



Cardiff & Vale of Glamorgan
Pension Fund



Draft Statement of Accounts 2017/18

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Narrative Report

Cardiff Council is the Administering Authority for the Cardiff & Vale of Glamorgan Pension Fund which is itself part of the national Local Government Pension Scheme (LGPS) for England & Wales. The LGPS is the statutory occupational pension scheme for all local government employees (except teachers) and the regulations are determined by the UK Government.

The Council's responsibilities as manager of the Fund are discharged through the Pensions Committee which has oversight of the Fund's strategies and policies. Operational management of the Fund has been delegated to the Corporate Director Resources. The Local Pension Board assists the Council to secure compliance with the LGPS regulations and the requirements of the Pensions Regulator and to ensure the effective and efficient administration of the scheme.

Membership of the Fund continued to increase over the year. There are now over 16,000 contributing employees and more than 12,000 pensioners and dependents receiving benefits from the Fund.

The Pension Fund's assets rose by 3.2% during 2017/18, from £2.002 billion to £2.067 billion. Investment returns over the year were variable with gains in asset values achieved during the first nine months of the year being partly given up as markets became more volatile in January. Over the longer term, returns on the Fund's investments have averaged around 8% per annum.

The eight LGPS funds in Wales achieved a number of significant milestones during the year in the development of the Wales Investment Pool. In June 2017 an Inter Authority Agreement was signed by the eight administering authorities, establishing the Wales Pension Partnership (WPP). The WPP is overseen by a Joint Governance Committee (JGC), comprising the chairs of the eight Pensions Committees, and is supported by an Officer Working Group comprising the fund treasurers and investment officers. Following a joint procurement exercise overseen by the JGC, the eight authorities appointed Link Fund Solutions as the Pool Operator and an Operator Agreement with Link was signed in December 2017. Link will establish a Financial Conduct Authority approved Authorised Contractual Scheme (ACS) during 2018 to enable the eight funds to begin pooling their investments. Individual funds will continue to set their own investment strategies and asset allocations in accordance with their funding positions and liability profiles.

Cardiff Council published its Capital Ambition statement during the year which included a commitment to work with the Pensions Committee to consider divesting Council investments from fossil fuel companies. In line with the Council's Corporate Plan for 2018-2021, the Fund will develop a Climate Change Investment Policy during 2018 in consultation with its advisers and the other LGPS funds in Wales.

The Fund's key objectives continue to be to deliver an effective and efficient service to the 40,000 contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

The Annual Governance Statement for Cardiff Council discloses the findings of a review of the Council's governance. It includes an Action Plan for significant governance issues identified as part of the review, to be progressed by Senior Management. This is a separate document and is included in papers for Audit Committee in draft (March and June) and final in September.

Christine Salter
Corporate Director Resources
26 June 2018

Actuarial Statement

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Cardiff and Vale of Glamorgan Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation, with the market value of the Fund's assets as at 31 March 2016 (of £1.653 million) covering 85% of the liabilities allowing, in the case of pre-1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions to be paid to the Fund by participating employers with effect from 1 April 2017 was:
 - 16.6% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate).

Plus

- Contributions to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 20 years from 1 April 2017 (the secondary rate), equivalent to 6.4% of pensionable pay (or £17.4 million in 2017/18, and increasing by 3.0% p.a. thereafter), before any phasing in or 'stepping' of contribution increases.

This would imply an average employer contribution rate of about 23.0% of pensionable pay in total, if the membership remains broadly stable and payroll increases by 2.8% p.a.

3. In practice, each individual employer's or group of employers' position is assessed separately, and contributions are set out in Aon Hewitt's report dated 31 March 2017 (the actuarial valuation report). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
4. The funding plan adopted in assessing the contributions for each individual employer or group was in accordance with the Funding Strategy Statement in force at that time. The approach adopted, and the recovery period used for each employer, was agreed with the administering authority reflecting the employers' circumstances.
5. The actuarial valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled Bodies	4.6% p.a.
Admission Bodies	4.6% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	4.6% p.a.
Admission Bodies	2.5% p.a.
Rate of pay increases	3.0% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

In addition, the discount rate for orphaned liabilities (i.e. employers with no active members and where there is no scheme employer responsible for funding the non-active liabilities) was 2.1% p.a. in-service and left-service.

Actuarial Statement

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables, with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 2014 Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting assumed life expectancies at age 65 were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.9	25.6
Future pensioners aged 45 at the valuation date	23.9	27.0

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of Cardiff Council . It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, Cardiff Council, in respect of this statement.

9. The report on the actuarial valuation as at 31 March 2016 is available on the Fund's website at the following address:

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Pensions/Documents/Actuarial%20valuation%20as%20at%2031%20March%202016%20%28Final%29.pdf>

Aon Hewitt Limited

Statement of Responsibilities

Statement of Responsibilities for the Financial Statements and Corporate Director Resources Certificate

The Cardiff and Vale of Glamorgan's Pension Fund responsibilities

The Cardiff and Vale of Glamorgan Pension Fund is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In 2017/18 that officer was Christine Salter, Corporate Director Resources who holds the statutory post of Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

Councillor Dianne Rees
Lord Mayor

Date:

The Corporate Director Resources responsibilities

The Corporate Director Resources is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

In preparing these financial statements, the Corporate Director Resources has:

- selected suitable accounting policies and then applied them consistently, except where policy changes have been noted in these accounts;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director Resources has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Corporate Director Resources Certificate

The financial statements for the Council give a true and fair view of its income and expenditure for the financial year 2017/18 and financial position of the Cardiff and Vale of Glamorgan Pension Fund at 31 March 2018.

