

**THE
CARDIFF
AND
VALE OF GLAMORGAN
PENSION FUND**

**ANNUAL REPORT
&
ACCOUNTS**

2011/2012

SUMMARY AND CONTENTS

EXECUTIVE SUMMARY

- The total value of the Fund continues to rise and has now reached £1.166 billion as at 31 March 2012, an increase on the previous year end valuation of £1.123 billion.
- Although equity markets struggled during the year, particularly in the Eurozone, the Fund achieved a return on investments for 2011/12 of 2.4%
- The number of active members in the Fund has decreased slightly to 13,343. Total membership has increased slightly to 32,676 due to an increase in pensioners and deferred pensioners. The average pension in payment is £4,600 p.a.
- Summary statistics for the Fund are shown in Appendix 1.

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FOREWORD

Cardiff Council is the administering Authority for the Cardiff & Vale of Glamorgan Pension Fund which is itself part of the national Local Government Pension Scheme (LGPS) for England & Wales, governed by Westminster. Although economic uncertainties continued to produce volatile equity markets during 2011/12 the Pension Fund's assets maintained their value at £1.2 billion. The Fund's triennial actuarial valuation results for 31 March 2010, and subsequent estimates, showed that liabilities have continued to increase. This is largely as a result of record low gilt yields, further increases in life expectancy and the lower investment returns of recent years. While it is recognised that factors such as gilt yields and investment returns are likely to be temporary relative to the long-term nature of the Fund's liabilities, it does appear likely that employer contributions will rise at the next valuation in 2013.

Debate around the affordability of the LGPS and other public sector schemes led to the publication of the Hutton report in 2011. The government subsequently agreed that all public sector schemes should implement a rise in retirement age and a move to career average accrual. Given the unique funded nature of the LGPS the government allowed representatives of employers and members to agree the details for a proposed new scheme in 2014. Outline draft proposals were issued in June 2012 which should lead to detailed draft regulations next year. The impact of this new scheme on future employer contributions can then be considered as apart of the 2013 triennial valuation.

A busy year therefore lies ahead as pension matters will continue to be a major topic for discussion for government, employers and members for the foreseeable future. The Fund and its employers will need to give their feedback on proposals as the consultation process develops.

Christine Salter
Chief Corporate Services & Section 151 Officer
18 June 2012

MEMBERS AND ADVISERS

TRUSTEES

The power of removing and/or appointing trustees of local authority pension funds rests with Parliament. The County Council of the City & County of Cardiff is the sole trustee and administering authority of the Cardiff and Vale of Glamorgan Pension Fund.

INVESTMENT ADVISORY PANEL

Responsibility for the Fund has been delegated by the Council to the Chief Corporate Services Officer. She is advised on investment matters by the Investment Advisory Panel. Members in the year to 31 March 2012 were:

Cllr M Stephens	(Chair) Executive Member for Economic Development and Finance, Cardiff Council
Cllr T Davies	Member, Cardiff Council
Cllr N Howells	Member, Cardiff Council
Mr S Bates	Independent Adviser
Ms C Burton	Independent Adviser
Mrs C Salter	Chief Corporate Services & S151 Officer, Cardiff Council
Mr R Jones	Audit and Risk Manager, Cardiff Council
Cllr A Ernest	Member, Vale of Glamorgan Council (Observer)
Mr R Bettley	Pensions Manager, Cardiff Council

PROFESSIONAL ADVISERS

The Fund's professional advisers during the year were:

Actuaries	Aon Hewitt Limited
Auditor	Wales Audit Office
Bankers	Co-Operative Bank plc
Custodian	The Northern Trust Company
Independent Advisers	Mr S Bates and Ms C Burton
Legal advisers	Chief Legal Services Officer, Cardiff Council Sacker and Partners
Administration and Payroll	Chief Corporate Services and Section 151 Officer, Cardiff Council

Investment Managers:

Global Bonds	- Aberdeen Asset Management
Indexed UK Equities	- Blackrock Investment Management (formerly BGI)
Indexed UK and USA Equities	- State Street Global Advisers
Active UK Equities	- Invesco Perpetual, JP Morgan and Majedie
Active Europe ex-UK Equities	- State Street Global Advisers
Active Asia-Pacific Equities	- Schroders Investment Management
Active Japanese equities	- Nikko Asset Management
Emerging Market Equities	- Aberdeen Asset Management
Active Currency	- Goldman Sachs and Mesirow
Private Equity	- Capital Dynamics, Harbourvest and Pantheon
Property Unit Trusts	- RReef, Blackrock, Schroders, Standard Life, and UBS/Triton

FUND ADMINISTRATION

The rules governing the Fund are found in the Superannuation Act 1972 and the various Local Government Pension Scheme (LGPS) Regulations issued by the Department for Communities and Local Government (CLG). The LGPS is open to all employees of local authorities except police, firemen and teachers, for whom separate arrangements exist. Power is also given to admit certain other bodies which provide public services.

