



Cardiff & Vale of Glamorgan
Pension Fund



Draft Statement of Accounts 2019/20

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Narrative Report

The County Council of the City and County of Cardiff (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.

The number of contributing members did not change significantly during the year, continuing at just over 16,000, but the number of pensions in payment continues to increase and there are now nearly 12,000 pensioners and dependents receiving benefits from the Fund. In addition, there was a slight increase in the number of deferred pensioners and dependents, now standing at just under 14,000.

The triennial actuarial valuation of the Fund as at 31 March 2019 was carried out during the year. The funding ratio improved from 85% to 96%. This was largely due to the growth in Fund assets over the three years, offset by an increase in liabilities due to changes in financial assumptions. The overall funding deficit was reduced from £300 million to £95 million and employer contributions have been set for the next three years with the aim of recovering deficits within 17 years. The contributions include an allowance for possible additional liabilities arising from the 'McCloud' judgement, which ruled that transitional protection arrangements for certain public sector pension schemes were illegal. The UK Government is considering changes to the protection arrangements for all public sector schemes, including the LGPS.

The value of the Pension Fund's assets fell by 6.7% during 2019/20, from £2.178 billion to £2.032 billion. Despite brief periods of volatility, investment markets made steady gains over the first nine months of the financial year. Market sentiment changed dramatically in the final quarter in response to the spread of Covid-19, resulting in losses across all regions and sectors on a scale not seen since the global financial crisis of 2008/09. The return for the year was -7.4% against a benchmark return of -7.2%. However, it is important to note that this is a snap shot of the position as at 31 March 2020. The Pension Fund is a defined benefit scheme, which means that members' benefits are not linked to stock market performance. The Pension Fund is a long term investor and members can be assured that contributions are reviewed as part of the triennial valuation.

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. Following the launch of the first two pooled funds in January 2019, a third fund – the UK Equities Opportunities Fund – was launched in September. Cardiff participated in this launch with a transfer of £217 million (value at date of transfer) from its UK equities portfolios. Further funds will be launched in 2020/21 including five Fixed Income funds. During the year the WPP also launched its own website and has developed several strategic policy documents.

In July 2019, in response to the concerns of the Council and other stakeholders regarding climate change, Cardiff's Pensions Committee agreed to allocate 10% of Fund investments to a Low Carbon fund. This decision was implemented in February 2020 with a transfer of £235 million (value at date of transfer) into the Low Carbon Tracker Fund managed by BlackRock, the Fund's passive investments manager. The impact of this investment will be monitored carefully and options for further action will be considered during 2020/21.

During 2019/20 the Cardiff and Vale of Glamorgan Pension Fund was included in a pilot governance review by the Pensions Regulator of six funds in England, Wales and Northern Ireland. This review was conducted under the Pensions Regulator Code of Practice 14 which covers governance and administration of Public Sector Schemes. Whilst the fund was chosen at random the Regulator made it clear that if they identified any areas that merited concern they reserved the right to conduct an in depth review. The review was concluded in April 2019 and the regulator was satisfied that the fund is well managed and they didn't identify any areas for further in depth review. They made a number of

recommendations that were reported to the Pensions Committee in July 2019 which mainly focused on Governance issues for the Fund. These have been accepted and a number have already been implemented such as publishing Pension Board minutes and adopting a formal complaint policy. In addition to this review it was also decided to seek assurance that the Pensions in payment were accurate and an exercise was commissioned to review and identify any potential under or overpayments. This work is currently ongoing and is expected to be concluded by October 2020. Any over or underpayments identified are being dealt with in accordance with the over and under payment policy approved by the Pensions Committee.

The Fund's key objective continues to be to deliver an effective and efficient service to nearly 42,000 contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

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 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation, with the market value of the Fund's assets as at 31 March 2019 (of £2.178 billion) covering 96% 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 2020 was:
 - 18.8% 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

- an allowance of 0.9% of pay for McCloud and cost management – see paragraph 9 below,

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 17 years from 1 April 2020, equivalent to 1.8% of pensionable pay (or £5.7M in 2020/21, and increasing by 3.1% p.a. thereafter), which together with the allowance above comprises the secondary rate.
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 30 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	20.9%	1.6
2021	20.9%	1.8
2022	20.9%	2.0

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery

periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, 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 employers *	4.3% p.a.
Ongoing Orphan employers	4.3% p.a.
Low risk funding target	1.3% p.a.
Discount rate for periods after leaving service	
Scheduled body employers *	4.3% p.a.
Ongoing Orphan employers	1.6% p.a.
Low risk funding target	1.3% p.a.
Rate of pay increases	3.1% p.a.
Rate of increase to pension accounts	2.1% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.1% p.a.