Christine Salter
Corporate Director Resources

Date:

Audit Report

Audit Report of the Auditor General to the Members of the Cardiff and Vale of Glamorgan Pension Fund

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Fund Account

2016/17 £000		Note	2017/18 £000
	Deadlines with members, employers and others directly involved in the fund		
	Contributions		
(61,674)	From employers	5	(65,638)
(16,862)	From employees	5	(17,675)
(3,241)	Transfers in from other pension funds		(4,934)
(1,460)	Other income (capitalised payments and interest on deficit funding)		(2,647)
(83,237)			(90,894)
	Benefits Payable		
60,659	Pensions	6	62,507
13,468	Lump sums, grants and other payments	6	14,256
	Payments to and on account of leavers		
117	Refunds of contributions		114
4,807	Transfers out to other pension funds		16,009
79,051			92,886
(4,186)	Net (additions)/withdrawals from dealings with members of the Fund		1,992
13,370	Management expenses	8	7,887
9,184	Net (additions)/withdrawals including fund management expenses		9,879
	Returns on Investment		
(19,115)	Investment income	9	(21,247)
(338,888)	Change in market value of investments	10	(53,567)
(358,003)	Net returns on investments		(74,814)
(348,819)	Net (increase)/decrease in the Fund during year		(64,935)
(1,652,859)	Opening net assets of the scheme		(2,001,678)
(2,001,678)	Closing net assets of the scheme		(2,066,613)

Net Assets Statement

2016/17 £000		Notes	2017/18 £000
1,937,128	Investments at market value	10	2,011,844
44,861	Cash and investment proceeds due	10	37,826
1,981,989	Total investment properties		2,049,670
147	UK & overseas tax		153
4,588	Contributions due from employers and deficit funding		4,716
986	Sundry debtors	14	122
1,806	Pension strain costs due within one year		2,152
7,527	Total current assets		7,143
11,154	Deficit funding (former employers)		8,922
3,222	Pension strain costs due after one year		2,794
14,376	Total non-current assets		11,716
(1,053)	Unpaid benefits		(838)
(1,161)	Sundry creditors	14	(1,078)
(2,214)	Total current liabilities		(1,916)
2,001,678	Net assets of the scheme		2,066,613

Notes to the Accounts

1. The Statement of Accounts summarises the transactions and net assets of the Fund for the financial year 2017/18. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2017/18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the administering Authority. They do not take account of obligations to pay pensions and benefits which fall due after the year end. Under IAS26 the Fund is required to disclose the "actuarial present value of the promised retirement benefits". This figure has been calculated by the Actuary as at 31 March 2016 as £2.273 million, with a comparator value as at the 31 March 2013 valuation of £2.029 million.

The actuarial position is summarised in the Actuarial Statement which is included on pages 3 and 4. This shows that the overall funding level as at 31 March 2016 is 85%.

2. Accounting Policies

(a) Basis of Preparation

Bond and dividend income has been taken into account on the contractual payment date. Property and private equity income is credited on receipt. The Fund does not account for any benefits payable or receivable in respect of members wishing to transfer from one scheme to another until assets (either cash investments or other form) have been received by the receiving scheme. All other income and expenditure has been accounted for on an accruals basis, except the liability to pay pensions and other benefits in the future. As per IAS 26, a disclosure has been made of the Fund's pension liability i.e. the actuarial present value of promised retirement benefits

(b) Valuation of Investments

Quoted bond and equity investments are valued at bid market value at close of business on the last working day in March 2018 (bid market value is the price at which an investment can be sold at a given date). Private Equity Fund investments are valued at fair value, as determined by the administrators of the Fund, based on valuations provided by the general partners of the underlying investments. Where this is a publicly traded investment the valuation is based upon the closing market prices at the balance sheet date of the Fund. If the investment is not publicly traded, the general partner will consider the operational results of the company or any recent transactions in the company. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end. Pooled vehicles are normally valued at bid prices where available. Overseas investments have been converted at WM/Reuters closing spot rates of exchange. Official SETS prices have been used for FTSE100 securities (plus the reserve list). Derivatives are stated at market value. The value of futures contracts is determined using exchange prices at the reporting date. The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

(c) Critical judgements in applying accounting policies

Unquoted private equity investments - These are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) outside the US. The value of unquoted private equities at 31 March 2018 was £79 million (£88 million at 31 March 2017).

Pension fund liability -This is calculated by the actuary every three years with an annual statement in the intervening years. This is calculated in accordance with IAS19 and the main assumptions used in the calculation are summarised in the actuary's statement on page 3 and 4. This estimate is based on significant variances based on changes to the underlying assumptions.

Notes to the Accounts

(d) Assumptions made about the future and other major sources of estimation uncertainty.

The Statement of Accounts contains estimated figures based on assumptions made taking into account historical experience, current trends and other factors. As balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
Private Equity Valuations	Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £79 million. There is a risk that this investment may be under, or overstated in the accounts.

(e) Acquisition costs of Investments

Acquisition costs are included with the original book cost at the time of purchase. At the year end, however, investments on the balance sheet are valued at market value. The difference is recorded in the Accounts as "Change in Market Value of Investments".

3. Taxation

(a) UK Income, Capital Gains Taxes

The Fund is an exempt approved fund able to recover UK income tax. No Capital Gains Tax is chargeable.

(b) Value Added Tax

The accounts are shown exclusive of VAT. As the Council is the administering Authority, VAT is recoverable on all Fund activities.

(c) Overseas Withholding Tax

Foreign investment income usually suffers withholding tax in the country of origin, some of which may be recoverable. Irrecoverable tax is netted off against income.

