

Statement of Accounts 2018-19



Cardiff & Vale of Glamorgan
Pension Fund



Contents

Narrative Report	2
Actuarial Statement	3
Statement of Responsibilities	6
Audit Report	7
Fund Account	9
Net Assets Statement	10
Notes to the Accounts	11
Glossary	27

Narrative Report

Cardiff Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the 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 continued to increase over the year. There are now over 16,000 contributing employees and more than 11,000 pensioners and dependents receiving benefits from the Fund.

The Pension Fund's assets rose by 5.4% during 2018/19, from £2.067 billion to £2.178 billion. Investment markets were volatile over the year due to economic and political uncertainties. Investor sentiment swung from optimistic in April and May to pessimistic towards the end of 2018, and back to optimistic in the first quarter of 2019. The return for the year was 5.1% against a benchmark return of 5.7%. Over the longer term, returns on the Fund's investments have averaged around 8% per annum.

The eight LGPS fund authorities in Wales continued to make progress during the year in the development of the Wales Pension Partnership (WPP) which was established in 2017 to oversee the pooling of the funds' investments. The WPP's Authorised Contractual Scheme (ACS) was approved by the FCA in July 2018 and the first pooled funds were launched in January 2019. Cardiff did not participate in this tranche, however further funds will be launched during 2019/20. The WPP is developing a Responsible Investment Policy to address issues of shared concern but each fund will continue to be responsible for its own investment strategy and asset allocation.

During the year progress was made in the development of a Climate Change Investment Policy in response to the Council's commitment to work with the Pensions Committee to consider divesting investments from fossil fuel companies. An analysis of the carbon impact of the Fund's investments was commissioned to set a benchmark against which the impact of changes to the investment strategy can be measured. Proposals for addressing this critical issue were considered by the Pensions Committee and Local Pension Board in January 2019 and will be developed further during 2019/20.

The Fund's key objective continues to be to deliver an effective and efficient service to nearly 41,000 contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

Finally, the Annual Governance Statement for Cardiff Council includes the findings of a review across all services, including Pension Fund arrangements. An Action Plan is also included to address any governance issues identified and the document is available on the Council's website at the following address:

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Managing-the-Councils-Finances/Pages/default.aspx>

Christopher Lee
Corporate Director Resources

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, 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 required to be paid by participating employers with effect from 1 April 2017 was:
 - 16.6% of pensionable pay. This is 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

- Monetary amounts 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 3.0% p.a.

3. In practice, each individual Employer's or group of Employers' position is assessed separately and contributions are set out in Aon'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 is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual Employers' recovery periods were agreed with the Administering Authority reflecting the Employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows:

Discount rate for periods in service	
Scheduled body / subsumption funding target	4.6% p.a.
Orphan body funding target	4.6% p.a.
Discount rate for periods after leaving service	
Scheduled body / subsumption funding target	4.6% p.a.
Orphan body funding target	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.

Actuarial Statement

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.

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	22.4	24.8
Future pensioners aged 45 at the valuation date	23.0	25.9

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 Adjustments Certificate setting out the Employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Other than as permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. Since the date the valuation report was signed, there have been a number of developments in respect of the Local Government Pension Scheme (LGPS):
 - **Increases to Guaranteed Minimum Pensions (GMPs):**
HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, announced an extension of the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off in advance of this announcement, but the increase in liability is not expected to be material. In addition, on 26 October 2018 the High Court ruled in the Lloyds Banking Group case that schemes are required to equalise male and female members' benefit for the effect of unequal GMPs. Our understanding is that this will not alter HM Treasury's approach to GMP equalisation in the LGPS.
 - **Cost Management Process and McCloud judgement:**
Legislation requires HM Treasury and the LGPS Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Initial results from the Scheme Advisory Board process indicated that benefit improvements / member contribution reductions would be required. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sergeant) were age discriminatory; these cases could have knock on implications for the LGPS (potentially increasing the liabilities) which also had transitional arrangements when the new scheme was introduced with effect from April 2014.

