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# Accounts

**2023/24**

## Pension Fund Accounts 2023/24

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The following pages present the draft accounts for the Surrey Pension Fund for the year ended 31 March 2024.

*Note: The accounts on the following pages are unaudited. Figures presented therefore remain subject to further review and amendment.*

Draft

## Surrey Pension Fund Accounts 2023/24

### Fund Account

£000	Note	2023/24	2022/23
Contributions receivable	7	212,716	207,586
Transfers in	8	23,538	36,287
<b>Contributions Sub-total</b>	-	<b>236,254</b>	<b>243,873</b>
Benefits payable	9	(201,674)	(176,888)
Payments to and on account of leavers	10	(30,675)	(26,341)
<b>Benefits Sub-total</b>	-	<b>(232,349)</b>	<b>(203,229)</b>
<b>Net additions from dealings with members</b>	-	<b>3,905</b>	<b>40,644</b>
Management expenses	11	(13,738)	(19,765)
<b>Net additions including fund management expenses</b>	-	<b>(9,832)</b>	<b>20,879</b>
<b>Return on investments</b>	-	-	-
Investment income	12	37,997	41,850
Taxes on income	-	(491)	(1,020)
Profit and (losses) on disposal of investments and changes in the value of investment	17	559,901	(127,825)
<b>Net return on investments</b>	-	<b>597,405</b>	<b>(86,995)</b>
<b>Net increase in the net assets available for benefits during the year</b>	-	<b>587,575</b>	<b>(66,116)</b>
<b>Opening net assets of the scheme</b>	-	<b>5,291,396</b>	<b>5,357,512</b>
<b>Closing net assets of the scheme</b>	-	<b>5,878,971</b>	<b>5,291,396</b>

## Net Assets Statement

<b>£000</b>	<b>Note</b>	<b>31 March 2024</b>	<b>31 March 2023</b>
Investment assets	14	5,818,738	5,240,381
Investment liabilities	14	(15,237)	-
<b>Total net investments</b>	-	<b>5,803,500</b>	<b>5,240,381</b>
Current assets	21	192,261	58,896
<b>Total assets</b>	-	<b>5,995,762</b>	<b>5,299,277</b>
Current liabilities	22	(116,791)	(7,881)
<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>	-	<b>5,878,971</b>	<b>5,291,396</b>

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

## Notes to the Accounts

### 1. Description of the Fund

The Surrey Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by Surrey County Council. The Surrey Pension Fund is the reporting entity.

#### (i) General

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment Funds) Regulations 2016

It is a contributory defined benefit pension scheme administered by Surrey County Council to provide pensions and other benefits for pensionable employees of Surrey County Council, the borough and district councils in Surrey and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Surrey Pension Fund Committee, which is a committee of Surrey County Council.

#### (ii) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Surrey Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admissions agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing of services to the private sector.

Membership details are set out below:

<b>Membership Details</b>	<b>31 March 2024</b>	<b>31 March 2023</b> <b>*Restated</b>
Number of employers	<b>355</b>	<b>345</b>
<b>Employees in the Scheme</b>	-	-
Surrey County Council	16,101	16,454
Other Employers	20,275	19,360
Total Employees in the Scheme	<b>36,376</b>	<b>35,814</b>
<b>Pensioners</b>	-	-
Surrey County Council	15,947	15,469
Other Employers	14,997	14,421
Total Pensioners	<b>30,944</b>	<b>29,890</b>
<b>Deferred Pensioners</b>	-	-
Surrey County Council	35,953	35,264
Other Employers	27,062	25,725
Total Deferred Pensioners	<b>63,015</b>	<b>60,989</b>
<b>Total Number of Members</b>	<b>130,335</b>	<b>126,693</b>

### (iii) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Regulations 2013 as disclosed in the introduction and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers' contributions are set following triennial actuarial funding valuations. The last such valuation was at 31 March 2022 and new rates applied from April 2023.

The employer contribution rates for 2023/24 ranged from 12.7% to 43.6% of pensionable pay.

### (iv) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final salary and length of pensionable service. From 1 April 2014, the scheme became a career average revaluation scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49<sup>th</sup>. Accrued pension is updated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, ill health pensions and death benefits, as explained on [the LGPS website](#).

## 2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its position at the year end at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2. of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2022/23.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits valued according to the International Accounting Standard (IAS) 19 is disclosed at note 20 of these accounts.

These accounts have been prepared on a going concern basis. The liabilities of the pension fund are ultimately backed by the employing organisations within the Fund including government bodies with tax raising powers.

## 3. Summary of significant accounting policies

### Fund account – revenue recognition

#### (i) Contribution income

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

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Contributions due for forthcoming periods are not represented within the financial statements.

#### (ii) Transfers to and from other schemes

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

Transfers in and out of the Fund are accounted for when received or 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 to

purchase scheme benefits are accounted for on a receipts basis and are included within transfers in.