4. Titles of Ownership

Evidences of ownership for the property unit trusts and private equity holdings are held at County Hall. All other evidences of ownership were held at 31 March 2018 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

Notes to the Accounts

5. Employing Bodies – Contributions

2017/18	No. of contributors at 31.03.18	Contribution rates (% of pensionable pay)	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
Scheduled Bodies:						
Barry Town Council	21	25.0%	(105)	(26)	(131)	0
Cardiff and Vale College	382	14.6%	(1,422)	(566)	(1,988)	(149)
Cardiff City Transport	16	25.4%	(511)	(41)	(552)	(360)
Cardiff Council	10,121	23.3%	(39,310)	(10,501)	(49,811)	0
Cardiff Metropolitan University	857	14.6%	(3,710)	(1,435)	(5,145)	(645)
Cowbridge Town Council	2	25.0%	(18)	(4)	(22)	0
Dinas Powys Community Council	0	25.0%	(1)	0	(1)	0
Lisvane Community Council	1	25.0%	(3)	(1)	(4)	0
Llantwit Major Town Council	5	25.0%	(21)	(5)	(26)	0
Penarth Town Council	17	25.0%	(96)	(22)	(118)	0
Penllyn Community Council	1	25.0%	(1)	0	(1)	0
Pentyrch Community Council	4	25.0%	(13)	(3)	(16)	0
Public Services Ombudsman for Wales	1	N/A	0	(4)	(4)	0
Radyr and Morganstown Community Council	2	25.0%	(5)	(1)	(6)	0
St Davids Sixth Form College	51	14.6%	(161)	(60)	(221)	(21)
Stanwell School	86	17.2%	(207)	(64)	(271)	(19)
Vale Of Glamorgan Council	3,878	23.1%	(13,837)	(3,802)	(17,639)	(4)
Wenvoe Community Council	1	25.0%	(3)	(1)	(4)	0
Sub-total	15,446		(59,424)	(16,536)	(75,960)	
Admitted Bodies:						
A&R Cleaning	1	23.3%	(2)	0	(2)	0
Adult Learning Wales	52	25.6%	(356)	(88)	(444)	(22)
APP Clean UK - Grangetown	3	23.3%	(1)	0	(1)	0
APP Clean UK - St Teilos	3	21.5%	(4)	(1)	(5)	0
Cardiff Business Technology Centre	6	26.4%	(32)	(7)	(39)	0
Cardiff University	42	27.7%	(1,508)	(71)	(1,579)	(1,200)
Careers Wales	73	17.3%	(356)	(132)	(488)	0
Children In Wales	29	29.9%	(203)	(45)	(248)	0
Circle IT - Cowbridge	0	23.1%	(2)	(1)	(3)	0
Colleges Wales	8	21.7%	(104)	(26)	(130)	(34)
Design Commission for Wales	4	23.9%	(42)	(14)	(56)	0
Glen Cleaning - Barry Comprehensive	3	27.0%	(8)	(2)	(10)	0
Glen Cleaning - Llandough	0	23.1%	(2)	0	(2)	0
Greenwich Leisure Limited	243	18.0%	(655)	(219)	(874)	0
Mirus Wales	6	23.7%	(60)	(23)	(83)	0
National Trust	5	20.7%	(23)	(7)	(30)	0

Notes to the Accounts

2017/18	No. of contributors at 31.03.18	Contribution rates (% of pensionable pay)	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
One Voice	2	22.2%	(27)	(8)	(35)	(7)
Play Wales	6	23.9%	(52)	(10)	(62)	(13)
National Eisteddfod of Wales	15	25.5%	(131)	(39)	(170)	0
Sport Wales	112	24.2%	(1,878)	(288)	(2,166)	(888)
Supacleen	0	22.9%	(1)	0	(1)	0
Wales & West Housing	1	26.7%	(125)	(15)	(140)	(90)
Welsh Council For Voluntary Action	68	24.7%	(642)	(143)	(785)	(190)
Sub-total	682		(6,214)	(1,139)	(7,353)	
Total	16,128		(65,638)	(17,675)	(83,313)	

Additional deficit funding

There was no additional deficit funding in 2017/18.

Comparative note for 2016/17.

2016/17	No. of contributors at 31.03.17	Contribution rates (% of pensionable pay)	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
SCHEDULED BODIES:						
Barry Town Council	18	27.0%	(84)	(20)	(104)	0
Cardiff and Vale College	415	13.6%	(1,343)	(519)	(1,862)	(238)
Cardiff City Transport	21	25.4%	(661)	(48)	(709)	(480)
Cardiff Council	9,271	22.9%	(36,470)	(9,950)	(46,420)	0
Cardiff Metropolitan University	756	13.6%	(3,437)	(1,454)	(4,891)	(527)
Cowbridge Town Council	4	27.0%	(160)	(43)	(203)	0
Dinas Powys Community Council	1	27.0%	(7)	(2)	(9)	0
Lisvane Community Council	1	27.0%	(3)	(1)	(4)	0
Llantwit Major Town Council	5	27.0%	(20)	(5)	(25)	0
Penarth Town Council	14	27.0%	(101)	(21)	(122)	0
Penllyn Community Council	1	27.0%	(1)	0	(1)	0
Pentyrch Community Council	3	27.0%	(3)	(1)	(4)	0
Public Services Ombudsman for Wales	1	32.3%	(294)	(4)	(298)	(279)
Radyr and Morganstown Community Council	0	27.0%	(4)	(1)	(5)	0
St Davids Sixth Form College	37	13.6%	(125)	(52)	(177)	(14)
Stanwell School	79	16.4%	(178)	(59)	(237)	(13)

