THE PENSION FUND ACCOUNTS

CONTENTS

FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

1 THE FINANCIAL STATEMENTS

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2023/24 £000's	2023/24 £000's	2024/25 £000's	2024/25 £000's
Dealings with members, employers and others directly involved in the fund					
Contributions	3		96,083		101,313
Transfers in from other pension funds	4		6,236		10,280
			102,319		**111,593**
Benefits paid	5		(114,305)		(128,055)
Payments to and on account of leavers / employer exit	6		(5,414)		(7,488)
Net additions / (deductions) from dealings with members			**(17,400)**		**(23,950)**
Management expenses	7 & 8		(22,420)		(25,457)
Net additions / (deductions) including fund management expenses			**(39,820)**		**(49,407)**
Returns on investments					
Investment Income		61,635		66,472	
Taxes on Income		(8)		(271)	
Net investment income	9	61,627		66,201	
Profit / (losses) on disposal of investments and changes in the market value of investments	10(d)	222,989		24,413	
Net return on investments			**284,616**		**90,614**
Net increase (decrease) in the net assets available for benefits during the year			**244,796**		**41,207**
Net assets at the start of the year			**3,163,315**		**3,408,111**
Net assets at the end of the year			**3,408,111**		**3,449,318**

NET ASSETS STATEMENT AS AT 31 MARCH 2025

	Notes	31 March 2024 £'000	31 March 2025 £'000
Long-term Investments	10	1,182	1,182
Investment assets	10	3,399,115	3,439,398
Investment liabilities	10	(2,882)	(410)
Total net investment assets		**3,397,415**	**3,440,170**
Long term assets		-	-
Current assets	12	12,544	17,800
Long term liabilities		-	-
Current liabilities	13	(1,848)	(8,652)
Net assets of the Fund available to fund benefits at the period end		**3,408,111**	**3,449,318**

2 NOTES TO THE FINANCIAL STATEMENTS

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

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

The purpose of the Fund is to:

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

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

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

Membership to the Cumbria LGPS is open to:

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

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

As at 31 March 2025 the total membership of the Fund was 67,223 (2023/24: 65,570) and consisted of 21,244 contributors/actives (2023/24: 22,430), 25,160 deferred members (2023/24: 23,344) and 20,819 pensioners (2023/24: 19,796). The 2024/25 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 2025 there were 109 (31 March 2024: 120) employer bodies in the Cumbria LGPS (for the full list see **Note 25**). Two new employers joined the Fund during the year, seven existing Academy employers joined a Multi Academy Trust, and six other employers left the Fund.

Basis of Preparation:

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

The Accounts for the Cumbria LGPS summarise the Fund transactions for the financial year 2024/25 and the position at the year-end date, 31 March 2025. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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 2024/25

Following a strong 2024 for global equity markets and US equites, 2025 began with the US unexpectedly falling behind returns in the UK, China and Europe. The financial year 2024/25 will mostly be remembered for the significant volatility during the first quarter of 2025, when investors rotated away from US 'mega-cap' stocks amid fears about US tariffs.

Despite experiencing a great deal of volatility, one-year returns in listed equities were mostly positive for the 2024/25 period. The UK FTSE All Share index was the strongest of the major indexes over twelve months with a return of 10.5%, ahead of the next best index, Emerging Markets, which recorded a return of 6.3%. The MSCI All Country

World Index recorded a return of 4.9%, in sharp contrast to the strong returns of 20.6% for the previous twelve months.

The impact on other asset classes was varied. Government bond yields have experienced some volatility over the past twelve months with values trending downwards through the year, with the UK Over-5 year index-linked gilts index showing a -10.4% return. UK real estate capital values increased over the past twelve months. Private market assets (i.e. private equity, private debt and infrastructure funds) were relatively stable at protecting capital and exceeded the returns from public equities.

NOTE 1 (c): FUND PERFORMANCE 2024/25

As at 31 March 2025 the audited value of the Fund's net assets was £3,449.318m (an increase of £41.027m from £3,408.111m as at 31 March 2024). The Fund's Actuary has estimated that the Cumbria LGPS was approximately 111% funded as at 31 March 2025. 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 (based on assumptions per the full actuarial valuation as at 31 March 2022; these assumptions will be reviewed as part of the 2025 Actuarial Valuation).

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 2.3% (net of fees) for the year-ended 31 March 2025.

As a long term investor, the Fund is primarily focussed on longer-term performance. It has outperformed its 5 year and 10 year benchmarks and lagged the 3 year benchmark. The Fund's performance (net of fees) to 31 March 2025 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	2.3%	3.0%	- 0.7%
3 year performance (per year)	1.9%	2.6%	- 0.7%
5 year performance (per year)	6.5%	6.3%	+ 0.2%
10 year performance (per year)	6.0%	5.8%	+ 0.2%

During 2024/25, the Fund completed its Investment Strategy Review, including a review of its Investment Beliefs and its Responsible Investment policy. In June 2024, the Pensions 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 took place during 2024/25 in light of the agreed new target allocations, with the associated investment decisions being taken in a managed way. Key changes made in 2024/25 included:

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

- The commencement of capital drawdowns to commitments made in March 2024 to new Border to Coast Pensions Partnership Ltd (BCPP) funds for Climate Opportunities and UK Opportunities;

- Rebalancing to address larger underweight and overweight positions within the Fund that had developed through market movements during the year. This was accomplished by reducing equity and reinvesting these proceeds into index-linked gilts;

- The transfer of the Fund's eligible English property holdings into Border to Coast's UK Real Estate fund, launched from October 2024;

- The selection of suitable investments for the Private Markets portfolio in March 2025, including new investment commitments made to BCPP private markets funds to be launched following the year-end (£50m to BCPP Infrastructure 2025 and £50m to BCPP Private Credit 2025); and

- The agreement of a new weighting structure within the public equity allocation (35% of the Fund) with implementation steps commencing in March 2025 and continuing in 2025/26.

NOTE 1 (d): BUSINESS PLAN ACHIEVEMENTS

<u>2024/25 Business Plan</u>:

All targets set within the 2024/25 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 2023/24 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 only minor recommendations being made. The auditor formally signed off the accounts on 18 February 2025 and the 2023/24 Annual Report (including draft financial statements) was published on 1 December 2024 in line with regulatory timeframes.

- **Complete the Fund's Investment Strategy Review and identify suitable investment options to implement the Investment Strategy**

Informed by the Responsible Investment Policy, the Fund's Investment Strategy (including the core investment objectives and asset allocations) was reviewed and a revised Strategy approved in June 2024, including target asset allocations and ranges. The Fund has also undertaken a review of its equity allocations throughout the year with this being approved by Pensions Committee in March 2025.

The review of the investment strategy included work to evaluate and agree allocations to two new BCPP investments: UK Opportunities and Climate Opportunities.

The Committee agreed the transition of the directly invested UK real estate to a new pooled fund, and all bar one of the identified properties were transitioned to the new fund in September.