* The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. 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 an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018) with s_k of 7.5 and parameter A of 0.0 assuming a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.1	24.5
Future pensioners aged 45 at the valuation date	23.1	25.9

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date, although we comment on changes in market conditions to 31 March 2020 in paragraph 10 below.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 30

March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

▪ **Increases to Guaranteed Minimum Pensions (GMPs):**

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

The results of the 2019 valuation do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021 nor for conversion of GMPs to Scheme benefits. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

• **Cost Management Process and McCloud judgement:**

Initial results from the Scheme Advisory Board cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS is expected in June 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the LGPS changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.

10. Since the valuation date, Fund asset returns have fallen short of the assumed return of around 4.3% over the year to 31 March 2020, on its own leading to a reduction in the funding level. In addition, reduced expectations of future asset returns and falls in gilt yields have led to a decrease in the discount rates, further reducing funding levels and increasing the primary rate. The Actuary, in conjunction with the Administering Authority, will monitor the position on a regular basis and the Administering Authority will take action where it deems it necessary.

11. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. This Statement provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. 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 including any impact of Covid-19 .

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

12. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

<https://www.cardiffandvalepensionfund.org.uk/about-the-fund/actuarial-valuation-reports/>

Aon Hewitt Limited

June 2020

Statement of Responsibilities for the Financial Statements

The Council's responsibilities

As administering authority of the Cardiff and Vale of Glamorgan Pension Fund, Cardiff Council 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 2019/20 that officer was Christopher Lee, Corporate Director Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

**Councillor McKerlich
Lord Mayor**

Date: 2020

The Corporate Director Resources responsibilities

The Corporate Director Resources (who holds the statutory post of Section 151 Officer) 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 2019/20 (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.

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 2019/20 and financial position at 31 March 2020.



**Christopher Lee
Corporate Director Resources**

Date: 17 July 2020

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

This page is intentionally left blank and will be updated upon receipt of the Auditor General's opinion following the audit of the accounts.

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

24 Cathedral Road
Cardiff
CF11 9LJ

Fund Account

2018/19		Note	2019/20
£000			£000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(69,768)	From employers	7	(75,323)
(18,626)	From employees	7	(19,522)
(5,168)	Group transfers from other schemes or funds		0
(6,719)	Individual transfers from other schemes or funds		(8,864)
(2,825)	Other income (capitalised payments and interest on deficit funding)		(8,189)
(103,106)			(111,898)
	Benefits Payable		
65,790	Pensions	8	70,038
18,134	Lump sums, grants and other payments	8	19,166
	Payments to and on account of leavers		
188	Refunds of contributions		274
67	Group transfers to other schemes or funds		0
7,397	Individual transfers to other schemes or funds		6,621
91,576			96,099
(11,530)	Net (additions)/withdrawals from dealings with members of the Fund		(15,799)
8,083	Management expenses	9	8,429
(3,447)	Net (additions)/withdrawals including fund management expenses		(7,370)
	Returns on Investment		
(27,498)	Investment income	10	(27,397)
(80,299)	Change in market value of investments	11a	180,253
(107,797)	Net returns on investments		152,856
(111,244)	Net (increase)/decrease in the Fund during year		145,486
(2,066,584)	Opening net assets of the scheme		(2,177,828)
(2,177,828)	Closing net assets of the scheme		(2,032,342)

Net Assets Statement

2018/19		Note	2019/20
£000			£000
2,112,376	Investments at market value	11	1,975,769
51,029	Cash (including derivatives) and investment proceeds due	11	38,457
2,163,405	Total investments		2,014,226
42	UK & overseas tax		71
4,845	Contributions due from employers and deficit funding		4,599
443	Sundry debtors		839
2,177	Pension strain costs due within one year		3,819
7,507	Total current assets		9,328
6,947	Deficit funding (former employers)		4,654
2,560	Pension strain costs due after one year		6,248
9,507	Total non-current assets		10,902
(426)	Unpaid benefits		(163)
(1,358)	Sundry creditors		(1,214)
(105)	Provision - death grants	19	0
(1,889)	Total current liabilities		(1,377)
(702)	Provision - death grants	19	(737)
(702)	Total non-current liabilities		(737)
2,177,828	Net assets of the scheme		2,032,342

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 2019/20. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, 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.