Notes to the Accounts

2016/17	No. of contributors at 31.03.17	Contribution rates (% of pensionable pay)	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
Vale Of Glamorgan Council	3,702	22.7%	(13,211)	(3,672)	(16,883)	0
Wenvoe Community Council	1	27.0%	(3)	(1)	(4)	0
Sub-total	14,330		(56,105)	(15,853)	(71,958)	
ADMITTED BODIES:						
Adult Learning Wales	50	22.3%	(268)	(77)	(345)	(6)
APP Clean UK - St Teillos	3	21.5%	(5)	(1)	(6)	0
Cardiff Business Technology Centre	6	28.7%	(32)	(7)	(39)	0
Cardiff University	47	27.3%	(1,637)	(78)	(1,715)	(1,300)
Careers Wales	75	18.1%	(378)	(136)	(514)	0
Children In Wales	33	27.3%	(219)	(48)	(267)	0
Colleges Wales	6	19.8%	(56)	(23)	(79)	0
Design Commission for Wales	4	20.3%	(36)	(14)	(50)	0
Glen Cleaning - Barry Comprehensive	3	27.0%	(8)	(1)	(9)	0
Greenwich Leisure Limited	288	18.0%	(221)	(75)	(296)	0
Mirus Wales	6	23.4%	(289)	(23)	(312)	(231)
National Trust	8	20.7%	(27)	(8)	(35)	0
One Voice	2	19.4%	(26)	(8)	(34)	(9)
Play Wales	5	24.0%	(60)	(14)	(74)	(13)
National Eisteddfod of Wales	16	25.5%	(160)	(38)	(198)	(32)
Sport Wales	137	20.2%	(1,546)	(307)	(1,853)	(670)
Supacleen	1	22.9%	(1)	0	(1)	0
Wales & West Housing	1	20.6%	(137)	(16)	(153)	(109)
Welsh Council For Voluntary Action	69	21.4%	(463)	(135)	(598)	(42)
Sub-total	760		(5,569)	(1,009)	(6,578)	
Total	15,090		(61,674)	(16,862)	(78,536)	

Additional deficit funding

There was no additional deficit funding in 2016/17

6. Employing Bodies - Benefits Paid

2017/18	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Scheduled Bodies:				
Barry Town Council	103	0	0	0
Cardiff City Transport	2,317	444	0	0
Cardiff Council	39,968	6,522	548	298
Cardiff and Vale College	662	171	31	18

Notes to the Accounts

2017/18	Retirement Pensions	Lump Sums on Retirement	Death Grants	Commutation Payments
	£000	£000	£000	£000
Cardiff Metropolitan University	1,906	928	112	18
Cowbridge Town Council	16	11	0	0
Dinas Powys Town Council	17	18	0	0
Llantwit Major Town Council	19	0	0	0
Mary Immaculate High School	8	0	0	0
Penarth Town Council	62	0	0	0
Public Services Ombudsman for Wales	232	0	0	0
Radyr and Morganstown	0	0	0	0
Royal Welsh College of Music & Drama	78	24	0	0
S Wales Magistrates Courts	539	260	0	0
St Cyres School	57	0	0	0
St Davids Sixth Form College	71	0	0	0
Stanwell School	67	0	0	0
Vale of Glamorgan Council	11,997	2,808	510	174
Sub-total	58,119	11,186	1,201	508
Admitted Bodies:				
A&R Cleaning Lansdowne Primary	0	1	0	0
Adult Learning Wales	42	0	0	0
APP Clean UK - St Teilos	1	0	0	0
Barry College	5	6	0	0
Cardiff Bay Arts Trust	16	45	0	0
Cardiff Bay Development Corporation	494	0	0	0
Cardiff Business Technology Centre	13	0	0	0
Cardiff & Co	1	0	0	0
Cardiff Gypsy & Traveller Project	14	0	0	0
Cardiff Institute for Blind	62	0	0	0
Cardiff University	1,077	373	0	0
Careers Wales	359	23	0	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	24	6	0	0
Citizens Advice Bureau (Cardiff)	13	0	0	0
Citizens Advice Bureau (Vale)	12	0	0	0
Civic Trust for Wales	18	0	0	0
Colleges Wales	76	0	0	0
Coleg Glan Haften	10	3	21	0
Community Relations	1	0	0	0
Design Commission for Wales	3	0	0	0
Dimensions	8	0	0	0
Glamorgan & Gwent Housing Association	66	0	0	0
Greenwich Leisure Limited	31	327	49	0
Higher Education Development Wales	3	0	0	0
Housing for Wales	221	0	0	0

Notes to the Accounts

2017/18	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Intervol	25	19	0	0
Land Authority for Wales	303	12	0	0
Memorial Hall	12	0	0	0
Mirus Wales (Opportunity Housing Trust)	21	15	0	0
National Eisteddfod of Wales	59	11	0	0
National Trust	23	12	0	0
Play Wales	41	94	0	0
Porthcawl Holiday Home	63	0	0	0
S E Wales Community Foundation	7	0	0	0
Sport Wales	870	66	158	0
STAR	7	0	0	0
Wales & West Housing	134	0	0	0
Wales Youth Agency	57	0	0	0
Welsh Council for Voluntary Action	189	15	105	0
Sub-total	4,388	1,028	333	0
TOTAL	62,507	12,214	1,534	508

Comparative note for 2016/17.