The Fund has worked with BCPP on a draft plan to transition the remaining un-pooled assets to BCPP by March 2026 in accordance with the requirements of the Government's Pensions Review.

- **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.

Administration KPIs have improved to above target. Further work has been undertaken by LPPA to better monitor the customer journey which started to be reported to Committee and Board during the year. LPPA are also making use of technology to speed up casework including automation of many retirements from deferred status which has seen a significant increase in the speed of these retirement cases.

There has been significant work undertaken by the Fund and LPPA in readiness for the statutory implementation and connection to Pension Dashboards. Regular reports have been made to the Pension Committee and Board setting out progress which has remained on track throughout 2024/25.

Correct data is paramount to a successful launch onto the dashboard and consequently Officers have continued to work with employers to assess and improve the quality of data held by the Fund.

- **Assess the Fund's compliance with the Pension Regulator's General Code of Practice and develop a plan to address any areas of governance that are considered to not be compliant with the Code.**

  The Pension Regulator's new General Code sets out in detail what it expects of a scheme that is required to maintain an effective system of governance.

  The Code came into effect on 27 March 2024 and the Fund assessed its compliance with this and produced an action plan to address the limited number of areas where further development of governance arrangements was required.

  Implementation of the plan is ongoing and is being monitored by the Local Pension Board.

In addition to the 2024/25 Business Plan, originally approved in March 2024, the Fund has undertaken a number of other pieces of work and responded to unforeseen activities throughout the year. These activities included:

- Responding to the Government's Pensions Review and its consultation on "LGPS - Fit for the Future" including engagement with BCPP on the impact for the pool, the Fund and the wider LGPS;
- Review of equity holdings within the Fund's asset allocation;
- Projects to enhance the quality of data held by the LPPA and the Pension Fund. In particular a project to review 4,838 pending leavers within the Fund of which 88% were resolved; and
- Undertaking a further external review of cyber resilience. The action plan from the previous review of cyber resilience was substantially completed, and the review showed that the Fund is in a strong position compared to other pension funds. A new action plan was agreed and is being monitored by the Local Pension Board.
- Ongoing 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 2024/25.

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 2025.

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

c) ***Distributions from pooled funds***: are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement. In pooled funds with accumulation units, the Fund does not receive investment income directly from dividends or bonds, as this is received by the pooled fund and increases the value of the unitised holdings.

d) ***Property-related income***: consists primarily of rental income. This is recognised on an accruals basis.

e) ***Movements in the net market value of investments***: changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised gains/losses during the year. Realised gains/losses have been classified where a purchase or sale of investments has occurred. Gains/losses on transfers of investments within the portfolio of an individual manager have been classified as unrealised gains/losses (i.e. where no cash transactions have taken place). (See **Note 10(c)**).

Fund Account – expense items

2.4. Benefits payable (Note 5)

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

2.5. Taxation

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

2.6 Administrative expenses (Note 7)

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

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

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

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

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

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

The Fund has reviewed any fee information received from managers prior to the cut-off date for the 2024/25 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 2025 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 2024/25 Annual Report to be published by 1 December 2025. 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.

<u>Net Assets Statement</u>

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 2025, 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 2025, 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 2025. 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 2025 by an independent valuer, Knight Frank LLP, in accordance with the Royal Institution of Chartered Surveyors' Valuation - Global Standards (incorporating the International Valuation Standards) and the UK national supplement ("the Red Book") current as at the valuation date.

- The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's-length terms.

- Each valuation has been prepared on the basis of "Fair Value", which is defined as: "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" in International Financial Reporting Standard (IFRS) 13.

  - "Fair Value", for the purpose of financial reporting under International Financial Reporting Standards and UK GAAP (FRS 102), i.e. "the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's-length transaction", is effectively the same as "Market Value", which is defined in the Red Book as: "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion."

- The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date.

  i. No allowances have been made for any expenses of realisation or for taxation which might arise in the event of a disposal.

  ii. The properties are valued individually, and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in "lots" or as a whole.

  iii. Acquisition costs have not been included in the valuation.

iv. No account has been taken of any inter-company leases or arrangements, or of any mortgages, debentures or other charges.

v. No account has been taken of the availability or otherwise of capital grants.

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

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

2.10. Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. Northern Trust Corporation value all overseas securities and foreign currency balances outstanding at year end in local currency then convert to sterling using the WM Reuters 4pm exchange rates at 31 March 2025.

2.11. Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

2.12. Financial liabilities

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

2.13. Actuarial present value of promised retirement benefits

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

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see **Note 23**).

2.14. Additional voluntary contributions

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

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

AVCs are not included in these accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see **Note 15).**

2.15. Contingent assets and contingent liabilities

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

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

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

2.16. Stock Lending

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

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

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

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

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

Material errors discovered in prior period figures would be corrected retrospectively by amending opening balances and comparative amounts for the prior period. However, no such amendments have been necessary for the opening balance of the 2024/25 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 2024/25 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	2023/24 £'000	2024/25 £'000
Employee contributions to the fund	24,085	25,872
Employer contributions to the fund:		
Normal contributions	71,386	74,282
Deficit recovery contributions	612	1,159
Total Employer contributions	71,998	75,441
Total Contributions receivable	**96,083**	**101,313**
By Employer Type	**2023/24 £'000**	**2024/25 £'000**
Administering Authority	30,393	32,683
Other Scheduled bodies	64,615	67,655
Admitted bodies	1,075	975
Total Contributions receivable	**96,083**	**101,313**

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

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

Ill-health early retirements: Details of this are contained in the full **Actuarial Valuation Report as at 31 March 2022**, which is available on the Cumbria Pension Fund website. All other Cumbria LGPS employer policies that are relevant to the 2024/25 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.

	2023/24 £'000	2024/25 £'000
Individual transfers	6,236	10,280
	6,236	**10,280**

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	2023/24 £'000	2024/25 £'000
Pensions paid	92,586	102,044
Lump sums on retirement	18,957	23,254
Lump sums on death	2,762	2,757
Total Pensions paid	**114,305**	**128,055**
By Employer Type	**2023/24 £'000**	**2024/25 £'000**
Administering Authority	14,826	17,720
Scheduled bodies	89,452	100,083
Admitted bodies	10,027	10,252
Total Pensions paid	**114,305**	**128,055**

As shown in the above table the Administering Authority (Westmorland & Furness Council) benefits paid for 2024/25 were £17.720m. This comprises of pension payments of ex-employees of Barrow Borough Council, Eden District Council, South Lakeland District Council and pensioners of Westmorland & Furness Council.

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

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

Transfers out from the Fund have been made by individual members, where they have decided to take pension benefits accrued from previous employment within the Fund to a pension elsewhere. These are variable year to year depending on choices made by individual members.