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

### **(iii) Investment income**

- Interest income is recognised in the Fund account as it accrues using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount 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.
- Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.
- 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 asset statement as a current financial asset.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.
- Distributions and drawdowns from private equity partnerships are accounted for according to guidance from the private equity manager as to the nature of the distribution or drawdown. Income and purchases and sales are recognised at the date the capital call or distribution falls due.

## **Fund account – expense items**

### **(iv) Benefits payable**

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

### **(v) Management expenses**

The Fund discloses its management expenses in line with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:



- **Administrative expenses:** Pension administrative expenses reflect the costs incurred in the payment of pensions and other benefits, the maintenance of member records and provision of scheme and entitlement information. Costs incurred in relation to specific employers are recharged to those individual organisations and therefore excluded from the accounts. All administration expenses are accounted for on an accruals basis. The relevant staffing costs of the pension administration team are recharged to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with council policy.
- **Investment management expenses:** 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 management and therefore increase or reduce as the value of these investments change.
- **Oversight and governance expenses:** Governance costs reflect those expenses which fall outside the parameters of administrative or investment expenses. All oversight and governance expenses are accounted for on an accruals basis with associated staffing and overhead costs apportioned in accordance with council policy.

#### (vi) Taxation

The Fund is a registered public service scheme under section 1 (1) of the 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 may be subject to withholding tax in the country of origin. Irrecoverable tax is accounted for as a fund expense as it arises. Tax on income due but unpaid at the end of the year is reported as a current liability.

#### Net assets statement

##### (vii) Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. Loans and receivables are held at amortised cost. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the assets are recognised by the Fund.

Surrey Pension Fund is a partner fund of Border to Coast Pensions Partnership. Each Partner Fund invested in Class A and B Shares at a cost (transaction price) of

£1 and £1,181,818 respectively. This investment has been valued at cost and will continue to be, as the fair value of these assets cannot be reliably estimated.

#### **(viii) Foreign currency transactions**

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

#### **(ix) Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculation purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in fair value of derivative contracts are included in the change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on the market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contracts were matched at the year end with an equal and opposite contract.

#### **(x) Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

#### **(xi) Loans and receivables**

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

## **(xii) Financial liabilities**

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net asset 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.

## **(xiii) Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirement of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net asset statement.

## **(xiv) Additional voluntary contributions**

Surrey Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those in the pension fund. The Fund has appointed Prudential as the AVC provider. A small number of members remain with the previous provider Equitable Life. AVCs are paid to the AVC provider by employees and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amounts held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in a note to the accounts.

## **4. Critical judgements in applying accounting policies**

There are no critical judgements in applying accounting policies.

## **5. Sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Private equity</b>	Private equity investments, both limited partnership and fund of funds (pooled investments), are disclosed at fair value, provided by the administrators of the funds. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. These are usually classified as Level 3 Investments.	There is more uncertainty regarding the valuation of these asset types, and could potentially be subject to material adjustments. Sensitivity analysis is provided in note 16 to the accounts.
<b>Property Unit Trust</b>	Valuation techniques are used to determine the carrying amount of pooled property funds.	There is more uncertainty regarding the valuation of these asset types, and could potentially be subject to material adjustments. Sensitivity analysis is provided in note 16 to the accounts.

## 6. Events after the reporting date

The Statement of Accounts is adjusted to reflect events after the balance sheet date, both favourable and unfavourable, that occur between the end of the reporting date and the date when the Statement of Accounts is authorised for issue. Adjustments are made that provide evidence of conditions that existed at the end of the reporting period unless deemed insignificant to the true and fair value of the Fund's assets and liabilities. Those events taking place after the date of authorisation for issue will not be reflected in the statement of accounts.

## 7. Contributions receivable

### By Category

£000	2023/24	2022/23
<b>Total Employees' Contributions</b>	<b>48,340</b>	<b>49,142</b>
Normal contributions	135,729	130,303
Deficit recovery contributions	22,878	27,364
Augmentation contributions	2,662	388
<b>Total Employers' Contributions</b>	<b>161,268</b>	<b>158,055</b>
Other contributions	3,108	389
<b>Total Contributions Receivable</b>	<b>212,716</b>	<b>207,586</b>

### By Employer

£000	2023/24	2022/23
Administering authority	98,447	91,313
Scheduled bodies	108,002	110,045
Admitted bodies	3,159	5,840
Other	3,108	389
<b>Total</b>	<b>212,716</b>	<b>207,586</b>

## 8. Transfers in from other pension funds

<b>£000</b>	<b>2023/24</b>	<b>2022/23</b>
Group transfers	-	9,359
Individual transfers	23,538	26,928
<b>Total Transfers</b>	<b>23,538</b>	<b>36,287</b>

## 9. Benefits Payable

### By Category

<b>£000</b>	<b>2023/24</b>	<b>2022/23</b>
Pensions	(169,330)	(151,030)
Commutation and lump sum retirement benefits	(27,246)	(21,206)
Lump sum death benefits	(4,723)	(4,514)
Interest on late payment of benefits	(375)	(138)
<b>Total Benefits Payable</b>	<b>(201,674)</b>	<b>(176,888)</b>