Actuarial Statement

9. The actuarial valuation of the Fund as at 31 March 2019 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions commencing from 1 April 2020 to be signed off by 31 March 2020. Asset values have increased since 2016, on its own leading to an improvement in the funding level due to higher than assumed investment returns. Liability values and employer contributions, as well as being affected by the items listed in paragraph 8 above, will depend upon membership factors, changes to expectations of future returns and other assumptions (including allowance for the slow-down in longevity improvements) and any changes to funding strategy made as part of the 2019 valuation.
10. This Statement has been prepared by the current Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their 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.

11. The actuarial valuation report is available on the Fund's website at the following address:
<https://www.cardiffandvalepensionfund.org.uk/about-the-fund/actuarial-valuation-reports/>

Aon does not accept any responsibility or liability to any party other than our client, City and County of Cardiff, the Administering Authority of the Fund, in respect of this Statement.

Aon Hewitt Limited

May 2019

Statement of Responsibilities

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

The Council's responsibilities

As administering Authority of the Cardiff and Vale of Glamorgan Pension Fund, the County Council of the City and County of Cardiff 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 2018/19 that officer was Christopher Lee, 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 Daniel De'Ath
Lord Mayor

Date: 12 September 2019

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 2018/19 (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 Cardiff and Vale of Glamorgan Pension Fund give a true and fair view of its income and expenditure for the financial year 2018/19 and financial position at 31 March 2019.

Christopher Lee
Corporate Director Resources

Date: 12 September 2019

Audit Report

Audit Report of the Auditor General to the Members of the County Council of the City and County of Cardiff as administering authority for the Cardiff and Vale of Glamorgan Pension Fund

Opinion

I have audited the financial statements of Cardiff and Vale of Glamorgan Pension Fund for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004. Cardiff and Vale of Glamorgan Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019, and of the amount and disposition at that date of its assets and liabilities
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Audit Report

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Cardiff and Vale of Glamorgan Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J. Barrett
For and on behalf of the Auditor General for Wales
Date:

24 Cathedral Road
Cardiff
CF11 9LJ

Fund Account

2017/18 £000		Note	2018/19 £000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(65,638)	From employers	7	(69,768)
(17,675)	From employees	7	(18,626)
(1,088)	Group transfers from other schemes or funds		(5,168)
(3,846)	Individual transfers from other schemes or funds		(6,719)
(2,633)	Other income (capitalised payments and interest on deficit funding)		(2,825)
(90,880)			(103,106)
	Benefits Payable		
62,507	Pensions	8	65,790
14,256	Lump sums, grants and other payments	8	18,134
	Payments to and on account of leavers		
114	Refunds of contributions		188
9,694	Group transfers to other schemes or funds		67
6,315	Individual transfers to other schemes or funds		7,397
92,886			91,576
2,006	Net (additions)/withdrawals from dealings with members of the Fund		(11,530)
7,902	Management expenses	9	8,083
9,908	Net (additions)/withdrawals including fund management expenses		(3,447)
	Returns on Investment		
(21,247)	Investment income	10	(27,498)
(53,567)	Change in market value of investments	11a	(80,299)
(74,814)	Net returns on investments		(107,797)
(64,906)	Net (increase)/decrease in the Fund during year		(111,244)
(2,001,678)	Opening net assets of the scheme		(2,066,584)
(2,066,584)	Closing net assets of the scheme		(2,177,828)

Net Assets Statement

2017/18 £000		Note	2018/19 £000
2,011,844	Investments at market value	11	2,112,376
37,826	Cash (including derivatives) and investment proceeds due	11	51,029
2,049,670	Total investments		2,163,405
153	UK & overseas tax		42
4,716	Contributions due from employers and deficit funding		4,845
278	Sundry debtors		443
2,152	Pension strain costs due within one year		2,177
7,299	Total current assets		7,507
8,922	Deficit funding (former employers)		6,947
2,794	Pension strain costs due after one year		2,560
11,716	Total non-current assets		9,507
(838)	Unpaid benefits		(426)
(1,263)	Sundry creditors		(1,358)
0	Provision - death grants	19	(105)
(2,101)	Total current liabilities		(1,889)
0	Provision - death grants	19	(702)
0	Total non-current liabilities		(702)
2,066,584	Net assets of the scheme		2,177,828

Notes to the Accounts

1. Basis of Preparation

The Statement of Accounts summarises the transactions and net assets of the Fund for the financial year 2018/19. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2018/19 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.