	2023/24 £'000	2024/25 £'000
Refund of member contributions	175	258
Individual transfers out to other Schemes	5,204	5,264
Group transfer out to other Schemes	35	1,966
	5,414	**7,488**

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:

	2023/24 £'000	2024/25 £'000
Administrative costs	1,980	2,487
Investment management costs	19,561	21,965
Oversight and governance costs	879	1,005
	22,420	**25,457**

The Code of Practice does not require any breakdown of pension fund administrative expenses. However, in the interest of greater transparency and comparability, the Council has opted to disclose its pension fund management expenses in accordance with best practice outlined in the CIPFA guidance on LGPS management costs (July 2016). To further aid comparison a detailed breakdown is provided for information in the next note.

Administrative costs were £0.507m (25.6%) higher in 2024/25 than the previous year. For further details refer to **Note 8**.

Investment management costs were £2.404m (12.3%) higher in 2024/25 than the previous year. For further details refer to **Note 8 and 8(a)**.

Oversight and governance costs were £0.126m (14.3%) higher in 2024/25 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 is provided below.

	2023/24 £'000	2024/25 £'000
Administrative costs:		
Pensions Administration	1,611	2,080
Employee costs	358	401
Legal advice	8	5
Other	3	1
	1,980	2,487
Investment management costs: See Note 8 (a)		
Management fees	14,934	15,961
Performance fees	4,595	5,972
Custody fees	32	32
	19,561	21,965
Oversight and governance costs:		
Employee costs	432	398
Pensions Committee	36	27
Pensions Board	40	54
Investment consultancy fees	57	153
Performance monitoring service	43	43
Shareholder voting service	11	12
Actuarial fees	67	133
Audit fees	99	107
Legal and tax advice	64	27
Other (including bank charges)	30	51
	879	1,005
	22,420	**25,457**

Variations on expenditure between years include:

- Pension Administration costs increased in 2024/25 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. Additionally the Fund commissioned LPPA to undertake a specific project associated with data quality ahead of the 2025 valuation.

- Investment Management Costs – Investment management costs increased in 2024/25 from £19.561m to £21.965m. 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 investment consultancy to complete the Fund's Strategy Review. Actuarial fees increased during 2024/25 associated with preparation for 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 2023/24 are also provided for comparison purposes.

2024/25 Investment Management Expenses:

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

- Total investment management expenses of £21.965m equate to 0.64% of the year-end asset value of £3.4 billion.

- BCPP asset pool – the 2024/25 fees represent the cost for the pooled public market funds (equity and multi-asset credit). In addition, there are the annual charges from the pool in relation to the governance costs and ongoing development of the company and related investment management projects to increase capacity. The Fund also invests in private markets with BCPP including a property fund.

- Private Markets - the objective of the Fund's strategic investment allocation to private markets is to select a portfolio of private market assets which aids cash flow and increases diversification and stability. The significant growth in the portfolio values together with additional investments in private market funds has led to increased management fees. In accordance with the CIPFA guidance, management fees and performance fees that have been deducted from within the private market funds during the year have been estimated and included in the table.

  The management fees on private markets were £12.070m in 2024/25 which was an increase on the previous year (£10.499m in 2023/24). There was an increase in performance fees to £5.972m (£4.595m in 2023/24). However, it is recognised the levels of these fees are not consistent year on year, as the performance varies over the life cycle of the investment and is specific to the individual profitability and value of each investment. In the context of the year-end valuation of these assets at £1,531m, the management and performance fees of £18m equate to around 1.2% of the asset value (1.2% for 2023/24).

- Transaction and Entry costs – there were transactions costs paid directly from investments during 2024/25 due to trading out of pooled equity funds, and due to the transfer of direct property to a pooled fund with BCPP.

<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**

NOTE 9: NET INVESTMENT INCOME

The investment income of £66.201m net of £0.271m irrecoverable tax (2023/24 £61.627m net of £0.008m irrecoverable tax on dividends) can be analysed as follows:

	2023/24 £'000	2024/25 £'000
Income from equities	624	409
Infrastructure funds income	12,770	10,116
Private equity funds income	13,909	25,261
Private debt funds income	12,211	12,523
Multi-asset credit funds income	7,758	4,726
Property funds income	3,191	5,833
Rents from directly held property	8,115	4,890
Interest on cash deposits	3,049	2,443
	61,627	**66,201**

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 these receipts are shown above as income from equities.

The majority of income earned relates to the Fund's private market portfolio (infrastructure, private equity, and private debt funds). The increase in amounts received between 2023/24 and 2024/25 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 2024		31 March 2025	
		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		160,748		64,983	
- Global equities		797,033		770,891	
- Overseas equities		183,770		293,167	
- Fixed income funds		160,667		164,544	
		1,302,218		1,293,585	
Unitised insurance policies (passive):					
- Global equities		177,054		61,311	
- UK index-linked securities		445,233		498,387	
		622,287		559,698	
Other pooled funds and limited partnerships:					
- Infrastructure funds		480,712		529,685	
- Private Equity funds		370,640		388,111	
- Private Debt funds		253,073		284,111	
- Mixed asset private market funds				8,424	
- Multi Asset Credit / Fixed Income funds		63,468		63,186	
- Property funds		93,762		264,435	
		1,261,655		1,537,952	
Pooled investment vehicles & managed funds total			**3,186,160**		**3,391,235**
Investment properties	10(b)		**157,675**		**3,625**
Cash & cash equivalents			**53,575**		**43,960**
Amounts receivable for sales *			**-**		**-**
Investment income accrued *			**372**		**298**
Property rental debtors *			**1,333**		**280**
			55,280		**44,538**
Subtotal investment assets			**3,399,115**		**3,439,398**
Investment liabilities					
Amounts payable for purchases *			**-**		**-**
Property creditors *			**(2,882)**		**(410)**
Subtotal investment liabilities			**(2,882)**		**(410)**
Total Net Investments			**3,397,415**		**3,440,170**

* 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 £1,293.585m and are shown in Note 10 as 'Pooled equity/fixed income (active)'. These consist of investments in the BCPP UK Equity Fund; the Equity Alpha Fund; the Overseas Developed Listed Equity fund; and the 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) and transferred the majority of the Fund's directly held property into a new fund with BCPP during 2024/25. For the Fund's total investments managed by BCPP please refer to **Note 10(a)**.

The Fund's second largest manager holding is the unitised insurance policies with Legal and General (LGIM) totalling £599.698m, shown in the table categorised into the underlying asset types. These unitised, index-tracking (passive) funds are used as an efficient low-risk method of investing in the asset classes. The underlying assets, the index-tracking funds held on behalf of clients, are quoted assets i.e. fixed interest gilts and equity.

The Fund holds a portfolio of private market investments (infrastructure, private equity, property funds, private debt and multi-asset funds) which are investment vehicles for collective investment such as limited partnerships and are shown as 'Other Pooled Funds and Limited Partnerships' in the table. The Fund 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 £1,537.952m at 31 March 2025.