### By Type of Employer

<b>£000</b>	<b>2023/24</b>	<b>2022/23</b>
Administering authority	(86,241)	(81,786)
Scheduled bodies	(101,035)	(81,073)
Admitted bodies	(14,398)	(14,029)
<b>Total Benefits Payable</b>	<b>(201,674)</b>	<b>(176,888)</b>

## 10. Payments to and on account of leavers

<b>£000</b>	<b>2023/24</b>	<b>2022/23</b>
Group transfers to other schemes	(29,884)	(25,529)
Refunds of contributions	(798)	(822)
Payments for members joining state schemes	7	10
<b>Total Payments</b>	<b>(30,675)</b>	<b>(26,341)</b>

## 11. Management expenses

£000	2023/24	2022/23
Administrative costs	(3,495)	(4,198)
Investment management expenses	(7,725)	(8,131)
Oversight and governance costs	(2,518)	(7,436)
<b>Total Management expenses</b>	<b>(13,738)</b>	<b>(19,765)</b>

As part of its oversight and governance costs in 2023/24, the Fund had also paid £1,613k (2022/23: £1,521k) in respect of pooling costs payable to the Border to Coast Pensions Partnership (BCPP).

### Investment management expenses

#### 2023/24

£000	Management fees	Performance related fees	Transaction costs	Total
Equities	(2,375)	-	(460)	<b>(2,835)</b>
Pooled investments	(1,989)	-	(546)	<b>(2,535)</b>
Pooled property investments	(989)	-	-	<b>(989)</b>
Private equity	(1,262)	-	-	<b>(1,262)</b>
<b>Sub-total</b>	<b>(6,615)</b>	-	<b>(1,006)</b>	<b>(7,621)</b>
Custody fees	-	-	-	<b>(103)</b>
Oversight and governance				<b>(2,518)</b>
<b>Total</b>				<b>(10,242)</b>

£000	Management fees	Performance related fees	Transaction costs	Total
Equities	(3,594)	-	(198)	<b>(3,792)</b>
Pooled investments	(631)	-	(254)	<b>(885)</b>
Pooled property investments	(1,256)	-	-	<b>(1,256)</b>
Private equity	(2,031)	-	-	<b>(2,031)</b>
Property	-	-	-	-
Derivatives	-	-	-	-
Cash and FX contracts	-	-	-	-
<b>Sub-total</b>	<b>(7,512)</b>	<b>-</b>	<b>(452)</b>	<b>(7,964)</b>
Custody fees	-	-	-	<b>(167)</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,131)</b>
Oversight and governance				<b>(7,436)</b>
<b>Total</b>				<b>(15,567)</b>

## 12. Investment income

£000	2023/24	2022/23
Income from equities	8,071	18,401
Private equity income	15,925	10,426
Pooled property investments	8,757	10,720
Interest on cash deposits	2,886	1,445
Other	2,358	858
<b>Total Investment income</b>	<b>37,997</b>	<b>41,850</b>

## 13. Other fund account disclosures

£000	2023/24	2022/23
Payable in respect of external audit	(99)	(64)
Payable in respect of other services	-	-
<b>Total External audit costs</b>	<b>(99)</b>	<b>(64)</b>



## 14. Investments

### Investment assets and liabilities

£000	31 March 2024	31 March 2023
<b>Investment assets:</b>	-	-
Equity	466,344	485,691
Bonds	849,554	563,595
Pooled funds: Equity unit trusts	3,230,196	2,999,453
<b>Sub-total</b>	<b>4,546,094</b>	<b>4,048,739</b>
Other investments: Pooled property investments	279,927	293,784
Other investments: Private equity	929,217	795,159
Derivatives	514	22,607
<b>Total net investments</b>	<b>5,755,752</b>	<b>5,160,289</b>
Cash deposits	60,828	77,750
Other investment balances	2,158	2,342
<b>Sub-total</b>	<b>5,818,738</b>	<b>5,240,381</b>
<b>Investment liabilities:</b>		
Derivatives	(3,846)	-
Pending Purchase	(11,391)	-
<b>Total investment assets</b>	<b>5,803,500</b>	<b>5,240,381</b>

## 14A. Reconciliation of movements in investments and derivatives

2023/24

£000	Market value 1 April 2023	Purchases and derivative payments	Sales and derivative receipts	Change in value during the year	Market value 31 March 2024
Equities	485,691	244,969	(365,940)	101,623	466,343
Pooled investments	3,563,048	458,860	(420,441)	478,283	4,079,750
Pooled property investments	293,784	74,255	(67,523)	(20,589)	279,927
Private equity	795,159	237,306	(71,526)	(31,722)	929,217
<b>Sub-total</b>	<b>5,137,682</b>	<b>1,015,390</b>	<b>(925,430)</b>	<b>527,596</b>	<b>5,755,237</b>
Derivatives	22,607	25,612	(83,988)	32,438	(3,332)
<b>Sub-total</b>	<b>5,160,289</b>	<b>1,041,000</b>	<b>(1,009,417)</b>	<b>560,034</b>	<b>5,751,906</b>
Other investment balances: Cash	77,750	-	-	(143)	60,828
Other investment balances:	-	-	-	11	(11,391)
Accrued income/other	2,342	-	-	-	2,158
<b>Total</b>	<b>5,240,381</b>	<b>-</b>	<b>-</b>	<b>(559,901)</b>	<b>5,803,500</b>