The accounts have been prepared on a going concern basis.

2. Summary of Significant Accounting Policies

Accounting standards that have been issued but not yet adopted

At the balance sheet date, no accounting standards issued but not yet adopted have been identified.

Income and Expenditure

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 benefits in the future, which has been separately disclosed within the notes to the accounts.

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".

Valuation of Investments

Investments are included in the financial statements on a fair value basis as at the reporting date. The values of investments as shown in the net assets statement have been determined in accordance with the requirements of the Code and IFRS 13. Valuation methods employed by the fund are detailed within Note 13c.

Foreign Currency Transactions

Overseas investments have been converted at WM/Reuters closing spot rates of exchange.

Cash and Cash Equivalents

Cash is represented by bank balances. Cash equivalents include Call Accounts repayable with under ninety days notice and Money Market Funds repayable without penalty on notice of not more than twenty four hours.

Taxation

Taxation	Treatment
UK Income Tax	The fund is an exempt approved fund able to recover UK Income Tax.
UK Capital Gains Tax	No Capital Gains Tax is Chargeable.

Notes to the Accounts

Value Added Tax	Accounts are shown exclusive of VAT. As the Council is the administering Authority, VAT is recoverable on all Fund activities.
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.

3. 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.

Pension Fund liability

This is calculated in accordance with IAS19 every three years by the actuary, with an annual statement in the intervening years. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary.

4. 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 £82 million. There is a risk that this investment may be under, or overstated in the accounts.
Pooled Property Funds	Valuation techniques are used to determine the carrying amount of pooled property funds.	Changes in the valuation assumptions used, together with significant changes in rental growth could affect (increase or decrease) the fair value of property-based investments.

5. 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 2019 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

Notes to the Accounts

6. Membership of the Fund

Fund membership at 31 March 2019 is as follows:

2017/18		2018/19
37	Contributing employers	45
16,128	Contributors	16,193
11,128	Pensioners	11,554
12,757	Deferred pensioners	13,040
40,013	Total membership	40,787

7. Employing Bodies – Contributions

2018/19	No. of contributors at 31/03/2019	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
Administering Body:					
Cardiff Council	10,036	(42,897)	(11,316)	(54,213)	0
Scheduled Bodies:					
Vale of Glamorgan Council	3,969	(14,127)	(3,809)	(17,936)	(4)
Town and Community Councils	58	(277)	(63)	(340)	0
Education Bodies	1,376	(6,071)	(2,245)	(8,316)	(1,006)
Other Scheduled Bodies	15	(114)	(33)	(147)	0
Admitted Bodies:					
Admitted Bodies	739	(6,282)	(1,160)	(7,442)	(2,420)
Total	16,193	(69,768)	(18,626)	(88,394)	(3,430)

2017/18	No. of contributors at 31/03/2018	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
Administering Body:					
Cardiff Council	10,121	(39,310)	(10,501)	(49,811)	0
Scheduled Bodies:					
Vale of Glamorgan Council	3,878	(13,837)	(3,802)	(17,639)	(4)
Town and Community Councils	54	(266)	(63)	(329)	0
Education Bodies	1,376	(5,500)	(2,125)	(7,625)	(834)
Other Scheduled Bodies	17	(511)	(45)	(556)	(360)
Admitted Bodies:					
Admitted Bodies	682	(6,214)	(1,139)	(7,353)	(2,444)
Total	16,128	(65,638)	(17,675)	(83,313)	(3,642)

Additional deficit funding

There was no additional deficit funding in 2018/19 (no additional deficit funding in 2017/18).