NOTE 10(a): INVESTMENTS ANALYSED BY EXTERNAL MANAGER

Manager	Asset Class	31 March 2024		31 March 2025	
		£'000	%	£'000	%
Investments Managed by Border to Coast Pensions Partnership Ltd					
Border to Coast Global Equity Alpha Fund	Equities	797,033	23.5%	770,891	22.4%
Border to Coast Overseas Developed Eq	Equities	183,770	5.4%	293,167	8.5%
Border to Coast UK Equity Fund	Equities	160,748	4.7%	64,983	1.9%
Border to Coast Multi Asset Credit Fund	Fixed Income	160,667	4.7%	164,544	4.8%
Border to Coast UK Real Estate Fund	Property fund	0	0.0%	167,796	4.9%
Border to Coast Cumbria LP	Infrastructure funds	180,113	5.3%	223,550	6.5%
Border to Coast Cumbria LP	Private Equity funds	162,330	4.8%	211,385	6.1%
Border to Coast Cumbria LP	Private Credit funds	98,920	2.9%	183,316	5.3%
Border to Coast Cumbria LP	Climate Opportunities fund	0	0.0%	6,327	0.2%
Border to Coast Cumbria LP	UK Opportunities fund	0	0.0%	2,097	0.1%
	Managed by BCPP Pool	**1,743,581**	**51.3%**	**2,088,056**	**60.7%**
Investments Managed outside Border to Coast Pensions Partnership Ltd					
Legal & General	Index-linked gilts	445,233	13.1%	498,387	14.5%
JP Morgan	Infrastructure fund	186,021	5.5%	192,924	5.6%
Partners Group	Private Market Credit funds	112,161	3.3%	71,721	2.1%
Partners Group	Infrastructure funds	72,201	2.2%	70,028	2.0%
Legal & General	Global equities	177,054	5.2%	61,311	1.8%
Pantheon	Private Equity funds	70,656	2.1%	59,702	1.7%
Apollo	Multi Asset Credit fund	53,731	1.6%	53,397	1.6%
Healthcare Royalty Partners	Royalties funds	61,941	1.8%	48,122	1.4%
abrdn (formerly Aberdeen SL Capital)	Private Equity funds	42,197	1.2%	46,052	1.3%
Strategic cash allocation	Cash	50,096	1.5%	43,231	1.3%
abrdn (formerly Aberdeen SL Capital)	Infrastructure fund	42,377	1.3%	43,183	1.3%
Aviva	Property fund	34,681	1.0%	34,152	1.0%
M&G	Property fund	31,780	0.9%	31,901	0.9%
Hearthstone	Residential Property fund	27,301	0.8%	30,586	0.9%
Barings	Private Loan funds	41,992	1.2%	29,076	0.8%
Unigestion	Private Equity funds	31,180	0.9%	20,730	0.6%
CQS	Multi Asset Credit fund	9,737	0.3%	9,789	0.3%
abrdn (formerly Aberdeen Standard)	Direct property	159,605	4.7%	4,222	0.1%
BlackRock	Private Equity fund	2,336	0.1%	2,120	0.1%
Border to Coast Ltd	Share capital	1,182	0.0%	1,182	0.0%
Interest and tax accruals	Cash/Overseas/UK equities	372	0.0%	298	0.0%
	Outside of BCPP Pool	**1,653,834**	**48.7%**	**1,352,114**	**39.3%**
Total Net Investments		**3,397,415**	**100.0%**	**3,440,170**	**100.0%**

NOTE 10(b): INVESTMENT PROPERTIES

The Fund invests in UK property holdings for rental income and capital growth, and to maximise diversification thereby reducing the risk across the portfolio. During 2024/25, the Fund transferred the majority of its directly owned property portfolio into a new Border to Coast Pensions Partnership (BCPP) UK Real Estate Fund at the time of its launch, 1 October 2024.

At the prior year-end, 31 March 2024, the Fund held a portfolio valued at £157.675m as 22 properties ranging from £1.800m to £15.650m each. One property was purchased during the first half of the year, and transferred to the BCPP fund at 1 January 2025. The transfer of property to BCPP is shown as 'Disposals' of £165.135m in 2024/25 and is also shown within 'Purchases' of 'Other Managed funds' in Note 10(c).

Following the transfer, one property located in Scotland remains in the ownership of Cumbria Pension Fund at 31 March 2025 valued at £3.625m, as shown in the following tables.

Property holdings do not fall into the definition of a financial instrument, and therefore are not covered in **Note 11(a)** 'Valuation of Financial Instruments carried at fair value'. However, they are valued at fair value (as detailed in Note 2.9(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(e) 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:

	2023/24 £'000	2024/25 £'000
Rental income from investment property	8,601	5,244
Direct operating expenses arising from investment property	(486)	(354)
	8,115	**4,890**

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 property is held by a wholly-owned nominee company on behalf of the Fund and the Fund is entitled to all income and capital proceeds. The Fund has no contractual obligation to purchase, construct or develop properties, and the Fund has its normal obligations in respect of repairing and maintaining properties where the costs are generally passed onto the tenants where a lease is in place.

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

	2023/24 £'000	2024/25 £'000
Balance at the start of the year	**156,540**	**157,675**
Additions:		
Purchases	6,225	10,909
Subsequent expenditure	734	263
Disposals	0	(165,135)
Net gains/(losses) from fair value adjustments	(5,824)	(87)
Balance at the end of the year	**157,675**	**3,625**

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

	2023/24 £'000	2024/25 £'000
Not later than one year	8,428	192
Later than one year and not later than five years	25,462	560
Later than five years	44,175	405
Total future lease payments due under existing contracts	**78,065**	**1,157**

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 £0.192m 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 2025 the Fund held £0.048m of deposits paid by tenants which help to mitigate loss to the Fund should rents not be paid.

As at 31 March 2025, an allowance of £0.227m for expected credit loss on outstanding rent arrears (which totalled £0.271m as at 31 March 2024), is recognised within the ‘Property rental creditors’ figure of £0.410m at Note 10. This represents approximately 4.6% of the 2024/25 net rental income of £4.890m. It is considered that the level of provisioning is appropriately prudent in the context of the financial statements.

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

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

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

Asset Class	Value at 1 April 2024 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Changes in value during the year £'000	Value at 31 March 2025 £'000
Equities					
UK equities	1,182	-	-	-	1,182
Pooled investment vehicles	1,924,505	216,711	(277,728)	(10,205)	1,853,283
Other Managed funds	1,261,655	384,046	(142,881)	35,132	1,537,952
Property (See Note 10b)	157,675	11,172	(165,135)	(87)	3,625
	3,345,017	**611,929**	**(585,744)**	**24,840**	**3,396,042**
Cash & cash equivalents	53,575			(427)	43,960
Amounts receivable for sales	-				-
Investment income accrued	372				298
Property rental debtors	1,333				280
Amounts payable for purchases	-				-
Property creditors	(2,882)				(410)
Total Net Investments	**3,397,415**			24,413	**3,440,170**

Analysis of gains/(losses) for the year	2024/25 £'000
Realised - Profit and losses on disposal of investments	102,012
Unrealised - Changes in the market value of investments	(77,599)
	24,413

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

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

It is a requirement of the Pensions Statement of Recommended Practice (SORP) and the CIPFA Code of Practice on Local Authority Accounting to declare if an investment accounts for more than 5% of the Fund. The occurrences of this within the Cumbria Fund in 2024/25 are five pooled sub-funds managed by BCPP, one unitised insurance fund held with Legal and General, and an infrastructure investment with JP Morgan.