£000	Market value 1 April 2022	Purchases and derivative payments	Sales and derivative receipts	Change in value during the year	Market value 31 March 2023
Bonds	760,065	-	-	-	-
Equities	3,569,755	219,922	(196,128)	(13,836)	485,691
Pooled investments	-	13,350	(285,642)	(104,419)	3,563,048
Pooled property investments	331,775	6,631	(3,997)	(40,624)	293,784
Private equity	548,856	257,061	(92,077)	81,318	795,159
<b>Sub-total</b>	<b>5,210,451</b>	<b>496,964</b>	<b>(577,844)</b>	<b>(77,560)</b>	<b>5,137,682</b>
Derivatives	(21,552)	133,217	(39,180)	(49,878)	22,607
<b>Sub-total</b>	<b>5,188,899</b>	<b>630,180</b>	<b>(617,024)</b>	<b>(127,438)</b>	<b>5,160,289</b>
Other investment balances: Cash	133,939	-	-	(387)	77,750
Other investment balances: Accrued income/other	2,126	-	-	-	2,342
<b>Total</b>	<b>5,324,964</b>	<b>-</b>	<b>-</b>	<b>(127,825)</b>	<b>5,240,381</b>

**Note:** Bonds and Equity assets sub-categorised in 22/23 between pooled and non-pooled funds.

## 14B. Investments analysed by fund manager

<b>Fund Manager</b>	<b>Market value 31 March 2024 £000</b>	<b>%</b>	<b>Market value 31 March 2023 £000</b>	<b>%</b>
<b>Investments managed by Border to Coast Pension Partnership:</b>	-	-	-	-
Border to Coast UK Equity Alpha	875,418	15	499,575	10
Border to Coast Global Equity Alpha	368,447	6	739,481	14
Border to Coast Global MAC	849,560	15	563,595	11
Border to Coast Global Listed Alt	285,286	5	250,709	5
<b>Sub-total</b>	<b>2,458,783</b>	<b>42</b>	<b>2,053,360</b>	<b>40</b>
<b>Investments managed outside Border to Coast Pension Partnership:</b>	-	-	-	-
LGIM (Legal & General Investment Management)	1,621,031	28	1,509,699	29
Newton Investment Management	478,281	8	490,754	9
CBRE Global Multi-Manager	286,932	5	306,891	6
Private equity/other	961,803	17	857,070	16
Derivatives	(3,332)	-	22,607	-
<b>Sub-total</b>	<b>3,344,718</b>	<b>58</b>	<b>3,187,021</b>	<b>60</b>
<b>Total</b>	<b>5,803,500</b>	<b>100</b>	<b>5,240,381</b>	<b>100</b>

The table below shows investments that represent 5% or more of the net assets of the scheme.

Fund Manager	Market value 31 March 2024 £000		Market value 31 March 2023 £000	
		%		%
LGIM Future World Global Equity Index	1,306,376	23	925,281	18
Border to Coast Global Equity Alpha	875,418	15	739,481	14
Border to Coast Multi Asset Credit	849,554	15	563,595	11
Border to Coast UK Equity Alpha	368,429	6	499,573	10
Border to Coast Multi Listed Alternatives	-	-	250,701	5
LGIM World Emerging Markets Fund	-	-	275,163	5
LGIM - TLCV Bespoke (34048)	-	-	187,215	4
<b>Total</b>	<b>3,399,777</b>	<b>59</b>	<b>3,441,009</b>	<b>67</b>

### 14C. Stock lending

Stock lending is the act of loaning a stock, derivative or other security to an investor or firm. The Fund operates a stock lending programme in partnership with the Fund custodian. As at 31 March 2024 the value of quoted securities on loan was £0 million (£16 million as at 31 March 2023) in exchange for collateral held by the Fund custodian at fair value of £0 million (£17.3 million as at 31 March 2023).

### 15. Analysis of derivatives

#### Forward currency contracts

Forward foreign exchange contracts are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange. At 31 March 2024 the Fund had forward currency contracts in place with a net unrealised gain of £3.3m (net unrealised gain of (£22.6m) at 31 March 2023).