Cash and Cash Equivalents

Cash is represented by cash in hand, the net balance on all of the Council's bank accounts including balances of cheque book schools. It includes deposits with financial institutions that are repayable on notice of not more than 24 hours without significant penalty. It also includes investments maturing and interest received on the first working day of April.

Foreign Currency Transactions

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

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.
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 £89 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. Market activity is being impacted in many sectors by Covid-19. At the March 2020 reporting date, property fund managers consider that they can attach less weight to	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. Indicative net asset statements for property funds are subject to uncertainty at the

	previous market evidence for comparison purposes. They are faced with an unprecedented set of circumstances upon which to case a judgement. The fall in transactions and lack of clarity on pricing means that all major industry valuers have now added Material Uncertainty clauses to their property fund valuations.	reporting date and the £165.2m valuation for pooled property funds is less reliable than usual. The 1 year expected volatility of 4.2% could increase the valuation to £172.2m or decrease it to £158.3m.
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5. Titles of Ownership

Evidences of ownership for the property unit trusts and private equity holdings are held by Cardiff Council. All other evidences of ownership were held at 31 March 2020 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

6. Membership

Fund membership at 31 March 2020 is as follows:

2018/19		2019/20
45	Contributing employers	48
45	Total contributing employers	48
16,193	Contributors	16,402
11,554	Pensioners	11,554
13,040	Deferred pensioners	13,608
40,787	Total membership	41,564

7. Employing Bodies – Contributions

2019/20	No. of contributors at 31/03/2020	Employers	Employees	Total	Additional lump sum*
		£000	£000	£000	£000
Administering Body:					
Cardiff Council	10,205	(45,650)	(12,074)	(57,724)	0
Scheduled Bodies:					
Vale of Glamorgan Council	3,832	(15,102)	(3,787)	(18,889)	(6)
Town and Community Councils	56	(275)	(62)	(337)	0
Education Bodies	1,473	(6,487)	(2,437)	(8,924)	(951)
Other Scheduled Bodies	10	(78)	(24)	(102)	0
Admitted Bodies:					
Admitted Bodies	826	(7,731)	(1,138)	(8,869)	(3,844)
Total	16,402	(75,323)	(19,522)	(94,845)	(4,801)

2018/19	No. of contributors at 31/03/2019	Employers	Employees	Total	Additional lump sum*
		£000	£000	£000	£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)

*Memorandum account; totals included within Employers total.

Additional deficit funding

There was no additional deficit funding in 2019/20 (no additional deficit funding in 2018/19).

8. Employing Bodies - Benefits Payable

2019/20	Retirement Pensions	Lump Sums on Retirement	Death Grants	Commutation Payments
	£000	£000	£000	£000
Administering Body:				
Cardiff Council	44,584	10,289	1,755	543
Scheduled Bodies:				
Vale of Glamorgan Council	13,659	3,142	456	131
Town and Community Councils	222	29	169	0
Education Bodies	3,231	459	334	19
Other Scheduled Bodies	2,676	301	78	10
Admitted Bodies:				
Admitted Bodies	5,666	1,189	191	71
Total	70,038	15,409	2,983	774

2018/19	Retirement Pensions	Lump Sums on Retirement	Death Grants	Commutation Payments
	£000	£000	£000	£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

9. Management Expenses

Management Expenses fully charged to the Fund are:

2018/19		2019/20
£000		£000
1,120	Administration costs	1,880
32	Audit fees	32
1,152	Total administration costs	1,912
6,704	Management fees	6,221
126	Custody fees	151
6,830	Total investment management expenses	6,372
101	Oversight and governance costs	145
8,083	Total	8,429

