



Cardiff & Vale of Glamorgan  
**Pension Fund**



# Statement of Accounts 2020/21

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## ***Narrative Report***

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.

In terms of membership there are currently over 16,900 contributing employees and more than 12,100 pensioners and dependents receiving benefits from the Fund.

The Pension Fund's net assets rose by 24.2% during 2020/21, from £2.028 billion to £2.518 billion. Investment markets globally showed a strong recovery from the lows of March 2020 when the initial Covid-19 lockdowns were introduced. The extent of the increase underlines the market volatility experienced during 2020 but as a further pre-Covid-19 comparison the value of the Fund increased by 7.8% compared to the December 2019 valuation of £2.328 billion. Markets during 2020 continued to remain volatile due to the periodic re-introduction of economic lockdowns and the late agreement on the Brexit trade agreement. The return on investment for the year of 24% compared against a benchmark return of 20.3%.

The eight LGPS fund authorities in Wales continued to make progress during the year with the development of the Wales Pension Partnership (WPP). Following its establishment in 2017 three funds – the Global Growth Equity Fund, the Global Opportunities Fund and the UK Equities Opportunities Fund – had been launched prior to April 2020 with the Fund participating in the launch of the UK fund. The launch of the five WPP Fixed Income funds had been delayed by the adverse market conditions early in 2020. These Fixed income funds were launched in August 2020 with the Fund transferring c£620 million from its existing Fixed Income holding into three of the WPP fixed Income funds - Global Government Bond Fund, Global Credit Fund and the Multi-Asset Credit fund. The Pension Committee at its November 2020 meeting approved the recommendation to transfer the Fund's current Regional Equity holdings into the two WPP Global Equity sub-funds. At the end of the 2020/21 the procurement of a Transition Manager to oversee this transfer was underway with this transfer being completed in July 2021.

The February 2021 meeting of the Pension Committee approved a further investment of c10% of the Fund's value into the BlackRock Low Carbon Tracker fund as a further demonstration of the Fund's commitment to respond to the concerns of its Employers and other Stakeholders in responding to Climate Change Risks. This transfer will be completed at the same time as the WPP Global Equity transfer.

The Fund's key objective continues to be to deliver an effective and efficient service to over 42,300 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 £5.7 million 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.

<b>Discount rate for periods in service</b>	
Scheduled body employers *	4.3% p.a.
Ongoing Orphan employers	4.3% p.a.
Low risk funding target	1.3% p.a.
<b>Discount rate for periods after leaving service</b>	
Scheduled body employers *	4.3% p.a.
Ongoing Orphan employers	1.6% p.a.
Low risk funding target	1.3% p.a.
<b>Rate of pay increases</b>	<b>3.1% p.a.</b>
<b>Rate of increase to pension accounts</b>	<b>2.1% p.a.</b>
<b>Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)</b>	<b>2.1% p.a.</b>

\* 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
Current active members 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. The Administering Authority, in conjunction with the Actuary, monitors the funding position on a regular basis.

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 and reflected in the Funding Strategy Statement as appropriate, 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. On 23 March 2021, the Government published a response to its consultation on the longer term solution to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case. The response sets out its proposed longer term solution, which is to extend the interim solution further to those reaching SPA after 5 April 2021.

The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. 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 2016 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 was issued in July 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 details of the LGPS changes arising from the McCloud judgement and the 2016 cost management process have been agreed.

Work on the 2020 cost management process has now been started, and it is possible that further changes to benefits and/or contributions may ultimately be required under that process, although the outcome is not expected to be known for some time.

● **Goodwin:**

An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.



10. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It 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.

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.

11. 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/wp-content/uploads/Cardiff-2019-actuarial-valuation-report-FINAL.pdf>

**Aon Solutions UK Limited**

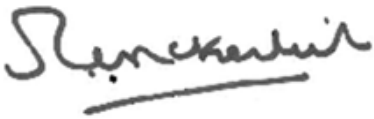
**May 2021**

## ***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 2020/21 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 Rod McKerlich  
Lord Mayor**

**Date:** 25/11/2021

### ***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 2020/21 (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 2020/21 and financial position at 31 March 2021.