2023/24

Number of contracts	Contract settlement date within	Currency bought	Currency Sold	Notional amount in local currency bought £000	Notional amount in local currency sold £000	Asset £000	Liability £000
5	Three months	GBP	EUR	213,560	(249,341)	-	-
2	Three months	GBP	JPY	77,739	(14,628,300)	1	-
8	Three months	GBP	USD	777,226	(986,925)	-	(4)
-	-	-	-	-	-	<b>1</b>	<b>(4)</b>

2022/23

Number of contracts	Contract settlement date within	Currency bought	Currency Sold	Notional amount in local currency bought £000	Notional amount in local currency sold £000	Asset £000	Liability £000
4	Three months	GBP	EUR	199,059	(223,072)	2,636	-
2	Three months	GBP	JPY	66,264	(10,543,400)	1,724	-
7	Three months	GBP	USD	656,649	(790,288)	18,247	-
-	-	-	-	-	-	<b>22,607</b>	-

### 16. 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.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

<b>Description of Asset</b>	<b>Valuation Hierarchy</b>	<b>Basis of Valuation</b>	<b>Observable and Unobservable Inputs</b>	<b>Key Sensitivities Affecting the Valuations Provided</b>
Market quoted investments (equities)	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds (bonds)	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives (derivatives and other)	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Pooled investments - overseas unit trusts and property funds (pooled Property)	Level 2 & 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Pooled investments - hedge funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted equities (Equities and private equities)	Level 3	Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (2012)	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

### Sensitivity of assets held at Level 3

The Fund has determined that the valuation methods described above for 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 investments held at 31 March 2023 and 31 March 2022.



## 2024

<b>31 March 2024</b>	<b>Potential variation in fair value (+/-%)</b>	<b>Value at 31 March 2024 £000</b>	<b>Potential value on increase £000</b>	<b>Potential value on decrease £000</b>
Private Equity	5	929,217	978,678	879,755
Property Funds	7	116,287	124,035	108,538
Pooled investments	10	124,579	137,037	112,121
<b>Total</b>	<b>-</b>	<b>1,170,082</b>	<b>1,239,750</b>	<b>1,100,414</b>

## 2023

<b>31 March 2023</b>	<b>Potential variation in fair value (+/-%)</b>	<b>Value at 31 March 2023 £000</b>	<b>Potential value on increase £000</b>	<b>Potential value on decrease £000</b>
Private Equity	10	795,159	874,675	715,643
Property Funds	10	126,189	138,808	113,570
<b>Total</b>	<b>-</b>	<b>921,348</b>	<b>1,013,483</b>	<b>829,213</b>

## 16A. Fair Value Hierarchy

### Financial Assets and Liabilities at Fair Value 31 March 2024

£000	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
<b>Financial assets at fair value:</b>	-	-	-	-
Equities	466,344	-	-	466,344
Pooled investments	-	3,955,171	124,579	4,079,750
Pooled property investments	-	163,640	116,287	279,927
Private equity	-	-	929,217	929,217
Derivatives	-	514	-	514
Cash*	60,828	-	-	60,828
Other investment balances	1,969	189	-	2,158
<b>Financial liabilities at fair value:</b>	529,141	4,199,514	1,170,083	5,818,738
Derivatives	-	(3,846)	-	-
Pending Investment Purchase	-	(11,391)	-	-
<b>Total</b>	<b>529,141</b>	<b>4,104,276</b>	<b>1,170,083</b>	<b>5,803,500</b>

## Financial Assets and Liabilities at Fair Value 31 March 2023

£000	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
<b>Financial assets at fair value:</b>	-	-	-	-
Equities	485,691	-	-	485,691
Pooled investments	-	3,563,048	-	3,563,048
Pooled property investments	-	167,595	126,189	293,784
Private equity	-	-	795,159	795,159
Derivatives	-	22,607	-	22,607
Cash*	77,570	-	-	77,570
Other investment balances	2,497	25	-	2,522
<b>Financial liabilities at fair value:</b>	565,758	3,753,275	921,348	5,240,381
Derivatives	-	-	-	-
<b>Total</b>	<b>565,758</b>	<b>3,753,275</b>	<b>921,348</b>	<b>5,240,381</b>

\*This financial instrument is classified at amortised cost in note 17.

## 16B. Reconciliation of Fair Value measurements within Level 3

### 2023/24

	Value at 31 £000	Purchases	Sales	Realised gains and losses	Unrealised gains and losses	Value at 31 March 2024
Private equity	795,159	237,306		(91,889)	31,018	50,300
Pooled Investments	-	111,438	(3)	1	13,143	124,579
Property funds	126,189	6,039	(3,997)	-	(29,377)	126,189
<b>Total</b>	<b>921,348</b>	<b>355,801</b>	<b>(79,380)</b>	<b>(56,925)</b>	<b>29,238</b>	<b>1,170,082</b>

### 2022/23

	Value at 31 £000	Purchases	Sales	Realised gains and losses	Unrealised gains and losses	Value at 31 March 2023
Private equity	548,856	256,874	(91,889)	31,018	50,300	795,159
Property funds	153,524	6,039	(3,997)	-	(29,377)	126,189
<b>Total</b>	<b>702,380</b>	<b>262,913</b>	<b>(95,886)</b>	<b>31,018</b>	<b>20,923</b>	<b>921,348</b>