10. Investment Income

2018/19		2019/20
£000		£000
(10,167)	UK fixed interest securities	(10,019)
(4,209)	Overseas fixed interest securities	(4,830)
(4,638)	UK equities and private equity funds	(4,209)
(1,650)	Pooled investments	(1,608)
(4,615)	Overseas equities	(5,445)
(1,922)	Pooled Property Unit Trust Income	(948)
(196)	Interest on UK cash	(218)
(101)	Securities lending	(120)
(27,498)	Total	(27,397)

11. Investments at Market Value

2018/19		2019/20
£000		£000
92,014	UK public sector fixed interest securities	105,875
286,132	UK other (pooled) fixed interest securities	289,045
186,911	Overseas public sector (pooled)	191,158
565,057	Total fixed interest	586,078
119,317	UK quoted equities & convertibles	0
179,868	Overseas quoted equities	164,067
299,185	Total quoted equities	164,067
425,357	UK unitised insurance policies (pooled)	209,032
96,964	UK other managed funds	228,080
411,205	Overseas unitised insurance policies (pooled)	294,639
76,440	Overseas other managed funds	239,958
1,009,966	Total pooled funds	971,709
155,944	Pooled property unit trusts (UK & Global)	165,246
82,224	Private equity	88,669
2,112,376	Subtotal	1,975,769
(1,243)	Derivatives: Forward currency contracts	3,212
(1,243)	Total derivatives	3,212
15,214	Fund manager's cash	6,730
34,355	Internal/custodian cash	26,051
2,703	Net investment proceeds due	2,464
52,272	Total cash	35,245
2,163,405	Total	2,014,226

The investments in UK quoted equities & convertibles were transferred to UK other managed funds during the year.

11a. Reconciliation in movement in investments

2019/20	Value at 31/03/19	Purchase at cost	Sale proceeds	Change in market value	Value at 31/03/20
	£000	£000	£000	£000	£000
Fixed interest securities	565,057	372,524	(377,841)	26,338	586,078
Equities	299,185	69,622	(203,202)	(1,538)	164,067
Pooled funds	1,009,966	368,719	(144,045)	(262,931)	971,709
Pooled property unit trusts	155,944	781	0	8,521	165,246
Private equity	82,224	8,860	(15,434)	13,019	88,669
Sub-total	2,112,376	820,506	(740,522)	(216,591)	1,975,769
Derivatives	(1,243)	2,921,655	(2,914,474)	(2,726)	3,212
Total derivatives	(1,243)	2,921,655	(2,914,474)	(2,726)	3,212
Managers' cash	15,214				6,730
Internal/custodian cash	34,355			39,064	26,051
Net investment proceeds due	2,703				2,464
Total cash	52,272			39,064	35,245
Total	2,163,405			(180,253)	2,014,226

2018/19	Value at 31/03/18	Purchase at cost	Sale proceeds	Change in market value	Value at 31/03/19
	£000	£000	£000	£000	£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
Debtors	2,177				2,703
Total cash	36,589			(3,316)	52,272
Total	2,049,670			80,299	2,163,405

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 Financial, which hedges significant long term currency movements to limit losses. The portfolio covers US dollar, Yen, and Euro currencies.

12. Summary of manager's portfolio values

2018/19		Fund Manager	2019/20	
£000	% of Fund		£000	% of Fund
571,700	26.4	Aberdeen Asset Management	592,189	29.4
76,440	3.5	Aberdeen Emerging Markets	80,398	4.0
565,841	26.2	Blackrock Investment Management	503,671	25.0
96,964	4.5	Invesco Perpetual	64,256	3.2
88,835	4.1	JP Morgan	0	0.0
125,788	5.8	Majedie	0	0.0
91,782	4.2	Nikko	87,945	4.4
91,989	4.3	Schroder Investment Managers	82,417	4.1
181,886	8.4	State Street Global Advisers (SSGA)	159,560	7.9
0	0.0	Wales Pension Partnership - UK Opportunities	163,824	8.1
155,944	7.2	Property	165,246	8.2
82,224	3.8	Private Equity Managers	88,669	4.4
2,644	0.1	Mesirow currency overlay & cash with custodian	2,543	0.1
31,368	1.5	Internally managed (Cash)	23,508	1.2
2,163,405	100.0	Total	2,014,226	100.0

12a. Investments exceeding 5% of net assets

The following investments represent more than 5% of the net assets available to pay benefits (in either 2018/19, 2019/20 or both years).