**Christopher Lee  
Corporate Director Resources**

**Date:** 25/11/2021



# ***The Independent Auditor's Report of the Auditor General for Wales to the Members of the County Council of the City and County of Cardiff as administering authority for Cardiff & Vale of Glamorgan Pension Fund***

## **Opinion on financial statements**

I have audited the financial statements of Cardiff & Vale of Glamorgan Pension Fund for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004. Cardiff & 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

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 2021, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

## **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the information included in the Narrative Report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the Narrative report. 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.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **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 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, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

## **Responsibilities**

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the financial statements set out on page 7, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Cardiff & Vale of Glamorgan Pension Fund's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Obtaining an understanding of Cardiff & Vale of Glamorgan Pension Fund's framework of authority as well as other legal and regulatory frameworks that Cardiff & Vale of Glamorgan Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Cardiff & Vale of Glamorgan Pension Fund.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Cardiff & Vale of Glamorgan Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

**Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Cardiff & 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.



Adrian Crompton  
Auditor General for Wales  
30 November 2021

24 Cathedral Road  
Cardiff  
CF11 9LJ

## Fund Account

2019/20		Note	2020/21
£000			£000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
	<b>Contributions</b>		
(75,323)	From employers	8	(69,615)
(19,522)	From employees	8	(21,174)
(8,864)	Individual transfers from other schemes or funds		(3,510)
(3,452)	Other income (capitalised payments and interest on deficit funding)		(269)
<b>(107,161)</b>			<b>(94,568)</b>
	<b>Benefits Payable</b>		
70,038	Pensions	9	71,463
19,166	Lump sums, grants and other payments	9	12,941
	<b>Payments to and on account of leavers</b>		
274	Refunds of contributions		86
0	Group transfers to other schemes or funds		0
6,621	Individual transfers to other schemes or funds		3,817
<b>96,099</b>			<b>88,307</b>
<b>(11,062)</b>	<b>Net (additions)/withdrawals from dealings with members of the Fund</b>		<b>(6,261)</b>
8,429	Management expenses	10	8,189
<b>(2,633)</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>1,928</b>
	<b>Returns on Investment</b>		
(27,397)	Investment income	11	(9,810)
180,253	Change in market value of investments	12a	(482,650)
<b>152,856</b>	<b>Net returns on investments</b>		<b>(492,460)</b>
<b>150,223</b>	<b>Net (increase)/decrease in the Fund during year</b>		<b>(490,532)</b>
(2,177,828)	Opening net assets of the scheme		(2,027,605)
<b>(2,027,605)</b>	<b>Closing net assets of the scheme</b>		<b>(2,518,137)</b>

## Net Assets Statement

2019/20		Note	2020/21
£000			£000
1,975,769	Investments at market value	12	2,464,573
38,457	Cash (including derivatives) and investment proceeds due	12	45,502
<b>2,014,226</b>	<b>Total investments</b>		<b>2,510,075</b>
71	UK & overseas tax		78
4,599	Contributions due from employers and deficit funding		4,499
839	Sundry debtors		633
1,642	Pension strain costs due within one year		1,380
<b>7,151</b>	<b>Total current assets</b>		<b>6,590</b>
4,654	Deficit funding (former employers)		2,359
3,688	Pension strain costs due after one year		2,327
<b>8,342</b>	<b>Total non-current assets</b>		<b>4,686</b>
(163)	Unpaid benefits		(267)
(1,214)	Sundry creditors		(1,893)
0	Provision – death grants	20	(320)
<b>(1,377)</b>	<b>Total current liabilities</b>		<b>(2,480)</b>
(737)	Provision - death grants	20	(734)
<b>(737)</b>	<b>Total non-current liabilities</b>		<b>(734)</b>
<b>2,027,605</b>	<b>Net assets of the scheme</b>		<b>2,518,137</b>

# **Notes to the Accounts**

## **1. Description of Fund**

The Cardiff and Vale of Glamorgan Pension Fund (the Fund) is part of the LGPS and is administered by Cardiff Council.