Holding	31 March 2024 £'000	% of Total Net Investments	31 March 2025 £'000	% of Total Net Investments
Border to Coast Pension Partnership Ltd - Global Equity Alpha	797,033	23.5%	770,891	22.4%
Border to Coast Pension Partnership Ltd - Overseas Equity	183,770	5.4%	293,167	8.5%
Border to Coast Pension Partnership Ltd - Infrastructure funds	180,113	5.3%	223,550	6.5%
Border to Coast Pension Partnership Ltd - Private Equity funds	162,330	4.8%	211,385	6.1%
Border to Coast Pension Partnership Ltd - Private Credit funds	98,920	2.9%	183,316	5.3%
Investments over 5% managed by Border to Coast	**1,422,166**	**41.9%**	**1,682,309**	**48.8%**
Legal and General Over 5 Yr Index-Linked Gilts Index	445,233	13.1%	498,387	14.5%
Investments over 5% managed by Legal and General	**445,233**	**13.1%**	**498,387**	**14.5%**
Other pooled investments over 5% of Net Investment Assets				
JPMorgan - Institutional Infrastructure fund	186,021	5.5%	192,924	5.6%
	2,053,420	**60.4%**	**2,373,620**	**68.9%**

NB: Due to the removal of Legal & General World equity (below 5%) and the addition of BCPP Private Equity and Private Credit 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 agreed a revised structure for the public equity allocation and had part-completed the transfer between funds at 31 March by reducing UK equity and increasing Overseas equity by £110m. The Fund withdrew £40m from the BCPP Global Equity Alpha fund and £120m from L&G FTSE World Equity fund to address an overweight position which had developed due to growth in equity values in the Fund, this was used to both rebalance £110m into index-linked gilts and to make investments in private market assets.

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

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

Description of Asset/Liability	Basis of Valuation	Observable and unobservable inputs	Key Sensitivities affecting the valuations provided
LEVEL 1			
Cash and cash equivalents	Carrying value is fair value because of short-term nature (daily access)	Not required	Not required
LEVEL 2			
Pooled investments - 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.

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

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above for the Level 3 investments are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of Level 3 investments held at 31 March 2025.

	Assessed valuation range (+/-)	Value at 31 March 2025 £'000	Value on increase £'000	Value on decrease £'000
Private market funds - Infrastructure	9.4%	538,109	588,691	487,527
Private market funds - Private Equity	7.9%	388,111	418,772	357,450
Private market funds - Private Debt	4.3%	284,111	296,328	271,894
Private market funds - Multi Asset Credit	4.4%	63,186	65,966	60,406
Property - direct and pooled funds	16.2%	268,060	311,486	224,634
Total		**1,541,577**	**1,681,243**	**1,401,911**

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

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

NOTE 10(g): FAIR VALUE – HIERARCHY

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

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

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

Level 1: 1% of Total Investments (2023/24: 2%)
Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 are mainly quoted equity shares, quoted fixed interest securities, quoted index linked securities, cash and unit trusts that can be freely traded in active markets.

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

Level 2: 54% of Total Investments (2023/24: 56%)
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: 45% of Total Investments (2023/24: 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 2024				31 March 2025			
	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	-	1,924,505	1,261,655	3,186,160	-	1,853,283	1,537,952	3,391,235
Cash & cash equivalents	57,487	-	-	57,487	50,848	-	-	50,848
Total Financial assets at fair value through profit and loss	**57,487**	**1,924,505**	**1,262,837**	**3,244,829**	**50,848**	**1,853,283**	**1,539,134**	**3,443,265**
Investment properties (Non-financial assets) at fair value through profit and loss	-	-	157,675	157,675	-	-	3,625	3,625
Total Investments at Fair Value	**57,487**	**1,924,505**	**1,420,512**	**3,402,504**	**50,848**	**1,853,283**	**1,542,759**	**3,446,890**
Percentage of Total Investments	**2%**	**56%**	**42%**	**100%**	**1%**	**54%**	**45%**	**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 2024/25	Market value 1 April 2024 £'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 2025 £'000
Unquoted Equities	1,182	-	-	-	-	-	-	1,182
Level 3 pooled investments (i.e. Other managed funds)	1,261,655	-	-	384,046	(142,881)	16,017	19,115	1,537,952
Investment Properties	157,675	-	-	11,172	(165,135)	3,399	(3,486)	3,625
	1,420,512	**-**	**-**	**395,218**	**(308,016)**	**19,416**	**15,629**	**1,542,759**

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 2024 £'000	31 March 2025 £'000
Financial Instruments	3,243,992	3,438,399
Statutory debts / liabilities & provisions	6,444	7,294
Investment Property	157,675	3,625
Net Assets of the Fund	**3,408,111**	**3,449,318**

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 2024				31 March 2025			
	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CLASSIFICATION								
Financial Assets								
Investments								
Equities	1,182	-	-	1,182	1,182	-	-	1,182
Pooled investment vehicles	3,186,160	-	-	3,186,160	3,391,235	-	-	3,391,235
Cash & cash equivalents	46,829	10,658	-	57,487	42,082	8,766	-	50,848
Investment receivables/debtors	-	1,705	-	1,705	-	578	-	578
Current & long-term assets	-	1,070	-	1,070	-	2,198	-	2,198
	3,234,171	**13,433**	**-**	**3,247,604**	**3,434,499**	**11,542**	**-**	**3,446,041**
Financial Liabilities								
Investment payables/creditors	-	-	(2,882)	(2,882)	-	-	(410)	(410)
Current/long-term liabilities	-	-	(730)	(730)	-	-	(7,232)	(7,232)
Total Financial Instruments	**3,234,171**	**13,433**	**(3,612)**	**3,243,992**	**3,434,499**	**11,542**	**(7,642)**	**3,438,399**
ANALYSIS OF NET GAINS AND (LOSSES) FOR YEAR ENDED 31st MARCH								
Financial Assets	228,813	-	-	228,813	24,500	-	-	24,500
Financial Liabilities	-	-	-	-	-	-	-	-
Total Net Gains/(Losses)				228,813				24,500

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 2024 £'000	31 March 2025 £'000
Cash balances	**3,912**	**6,888**
Current Debtors		
Contributions due	6,462	8,711
Miscellaneous	2,170	2,201
Total Current Debtors	**8,632**	**10,912**
Total Current Assets	**12,544**	**17,800**