2018/19		Fund Manager	2019/20	
£000	% of net assets		£000	% of net assets
336,522	15.5	BlackRock Aquila Life UK Equities Indexed Fund	209,032	10.3
229,320	10.5	BlackRock Aquila Life US Equities Indexed Fund	99,171	4.9
181,886	8.4	SSGA MPF Europe ex UK Equities Active Fund	159,560	7.9
174,416	8.0	Aberdeen Corporate Bond Fund	176,256	8.7
111,716	5.1	Aberdeen Target Return Bond Fund	112,789	5.5
107,749	4.9	Aberdeen Global Government Bond Fund	123,686	6.1
92,424	4.2	Aberdeen UK Fixed Interest Gilts	106,322	5.2
0	0.0	BlackRock Low Carbon Tracker Fund	195,469	9.6
0	0.0	Wales Pension Partnership - UK Opportunities	163,824	8.1

13. Financial Instruments

13a. Classification of financial instruments

Value at 31/03/19				Value at 31/03/20		
Fair value through profit and loss	Amortised Cost	Financial liabilities at amortised costs		Fair value through profit and loss	Amortised Cost	Financial liabilities at amortised costs
£000	£000	£000		£000	£000	£000
565,057	0	0	Fixed interest securities	586,078	0	0
299,185	0	0	Equities	164,067	0	0
1,009,966	0	0	Pooled funds	971,709	0	0
155,944	0	0	Pooled property trusts	165,246	0	0
82,224	0	0	Private equity	88,669	0	0
137,741	0	0	Derivatives	130,993	0	0
0	52,272	0	Cash	0	35,245	0
0	17,014	0	Debtors	0	20,230	0
2,250,117	69,286	0	Total financial assets	2,106,762	55,475	0
(138,984)	0	0	Derivatives	(127,781)	0	0
0	0	(1,784)	Creditors	0	0	(1,377)
(138,984)	0	(1,784)	Total financial liabilities	(127,781)	0	(1,377)
2,111,133	69,286	(1,784)	Net financial assets	1,978,981	55,475	(1,377)

13b. Net gains and losses on financial instruments

31/03/19		31/03/20
£000		£000
86,803	Fair value through profit and loss	(169,457)
86,803	Total financial assets	(169,457)
(6,821)	Fair value through profit and loss	(11,203)
317	Amortised cost	407
(6,504)	Total financial liabilities	(10,796)
80,299	Net financial assets	(180,253)

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

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 31/03/20	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	750,145	1,102,702	253,915	2,106,762
Amortised Cost	55,475	0	0	55,475
Total financial assets	805,620	1,102,702	253,915	2,162,237
Financial liabilities at fair value	0	(127,781)	0	(127,781)
Financial liabilities at amortised cost	(1,377)	0	0	(1,377)
Total financial liabilities	(1,377)	(127,781)	0	(129,158)
Net financial assets	804,243	974,921	253,915	2,033,079

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
Loans and receivables	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

13e. Reconciliation of fair value measurements within Level 3

2019/20	Market Value at 31/03/19	Transfers into level 3	Transfers out of level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	Market Value at 31/03/20
	£000	£000	£000	£000	£000	£000	£000	£000
Private equity	82,224	0	0	8,860	(15,434)	13,019	0	88,669
Pooled property unit trusts	155,944	0	0	781	0	8,521	0	165,246
Total	238,168	0	0	9,641	(15,434)	21,540	0	253,915

All transfers between levels are recognised at the end of the reporting period.

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 31/03/20	Value on increase	Value on decrease
	(%)	£000	£000	£000
Private Equity	7.5	88,669	95,333	82,004
Pooled Property Trusts	4.2	165,246	172,153	158,339
Total		253,915	267,487	240,343

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 31/03/20	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash and cash equivalents	38,456	385	(385)
Fixed interest securities	586,079	5,861	(5,861)
Total	624,535	6,246	(6,246)

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

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 7.35%. A 7.35% 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 31/03/20	Change to net assets available to pay benefits	
		+ 7.35%	- 7.35%
	£000	£000	£000
Overseas quoted equities	164,067	12,059	(12,059)
Overseas pooled funds	534,597	39,293	(39,293)
Overseas pooled property	58,499	4,300	(4,300)
Total change in assets available	757,163	55,652	(55,652)

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	10,972	(10,972)
Overseas pooled funds	487,645	29,746	(29,746)
Overseas pooled property	52,325	3,192	(3,192)
Total change in assets available	719,838	43,910	(43,910)

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.