Notes to the Accounts

8. Employing Bodies - Benefits Payable

2018/19	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Administering Body:				
Cardiff Council	41,735	8,777	1,685	442
Scheduled Bodies:				
Vale of Glamorgan Council	12,801	3,689	554	173
Town and Community Councils	228	53	0	0
Education Bodies	3,037	882	332	58
Other Scheduled Bodies	2,604	212	0	0
Admitted Bodies:				
Admitted Bodies	5,385	1,060	212	5
Total	65,790	14,673	2,783	678

2017/18	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Administering Body:				
Cardiff Council	39,968	6,521	561	297
Scheduled Bodies:				
Vale of Glamorgan Council	11,997	2,807	509	173
Town and Community Councils	217	29	0	0
Education Bodies	2,849	1,121	142	36
Other Scheduled Bodies	3,088	703	0	0
Admitted Bodies:				
Admitted Bodies	4,388	1,026	331	0
Total	62,507	12,207	1,543	506

9. Management Expenses

Management Expenses fully charged to the Fund are:

2017/18 £000		2018/19 £000
836	Administration costs	1,120
32	Audit fees	32
868	Total administration costs	1,152
6,774	Management fees	6,704
151	Custody fees	126
6,925	Total investment management expenses	6,830
109	Oversight and governance costs	101
7,902	Total	8,083

Note: 2017/18 has been reclassified to show split as per 2018/19.

Notes to the Accounts

10. Investment Income

2017/18 £000		2018/19 £000
(5,964)	UK fixed interest securities	(10,167)
(2,570)	Overseas fixed interest securities	(4,209)
(3,960)	UK equities and private equity funds	(4,638)
(1,715)	Pooled investments	(1,650)
(4,652)	Overseas equities	(4,615)
(2,207)	Pooled Property Unit Trust Income	(1,922)
(83)	Interest on UK cash	(196)
(96)	Securities lending	(101)
(21,247)	Total	(27,498)

11. Investments at Market Value

2017/18 £000		2018/19 £000
76,907	UK public sector fixed interest securities	92,014
332,432	UK other (pooled) fixed interest securities	286,132
143,580	Overseas public sector (pooled)	186,911
552,919	Total fixed interest	565,057
116,033	UK quoted equities & convertibles	119,317
178,074	Overseas quoted equities	179,868
294,107	Total quoted equities	299,185
403,603	UK unitised insurance policies (pooled)	425,357
95,505	UK other managed funds	96,964
377,472	Overseas unitised insurance policies (pooled)	411,205
74,759	Overseas other managed funds	76,440
951,339	Total pooled funds	1,009,966
134,177	Pooled property unit trusts (UK & Global)	155,944
79,302	Private equity	82,224
2,011,844	Subtotal	2,112,376
1,237	Derivatives: Forward currency contracts	(1,243)
1,237	Total derivatives	(1,243)
7,683	Fund manager's cash	15,214
26,729	Internal/custodian cash	34,355
2,177	Net investment proceeds due	2,703
36,589	Total cash	52,272
2,049,670	Total	2,163,405

Note: 2017/18 cash and pooled funds have been reclassified to show split as per 2018/19.

Notes to the Accounts

11a. Reconciliation in movement in investments

2018/19	Value at 31/03/18 £000	Purchase at cost £000	Sale proceeds £000	Change in market value £000	Value at 31/03/19 £000
Fixed interest securities	552,919	294,150	(292,012)	10,000	565,057
Equities	294,107	54,983	(47,302)	(2,603)	299,185
Pooled funds	951,339	920	0	57,707	1,009,966
Pooled property unit trusts	134,177	14,633	0	7,134	155,944
Private equity	79,302	7,268	(18,214)	13,868	82,224
Sub-total	2,011,844	371,954	(357,528)	86,106	2,112,376
Derivatives	1,237	2,813,437	(2,813,426)	(2,491)	(1,243)
Total derivatives	1,237	2,813,437	(2,813,426)	(2,491)	(1,243)
Managers' cash	7,683				15,214
Internal/custodian cash	26,729			(3,316)	34,355
Net investment proceeds due	2,177				2,703
Total cash	36,589			(3,316)	52,272
Total	2,049,670			80,299	2,163,405