### **General**

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

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

It is a contributory defined benefit pension scheme administered by Cardiff Council to provide pensions and other benefits for pensionable employees of Cardiff Council and Vale of Glamorgan Council, except for teachers who have a separate scheme. Employees of a range of other scheduled and admitted bodies within the county area are also permitted to join the Fund. The Fund is overseen by the Cardiff and Vale of Glamorgan Pension Fund Committee, which is a committee of Cardiff Council.

### **Membership**

Membership of the LGPS is automatic for all employees, who can then choose to remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Cardiff and Vale of Glamorgan Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund
- Admitted bodies, which participate in the Fund by virtue of an admission agreement made between the Fund and the employer. Admitted bodies include, voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

### **Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. Currently, employer contribution rates range from 16.6% to 37.7% of pensionable pay with affect from 1<sup>st</sup> April 2020.

### **Benefits**

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits. For more details, please refer to the Cardiff and Vale of Glamorgan Pension Fund website <https://www.cardiffandvalepensionfund.org.uk/>

## *2. Basis of Preparation*

The Statement of Accounts summarises the funds transactions for the 2020/21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

The accounts have been prepared on a going concern basis.

## *3. 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 14c.

### ***Cash and Cash Equivalents***

Cash is represented by cash in hand, the net balance on all of the Council's bank accounts. It includes deposits with financial institutions, including investment managers and the custodian, 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 in foreign currencies have been converted at WM/Reuters closing spot rates of exchange at the end of the reporting period.



## Taxation

Taxation	Treatment
<b>UK Income Tax</b>	The fund is an exempt approved fund able to recover UK Income Tax.
<b>UK Capital Gains Tax</b>	No Capital Gains Tax is Chargeable.
<b>Value Added Tax</b>	Accounts are shown exclusive of VAT. As the Council is the administering Authority, VAT is recoverable on all Fund activities.
<b>Overseas Withholding Tax</b>	Foreign investment income usually suffers withholding tax in the country of origin, some of which may be recoverable. Irrecoverable tax is netted off against income.

## 4. 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.

## 5. 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
<b>Actual present value of promised retirement benefits</b>	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.
<b>Private Equity Valuations</b>	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 £91 million. There is a risk that this investment may be under, or overstated in the accounts. Further information is provided on the sensitivity of these assets within the accounts.
<b>Pooled Property Funds</b>	Valuation techniques are used to determine the carrying amount of pooled property funds.	The total pooled property fund investments in the financial statements are £167 million. 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. Further information is provided on the sensitivity of these assets within the accounts.
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## 6. 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 2021 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

## 7. Membership

Fund membership at 31 March 2021 is as follows:

2019/20 *		2020/21
48	Contributing employers	43
<b>48</b>	<b>Total contributing employers</b>	<b>43</b>
16,402	Contributors	16,936
11,945	Pensioners	12,190
13,608	Deferred pensioners	13,755
<b>41,955</b>	<b>Total membership</b>	<b>42,881</b>

\* 2019/20 contributors figure has been amended to reflect the number of contributors in Note 8.

In addition to the above, there are also members who at year end were not yet categorised as to whether they would be deferring their pension, transferring it to another scheme or requesting a refund of their contributions and accordingly are not actively contributing to the Pension Fund.

## 8. Employing Bodies – Contributions

2020/21	No. of contributors at 31/03/2021	Employers	Employees	Total	Additional lump sum*
		£000	£000	£000	£000
<b>Administering Body:</b>					
Cardiff Council	10,334	(42,186)	(12,702)	(54,888)	0
<b>Scheduled Bodies:</b>					
Vale of Glamorgan Council	4,116	(14,631)	(4,644)	(19,275)	(8)
Town and Community Councils	56	(239)	(70)	(309)	0
Education Bodies	1,654	(6,831)	(2,537)	(9,368)	(16)
Other Scheduled Bodies **	6	922	(17)	905	10
<b>Admitted Bodies:</b>					
Admitted Bodies	770	(6,650)	(1,204)	(7,854)	(1,860)
<b>Total</b>	<b>16,936</b>	<b>(69,615)</b>	<b>(21,174)</b>	<b>(90,789)</b>	<b>(1,874)</b>

\*Memorandum account; totals included within Employers total.