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

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

NOTE 13: CURRENT LIABILITIES

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

	31 March 2024 £'000	31 March 2025 £'000
Current Creditors		
Investment Managers fees	565	7
Tax payable	1,118	1,420
Miscellaneous	165	7,225
Total Current Liabilities	**1,848**	**8,652**

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

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

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

Summary of Financial Risks	Credit Risk	Market Risk				2023/24 £'000	2024/25 £'000
		Foreign Exchange	Interest rate	Liquidity	Other risks		
UK Equities	◍	◍	◍	○	◍	161,930	66,165
Overseas Equities	◍	●	◍	○	◍	1,157,857	1,125,369
Index Linked Gilts	○	○	◍	○	◍	445,233	498,387
Property *	◍	○	◍	●	◍	157,675	3,625
Alternative Investments	◍	◍	◍	●	◍	1,422,322	1,702,496
UK Cash	◍	○	◍	○	◍	52,854	42,758
Overseas Cash	◍	●	◍	○	◍	4,633	8,090
Total Investments at Fair Value						**3,402,504**	**3,446,890**

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.

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. Follow up work regarding the equity allocation was considered by the Investment Sub-Group and Pensions Committee in early 2025.

As at 31 March 2025, the Fund had in place a longer-term target strategic allocation. Undertaking reviews to continually evolve the strategy, ensures the Fund fully considers the risk being taken within the investment portfolio, and therefore challenges its ability to meet the Actuarial objectives of the Fund.

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

- Return generation – the Fund needs to continue to generate sufficient return to meet its liabilities.

- Stability for employers - a strategy needs to deliver both a return in line with the funding strategy and reduced volatility to help protect those employers with lower funding levels which are therefore more vulnerable to sudden changes in employer contributions.

- Inflation risk – the Fund's inflation-linked discount rate means that it is largely protected against day to day inflation volatility. However the Fund recognises that, as part of its diversified portfolio, it requires allocations to assets that are linked to inflation e.g. long lease property, index-linked gilts and infrastructure equity/debt, to maintain its strong funding position.

- Illiquidity premium – the Fund is long-term and can lock up capital for longer to take advantage of the additional premium this offers. The Strategy seeks to increase the Fund's exposure to less liquid assets in order to benefit from the illiquidity premium.

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

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

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

Credit Risk

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

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

The Fund's cash and cash-like holdings as at 31 March 2025 were £6.888m (2023/24: £3.912m) within current assets (see **Note 12**), and £43.960m (2023/24: £53.575m) 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 2025	Balances as at 31 March 2024 £'000	Balances as at 31 March 2025 £'000
Money Market Funds			
Northern Trust GBP Liquidity Fund	AAA	42,326	33,995
Northern Trust USD Liquidity Fund	AAA	3,875	5,273
Northern Trust EUR Liquidity Fund	AAA	628	2,814
Bank deposit accounts			
National Westminster Bank	A+	3,912	6,888
Bank current accounts			
Barclays Bank	A+	3,479	729
Northern Trust Company (GBP)	AA	3,137	1,146
Northern Trust Company (USD, EUR)	AA	130	3
Total		**57,487**	**50,848**

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). 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	2024/25 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Equities	1,191,534	11.8%	1,332,135	1,050,933
Index-linked gilts	498,387	16.1%	578,627	418,147
Infrastructure funds	538,109	9.4%	588,691	487,527
Private Equity funds	388,111	7.9%	418,772	357,450
Private Debt funds	284,111	4.3%	296,328	271,894
Multi Asset Credit funds	227,730	4.4%	237,750	217,710
Property and property funds	268,060	16.2%	311,486	224,634
Cash	50,848	4.9%	53,340	48,356
	3,446,890		**3,817,129**	**3,076,651**

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 2025, the Fund had overseas investments of £2,163.008m denominated in currencies other than sterling.

To assess the risk the Fund is exposed to as a result of holding these currencies, taking into account information provided by Pensions & Investment Research Consultants Ltd (PIRC), it is considered that the movements shown below are a reasonable measure to apply to the currencies. The potential volatilities represent a one standard deviation movement in the volatility of currencies over the latest three years (i.e. 68% of the observed values were within these ranges). The use of actual data is included in the 3 year period being assessed to develop the volatility percentages.

The impact of these movements in the value of foreign currencies against sterling would be to increase (or decrease) the fund value by approximately £148.935m, or 4.3% of the Fund's total value.

Foreign Exchange - Sensitivity Analysis	2024/25 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
US Dollar denominated assets	1,429,532	8.3%	1,548,183	1,310,881
European currency denominated assets	384,016	4.2%	400,145	367,887
Other currency denominated assets	262,133	5.4%	276,288	247,978
UK assets within Global equity funds	87,327	0.0%	87,327	87,327
	2,163,008		**2,311,943**	**2,014,073**

Foreign Exchange – Derivative Contracts

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

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

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The UK Bank Rate had been 5.25% in March 2024 and was decreased in the twelve months, to 4.50% in March 2025. The interest rate risk is that if rates rise, it causes the value of bonds and bond funds to fall.

The Fund's direct exposure to interest rate movements is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value. Therefore a 0.75% change in interest rates (which would bring the base rate up to 5.25% or down to 3.75%) will increase or reduce the Fund's return by £4.119m (2023/24 £3.770m) on an annualised basis.

Assets exposed to interest rate risk	31 March 2024 £'000	31 March 2025 £'000
Fixed interest securities (including pooled investments)	445,233	498,387
Cash and cash equivalents	10,658	8,766
Money market funds and pooled cash vehicles	46,829	42,082
	502,720	**549,235**

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 2024/25, 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 2025 the value of assets which could be converted to cash within three months, without significant loss to the Fund, is £1,904.131m, i.e. 55% of net assets (31 March 2024 £1,981.992m). The value of the illiquid assets including investment properties was £1,542.759m which represented 45% of net assets (31 March 2024 £1,420.512m).