2017/18	Value at 31/03/17 £000	Purchase 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
Pooled 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
Derivatives	933	2,315,248	(2,321,678)	6,734	1,237
Total derivatives	933	2,315,248	(2,321,678)	6,734	1,237
Managers' cash	11,698				7,683
Internal/custodian cash	30,237			1,925	26,729
Debtors	1,993				2,177
Total cash	43,928			1,925	36,589
Total	1,981,989			53,567	2,049,670

Analysis of derivatives

Objectives and policies for holding derivatives

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 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 dollar, Yen and Euro currencies.

Notes to the Accounts

12. Summary of manager's portfolio values

2017/18		Fund Manager	2018/19	
£000	% of Fund		£000	% of Fund
555,569	27.1	Aberdeen Asset Management	571,700	26.4
74,758	3.6	Aberdeen Emerging Markets	76,440	3.5
510,767	24.9	Blackrock Investment Management	565,841	26.2
95,505	4.7	Invesco Perpetual	96,964	4.5
87,414	4.3	JP Morgan	88,835	4.1
121,052	5.9	Majedie	125,788	5.8
95,323	4.7	Nikko	91,782	4.2
86,144	4.2	Schroder Investment Managers	91,989	4.3
182,895	8.9	State Street Global Advisers (SSGA)	181,886	8.4
134,177	6.5	Property	155,944	7.2
79,302	3.9	Private Equity Managers	82,224	3.8
2,090	0.1	Mesirow currency overlay & cash with custodian	2,644	0.1
24,674	1.2	Internally managed (Cash)	31,368	1.5
2,049,670	100.0	Total	2,163,405	100.0

12a. Investments exceeding 5% of net assets

The following investments represent more than 5% of the net assets available to pay benefits.

2017/18		Fund Manager	2018/19	
£000	% of net assets		£000	% of net assets
316,190	15.4	BlackRock Aquila Life UK Equities Indexed Fund	336,522	15.5
194,577	9.5	BlackRock Aquila Life US Equities Indexed Fund	229,320	10.5
182,895	8.9	SSGA MPF Europe ex UK Equities Active Fund	181,886	8.4
165,743	8.1	Aberdeen Corporate Bond Fund	174,416	8.0
111,342	5.4	Aberdeen Target Return Bond Fund	111,716	5.1
110,313	5.4	Aberdeen Global Government Bond Fund	107,749	4.9

Notes to the Accounts

13. Financial Instruments

13a. Classification of financial instruments

Value at 31/03/18				Value at 31/03/19		
Fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised costs £000		Fair value through profit and loss £000	Amortised Cost £000	Financial liabilities at amortised costs £000
552,919	0	0	Fixed interest securities	565,057	0	0
294,107	0	0	Equities	299,185	0	0
951,339	0	0	Pooled funds	1,009,966	0	0
134,177	0	0	Pooled property trusts	155,944	0	0
79,302	0	0	Private equity	82,224	0	0
147,144	0	0	Derivatives	137,741	0	0
0	36,589	0	Cash	0	52,272	0
1,237	0	0	Other investments	0	0	0
0	19,015	0	Debtors	0	17,014	0
2,160,225	55,604	0	Total financial assets	2,250,117	69,286	0
(145,805)	0	0	Derivatives	(138,984)	0	0
0	0	(2,101)	Creditors	0	0	(1,784)
(145,805)	0	(2,101)	Total financial liabilities	(138,984)	0	(1,784)
2,014,420	55,604	(2,101)	Net financial assets	2,111,133	69,286	(1,784)