\*\*Includes payment to Public Sector Ombudsmen for Wales calculated by actuary on exit from the fund of £974,000, actual contributions received were (£52,052).

2019/20	No. of contributors at 31/03/2020	Employers	Employees	Total	Additional lump sum*
		£000	£000	£000	£000
<b>Administering Body:</b>					
Cardiff Council	10,205	(45,650)	(12,074)	(57,724)	0
<b>Scheduled Bodies:</b>					
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
<b>Admitted Bodies:</b>					
Admitted Bodies	826	(7,731)	(1,138)	(8,869)	(3,844)
<b>Total</b>	<b>16,402</b>	<b>(75,323)</b>	<b>(19,522)</b>	<b>(94,845)</b>	<b>(4,801)</b>

\*Memorandum account; totals included within Employers total.

### Additional deficit funding

There was no additional deficit funding in 2020/21 (no additional deficit funding in 2019/20).

## 9. Employing Bodies - Benefits Payable

2020/21	Retirement Pensions	Lump Sums, Grants and Other Payments		
		Lump Sums on Retirement	Death Grants	Commutation Payments
	£000	£000	£000	£000
<b>Administering Body:</b>				
Cardiff Council	45,380	6,386	1,724	340
<b>Scheduled Bodies:</b>				
Vale of Glamorgan Council	13,923	2,235	381	102
Town and Community Councils	235	10	0	0
Education Bodies	3,387	400	89	61
Other Scheduled Bodies	2,667	165	34	1
<b>Admitted Bodies:</b>				
Admitted Bodies	5,871	818	185	10
<b>Total</b>	<b>71,463</b>	<b>10,014</b>	<b>2,413</b>	<b>514</b>

2019/20	Retirement Pensions	Lump Sums, Grants and Other Payments		
		Lump Sums on Retirement	Death Grants	Commutation Payments
	£000	£000	£000	£000
<b>Administering Body:</b>				
Cardiff Council	44,584	10,289	1,755	543
<b>Scheduled Bodies:</b>				
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
<b>Admitted Bodies:</b>				
Admitted Bodies	5,666	1,189	191	71
<b>Total</b>	<b>70,038</b>	<b>15,409</b>	<b>2,983</b>	<b>774</b>

## 10. Management Expenses

<b>*2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
1,880	Administration costs	1,485
32	Audit fees	29
<b>1,912</b>	<b>Total administration costs</b>	<b>1,514</b>
805	Fixed Interest Securities	243
664	Equities	1,062
459	WPP UK equity fund	797
0	WPP government bond fund	393
0	WPP credit fund	318
0	WPP multi asset credit fund	410
2,748	Equity pooled fund	1,929
99	Pooled property investments	113
1,376	Private equity	1,123
70	Derivatives	0
<b>6,221</b>	<b>Total Management Fees</b>	<b>6,388</b>
151	Custody fees	182
<b>6,372</b>	<b>Total investment management expenses</b>	<b>6,570</b>
145	Oversight and governance costs	105
<b>8,429</b>	<b>Total</b>	<b>8,189</b>

\*2019/20 Management fees have been restated to provide additional information in line with 2020/21 presentation.

## 11. Investment Income

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(10,019)	UK fixed interest securities	(1,901)
(5,445)	Overseas equities	(3,845)
(4,830)	Overseas fixed interest securities	(1,192)
(4,209)	UK equities and private equity funds	(910)
(1,608)	Pooled investments	(1,202)
(948)	Pooled Property Unit Trust Income	(482)
(218)	Interest on UK cash	(230)
(120)	Securities lending	(48)
<b>(27,397)</b>	<b>Total</b>	<b>(9,810)</b>