## 17. Classification of financial instruments

### Financial assets and liabilities 31 March 2024

£000	Fair value through Profit and Loss	Assets at amortised cost	Liabilities at amortised cost
<b>Financial assets:</b>	-	-	-
Equities	466,344	-	-
Pooled investments	4,079,750	-	-
Pooled property investments	279,927	-	-
Private equity	929,217	-	-
Derivatives	514	-	-
Cash	-	60,828	-
Other investment balances	-	2,158	(11,391)
<b>Financial liabilities:</b>	5,755,752	62,986	(11,391)
Derivatives	(3,830)	-	(16)
<b>Total</b>	<b>5,751,922</b>	<b>62,986</b>	<b>(11,408)</b>

### Financial assets and liabilities 31 March 2023

£000	Fair value through Profit and Loss	Assets at amortised cost	Liabilities at amortised cost
<b>Financial assets:</b>	-	-	-
Equities	485,691	-	-
Pooled investments	3,563,048	-	-
Pooled property investments	293,784	-	-
Private equity	795,159	-	-
Derivatives	22,607	-	-
Cash	-	77,750	-
Other investment balances	2,342	-	-
<b>Financial liabilities:</b>	5,162,631	77,750	-
Derivatives	-	-	-
<b>Total</b>	<b>5,162,631</b>	<b>77,750</b>	<b>-</b>

## 17A. Net gains and losses on financial instruments

£000	2023/24	2022/23
<b>Financial assets:</b>	-	-
Fair value through profit and loss	527,596	(77,560)
Amortised cost - realised gains on derecognition of assets	-	-
Amortised cost - unrealised gains	53	91
<b>Financial liabilities:</b>	-	-
Fair value through profit and loss	32,397	(49,877)
Amortised cost - realised (losses) on derecognition of assets	(144)	(479)
Amortised cost - unrealised (losses)	-	-
<b>Total gain / (loss)</b>	<b>559,901</b>	<b>(127,825)</b>

## 18. Nature and extent of risks arising from financial instruments

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gain across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

### Market risk

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

To mitigate market risk, the pension fund is invested in a diverse pool of assets to ensure a reasonable balance between different asset categories, having taken external professional advice as necessary. The management of the assets is split between a number of investment fund managers with different benchmark performance targets and investment strategies. Managers are expected to maintain a diverse portfolio and each manager has investment guidelines in place that specify

the manager's investment powers and restrictions. Managers are required to report on any temporary breaches of their investment powers and are required to take corrective action as soon as is practicable.

### Other price risk

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

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from a financial instrument is determined by the fair value of the instrument. By diversifying investments across asset classes and managers, the Fund aims to reduce the exposure to price risk. Statutory limits prescribed by Regulations are also in place to avoid concentration of risk in specific areas.

### Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible in the short term, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same.

#### 2024

<b>Asset</b>	<b>Potential market movement (+/- %)</b>	<b>Value at 31 March 2023 £000</b>	<b>Potential value on increase £000</b>	<b>Potential value on decrease £000</b>
Equities	11	466,344	517,033	415,654
Equity unit trusts	11	3,230,196	3,590,319	2,870,072
Bonds	7	849,554	906,718	792,391
Pooled property investments	7	279,927	298,580	261,274
Cash	7	60,648	65,197	56,099
Private equities	5	929,217	978,678	879,755
Other assets	2	(12,385)	(12,683)	(12,088)
<b>Total</b>	<b>7</b>	<b>5,803,500</b>	<b>6,343,842</b>	<b>5,263,157</b>

<b>Asset</b>	<b>Potential market movement (+/- %)</b>	<b>Value at 31 March 2023 £000</b>	<b>Potential value on increase £000</b>	<b>Potential value on decrease £000</b>
Equities	13	485,691	546,888	424,494
Equity unit trusts	6	2,999,453	3,179,420	2,819,486
Bonds	7	563,595	604,117	523,073
Pooled property investments	6	293,784	312,674	274,894
Cash	3	77,750	79,818	75,682
Private equities	6	795,159	844,459	745,859
Other assets	2	24,949	25,548	24,350
<b>Total</b>	<b>7</b>	<b>5,240,381</b>	<b>5,592,924</b>	<b>4,887,838</b>

### Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is predominantly exposed to interest rate risk through its holdings in bonds.

### Interest rate risk – sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk:



## 2024 analysis by asset type

<b>£000</b>	<b>Value at 31 March 2024</b>	<b>Potential value on 1% rate increase</b>	<b>Potential value on 1% rate decrease</b>
Cash and cash equivalents - includes direct and indirect holdings	60,828	60,828	(60,828)
Fixed interest securities	849,554	858,050	(841,059)
<b>Total</b>	<b>910,382</b>	<b>918,878</b>	<b>(901,887)</b>

## 2023 analysis by asset type

<b>£000</b>	<b>Value at 31 March 2023</b>	<b>Potential value on 1% rate increase</b>	<b>Potential value on 1% rate decrease</b>
Cash and cash equivalents - includes direct and indirect holdings	95,497	95,497	(95,497)
Fixed interest securities	563,595	569,231	(557,959)
<b>Total</b>	<b>659,092</b>	<b>664,728</b>	<b>(653,456)</b>

## Currency risk

Currency risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The Fund holds monetary and non-monetary assets denominated in currencies other than sterling.