Asset type	Value at 31/03/20	Percentage change	Value on increase	Value on Decrease
	£000	%	£000	£000
UK Equities	437,112	16.30	508,361	365,863
Overseas Equities	698,664	12.32	784,739	612,589
Fixed Interest (Bonds)	586,078	4.28	611,162	560,994
Cash and Cash Equivalents	38,457	0.15	38,515	38,399
Private Equity	88,669	7.52	95,337	82,001
Property	165,246	4.18	172,153	158,339
Total Assets	2,014,226	8.59	2,187,248	1,841,204

Asset type	Value at 31/03/19	Percentage change	Value on increase	Value on Decrease
	£000	%	£000	£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	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

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 accounts are held with Lloyds Bank and NatWest. Surplus cash is not invested with these 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	31/03/19	31/03/20
		£000	£000
Money market funds			
Aberdeen Standard Liquidity - Sterling Fund	AAA	12,000	11,750
Blackrock ICS Sterling Liquidity Fund	AAA	12,000	11,230
Deutsche Global Liquidity - Sterling Fund	AAA	7,650	0
Bank current account			
Lloyds Bank	A	(282)	479
NatWest	A	0	49
Total		31,368	23,508

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.

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:

31/03/2016		31/03/2019
£m		£m
2,274	Actuarial Present Value of Promised Retirement Benefits	3,168

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:

2018/19		2019/20
£000		£000
648	AVC paid during the year	577
3,902	Market Value of separately invested AVC's	3,724

17. Contractual Commitments

As at 31 March 2020 the Fund had outstanding private equity commitments of a maximum of £53.446 million (£44.264 million at 31 March 2019).

As at 31 March 2020 the Fund had forward currency contracts amounting to £130.993 million of purchases and £127.781 million of sales, showing an unrealised profit of £3.212 million.

18. Securities Lending

At the year end the value of quoted equities on loan was £311.147 million (£68.619 million at March 2019) in exchange for which the custodian held collateral of £329.301 million (£72.760 million at March 2019). For

the year ending 31 March 2020, the Fund received income of £120,000 from the lending of stock (£101,000 in 2019/20).

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. In all of the outstanding cases, there has been difficulty in making contact, meaning that the payments are not likely to be settled within the next financial year.

Due to the uncertainty surrounding the timing of these payments and final amounts payable, a long term provision for £0.737 million has been included in the accounts, which consists of £0.591 million death grants payable and £0.146 million of estimated interest.

The Fund has no material contingent liabilities.

20. 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.

Other related party transactions with the Council are:

- Cash invested internally by the Council (for working capital purposes) – see Note Summary of manager's portfolio values
- Administration expenses charged to the Fund by the Council are shown in Note Management Expenses
- 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.

21. Contributing Employers

The active contributing employers as at 31 March 2020 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 High Street*	Glen Cleaning (Eastern High)
A and R Cleaning Lansdowne	Glen Cleaning (Gladstone Primary)
A and R Cleaning Trowbridge	Glen Cleaning (Llandough)
A and R Cleaning Whitchurch	Greenwich Leisure Limited (GLL)
Adult Learning Wales	Grangetown Primary Cleaning (APP)
Big Fresh Cleaning*	Mirus Wales
Cardiff Business Technology Centre	National Trust (Dyffryn)
Cardiff University	One Voice Wales
Careers Wales (Cardiff And Vale)	Play Wales
Children In Wales	Sports Council for Wales
Circle IT (Cowbridge Comprehensive)	St Teilo's Cleaning (APP)
Circle IT (Eastern High)	Wales & West Housing Association*
Colegau Cymru - Colleges Wales	Wales Council For Voluntary Action
Design Commission For Wales	

*Employers contributing to the Fund in 2019/20 that were not contributing to the Fund in 2018/19.

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 (TBC following audit) 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.

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.

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.

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.

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.