## 12. Investments at Market Value

<b>*2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
<b>586,078</b>	<b>Total Fixed Interest Securities</b>	<b>0</b>
<b>164,067</b>	<b>Total equities</b>	<b>238,549</b>
163,824	WPP UK equity fund	230,285
0	WPP government bond fund	252,534
0	WPP credit fund	226,063
0	WPP multi asset credit fund	154,266
<b>163,824</b>	<b>Total WPP pooled funds</b>	<b>863,148</b>
807,885	Equity pooled	1,105,648
<b>971,709</b>	<b>Total pooled funds (incl WPP)</b>	<b>1,968,796</b>
165,246	Pooled property investments	166,559
88,669	Private equity	90,669
<b>1,975,769</b>	<b>Subtotal</b>	<b>2,464,573</b>
3,212	Derivatives: Forward currency contracts	0
<b>3,212</b>	<b>Total derivatives</b>	<b>0</b>
6,730	Fund manager's cash	5,372
26,051	Internal/custodian cash	39,563
2,464	Net investment proceeds due	567
<b>35,245</b>	<b>Total cash</b>	<b>45,502</b>
<b>2,014,226</b>	<b>Total investment assets</b>	<b>2,510,075</b>

\*2019/20 figures have been amended to provide additional information in line with 2020/21 presentation.

In 2019/20 the investments in UK quoted equities & convertibles were transferred to the WPP UK equity fund. During 2020/21 the investments in Fixed Interest Securities were transferred to the WPP government bond fund, WPP credit fund and WPP multi asset credit fund.

## 12a. Reconciliation in movement in investments

2020/21	Value at 31/03/20	Purchase at cost	Sale proceeds	Change in market value	Value at 31/03/21
	£000	£000	£000	£000	£000
Fixed interest securities	586,078	161,316	(720,282)	(27,112)	0
Equities	164,067	32,814	(28,340)	70,008	238,549
Pooled funds	971,709	628,700	0	368,387	1,968,796
Pooled property unit trusts	165,246	730	0	583	166,559
Private equity	88,669	8,810	(14,269)	7,459	90,669
<b>Sub-total</b>	<b>1,975,769</b>	<b>832,370</b>	<b>(762,891)</b>	<b>419,325</b>	<b>2,464,573</b>
Derivatives	3212	0	0	(3,212)	0
<b>Total derivatives</b>	<b>3212</b>	<b>0</b>	<b>0</b>	<b>(3,212)</b>	<b>0</b>
Managers' cash	6,730				5,372
Internal/custodian cash	26,051				39,563
Net investment proceeds due	2,464				567
<b>Total cash</b>	<b>35,245</b>				<b>45,502</b>
<b>Sub-total</b>	<b>2,014,226</b>			<b>416,113</b>	<b>2,510,075</b>
Net realised movement in cash				66,537	
<b>Total</b>	<b>2,014,226</b>			<b>482,650</b>	<b>2,510,075</b>

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	478,788	(234,115)	(282,930)	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
<b>Sub-total</b>	<b>2,112,376</b>	<b>930,575</b>	<b>(830,592)</b>	<b>(236,590)</b>	<b>1,975,769</b>
Derivatives	(1,243)	2,921,655	(2,914,474)	(2,726)	3,212
<b>Total derivatives</b>	<b>(1,243)</b>	<b>2,921,655</b>	<b>(2,914,474)</b>	<b>(2,726)</b>	<b>3,212</b>
Managers' cash	15,214				6,730
Internal/custodian cash	34,355				26,051
Net investment proceeds due	2,703				2,464
<b>Total cash</b>	<b>52,272</b>				<b>35,245</b>
<b>Sub-total</b>	<b>2,163,405</b>			<b>(239,316)</b>	<b>2,014,226</b>
Net realised movement in cash				59,063	
<b>Total</b>	<b>2,163,405</b>			<b>(180,253)</b>	<b>2,014,226</b>

### 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. Derivatives listed in 2019/2020 formed part of the Aberdeen investment that transferred to WPP, bringing the value to nil in the 2020/2021 accounts.