2016/17	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Scheduled Bodies:				
Barry Town Council	102	0	0	0
Cardiff City Transport	2,284	438	45	0
City of Cardiff Council	38,977	6,037	1,209	314
Cardiff and Vale College	622	227	0	22
Cardiff Metropolitan University	1,718	161	412	0
Cowbridge Town Council	15	0	0	0
Dinas Powys Town Council	8	0	0	0
Llantwit Major Town Council	18	0	0	0
Mary Immaculate High School	8	0	0	0
Penarth Town Council	61	16	0	0
Public Services Ombudsman for Wales	18	0	0	0
Royal Welsh College of Music & Drama	77	0	0	0
S Wales Magistrates Courts	486	398	0	0
St Cyres School	55	10	0	0
St Davids Sixth Form College	70	19	0	0
Stanwell School	65	40	0	0
Vale of Glamorgan Council	11,559	2,625	607	85
Sub-total	56,143	9,971	2,273	421
Admitted Bodies:				

Notes to the Accounts

2016/17	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Adult Learning Wales (formerly Workers Education Association)	38	36	0	0
Barry College	3	3	0	0
Cardiff Bay Arts Trust	12	0	0	0
Cardiff Bay Devt Corp	499	5	106	0
Cardiff Business Technology Centre	13	0	0	0
Cardiff & Co	15	0	0	0
Cardiff Gypsy & Traveller Project	13	0	0	0
Cardiff Institute for Blind	67	0	2	0
Cardiff University	1,036	158	0	0
Careers Wales (Cardiff & Vale)	351	2	0	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	28	43	0	0
Citizens Advice Bureau (Cardiff)	13	0	0	0
Citizens Advice Bureau (Vale)	12	0	0	0
Civic Trust for Wales	18	0	0	0
Colleges Wales	0	0	0	0
Community Relations	1	0	0	0
Council For Admin In Wales	212	0	0	0
Design Commission for Wales	3	0	0	0
Dimensions	8	0	0	0
Fforwm	75	0	0	0
Glamorgan & Gwent Housing Association	59	45	0	0
Higher Education Development Wales	3	0	0	0
Housing for Wales	216	46	0	0
Intervol	22	0	0	0
Land Authority for Wales	332	22	0	0
Memorial Hall	12	0	0	0
Mirus Wales (Opportunity Housing Trust)	20	0	0	0
National Eisteddfod of Wales	63	0	13	0
National Trust	19	0	0	0
New Theatre	5	0	0	0
Play Wales	20	0	0	0
Porthcawl Holiday Home	62	0	0	0
S E Wales Community Foundation	7	0	0	0
Sport Wales	862	103	104	0
STAR	7	0	0	0
Wales & West Housing	126	50	0	0
Wales Youth Agency	56	0	0	0
Welsh Council for Voluntary Action	201	26	39	0
Sub-total	4,516	539	264	0
TOTAL	60,659	10,510	2,537	421

Notes to the Accounts

7. Membership of the Fund

Fund membership at 31 March 2018 is as follows:

	2016/17	2017/18
Contributing employers	37	37
Contributors	15,090	16,128
Pensioners	10,846	12,757
Deferred pensioners	12,697	11,128
Total membership	38,633	40,013

8. Management Expenses

Management Expenses fully charged to the Fund are:

	2016/17 £000	2017/18 £000
Administration costs	945	835
Investment management expenses*	12,297	6,925
Oversight and governance costs	128	127
Total	13,370	7,887

*2016/17 investment management expenses are much higher, as for one of the funds all fees were included rather than just 2016/17 costs.

9. Investment Income

	2016/17 £000	2017/18 £000
UK fixed interest securities	(5,325)	(5,964)
Overseas fixed interest securities	(1,546)	(2,570)
UK equities and private equity funds	(3,808)	(3,960)
Pooled investments	(1,588)	(1,715)
Overseas equities (net of irrecoverable tax)	(4,567)	(4,652)
Property unit trust income	(2,113)	(2,207)
Interest on UK cash	(76)	(83)
Securities lending	(92)	(96)
Total	(19,115)	(21,247)

Notes to the Accounts

10. Investments at Market Value

2016/17 £000		2017/18 £000
41,541	Public Sector	76,907
140,330	Other (Pooled)	332,432
181,871	UK Fixed Interest:	409,339
96,843	Public Sector (Pooled)	143,580
96,843	Overseas Fixed Interest:	143,580
116,358	UK quoted Equities & Convertibles	116,033
212,725	Foreign quoted Equities	178,074
329,083		294,107
562,509	UK	499,108
552,195	Overseas	452,231
1,114,704	Pooled Funds	951,339
126,298	UK & Global Property (Pooled)	134,177
88,328	Private Equity	79,302
933	Derivatives: Forward Currency contracts	1,237
	Cash:	
22,863	UK	24,673
19,073	Overseas	9,739
1,993	Net investment proceeds due	2,177
1,981,989	TOTAL	2,049,670

Reconciliation in movement in investments

2017/18	Value at 31/03/17 £000	Purchases at cost £000	Sale proceeds £000	Change in market value £000	Value at 31/03/18 £000
Fixed interest securities	278,714	591,905	(308,876)	(8,824)	552,919
Equities	329,083	70,577	(117,480)	11,927	294,107
Pooled funds	1,114,705	956	(190,000)	25,678	951,339
Property unit trusts	126,298	857	0	7,022	134,177
Private equity	88,328	7,802	(25,933)	9,105	79,302
Sub-total	1,937,128	672,097	(642,289)	44,908	2,011,844
Forward currency	933	2,315,248	(2,321,678)	6,734	1,237
Total derivatives	933	2,315,248	(2,321,678)	6,734	1,237
Debtors	1,993				2,177
Managers' cash	11,698				7,683
Internal/custodian cash	30,237			1,925	26,729
Total cash	43,928			1,925	36,589
Total	1,981,989			53,567	2,049,670

Notes to the Accounts

Comparative note for 2016/17.