The Fund therefore has a policy to passively hedge up to 50% of the equity exposure to US Dollar, Yen and the Euro. Legal and General Investment Management manages this currency hedge. Individual fund managers may also use derivatives if permitted by their investment management agreements. Furthermore, fund managers will take account of currency risk in their investment decisions.

## Currency risk – sensitivity analysis

The tables below show assets with potential non-UK exposures. These assets are identified as overseas investments.

## 2024

<b>Analysis by asset type</b>	<b>Potential market movement (+/-%)</b>	<b>Value at 31 March 2024 £000</b>	<b>Potential value on increase £000</b>	<b>Potential value on decrease £000</b>
Overseas equities	6	2,090,961	2,222,692	1,959,231
Bonds	6	849,554	903,076	796,032
Property & private equity	6	797,535	847,780	747,290
<b>Total</b>	<b>6</b>	<b>3,738,051</b>	<b>3,973,548</b>	<b>3,502,553</b>

## 2023

<b>Analysis by asset type</b>	<b>Potential market movement (+/-%)</b>	<b>Value at 31 March 2023 £000</b>	<b>Potential value on increase £000</b>	<b>Potential value on decrease £000</b>
Overseas equities	6	2,073,088	2,204,635	1,941,541
Bonds	6	563,595	599,358	527,832
Property & private equity	6	677,218	720,191	634,245
<b>Total</b>	<b>6</b>	<b>3,313,901</b>	<b>3,524,184</b>	<b>3,103,618</b>

## Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by exchanges to cover defaulting counterparties.

The Fund's cash balance is lent to borrowers in accordance with the county council's treasury management strategy. There are rigorous procedures in place to manage the security of all cash deposits, including criteria for the quality of counterparties and limits on the amount that can be placed with any of those counterparties.

The Fund holds a separate bank account with HSBC, which holds AA long term credit ratings (or equivalent) with all three credit rating agencies (Fitch, Moody's, Standard and Poor's).

The Fund has 5 accounts with money market funds, managed by Morgan Stanley, Aberdeen, Black Rock, Deutsche and Aviva (all with AAA credit rating). In line with the treasury strategy, the maximum deposit level allowed with each counterparty is £25 million.

<b>£000</b>	<b>31 March 2024</b>	<b>31 March 2023</b>
<b>Money market fund:</b>	-	-
Aberdeen MMF	8,100	100
Aviva	25,000	100
Blackrock	5,100	12,700
Deutsche	2,300	3,300
Morgan Stanley	100	400
<b>Sub-total</b>	<b>40,600</b>	<b>16,600</b>
<b>Current account:</b>	-	-
HSBC	165	1,147
<b>Internally managed cash</b>	<b>40,765</b>	<b>17,747</b>
<b>Externally managed cash:</b>	-	-
LGIM	2	-
Custodian	60,826	77,750
<b>Total cash and cash equivalents</b>	<b>101,593</b>	<b>95,497</b>

### Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash to meet its commitments. The Fund needs to manage its cash flows to ensure pensioner payroll costs are met and sufficient cash is available to meet investment commitments.

The treasury management activities of the Fund are managed by the Orbis Treasury Function on a daily basis. A cash flow forecast is updated daily to help understand and manage the timings of the Fund's cash flows. The Fund has immediate access to the internally managed cash holdings and money market fund. The Fund is able to borrow cash to meet short-term cash requirements.

The Fund monitors prospective cash flow. Cash flow surpluses are invested with fund managers, given that the Fund has an aim of being as fully invested as possible after allowing for the need to hold working balances. Regular rebalancing exercises take place, which involves assessing the level of internal cash available to be invested with managers.

## Derivative risk

Some portfolios in which the Fund invests may utilise financial derivative instruments to reduce risks or costs or to generate additional returns to meet the portfolio's objectives. Use of such derivatives does not guarantee a positive result for the portfolio.

Derivatives may invoke a small initial investment but carry the potential for a much greater liability. This is known as leverage. A small market movement could therefore have a proportionately larger impact either for or against the Fund. Other specific risks include the inability of the portfolio manager to close out a derivative position due to illiquidity in the derivative market.

The employment of derivatives within the Fund is limited to specific portfolios where their usage is primarily to manage volatility associated with other holdings. A significant movement to the detriment of the portfolio is intended to be balanced by positive movements in other areas of the portfolio. Fund managers will be expected to ensure a balanced, diverse pool of assets with internal exposure restrictions to limit the impact of potential market movements.