### 13. Summary of manager's portfolio values

2019/20		Fund Manager	2020/21	
£000	% of Fund		£000	% of Fund
592,189	29.4	Aberdeen Asset Management	0	0.0
80,398	4.0	Aberdeen Emerging Markets	126,759	5.0
503,671	25.0	Blackrock Investment Management	675,933	26.9
64,256	3.2	Invesco Perpetual	81,320	3.2
87,945	4.4	Nikko	119,533	4.8
82,417	4.1	Schroder Investment Managers	124,955	5.0
159,560	7.9	State Street Global Advisers (SSGA)	221,637	8.8
163,824	8.1	Wales Pension Partnership	863,148	34.4
58,499	2.9	CBRE	56,154	2.2
24,192	1.2	Blackrock - BPF - UK Property	25,282	1.0
28,671	1.4	Schroder UK Real Estate	29,357	1.2
29,702	1.5	Standard Life Property	30,784	1.2
24,182	1.2	UBS Triton Property Fund	24,982	1.0
23,415	1.2	Capital Dynamics	21,737	0.9
28,446	1.4	Harbourvest	32,022	1.3
36,808	1.8	Pantheon	36,910	1.5
2,543	0.1	Cash with custodian	2,678	0.1
23,508	1.2	Internally managed (Cash)	36,884	1.5
<b>2,014,226</b>	<b>100.0</b>	<b>Total</b>	<b>2,510,075</b>	<b>100.0</b>

#### 13a. Investments exceeding 5% of net assets

The following investments represent more than 5% of the net assets available to pay benefits (in either 2019/20, 2020/21 or both years).

2019/20		Fund Manager	2020/21	
£000	% of net assets		£000	% of net assets
176,256	8.7	Aberdeen Corporate Bond Fund	0	0.0
112,789	5.5	Aberdeen Target Return Bond Fund	0	0.0
0	0.0	Aberdeen Emerging Markets Equity Fund	126,759	5.00
123,686	6.1	Aberdeen Global Government Bond Fund	0	0.0
106,332	5.2	Aberdeen UK Fixed Interest Gilts	0	0.0
209,032	10.3	BlackRock Aquila Life UK Equities Indexed Fund	265,805	10.6
99,171	4.9	BlackRock Aquila Life US Equities Indexed Fund	141,454	5.6
195,469	9.6	BlackRock Low Carbon Tracker Fund	268,675	10.7
159,560	7.9	SSGA MPF Europe ex UK Equities Active Fund	221,637	8.8
0	0.0	Wales Pension Partnership - Credit Fund	226,063	9.0
0	0.0	Wales Pension Partnership - Government Bond Fund	252,534	10.0
0	0.0	Wales Pension Partnership - Multi Asset Credit Fund	154,266	6.1
163,824	8.1	Wales Pension Partnership - UK Opportunities	230,285	9.1

## 14. Financial Instruments

### 14a. Classification of financial instruments

Value at 31/03/20				Value at 31/03/21		
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
586,078	0	0	Fixed interest securities	0	0	0
164,067	0	0	Equities	238,549	0	0
971,709	0	0	Pooled funds	1,968,796	0	0
165,246	0	0	Pooled property trusts	166,559	0	0
88,669	0	0	Private equity	90,669	0	0
130,993	0	0	Derivatives	0	0	0
0	35,245	0	Cash	0	45,502	0
0	20,230	0	Debtors	0	11,276	0
<b>2,106,762</b>	<b>55,475</b>	<b>0</b>	<b>Total financial assets</b>	<b>2,464,573</b>	<b>56,778</b>	<b>0</b>
(127,781)	0	0	Derivatives	0	0	0
0	0	(1,377)	Creditors	0	0	(2,160)
<b>(127,781)</b>	<b>0</b>	<b>(1,377)</b>	<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>(2,160)</b>
<b>1,978,981</b>	<b>55,475</b>	<b>(1,377)</b>	<b>Net financial assets</b>	<b>2,464,573</b>	<b>56,778</b>	<b>(2,160)</b>

### 14b. Net gains and losses on financial instruments

*31/03/20		31/03/21
£000		£000
(191,863)	Fair value through profit and loss	355,652
<b>(191,863)</b>	<b>Total financial assets</b>	<b>355,652</b>
11,203	Fair value through profit and loss	127,781
407	Amortised cost	(783)
<b>11,610</b>	<b>Total financial liabilities</b>	<b>126,998</b>
<b>(180,253)</b>	<b>Net financial assets</b>	<b>482,650</b>

\*Figures restated between financial assets and financial liabilities.