13b. Net gains and losses on financial instruments

31/03/18 £000		31/03/19 £000
65,682	Fair value through profit and loss	86,803
65,682	Total financial assets	86,803
(12,228)	Fair value through profit and loss	(6,821)
113	Amortised cost	317
(12,115)	Total financial liabilities	(6,504)
53,567	Net financial assets	80,299

Notes to the Accounts

13c. Fair value – Basis of valuation

Investment	Valuation Method	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1 Quoted prices for similar instruments.			
Quoted Bonds (Fixed Interest Securities)	Market value based on current yields	Not required	Not required
Market Quoted Investments	Published bid market price at close of business on the final working day of the accounting period	Not required	Not required
Level 2 Traded in a market which is not considered to be active, or where valuation techniques are used to determine fair value which use inputs that are based significantly on observable market data.			
Pooled Investments - Quoted Equity	Closing bid price where bid and offer prices are published. Closing single price where single price published	Net Asset Value (NAV) based pricing set on a forward pricing basis	Not required
Derivatives - Forward Currency Contracts	Market forward exchange rates at the year-end date	Exchange rate risk	Not required
Level 3 Inputs not based on observable market data			
Private Equity Funds	Valuations provided by the general partners to the private equity funds in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability and control premium	Valuations may be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date (although updated to reflect calls/distributions made during this period), changes to expected cash flows and any differences between unaudited and audited accounts
Pooled Investments - Property Funds	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations may be affected by post balance sheet events, changes to expected cash flows and any differences between unaudited and audited accounts

Notes to the Accounts

13d. Fair Value Hierarchy

As detailed above, investments have been classified into three levels according to the quality and reliability of the information used to determine fair values. The following table provides an analysis of the assets and liabilities of the Pension Fund based on the level at which the fair value is observable.

Value at 31/03/19	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	864,242	1,147,707	238,168	2,250,117
Amortised Cost	69,286	0	0	69,286
Total financial assets	933,528	1,147,707	238,168	2,319,403
Financial liabilities at fair value	0	(138,984)	0	(138,984)
Financial liabilities at amortised cost	(1,784)	0	0	(1,784)
Total financial liabilities	(1,784)	(138,984)	0	(140,768)
Net financial assets	931,744	1,008,723	238,168	2,178,635

Value at 31/03/18	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	55,604	0	0	55,604
Total financial assets	1,085,525	768,444	361,860	2,215,829
Financial liabilities at fair value	0	0	(145,805)	(145,805)
Financial liabilities at amortised cost	(2,101)	0	0	(2,101)
Total financial liabilities	(2,101)	0	(145,805)	(147,906)
Net financial assets	1,083,424	768,444	216,055	2,067,923

13e. Reconciliation of fair value measurements within Level 3

2018/19	Market Value at 31/03/18	Transfers into level 3	Transfers out of level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	Market Value at 31/03/19
	£000	£000	£000	£000	£000	£000	£000	£000
Private equity	79,302	0	0	7,268	(18,214)	13,868	0	82,224
Pooled property unit trusts	134,177	0	0	14,633	0	7,134	0	155,944
Derivatives	1,339	0	(1,339)	0	0	0	0	0
Total	214,818	0	(1,339)	21,901	(18,214)	21,002	0	238,168

- a) Transferred from level 3 to level 2 due to an improvement in observable market data.
b) All transfers between levels are recognised at the end of the reporting period.

Notes to the Accounts

13f. Sensitivity of Assets Valued at Level 3

Having analysed historical data, current market trends, and consulted with independent investment advisors (Pensions and Investments Research Consultants Ltd (PIRC)), the fund has determined that the valuations methods described above for Level 3 investments are likely to be accurate to within the following ranges, and has set out the consequential impact below:

	Assessed valuation range (%)	Value at 31/03/19 £000	Value on increase £000	Value on decrease £000
Private Equity	10.5	82,224	90,841	73,607
Pooled Property Trusts	4.1	155,944	162,369	149,519
Total		238,168	253,210	223,126

14. 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.