2016/17	Value at 31/03/16 £000	Purchase at cost £000	Sale proceeds £000	Change in market value £000	Value at 31/03/17 £000
Fixed interest securities	247,034	224,136	(210,599)	18,143	278,714
Equities	257,382	73,299	(81,827)	80,229	329,083
Pooled funds	893,729	144,934	(243,495)	319,537	1,114,705
Property unit trusts	118,632	763	0	6,903	126,298
Private equity	83,101	6,338	(21,016)	27,111	88,328
Sub-total	1,599,878	445,867	(560,540)	451,923	1,937,128
Forward currency	(2,273)	2,573,915	(2,546,860)	(23,849)	933
Total derivatives	(2,273)	2,573,915	(2,546,860)	(23,849)	933
Debtors	1,949				1,993
Managers' cash	5,004				11,698
Internal/custodian cash	24,322			(89,186)	30,237
Total cash	31,275			(89,186)	43,928
Total	1,628,880			338,888	1,981,989

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. The use of derivatives is managed in line with the investment management agreement between the fund and the various investment managers.

Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a proportion of the fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the fund has a currency management overlay in place managed by Mesirow, which hedges significant long term currency movements to limit losses. The portfolio covers US dollars, Yen and Euro currencies.

Notes to the Accounts

11. Summary of manager's portfolio values

2016/17		Fund Manager	2017/18	
£000	% of Fund		£000	% of Fund
279,696	14.1	Aberdeen Asset Management	555,569	27.1
74,215	3.7	Aberdeen Emerging Markets	74,758	3.6
626,980	31.7	Blackrock Investment Management	510,767	24.9
101,741	5.1	Invesco Perpetual	95,505	4.7
81,838	4.1	J P Morgan	87,414	4.3
123,283	6.2	Majedie	121,052	5.9
113,335	5.7	Nikko	95,323	4.7
105,524	5.3	Schroder Investment Managers	86,144	4.2
229,929	11.6	State Street Global Advisers	182,895	8.9
126,298	6.4	Property	134,177	6.5
88,328	4.5	Private Equity Managers	79,302	3.9
7,960	0.4	Mesirow currency overlay & cash with custodian	2,090	0.1
22,862	1.2	Internally managed (Cash)	24,674	1.2
1,981,989	100.0	Total	2,049,670	100.0

11a. Investments exceeding 5% of net assets

Fund Manager	£000	%
BlackRock Aquila Life UK Equities Indexed Fund	316,190	15.4
BlackRock Aquila Life US Equities Indexed Fund	194,577	9.5
SSGA MPF Europe ex UK Equities Active Fund	182,895	8.9
Aberdeen Corporate Bond Fund	165,743	8.1
Aberdeen Target Return Bond Fund	111,342	5.4
Aberdeen Global Government Bond Fund	110,313	5.4

Comparative data for 2016/17:

Fund Manager	£000	%
BlackRock Aquila Life UK Equities Indexed Fund	378,930	19.1
BlackRock Aquila Life US Equities Indexed Fund	247,050	12.5
SSGA MPF Europe ex UK Equities Active Fund	229,929	11.6
Invesco Perpetual Income Fund	101,741	5.1

Notes to the Accounts

12. Financial Instruments

a) Classification of financial instruments

31/03/2017				31/03/2018		
Fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised costs £000		Fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised costs £000
278,714	0	0	Fixed interest securities	552,919	0	0
329,083	0	0	Equities	294,107	0	0
1,114,705	0	0	Pooled funds	951,339	0	0
126,298	0	0	Property unit trusts	134,177	0	0
88,328	0	0	Private equity	79,302	0	0
158,033	0	0	Derivatives	147,144	0	0
0	41,935	0	Cash	0	36,589	0
1,993	0	0	Other investments	1,237	0	0
0	21,903	0	Debtors	0	18,859	0
2,097,154	63,838	0	Total financial assets	2,160,225	55,448	0
(158,033)	0	0	Derivatives	(145,805)	0	0
0	0	0	Other investments	0	0	0
0	0	(2,214)	Creditors	0	0	(1,916)
0	0	0	Borrowings	0	0	0
(158,033)	0	(2,214)	Total financial liabilities	(145,805)	0	(1,916)
1,939,121	63,838	(2,214)	Net financial assets	2,014,420	55,448	(1,916)

b) Net gains and losses on financial instruments

31/03/2017 £000		31/03/2018 £000
352,512	Fair value through profit and loss	65,497
352,512	Total financial assets	65,497
(13,222)	Fair value through profit and loss	(12,228)
(402)	Loans and receivables	298
(13,624)	Total financial liabilities	(11,930)
338,888	Net financial assets	53,567

c) Valuation of financial instruments carried at fair value

Level 1 - Quoted prices for similar instruments. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2 - Directly observable market inputs other than Level 1 inputs. Where an instrument is traded in a market which is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Notes to the Accounts

Level 3 - Inputs not based on observable market data. The values of investment in private equity are based on valuations provided by the general partners to the private equity funds. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end.

Values as at 31 March 2018	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value	1,029,921	768,444	361,860	2,160,225
Loans and receivables	55,448	0	0	55,448
Total financial assets	1,085,369	768,444	361,860	2,215,673
Financial liabilities at fair value	0	0	(145,805)	(145,805)
Financial liabilities at amortised cost	(1,916)	0	0	(1,916)
Total financial liabilities	(1,916)	0	(145,805)	(147,721)
Net financial assets	1,083,453	768,444	216,055	2,067,952

Comparative data for 2016/17:

Values as at 31 March 2017	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value	837,726	884,776	374,652	2,097,154
Loans and receivables	63,838	0	0	63,838
Total financial assets	901,564	884,776	374,652	2,160,992
Financial liabilities at fair value	0	0	(158,033)	(158,033)
Financial liabilities at amortised cost	(2,214)	0	0	(2,214)
Total financial liabilities	(2,214)	0	(158,033)	(160,247)
Net financial assets	899,350	884,776	216,619	2,000,745

13. Nature and extent of risks arising from financial instruments

The fund maintains positions in a variety of instruments, as dictated by the Statement of Investment principles (SIP), and is consequently exposed to credit and liquidity risk, as well as market risk including foreign exchange and interest rate risks.