## 14c. Fair Value – Basis of Valuation

Investment	Valuation Method	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Level 1</b> Quoted prices for similar instruments.			
<b>Quoted Bonds (Fixed Interest Securities)</b>	Market value based on current yields	Not required	Not required
<b>Market Quoted Investments</b>	Published bid market price at close of business on the final working day of the accounting period	Not required	Not required
<b>Cash and cash equivalents</b>	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
<b>Level 2</b> 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.			
<b>Pooled Investments - Quoted Equity</b>	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
<b>Derivatives - Forward Currency Contracts</b>	Market forward exchange rates at the year-end date	Exchange rate risk	Not required
<b>Level 3</b> Inputs not based on observable market data			
<b>Private Equity Funds</b>	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
<b>Pooled Investments - Property Funds</b>	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

## 14d. 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 31/03/21	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	238,549	1,968,796	257,228	2,464,573
Amortised Cost	56,778	0	0	56,778
<b>Total financial assets</b>	<b>295,327</b>	<b>1,968,796</b>	<b>257,228</b>	<b>2,521,351</b>
Financial liabilities at fair value	0	0	0	0
Financial liabilities at amortised cost	(2,160)	0	0	(2,160)
<b>Total financial liabilities</b>	<b>(2,160)</b>	<b>0</b>	<b>0</b>	<b>(2,160)</b>
<b>Net financial assets</b>	<b>293,167</b>	<b>1,968,796</b>	<b>257,228</b>	<b>2,519,191</b>

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
<b>Total financial assets</b>	<b>805,620</b>	<b>1,102,702</b>	<b>253,915</b>	<b>2,162,237</b>
Financial liabilities at fair value	0	(127,781)	0	(127,781)
Financial liabilities at amortised cost	(1,377)	0	0	(1,377)
<b>Total financial liabilities</b>	<b>(1,377)</b>	<b>(127,781)</b>	<b>0</b>	<b>(129,158)</b>
<b>Net financial assets</b>	<b>804,243</b>	<b>974,921</b>	<b>253,915</b>	<b>2,033,079</b>

## 14e. Reconciliation of fair value measurements within Level 3

2020/21	Market Value at 31/03/20	Transfers into level 3	Transfers out of level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	Market Value at 31/03/21
	£000	£000	£000	£000	£000	£000	£000	£000
Private equity	88,669	0	0	8,810	(14,269)	7,459	0	90,669
Pooled property unit trusts	165,246	0	0	730	0	583	0	166,559
<b>Total</b>	<b>253,915</b>	<b>0</b>	<b>0</b>	<b>9,540</b>	<b>(14,269)</b>	<b>8,042</b>	<b>0</b>	<b>257,228</b>

### 14f. 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 31/03/21	Value on increase	Value on decrease
	(%)	£000	£000	£000
Private Equity	9.4	90,669	99,192	82,146
Pooled Property Trusts	4.2	166,559	173,554	159,564
<b>Total</b>		<b>257,228</b>	<b>272,746</b>	<b>241,710</b>

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

The Fund maintains positions in a variety of instruments, as dictated by the Investment Strategy Statement (ISS), 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 monitor 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 and diversify, the Fund holds three fixed interest sub funds managed by WPP.

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 31/03/21	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash and cash equivalents	45,502	455	(455)
Fixed interest securities	0	0	0
<b>Total</b>	<b>45,502</b>	<b>455</b>	<b>(455)</b>

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	38,457	385	(385)
Fixed interest securities	586,078	5,861	(5,861)
<b>Total</b>	<b>624,535</b>	<b>6,246</b>	<b>(6,246)</b>

**Currency risk** is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. 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 8.36%. An 8.36% 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 31/03/21	Change to net assets available to pay benefits	
		+ 8.36%	- 8.36%
	£000	£000	£000
Overseas quoted equities	238,648	19,951	(19,951)
Overseas pooled funds	758,524	63,413	(63,413)
Overseas pooled property	56,155	4,695	(4,695)
<b>Total change in assets available</b>	<b>1,053,327</b>	<b>88,059</b>	<b>(88,059)</b>

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)
<b>Total change in assets available</b>	<b>757,163</b>	<b>55,652</b>	<b>(55,652)</b>

