
- Penrith Town Council
- Ulverston Town Council
- Whitehaven Town Council
- Wigton Town Council
- Workington Town Council

Scheduled Bodies - Academy Employers (36)
- Appleby Grammar Academy
- Arnside National CofE Academy
- Bassenthwaite Academy
- Burton Morewood Primary Academy
- Caldew Academy
- Cartmel Priory Academy
- Cockermouth Academy
- Crosby on Eden Academy
- Cumbria Academy for Autism
- Changing Lives Learning Trust (one employer)
  - Arlecdon Primary Academy
  - Dearham Academy
  - Flimby Primary Academy
  - Queen Elizabeth Grammar Academy (merged)
  - St Bees Village Academy (new)
  - Thornhill Primary Academy
  - West Lakes Academy
- Cumbria Education Trust (one employer)
  - Caldew Lea Academy
  - Castle Carrock Academy
  - Hensingham Primary
  - Longtown Academy
  - Newtown Primary Academy
  - Northside Primary Academy
  - Petteril Bank Academy
  - Tebay Academy
  - The Workington Academy
  - Whitehaven Academy
  - William Howard Academy
  - Yanwath Academy
  - Yewdale Academy
- Eaglesfield Paddle Academy
- Energy Coast UTC
- Furness Education Trust (one employer)
  - Furness Academy
  - Lindal and Marton Primary Academy (new)

Scheduled Bodies - Academies (cont)
  - Newton Primary Academy
  - Parkside GGI Academy
  - Victoria Primary Academy
  - Yarlside Primary Academy
- George Hastwell School Academy
- Ghyllside Academy
- Great Corby Academy
- James Rennie Academy
- Kendal MAT - Castle Park Academy
- Keswick Academy
- Kirkbie Kendal Academy
- Kirkby Stephen Academy
- Learning for Life Trust (one employer)
  - Broughton Primary Academy
  - Fairfield Primary Academy
- Lunesdale MAT (one employer)
  - Queen Elizabeth Academy
  - Queen Elizabeth Studio School
- Mater Christi MAT (one employer)
  - Dean Gibson Catholic Primary Academy
  - Our Lady & St Patrick's Catholic Academy
  - Our Lady of the Rosary Catholic Primary Academ
  - Scared Heart Catholic Primary Academy
  - St Bernard's Catholic High Academy
  - St Cuthbert's Catholic Academy Carlisle
  - St Cuthbert's Catholic Academy Windermere
  - St Gregory's Catholic Primary Academy
  - St Joseph's Catholic High Academy
  - St Margaret Mary's Catholic Academy
  - St Mary's Catholic Primary Academy ULV
  - St Puis X Catholic Primary Academy
- Richard Rose Academies
- Seaton Academy
- Settlebeck High Academy
- South Cumbria MAT (one employer)
  - Cambridge Primary Academy (new)
  - Chetwynd School Academy
  - Newbarns Primary & Nursery Academy (new)
  - Ormsgill Nursery & Primary Academy
  - South Walney Junior Academy (new)
  - Vickerstown Academy
- South Westmorland MAT - Dallam Academy
- Stanwix School Academy
- Stramongate Academy
- The Good Shepherd MAT (one employer)
  - Ambleside Primary Academy
  - Braithwaite Primary Academy
  - Dean Academy
  - Ellenborough & Ewanrigg Academy
  - Gilsland Academy
  - Kirkland Academy
  - Lazonby Academy
  - Lorton Academy
  - Penny Bridge Academy
  - Threlkeld Academy
  - Whitfield Academy
  - Wreay School Academy
- The Queen Katherine School Academy
- Trinity Academy
- Walney Academy

Scheduled Designated Bodies No Actives (3)
- Brampton Parish Council

Scheduled Designated Bodies No Actives (cont)
- Millom Town Council
- Seaton Parish Council

Scheduled Bodies No Actives (10)
- Charlotte Mason College
- Cumbria Institute of the Arts
- Cumbria Primary Teacher Training
- Cumbria Sea Fisheries
- Cumbria Waste Management
- Dept Constit Affairs (Cumbria Magistrates)
- Health Authority
- Port of Workington
- Practical Alternatives to Custody (Ltd)
- Water Authority