## 19. Funding arrangements

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contributions
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

### **Funding position as at the last formal funding valuation**

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,358 million, were sufficient to meet 102% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £101 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contribution for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

### **Principal Actuarial Assumptions and Method used to value the liabilities**

Full details of the methods and assumptions are described in the 2022 valuation report and FSS.

## Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

## Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2022 valuation were as follows:

<b>Financial assumptions</b>	<b>31 March 2022 %</b>
Discount rate	4.4 pa
Salary increase assumption	3.7 pa
Benefit increase assumption (CPI)	2.7 pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

<b>Average future life expectancy at age 65</b>	<b>Males - Years</b>	<b>Females - Years</b>
Current pensioners	22.3	24.9
Future pensioners (age 45 at the 2022 valuation)	23.1	26.3

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

## Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024.

However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities.

Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Adrian Loughlin

FFA May 2024

For and on behalf of Hymans Robertson LLP

## 20. Actuarial present value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2022/23 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. The actuary Hymans Robertson was instructed by the Administering Authority to provide the necessary information for the Surrey Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- Showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit
- As a note to the accounts, or
- By reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

### Present value of promised retirement benefits

£m	31 March 2024	31 March 2023
Active members	2,079	1,926
Deferred members	1,410	1,428
Pensioners	2,251	2,311
<b>Total</b>	<b>5,740</b>	<b>5,665</b>

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e., comparing against liability measures on a funding basis or a cessation basis).

### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2024 and 31 March 2023. I estimate that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £316m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £34m.

### Financial assumptions

% Rate	31 March 2024	31 March 2023
Pension Increase Rate	2.75	2.95
Salary Increase Rate	3.75	3.95
Discount Rate	4.85	4.75

### Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a..

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Average future life expectancy at age 65	Males - Years	Females - Years
Current pensioners	21.9	24.5



Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.6	25.9
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All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

### Sensitivity analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

<b>Sensitivity to the assumptions for the year ended 31 March 2024</b>	<b>Approximate increase to liabilities %</b>	<b>Approximate monetary amount £m</b>
0.1% p.a. decrease in the Discount Rate	2	104
1 year increase in member life expectancy	4	230
0.1% p.a. increase in the Salary Increase Rate	-	4
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	101

### Professional notes

This statement accompanies the 'Accounting Covering Report – 31 March 2024' which identifies the appropriate reliance and limitations for the use of the figures above, together with further details regarding the professional requirements and assumptions.

Adrian Loughlin

FFA 17 May 2024

For and on behalf of Hymans Robertson LLP

### 21. Current assets

<b>£000</b>	<b>31 March 2024</b>	<b>31 March 2023</b>
Contributions - employees		3,039
Contributions - employer	9,084	8,658
Sundry debtors	142,412	29,452
<b>Sub-total</b>	<b>151,496</b>	<b>41,149</b>
Cash balances	40,765	17,747
<b>Total Current Assets</b>	<b>192,261</b>	<b>58,896</b>

## 22. Current liabilities

£000	31 March 2024	31 March 2023
Sundry creditors	(116,791)	(7,700)
Benefits payable		(181)
<b>Total Current liabilities</b>	<b>(116,791)</b>	<b>(7,881)</b>

## 23. Additional voluntary contributions

£000	31 March 2024	31 March 2023
Prudential - market value	15,929	14,753

£000	2023/24	2022/23
Prudential - contributions paid	TBC	1,100

## 24. Agency services

The Surrey Pension Fund pays discretionary awards to former employees of district councils on an agency basis as shown below. The amounts paid are reclaimed from the employer bodies.

£000	2023/24	2022/23
District & Boroughs	2,110	2,007
Other bodies	276	306
<b>Total</b>	<b>2,387</b>	<b>2,313</b>

## 25. Related party transactions

The Surrey Pension Fund is administered by Surrey County Council. During the reporting period, the council incurred costs of £4.813m (2022/23 £4.720m) in relation to the administration and management of the Fund and was reimbursed by the Fund for these expenses.

The council is also the single largest employer of members of the pension fund. Net amounts owed by Surrey County Council to the Fund as at 31 March 2024 were £tbc (£2,047k at 31 March 2023).

Members of both the Pension Fund Committee and Local Pension Board are required to declare their disclosable pecuniary interests in respect of any item to be considered at each meeting. Declarations of interest are recorded in the minutes of each meeting as part of the public record and a copy can be found on the Surrey County Council website.

### 25A. Key management personnel

Key management personnel are members of the Pension Fund Committee, the Executive Director of Corporate Resources, the Director of Corporate Finance and the Assistant Director – LGPS Senior Officer.

Their remuneration is set out below:

<b>£000</b>	<b>2023/24</b>	<b>2022/23</b>
Short-term benefits	148	143
Post-employment benefits	18	17
<b>Total Remuneration</b>	<b>166</b>	<b>160</b>

### 26. Contingent Liabilities and Contractual Commitments

At 31 December 2023 the Fund held part paid investments on which the liability for future calls amounted to £751 million (£846 million as at 31 March 2023).

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