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 31/03/19	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash and cash equivalents	51,029	510	(510)
Fixed interest securities	565,057	5,651	(5,651)
Total	616,086	6,161	(6,161)

Notes to the Accounts

Asset Type	Carrying Amount as at 31/03/18	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)

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.

Following analysis of historical data and consulted with independent investment advisors Pensions and Investments Research Consultants Ltd (PIRC), the Fund's aggregate currency change has been calculated as 6.10%. A 6.10% 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:

Currency exposure – asset type	Asset Value as at 31/03/19	Change to net assets available to pay benefits	
		+ 6.1%	- 6.1%
	£000	£000	£000
Overseas quoted securities	179,868	190,840	168,896
Overseas pooled funds	487,645	517,391	457,899
Overseas pooled property	52,325	55,517	49,133
Total change in assets available	719,838	763,748	675,928

Currency exposure – asset type	Asset Value as at 31/03/18	Change to net assets available to pay benefits	
		+ 9.3%	- 9.3%
	£000	£000	£000
Overseas quoted securities	644,105	704,007	584,203
Total change in assets available	644,105	704,007	584,203

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.

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 below for total assets 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.

Notes to the Accounts

Asset type	Value at 31/03/19 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	641,638	8.95	699,065	584,211
Overseas Equities	667,513	10.13	735,132	599,894
Fixed Interest (Bonds)	565,057	3.64	585,625	544,489
Cash and Cash Equivalents	51,029	0.13	51,095	50,963
Private Equity	82,224	10.48	90,841	73,607
Property	155,944	4.12	162,369	149,519
Total Assets	2,163,405	6.09	2,295,156	2,031,654

Asset type	Value at 31/03/18 £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
Fixed Interest (Bonds)	555,569	4.70	581,681	529,457
Cash	26,764	0.10	26,791	26,737
Private Equity	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

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 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 internally managed cash holding under its treasury management arrangements is held with the following institutions:

	Fitch Rating	31/03/18 £000	31/03/19 £000
Money market funds			
Aberdeen Standard Liquidity - Sterling Fund	AAA	12,025	12,000
Blackrock ICS Sterling Liquidity Fund	AAA	11,925	12,000
Deutsche Global Liquidity - Sterling Fund	AAA	0	7,650
Bank current account			
Lloyds Bank	A	723	(282)
Total		24,673	31,368

The Pension Fund has experienced no defaults from fund managers, brokers or bank accounts over the past ten years, therefore no expected credit loss provision is required.

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.

Notes to the Accounts

15. Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure of the actuarial present value of promised retirement benefits calculated on an IAS 19 basis, as set out in IAS 26.

Therefore, in addition to the triennial funding valuation, the Fund's actuary undertakes a valuation of the Pension Fund liabilities on an IAS 19 basis at the same date. The IAS 19 valuation is carried out using updated actuarial assumptions from those used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The most recent actuarial valuation based on IAS 19 is shown below:

31/03/2013 £m		31/03/2016 £m
2,029	Actuarial Present Value of Promised Retirement Benefits	2,274

The estimated future Pension Fund liabilities will also be subject to the consideration of the McCloud judgement and GMP equalisation. The impact will be considered by the actuary within the valuation taking place in 2019. This is currently estimated as an additional £17.1m relating to the McCloud judgement based on 0.75% of the present value of benefits and £6.8m GMP equalisation based on 0.3% of the present value of estimates, as suggested by the actuary.

16. 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 in accordance with section 4(2)b of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093). However, as the administering authority, we oversee the following AVC arrangements:

2017/18 £000		2018/19 £000
721	AVC paid during the year	648
3,700	Market Value of separately invested AVC's	3,902

17. Contractual Commitments

As at 31 March 2019 the Fund had outstanding private equity commitments of a maximum of £44.264 million (£47.137 million at 31 March 2018).

As at 31 March 2019 the Fund had forward currency contracts amounting to £137.741 million of purchases and £138.984 million of sales, showing an unrealised loss of £1.243 million.