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 2025 are as follows:

Asset Class	2023/24 £'000	2024/25 £'000	Manager	Holding Details
Pooled investment vehicles				
Managed by Pool	1,302,218	1,293,585	Border to Coast	UK, overseas and global equity, fixed income multi-asset fund
	180,113	223,550	Border to Coast Cumbria LP	Infrastructure funds
	162,330	211,385	Border to Coast Cumbria LP	Private Equity funds
	98,920	183,316	Border to Coast Cumbria LP	Private Credit funds
		167,796	Border to Coast	UK Real Estate fund
		6,327	Border to Coast Cumbria LP	Climate Opportunities fund
		2,097	Border to Coast Cumbria LP	UK Opportunities fund
Unitised insurance policies	622,287	559,698	Legal and General	Index tracking funds
Other managed funds	186,021	192,924	JP Morgan	Infrastructure fund
	112,161	71,721	Partners Group	Private Market Credit funds
	72,201	70,028	Partners Group	Infrastructure funds
	70,656	59,702	Pantheon	Private Equity funds
	53,731	53,397	Apollo	Multi Asset Credit fund
	61,941	48,122	Healthcare Royalty Partners	Royalties funds
	42,197	46,052	abrdn (formerly Aberdeen SL Capital)	Private Equity funds
	42,377	43,183	abrdn (formerly Aberdeen SL Capital)	Infrastructure fund
	34,681	34,152	Aviva	Property fund
	31,780	31,901	M&G	Property fund
	41,992	29,076	Barings	Private Loan funds
	27,301	30,586	Hearthstone	Residential Property fund
	31,180	20,730	Unigestion	Private Equity funds
	9,737	9,789	CQS	Multi Asset Credit fund
	2,336	2,120	BlackRock	Private Equity fund
UK equity unquoted	1,182	1,182	Border to Coast	Company share capital
	3,187,342	**3,392,419**		

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:

	2023/24 £'000	2024/25 £'000
Standard Life	407	368
Scottish Widows*	820	820
Utmost Life *	279	279
Prudential Assurance Company	5,227	6,984
Total AVCs	**6,733**	**8,451**

*At the time of publication, two providers have been unable to provide values as at 31 March 2025, hence the value shown for 2024/25 in the above table is a carry forward of the 31 March 2024 valuation.

AVC contributions of £2.606m were paid from employees to the providers during the year, or via their employer as part of a salary sacrifice shared cost AVC scheme.

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

NOTE 16: RELATED PARTY TRANSACTIONS

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

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

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

There are no material transactions in respect of related parties requiring separate reporting for 2024/25.

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 2024/25 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 2024/25, 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 2024/25 (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 2024/25 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 2024/25.

- 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 2024/25 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 2024/25 was £6,750.

- The Independent Chair of the Local Pension Board received remuneration of £10,000 during 2024/25 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.

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

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

2023/24 Remuneration as charged to Cumbria LGPS of Senior Officers of Westmorland and Furness Council who had significant management responsibilities for Cumbria LGPS:

Post Title	**Salary recharged to Cumbria LGPS** **£**	**Total Remuneration excluding pension contributions recharged to Cumbria LGPS** **£**	**Employer's Pension contributions recharged to Cumbria LGPS** **£**	**Total Remuneration including pension contributions recharged to Cumbria LGPS** **£**
Director of Resources (S151 Officer)	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**

NOTE 17: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

There are no contingent liabilities or outstanding contractual commitments at 31 March 2025.

NOTE 18: CONTINGENT ASSETS

Tax Reclaims

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

Fokus Bank: In June 2024, following an appeal, the Fund received confirmation that the French Tax Authorities (FTA) had agreed to pay the outstanding withholding tax claims for 2007 and 2008. The payout of the refund was delayed but finally in March 2025 the Fund received a total of £0.296m (including interest). This payout resolves all the historic French claims which were submitted between December 2006 and January 2010 and takes the total amount recovered from the FTA to £0.697m

Fees incurred to date by the Fund on the resolution of all the French claims amounts to £0.107m (including an estimate of the charges to secure the latest payout).

The estimated value of Fokus Bank claims still outstanding at 31 March 2025 is £0.476m (value in GBP based on exchange rates at 31.3.2025). These are now the only claims in which the Fund remains as an ongoing participant and this total can be split by region as, Germany £0.276m and Italy £0.200m.

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

Class Actions

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

NOTE 19: IMPAIRMENT LOSSES

All outstanding debts for non-recovery of pension overpayments and all other debts raised during 2024/25 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 2024/25.

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 £10.912m (£8.632m at 31 March 2024) of current debtors (see **Note 12**) is £1.270m of debtors aged between two and six months (£0.869m at 31 March 2024) and £0.847m of debtors aged greater than six months (£0.052m 31 March 2024).

NOTE 20: STOCK LENDING

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

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

The Fund had no securities on loan at 31 March 2025 and earned no income directly in 2024/25 through stock lending.

NOTE 21: EVENTS AFTER THE REPORTING DATE

Conflicts in Ukraine and the Middle East remain an ongoing issue and along with US tariff issues are a cause of instability in global financial markets. In addition, high interest rates and inflation in the UK continue to affect valuations in index-linked gilt markets. The impact of these matters on the valuation of the Fund's assets continued to be assessed up until the publication of the audited accounts.

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

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

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

Critical Judgements

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

Use of Estimates and Major Sources of Uncertainty:

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

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

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

Item	Uncertainties	Effect if actual differs from assumptions
Market Value of Investments	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 reference also to the value of the property on the open market.	For every 1% increase in market value of all assets, the value of the Fund will increase by approx. £34.402m, 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. For each case the underlying factors would be considered before acceptance or otherwise of the sale.

Item	Uncertainties	Effect if actual differs from assumptions
		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.

<u>The valuation of 'level 3' assets</u>

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 2025, the 31 December 2024 valuations have been the latest available for £273.207m of the private equity investments shown at Note 10 (7.9% 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 £114.904m, 3.3% of the net investments.

Infrastructure and multi-asset private market funds are also valued during the following quarter and for 31 March 2025, the 31 December 2024 valuations have been the latest available for £302.002m of the infrastructure/multi-asset investments shown at Note 10 (8.8% 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 £236.107m of infrastructure, totalling 6.9% 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 employer contribution rates with effect from 1 April 2023 to 31 March 2026.

The Actuary is currently undertaking the 2025 valuation based on the value of assets and liabilities of the Fund as at 31 March 2025. This valuation will determine the employer contribution rates for the period 1 April 2026 to 31 March 2029.

The full Actuarial Valuation Report as at 31 March 2022 is available on the Cumbria Pension Fund website at **www.cumbriapensionfund.org**.

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

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

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

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

	31 March 2024 £'m	31 March 2025 £'m
Valuation Basis		
Present value of past service liabilities	(3,084)	(3,093)
Net assets of the Fund	3,408	3,449
Net Surplus (Liability)	**324**	**356**
IAS 19 Basis		
Present value of past service liabilities	(2,967)	(2,630)
Net assets of the Fund	3,408	3,449
Net Surplus (Liability)	**441**	**819**