Admitted Bodies Transferee (15)
- Bulloughs (Caldew Academy)
- Carlisle Leisure Ltd
- Caterlink - Longtown
- Caterlink - St Bernard's CHS
- Caterlink - W/Lakes
- Caterlink - WHT
- Dolce Ltd (St Martin & St Mary's) (new)
- Greenwich Leisure (Copeland)
- Greenwich Leisure (South Lakes)
- Mellors Catering - Appleby
- Mellors Catering - Kirkby Stephen
- People First
- Priority Facilities (Ashfield Infs)
- Priority Facilities (St Mary's, Work)
- Tullie House Trust

Admitted Bodies Community (13)
- Care Quality Commission
- Cumbria Cerebral Palsy
- Cumbria Deaf Vision
- Eden Housing Association
- Glenmore Trust
- Higham Hall
- Home Group (Copeland)
- Lakeland Arts Trust
- Longtown Memorial Hall Community Centre
- Morton Community Centre
- Oaklea Trust
- South Lakes Housing
- West House

Admitted Bodies No Actives (18)
- Carlisle Leisure Allerdale
- Carlisle Mencap - Huntley Ave
- Carlisle Mencap - Hart St
- Caterlink - Thornhill
- Cumbria Teacher Training
- Cumbria Training Partnership
- Direct Training Services
- Egremont & District Pool Trust
- Harraby Community Centre
- Henry Lonsdale Trust
- Kendal Citizens Advice
- Lake District Cheshire Homes
- Mellors Catering Services - Rockcliffe
- NRCS Ltd (Neighbourhood Revitalisation)
- Project Homeless
- Soundwave
- Troutbeck Bridge Swimming Pool
- Wigton Joint Burial Committee

APPENDIX: GLOSSARY

Active Management – Approach to investment management which aims to outperform a particular market index or benchmark through asset allocation and/or stock selection decisions. *(Also see Passive Management).*

Actuary – An independent consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund's financial position, known as the Actuarial Valuation.

Actuarial Valuation – An actuary formally reviews the assets and liabilities of the pension Fund and produces a report on the Fund's financial position.

Additional Voluntary Contributions - Additional Voluntary Contributions, or AVCs, are extra payments made by a scheme member to increase future benefits. It is also possible to pay AVCs to provide life cover. All LGPS pension funds are required to have an AVC arrangement. Scheme members can invest money through their AVC provider. AVCs are taken directly from pay and attract tax relief.

Admitted Body – Private contractors that are admitted to the LGPS to protect member pension rights following a TUPE transfer, or a body which provides a public service which operates otherwise than for the purposes of gain. These bodies can be categorised as Transferee or Community Admission bodies.

Actuarial Valuation – Every three years the actuary formally reviews the assets and liabilities of the Cumbria LGPS Fund and produces a report on the Fund's financial position.

Alternatives – Also known as Private Markets – please refer below.

Asset Allocation – Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return and is a central concept in financial planning and investment management.

Authorised Contractual Scheme (ACS) – an ACS is a type of structure in which institutional investors (including Pension funds) can hold their pooled investments. The ACS is the investment vehicle chosen by BCPP to hold the public market quoted investments for the twelve partner funds and provides a tax efficient means for managing all the equity and bonds held by the company.

Auto Enrolment - UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria. The law on workplace pensions has now changed and every employer must comply.

Benchmark – A yardstick against which the investment policy or performance of a fund manager can be compared, usually the index relating to the particular assets held. *(Also see Target).*

Bid price – Price at which a security or unit in a pooled fund can be sold.

Bonds – Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

Career Average Revalued Earnings (CARE) Scheme – The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

CIPFA – Chartered Institute of Public Finance & Accountancy.

Class Action – An action where an individual represents a group in a court claim. The judgement from the suit is for all the members of the group (class). This is often done when shareholders launch a lawsuit against a company, mainly because it would be too expensive for each individual shareholder to launch their own lawsuit.

Commitments – declaration of intent to invest in private market funds, the capital will be drawn down (deployed) by the fund to make the underlying investments over time.

Conflicts of Interest - Real or apparent instances where a person or firm has an incentive to serve one interest at the expense of another. Some of these conflicts are inherent in any large, diversified organisation, while others stem from the nature of the services offered to clients. These conflicts are managed through disclosure and with policies and procedures that are designed to protect client's interests. The appearance of a conflict of interest is present if there is a potential for the personal interests of an individual to clash with fiduciary duties.

Consumer Price Index (CPI) - The rate of increase in prices for goods and services. CPI is the official measure of inflation of consumer prices of the United Kingdom.