18. Securities Lending

At the year end the value of quoted equities on loan was £68.619 million (£108.126 million at March 2018) in exchange for which the custodian held collateral of £72.760 million (£114.020 million at March 2018). For the year ending 31 March 2019, the Fund received income of £101,000 from the lending of stock.

19. Provisions and Contingent Liabilities

A number of death grants have been identified where the Fund has been unable to trace the next of kin meaning no payment has been made to date. Where contact has been made it is expected that these cases will be resolved within the year, whilst cases where no contact has been made successfully are expected to exceed a year.

Due to the uncertainty surrounding the timing of these payments and final amounts payable, a provision for £0.807 million has been created during 2018/19, which consists of £0.105 million short term, £0.558 million long term and £0.144 million of estimated interest.

Notes to the Accounts

The Fund has no material contingent liabilities.

20. Related Party Transactions

The Cardiff and Vale of Glamorgan Pension Fund is administered by Cardiff Council. The related party transactions with the Council are:

- Cash invested internally by the Council (for working capital purposes) – see Note 12.
- Administration expenses charged to the Fund by the Council are shown in Note 9.
- 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 Cardiff Council Statement of Accounts.

Three members of the pension fund committee and three members of the pension fund board are active members of the Pension Fund. One of the active members on the pension fund board was also in receipt of pension fund benefits from the Cardiff and Vale of Glamorgan Pension Fund.

21. Contributing Employers

The active contributing employers as at 31 March 2019 are detailed below:

Administering Body	
Cardiff Council	
Scheduled Bodies	
Councils	Town and Community Councils
Vale of Glamorgan Council	Barry Town Council
Education Bodies	Cowbridge Town Council
Cardiff And Vale College	Lisvane Community Council
Cardiff Metropolitan University	Llantwit Major Council
St David's Sixth Form College	Penarth Town Council
Stanwell Comprehensive	Penllyn Community Council
Other Scheduled Bodies	Pentyrch Community Council
Cardiff Bus	Radyr & Morganstown Community Council
Public Services Ombudsman For Wales	Wenvoe Community Council
Admitted Bodies	
A and R Cleaning Gabalfa*	Eisteddfod Genedlaethol Cymru
A and R Cleaning Greenway*	Glen Cleaning (Barry Comprehensive)
A and R Cleaning Lansdowne	Glen Cleaning (Eastern High)*
A and R Cleaning Trowbridge*	Glen Cleaning (Gladstone Primary)*
A and R Cleaning Whitchurch*	Glen Cleaning (Llandough)
Adult Learning Wales	Greenwich Leisure Limited (GLL)
Cardiff Business Technology Centre	Grangetown Primary Cleaning (APP)
Cardiff University	Mirus Wales
Careers Wales (Cardiff And Vale)	National Trust (Dyffryn)
Children In Wales	One Voice Wales
Circle IT (Cowbridge Comprehensive)*	Play Wales
Circle IT (Eastern High)*	Sports Council for Wales
Colegau Cymru - Colleges Wales	St Teilos Cleaning (APP)
Design Commission For Wales	Wales Council For Voluntary Action

*Employers contributing to the Fund in 2018/19 that were not contributing to the Fund in 2017/18.

Notes to the Accounts

22. Events After the Reporting Period

There are no events after the reporting period to report.

23. Date of Authorisation of the Accounts for Issue

This Statement of Accounts was authorised for issue on 12 September 2019 by the Corporate Director Resources. Post balance sheet events have been considered up to this date.

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.

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.

Deferred Pensioner

A member who has stopped paying into the scheme but is not yet retired.

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.

Glossary

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.

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 Manager

A fund that handles investments on behalf of the pension fund according to an agreed investment mandate.

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
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.

Pensioner

A scheme member who received a pension from the Fund.

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.

Glossary

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.

Unit Trust

A collective investment fund that is priced, bought and sold in units that represent a mixture of the securities underlying the fund.

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.