The Fund's primary long-term risk is that the fund's assets will fall short of its liabilities and will be unable to pay the promised benefits to members. 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 gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market 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.

Notes to the Accounts

The management of risk is a key objective of the Pension Fund. A policy of diversification of its asset classes and investment managers helps the Pension fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures which are put in place in order to manage risk.

Market risk is the risk that the fair value or future cash flows of an institution will fluctuate because of a change in market price.

In order to manage risk, the Fund invests in a diversified pool of assets, split between a number of managers with different performance targets and investment strategies. In order to mitigate risk, the Fund regularly reviews the pension fund investment strategy together with regular monitoring of asset allocation and investment performance.

Interest rate risk is the risk to which the Pension Fund is exposed to fluctuations in interest rates and mainly relates to changes in bonds.

To mitigate the risk, the Fund holds a fixed interest portfolio managed by Aberdeen Asset Management, the appointed active bond manager.

Interest Rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The analysis below shows the effect of a 100 basis point (1%) movement in interest rates on the net assets available to pay benefits

Asset Type	Carrying amount as at 31.03.2018	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	37,826	378	(378)
Fixed interest securities	552,919	5,529	(5,529)
Total	590,745	5,907	(5,907)

2016/17 Comparative:

Asset Type	Carrying amount as at 31.03.2017	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	44,861	449	(449)
Fixed interest securities	278,714	2,787	(2,787)
Total	323,575	3,236	(3,236)

Currency risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The Fund's Global Bonds and North American, European and Japanese Equities portfolios are covered by currency hedging arrangements. Fund managers will also take account of currency risk in their investment decisions.

Currency risk – sensitivity analysis

Following analysis of historical data, the fund's aggregate currency change has been calculated as 9.30%. A 9.30% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Notes to the Accounts

Currency exposure – asset type	Asset value as at 31.03.2018	Change to net assets available to pay benefits	
		9.30%	9.30%
	£000	£000	£000
Overseas quoted securities	644,105	584,203	704,007
Total change in assets available	644,105	584,203	704,007

Comparative data for 2016/17:

Currency exposure – asset type	Asset value as at 31.03.2017	Change to net assets available to pay benefits	
		6.36%	6.36%
	£000	£000	£000
Overseas quoted securities	771,053	820,092	722,014
Total change in assets available	771,053	820,092	722,014

Price risk is the risk of losses associated with the movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst employing specialist managers enables the Fund to benefit from investment expertise.

Price risk sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of assets over the last three years, applied to the period end asset mix. The total volatility shown for Total Currency incorporates the impact of correlation across currencies, which dampens volatility, therefore the Value on Increase and Value on Decrease figures for the currencies will not sum to the total figure.

Asset type	Value as at 31.03.2018 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	620,161	8.70%	674,115	566,207
Overseas Equities	633,697	10.50%	700,235	567,159
Total Bonds	555,569	4.70%	581,681	529,457
Cash	26,764	0.10%	26,791	26,737
Alternatives	79,302	9.00%	86,439	72,165
Property	134,177	3.90%	139,410	128,944
Total Assets	2,049,670	6.80%	2,189,048	1,910,292

Notes to the Accounts

Comparative data for 2016/17:

Asset type	Value as at 31.03.2017 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	685,792	9.99%	754,303	617,281
Overseas Equities	771,053	10.05%	848,544	693,562
Total Bonds	279,696	4.74%	292,954	266,438
Cash	30,822	0.01%	30,825	30,819
Alternatives	88,328	2.12%	90,201	86,455
Property	126,298	3.18%	130,314	122,282
Total Assets	1,981,989	7.34%	2,127,467	1,816,837

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The Fund reviews its exposure to credit and counterparty risk through its external investment managers. The Fund is also exposed to credit risk through its securities lending programme. This is run by the Fund's custodian, Northern Trust who manages and monitors the counterparty risk, collateral risk and the overall lending programme.

The Pension Fund's bank account is held with the Lloyds bank. Surplus cash is not invested with Lloyds but is placed with a selection of AAA Money Market institutions. The Fund's cash holding under its treasury management arrangements as at 31.03.2018 was £24.673 million (£22.244 million at 31.03.2017). This was held with the following institutions:

	Rating	31.03.2017 £000	31.03.2018 £000
Money market funds			
Ignis	AAA	12,000	12,025
Blackrock	AAA	10,170	11,925
Bank current account			
Lloyds Bank	A	74	723
Total		22,244	24,673

Liquidity risk represents the possibility that the Fund may not have funds available to meet its financial obligations. The current position of the Fund is that it is cash positive, which reflects the fact that contributions into the Fund exceed benefits being paid out. The Fund's cash is kept in a separate bank account and the cash position is monitored on a daily basis. Surplus funds are deposited in money market funds on a short term basis. At an investment level, the Funds' investments are substantially made up of listed securities which are considered readily realisable.

14. Sundry Debtors & Creditors

	31.03.2017 £000	31.03.2018 £000
Miscellaneous	986	122
Debtors	986	122
Management & Custody Fees	(1,161)	(1,078)
Creditors	(1,161)	(1,078)
Total	(175)	(956)

Notes to the Accounts

15. Additional Voluntary Contributions (AVC)

Scheme members may elect to make additional voluntary contributions to enhance their pension benefits. Contributions are made directly from scheme members to the AVC provider and are therefore not represented in these accounts.

The amount of AVC contributions paid during the year amounted to £721,000 (£508,000 in 2016/17) and the market value of separately invested AVC's as at 31 March 2018 was £3.700 million (£3.620 million in 2016/17).