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

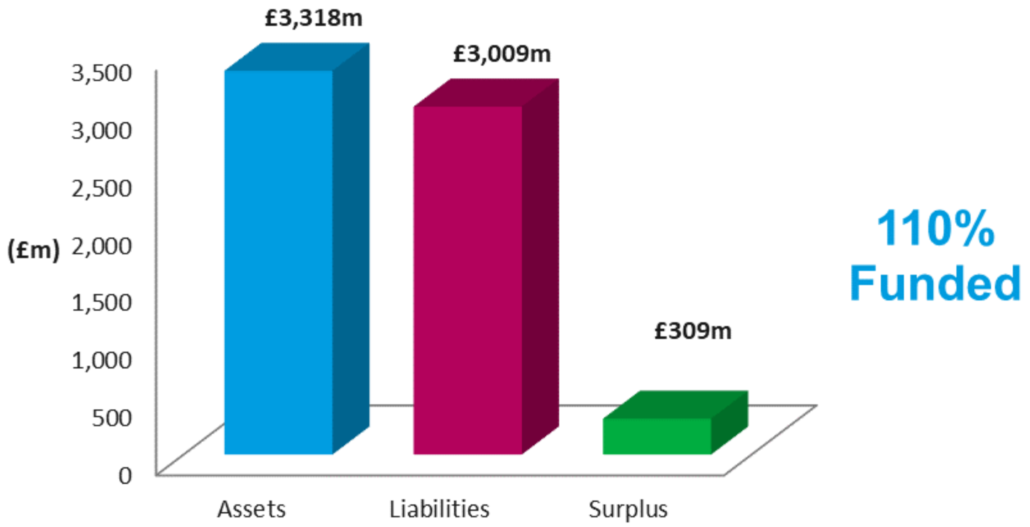
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025 - STATEMENT BY THE CONSULTING ACTUARY

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 liability value of the benefits, we have used the following assumptions as at 31 March 2025 (the 31 March 2024 assumptions are included for comparison):

	31 March 2024	31 March 2025
Rate of return on investments (discount rate)	4.9% per annum	5.80% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	2.60% per annum
Rate of pay increases	4.2% per annum	4.10% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	2.8% per annum	2.70% per annum

The base tables are set based on the most recent mortality analysis for the Fund (undertaken as part of the 2022 actuarial valuation). The future improvements allow for a best estimate long-term improvement rate of 1.5%, and have been updated to allow for the latest base tables available (the “S4” series of tables and CMI 2023 at the end of period), with a reweighting to maintain consistency with the underlying mortality analysis.

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

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

Start of period liabilities	£2,967m
Interest on liabilities	£143m
Net benefits accrued/paid over the period*	(£30m)
Actuarial (gains)/losses (see below)	(£450m)
End of period liabilities	£2,630m

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

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased over the year, with a corresponding increase in discount rate from 4.9% p.a. to 5.8% p.a. The long-term assumed CPI is slightly lower at the end of year than it was at the start of year. In combination, these factors lead to a significant reduction in liabilities.

- **Change in demographic assumptions:** As noted above, the mortality assumptions have been updated to reflect the latest mortality tables and future life expectancy improvement model. This acts to slightly reduce the liabilities.

- **Pension increases / high short-term inflation:** The figures allow for the impact of actual CPI experienced over the year compared to the start of period assumption (experience to September 2024 fed into the April 2025 pension increase of 1.7%, and actual inflation from that point will feed into the 2026 increase). As inflation over the year was a little lower than the long-term assumption, this slightly decreases the liabilities.

Mark Wilson

Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2025

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.

Market volatility and tariffs: There was significant volatility in markets shortly after the accounting date, in part due to the announcements on tariffs coming from the USA. The period-end figures reflect market conditions as at the accounting date, but do not allow for any subsequent experience.

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

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 2024/25 financial statements.

NOTE 25: PARTICIPATING EMPLOYERS OF THE FUND

As at 31 March 2025 the scheduled and admitted bodies within the Cumbria Local Government Pension Scheme were:

Employers of the Fund as at 31 March 2025 (total 109)

Scheduled Scheme Employers (9)	**Scheduled Bodies - Academies (cont)**	**Admitted Bodies Transferee (cont)**
Cumberland Council	Furness Education Trust	Mellors Catering - Appleby
Westmorland and Furness Council	George Hastwell School Academy	Mellors Catering - Kirkby Stephen
Cumbria Commissioner Fire and Rescue	Ghyllside Academy	People First
Cumbria Chief Constable	Great Corby Academy	Priority Facilities (Ashfield Infs)
Cumbria Police, Fire & Crime Commissioner	James Rennie Academy	Priority Facilities (St Mary's, Work)
Furness College	Keswick Academy	Tullie House Trust
Kendal College	Kirkbie Kendal Academy	**Admitted Bodies Community (11)**
Lake District National Park Authority	Learning for Life Trust	Cumbria Cerebral Palsy
Lakes College (West Cumbria)	Lunesdale MAT	Cumbria Deaf Vision
Scheduled Designated Bodies (15)	Mater Christi MAT	Eden Housing Association
Barrow Forward Ltd	Richard Rose Academies	Glenmore Trust
Brampton Parish Council	Seaton Academy	Higham Hall
Cleator Moor Town Council	South Cumbria MAT	Home Group (Copeland)
Cockermouth Town Council	South Westmorland MAT - Dallam Academy	Lakeland Arts Trust
Egremont Town Council	Stanwix School Academy	Morton Community Centre
Grange Town Council	The Good Shepherd MAT	Oaklea Trust
Kendal Town Council	Trinity Academy	South Lakes Housing
Keswick Town Council	**Scheduled Designated Bodies No Actives (2)**	West House
Maryport Town Council	Millom Town Council	**Admitted Bodies No Actives (20)**
Orian Solutions	Seaton Parish Council	Carlisle Mencap - Huntley Ave
Penrith Town Council	**Scheduled Bodies No Actives (10)**	Carlisle Mencap - Hart St
Ulverston Town Council	Allerdale Waste Services	Caterlink - Longtown
Whitehaven Town Council	Charlotte Mason College	Caterlink - W/Lakes
Wigton Town Council	Cumbria Institute of the Arts	Caterlink - WHT
Workington Town Council	Cumbria Primary Teacher Training	Cumbria Teacher Training
Scheduled Bodies - Academy Employers (29)	Cumbria Sea Fisheries	Cumbria Training Partnership
Appleby Grammar Academy	Dept Constit Affairs (Cumbria Magistrates)	Direct Training Services
Arnside National CofE Academy	Health Authority	Egremont & District Pool Trust
Bassenthwaite Academy	Port of Workington	Henry Lonsdale Trust
Branthwaite Academy (formerly Cumbria Academy for Autism)	Practical Alternatives to Custody (Ltd)	Kendal Citizens Advice
	Water Authority	Lake District Cheshire Homes
Burton Morewood Primary Academy	**Admitted Bodies Transferee (13)**	Longtown Memorial Hall Community Centre
Caldew Academy	Bulloughs (Caldew Academy)	Mellors Catering Services - Rockcliffe
Cartmel Priory Academy	Carlisle Leisure Ltd	NRCS Ltd (Neighbourhood Revitalisation)
Changing Lives Learning Trust	Caterlink - St Bernard's CHS	Orian (Ghyllside) new
Crosby on Eden Academy	Computeam Ltd (new)	Project Homeless
Cumbria Education Trust	Dolce Ltd (St Martin & St Mary's)	Soundwave
Eaglesfield Paddle Academy	Greenwich Leisure (Copeland)	Troutbeck Bridge Swimming Pool
Energy Coast UTC	Greenwich Leisure (South Lakes)	Wigton Joint Burial Committee