Counterparty - The other party that participates in a financial transaction. Every transaction must have a counterparty in order for the transaction to go through. More specifically, every buyer of an asset must be paired up with a seller that is willing to sell and vice versa.

Currency Hedge – This is one way for pension funds to reduce the volatility of their foreign currency exposures, by using derivatives to convert exposures back to the domestic currency.

Custodian – Organisation which is responsible for the safekeeping of asset, income collection and settlement of trades for a portfolio, independent from the asset management function.

Deficit recovery period – A reasonable period of time over which a pension fund will aim to repair it's funding level to meet its statutory objective of 100% solvency, taking into account employer circumstance where possible.

Defined Benefit – An employer-sponsored retirement plan where employee benefits are assessed based on a formula using factors such as salary history and duration of employment. Public sector pension schemes, including the LGPS, were defined benefit prior to the introduction of the Career Average Revalued Earnings (2014) Scheme.

Defined Contribution – A retirement plan in which a certain amount or percentage of money is set aside each year by a company for the benefit of the employee. There are restrictions as to when and how you can withdraw these funds without penalties. There is no way to know how much the plan will ultimately give the employee upon retiring. The amount contributed is fixed, but the benefit is not.

Derivative – Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.

Designated Body – Also known as Resolution body – please refer below.

Diversification – Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.

Emerging Markets – Developing economies in Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Investment returns within these markets tend to be more volatile than those in more established markets.

Engagement - A series of actions investors can take to reduce environmental, social and governance risks. This can include raising concerns or making proposals about company practices directly to its directors via correspondence, face-to-face meetings, attendance and voting at shareholder meetings.

Equities – Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Fiduciary Duty - A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.

Final Salary – Another term for the defined benefit pension schemes where employee benefits are based on the person's final salary when they retire. The LGPS 2014 Scheme has moved from this to a CARE (career average) scheme.

Fixed Interest Securities – Investments mainly in government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

Funding Level – The ratio of a pension fund's assets to its liabilities. Normally relates to defined benefit pension funds and used as a measure of the fund's ability to meet its future liabilities.

Futures Contract – A contract that is traded on an organised exchange and subject to rules of the exchange. It is an obligation that the buyer and seller settle the contract through purchase or sale of an underlying asset at the future date.

Gilts – These are the simplest form of UK government bond. A conventional gilt is a bond issued by the UK government which pays the holder a fixed cash payment (or coupon) every six months until maturity, at which point the holder receives his final coupon payment and the return of the principal.

Governance - The procedures and practice associated with decision-making, performance and control, which provide structures and satisfy expectations of accountability in large, mainly commercial, organisations.

Growth assets – giving returns from capital growth in company share value, usually public market traded equity and private equity.

IFRS – International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in the financial accounts of companies and other organisations globally.

Index-linked Gilts – UK government stock where the interest payments and the final redemption proceeds are linked to the Retail Price Index. Such stocks provide protection against inflation.

Index-Tracking Fund (Managed Fund) – Pooled investment vehicle which aims to match the returns on a particular market index. The fund may hold all stocks in the index or select a sample that will perform closely to the index. Investors can buy and sell units of the fund on an on-going basis.

Infrastructure - The public facilities and services needed to support residential development, including highways, bridges, schools, and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

Investment Strategy – Investor's long-term distribution of assets among various asset classes taking into consideration, for example, goals of the investor, attitude to risk and timescale etc.

Liabilities – Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pensions liabilities are the pensions benefits and payments that are due to be paid when someone retires.

Local Government Reorganisation (LGR) – From 1 April 2023, Cumbria County Council and the six District Councils of Cumbria ceased and were replaced by two new unitary Councils - Cumberland Council and Westmorland & Furness Council. As part of this reorganisation the Administering Authority for Cumbria Pension Fund vested from Cumbria County Council to Westmorland & Furness Council.

Loans and Receivables – are also known as ‘Financial assets held at amortised cost’ in the context of IFRS9 (International Financial Reporting Standards)

Long term cost efficiency – Implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

Market Value – The price at which an investment can be bought or sold at a given date.

Multi-Asset Credit – MAC is a term used for a fund investing in a range of investments that are classed as ‘credit’ i.e. fixed income, and will often include corporate debt, loans directly to companies, absolute return bonds, emerging market debt, asset-backed securities, real-estate debt and high yield bonds. The MAC fund will aim to be diversified across many asset types (also known as Diversified Credit).