**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 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 31/03/21	Percentage change	Value on increase	Value on Decrease
	£000	%	£000	£000
UK Equities	577,410	18.86	686,310	468,510
Overseas Equities	1,629,935	14.05	1,858,941	1,400,929
Fixed Interest (Bonds)	0	4.59	0	0
Cash and Cash Equivalents	45,502	0.20	45,593	45,411
Private Equity	90,669	9.35	99,147	82,191
Property	166,559	4.16	173,488	159,630
<b>Total Assets</b>	<b>2,510,075</b>		<b>2,863,479</b>	<b>2,156,671</b>

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
<b>Total Assets</b>	<b>2,014,226</b>		<b>2,210,267</b>	<b>1,818,185</b>

\*2019/20 figures have been amended in line with 2020/21 presentation.

**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 (closed October 2020) 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	31/03/20	31/03/21
		£000	£000
<b>Money market funds</b>			
Aberdeen Standard Liquidity - Sterling Fund	AAA	11,750	18,800
Blackrock ICS Sterling Liquidity Fund	AAA	11,230	18,120
Deutsche Global Liquidity - Sterling Fund	AAA	0	0
<b>Bank current account</b>			
Lloyds Bank	A	479	0
NatWest	A	49	(40)
<b>Total</b>		<b>23,508</b>	<b>36,880</b>



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 resources 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.

## 16. 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

The estimated future Pension Fund liabilities will also be subject to the consideration of the McCloud judgement and GMP equalisation. The impact was considered by the actuary within the triennial valuation, which took place in 2019/20. The actuary confirmed that no further adjustments were made to the valuation at this stage and any further adjustments will be made at the next triennial valuation (see Actuarial Statement on pages 3-6 of this document).

## 17. 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:

2019/20		2020/21
£000		£000
577	AVC paid during the year	303
3,724	Market Value of separately invested AVC's	4,670

Information received from the primary AVC provider is based on draft figures available.

## *18. Contractual Commitments*

As at 31 March 2021 the Fund had outstanding private equity commitments of a maximum of £38.683 million (£53.466 million at 31 March 2020).

## *19. Securities Lending*

At the year end the value of quoted equities on loan was £37.335 million (£311.147 million at March 2020) in exchange for which the custodian held collateral of £40.253 million (£329.301 million at March 2020), the significant reduction is due to the transfer of Aberdeen fixed interest securities to WPP in 2020/21. For the year ending 31 March 2021, the Fund received income of £48,000 from the lending of stock (£120,000 in 2019/20). In addition, the fund received income from WPP of £17,000 from the lending of stock.

## *20. 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 provision for £1,054,017 has been included in the accounts (£737,078 in 2019/20), which consists of £319,601.98 short term (£0 in 2019/20), £591,279 long term and £143,135 of estimated interest (£591,279 long term and £145,799 of estimated interest in 2019/20).

The Fund has no material contingent liabilities.

## *21. Related Party Transactions*

Cardiff Council is the administering authority for Cardiff & Vale of Glamorgan Pension Fund. The Pensions Committee includes members of the Council. There are two members of the Pension Fund Committee that are active members of the Pension Fund.

Examples of related party transactions with the Council are:

- Cash invested internally by the Council (for working capital purposes) – see Note 13 Summary of manager's portfolio values
- Administration expenses charged to the Fund by the Council are shown in Note 10 Management Expenses
- Paragraph 3.9.4.4 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.

In addition to the related parties, the Investment Panel and the Pensions Board provide advisory support to the Pensions Committee. The Pensions Board includes representatives from participating employers and members of Cardiff Council. Four 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.

Contributing Employers

The active contributing employers as at 31 March 2021 are detailed below:

<b>Administering Body</b>	
Cardiff Council	
<b>Scheduled Bodies</b>	
<b>Councils</b>	<b>Town and Community Councils</b>
Vale of Glamorgan Council	Barry Town Council
<b>Education Bodies</b>	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
<b>Other Scheduled Bodies</b>	Pentyrch Community Council
Cardiff Bus	Radyr & Morganstown Community Council
Public Services Ombudsman for Wales*	Wenvoe Community Council
<b>Admitted Bodies</b>	
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 2020/21.

## *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 25<sup>th</sup> November 2021 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 liabilities 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.