16. Commitments

As at 31 March 2018 the Fund had outstanding private equity commitments of a maximum of £47.137 million (£43.620 million at 31 March 2017).

As at 31 March 2018 the Fund had forward currency contracts amounting to £147.144 million of purchases and £145.805 million of sales, showing an unrealised gain of £1.339 million.

17. Securities Lending

At the year end the value of quoted equities on loan was £108.126 million (£44.66 million at March 2017) in exchange for which the custodian held collateral of £114.020 million (£48.26 million at March 2017). For the year ending 31 March 2018, the Fund received income of £129,000 from the lending of stock.

18. Contingent Liabilities

The Fund has no contingent liabilities.

19. Related Party Transactions

The relationship between the employers and the Pension Fund is, by its very nature, close. Therefore, each participating employer is considered a related party as shown in notes 5 and 6.

Other related party transactions with the Council are:

- Cash invested internally by the Council (for working capital purposes) - see note 11;
- Administration expenses charged to the Fund by the Council are shown in note 8.
- Paragraph 3.9.4.3 of the Code of Practice exempts local Authorities from the key management personnel disclosure requirements of IAS24 on the basis that requirements for officer remuneration and members' allowances is detailed in section 3.4 of the Code and can be found in the main accounts of Cardiff Council.

20. Post Balance Sheet Events

There are no post balance sheet events to report.

Glossary

Knowledge of basic accountancy terminology is assumed. However, there are certain specialist terms related to local government finance, which are described below:

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Active / Passive Management

Active management is the traditional form of investment management involving a series of individual investment decisions that seek to maximise returns by exploiting price inefficiencies i.e. 'beat the market'.

Passive management is a low cost alternative where managers normally hold stocks in line with a published index, such as the FTSE All-Share, not seeking to outperform but to keep pace with the index being tracked.

Actuary

An independent consultant who advises on the long-term viability of the Fund. Every three years the Fund actuaries review the assets and liabilities of the Fund and report to the Council on the financial position and recommended employer contribution rates. This is known as the actuarial valuation.

Actuarial Gains and Losses

For a defined benefit pensions scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

Active Member

Current employee who is contributing to a pension scheme

Admitted Body

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

Asset Allocation

Apportionment of investment funds among categories of assets, such as Bonds, Equities, Cash, Property, Derivatives, and Private Equity. Asset allocation affects both risk and return.

Benchmark

A measure against which the investment policy or performance of an investment manager can be compared

Bonds

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

Cash and Cash Equivalents

Sums of money available for immediate use and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the leading professional accountancy body which determines accounting standards and reporting standards to be followed by Local Government.

Glossary

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Custodian

Bank or other financial institution that keeps custody of stock certificates and other assets of a client, collects dividends and tax refunds due, and settles any purchases and sales.

DCLG

The Department for Communities and Local Government, the department of the UK Government responsible for the LGPS in England and Wales.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Defined Benefit Scheme (Pensions)

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme (Pensions)

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Derivative

A derivative instrument is a contract whose value is based on the performance of an underlying financial asset, index, or other investment.

Emerging Markets

Relatively new and immature stock markets for equities or bonds. Settlement and liquidity can be less reliable than in the more established 'developed' markets, and they tend to be more volatile.

Employer Contribution Rates

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

Equities

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and may normally vote at shareholders' meetings.

Fair Value

Fair Value is 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.

Glossary

Financial Assets

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Liabilities

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

Fixed Interest Securities/Bonds

Investments, especially in government stocks, with a guaranteed rate of interest. Conventional bonds have fixed rates, whilst Index Linked vary with inflation. They represent loans repayable at a stated future date, and which can be traded on a stock exchange in the meantime.

Fund of Funds

A pooled fund that invests in other pooled funds. They are able to move money between the best funds in the industry, and thereby aim to lower stakeholder risk with greater diversification than is offered by a single fund.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in an asset's market value.

Index

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

ISS

The Investment Strategy Statement which each LGPS fund is required to prepare and keep under review.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

LGPS

The Local Government Pension Scheme, governed by regulations issued by the Department for Communities and Local Government.

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

Myners Principles

The six principles which a LGPS Fund must comply with:

1. Effective decision making
2. Clear objectives

Glossary

3. Risk and liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and reporting

Pension Fund

A fund built up from deductions from employees' pay, contributions from employers and investment income from which pension benefits are paid.

Pooled Funds

Pooled investment vehicles issue units to a range of investors. Unit's prices move in response to changes in the value of the underlying portfolio, and investors do not own directly the assets in the fund. The main types are: unit trusts, open-ended investment companies (OEICs), insurance linked vehicles and investment trusts.

Portfolio

A collective term for all the investments held in a fund, market or sector. A segregated portfolio is a portfolio of investments of a specific type held directly in the name of the investor e.g. Global Bonds, or a specific market e.g. UK Equities, Far East Equities.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Private Equity

Investments made by specialist managers in all types of unlisted companies rather than through publicly tradable shares.

Provisions

Amounts set aside in respect of liabilities or losses which are likely or certain to be incurred, but in relation to which the exact amount and date of settlement may be uncertain.

Related Parties

Related parties are Central Government, other local authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Return

The total gain from holding an investment, including both income and any increase or decrease in market value. Returns over periods longer than a year are usually expressed as an average annual return.

Scheme Employers

Local authorities and bodies specified in the LGPS Regulations, whose employees are entitled automatically to be members of the Fund, and Admission Bodies including voluntary, charitable and similar bodies, carrying out work of a public nature, whose staff can become members of the Fund by virtue of an admission agreement with the Council.

Scheduled Body

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

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Unrealised Gains / Losses

The increase or decrease in the market value of investments held by the fund since the date of their purchase. Note: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.