Partner Funds - The term we use to describe the 10 other LGPS Pension Funds who are equal owners of BCPP along with Cumbria. A list of our partner funds can be found at: **https://www.bordertocoast.org.uk/partner-funds/**

Passive Management – Portfolio which aims to replicate a particular market index or benchmark and does not attempt to actively manage the portfolio. *(Also see Active Management).*

PIRC – Pensions & Investment Research Consultants

Pooled Investment Fund – A fund managed by an external Fund Manager in which a number of investors buy units, representing a share in the fund. The total fund is invested in a particular market or region. The underlying assets the fund hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. Pooled Investment Funds are used as an efficient method of investing in the asset classes.

Pooling – In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale thereby, as requested by DCLG: ‘significantly reducing costs whilst maintaining investment performance’.

Portfolio – Block of assets generally managed under the same mandate.

Private Credit / Private Debt – lending to small or medium-sized companies on the private market to give contractual income. Often the debt is secured against a company’s assets.

Private Equity – Shares in unquoted companies. Usually high risk, high return in nature.

Private Equity Secondaries – Shares in unquoted companies that were pre-existing investor commitments to private equity which have since been sold in a secondary market. Usually high risk, high return in nature.

Private Markets– Investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure, commodities, art, wine etc., and financial assets such as private equity, private debt, hedge funds, venture capital, royalties / patents and derivatives.

Real Estate Debt – Commercial property loans where the debt is secured against the property or a portfolio of properties, e.g. hotels, shopping centres, offices.

Resolution Body – Employers who, under Schedule 2 Part 2 of the Local Government Pension Scheme Regulations 2013 (as amended), have the automatic right but not the requirement to be an employer within the LGPS (also referred to as a Designated body).

Return – Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

Risk – Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.

S151 Officer – Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Section 151 Officer, also known as a Chief Financial Officer (CFO), to have responsibility for those arrangements.

Scheduled Body – Employers that have an automatic right and requirement to be a member of the LGPS.

Scheme Employers – employers within the Cumbria Pension Fund.

Scheme Members – are predominantly employees and ex-employees of local public sector organisations including local authorities, the police authority (non-uniformed), schools, and academies. Additionally, a small number of scheme members are employees and ex-employees of either community bodies or private companies to whom services and therefore staff have been contracted out.

Settlement – Payment or collection of proceeds after trading a security. Settlement usually takes place sometime after the deal and price are agreed.

Shareholder Voting - Shareholders are people and organisations who buy shares in UK companies. In large companies, shareholders are overwhelmingly large institutional investors, such as pension funds, insurance companies, mutual funds or similar foreign organisations.

Shareholders have the right and responsibility to vote on matters of 'corporate policy' at the underlying company's AGM (Annual General Meeting). UK shareholders have the most favourable set of rights in the world in their ability to control directors of corporations. UK company law gives shareholders the ability to:

- remove the board of directors with a simple majority of votes;
- change the company constitution with a three quarter vote (unless a higher figure is in the constitution);
- wind up (i.e. liquidate) the company with a three quarter vote; and
- veto any sale of a significant percentage of company assets.

The number of votes corresponds to the number of shares owned. The shareholder does not need to be present at the meeting, and many shares are voted 'by proxy'. Managers invariably hand over the process of voting to proxy voting agencies.

In practice many shareholders delegate the voting function to Investment Managers (who have stewardship of their assets).

<u>Resolutions which are voted upon include</u>:
Approval of Annual Report and Accounts
Approval of Remuneration Policy, and Remuneration Report
Election/Re-election of Directors
Appointment/Re-appointment of auditors
Approve dividend
Approve political donations

Voting is the key to exercising ownership rights, and influencing investee company policy

Solvency – A level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Stewardship - The responsible allocation, management and oversight of capital to create long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Stock Lending – Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.

Target – Managers are set a target for investment performance such as 1% above benchmark per year over three-year rolling periods.

Unit Trust – A specific type of pooled investment fund.

Unquoted (Unlisted) Stock – A company share that is not available for purchase or sale through the stock market.

Venture Capital – Investment in a company that is at a relatively early stage of development and is not listed on a stock exchange.

Yield - how much income an investment generates, e.g. interest payments received on a bond or dividend payments on a stock. Often expressed as a percentage, based on either the investment's market value or purchase price.