Although responsible for administering the Fund, Cardiff Council has exactly the same relationship with the Fund as all 38 active employers in the Fund. A full list of employers is given in Note 5 to the accounts.

Fund income arises from investment earnings and contributions by employees and employers. From 1 April 2008 the nationally set employee rates vary between 5.5% and 7.5% of pay depending on the member's annual pay. Employers' rates are calculated by the scheme actuary at the triennial actuarial valuation and are expressed as a percentage of pay. These comprise a common rate payable by all, and an individual adjustment rate specific to each employer.

Although benefits are mandatory, the 1997 Regulations gave some discretion to employers and administering authorities. Details of mandatory benefits are shown at Appendix 2. Transfer values paid to other funds in the year were calculated and verified as required under the Social Security Act 1985. Transfer values are payments between funds when contributors leave one employer and choose to transfer the value of their benefits to another pension arrangement.

PENSION INCREASES

Pensions are subject to annual mandatory increases, determined by the increase in the Consumer Price Index in the twelve months to the previous September. These are recovered through the pension rate of the pensioner's last employer before retirement. Increases take effect in the first full week of each financial year. The increase for 2012-2013 will be 5.2%.

DEVELOPMENTS IN 2011/2012

The Government agreed with the unions broad principles for change to the Local Government Pension Scheme and it is expected that the Government will consult with stakeholders over the summer. The main recommendations are a move from a final salary to a career average scheme for future service, protecting accrued rights and ensuring normal retirement age is in line with the state pension age. Implementation is expected from 1st April 2014.

While the LGPS already has an automatic enrolment procedure the Pensions Regulator has confirmed that LGPS Funds also need to comply with the auto-enrolment regime which is being introduced nationally. This will require employers to amend existing enrolment procedures from early 2013 onwards, while Funds will also need to amend their recording systems.

ADDITIONAL VOLUNTARY CONTRIBUTIONS

Prudential Assurance continues as the main AVC provider for the Fund. No new applications to Equitable Life are being accepted. During 2011/2012 Prudential continued to offer information and workshops for Scheme members.

Prudential have a Local Government AVC website which members may visit at:
<http://www.pru.co.uk/content/schemes/localgovavc>

INVESTMENT MANAGEMENT

INVESTMENT POWERS

The principal investment powers of the Fund are found in the Local Government Pension Scheme (Management & Investment of Funds) Regulations 1998 as amended. The Regulations give the power for administering authorities to delegate investment decisions to external managers conditional upon proper consideration of a reasonable and sufficient diversification of managers. Periodic reviews of the appointment of, and investments made by, managers are also obligatory. Proper advice is required in determining suitable types of investment.

INVESTMENT OBJECTIVE

The Fund's overall investment objective is to maximise investment returns and to minimise or at least stabilise future employer contributions over the long term within an acceptable level of risk. Two special factors must be borne in mind in seeking this objective: the long term nature of the liabilities and the fact that liabilities are related to remuneration at the time of retirement.

The Fund prudently seeks to fulfil the regulatory requirement to secure the solvency of the Fund over a period of time (i.e. for the value of the Fund's assets to be equal to or greater than its accrued liabilities measured using 'ongoing' actuarial methods and assumptions.) This period together with the funding level is calculated three yearly by the actuary following a review of the adequacy of the Fund's assets to meet its liabilities. The Panel takes the actuarial position and funding level into account in formulating its strategic investment advice.

The results of the 2010 actuarial valuation were available in early 2011 and indicated that funding pressures have continued to grow. The valuation report and the Funding Strategy Statement are available on Cardiff Council's website (www.cardiff.gov.uk) or on request from the Chief Corporate Services and S151 Officer. The funding ratio of assets against liabilities was calculated as 71%. While the change from RPI to CPI indexation has benefitted the Fund, the historically low gilt yields, increases in longevity and low investment returns contributed to a rise in the Fund's liabilities. The Actuary has advised the Fund on suitable employer contribution rates which will recover the deficit over reasonable periods and these higher rates have been applied from 1 April 2011. The Fund will also consider whether any changes are required to the Fund's investment strategy at future meetings of the Investment Advisory Panel.

FUND MANAGEMENT

The Investment Advisory Panel aims to meet each manager with an actively managed portfolio at least annually. It also considers at its quarterly meetings:

- The overall Fund Objective and the level of investment risk
- Overall Fund and individual manager performance
- The Fund's investment management arrangements
- Strategic asset allocation over the major market sectors and geographical areas, including the split between passive and active management

The formal responsibility for investment decisions lies with Christine Salter, Chief Corporate Services and S151 Officer, under powers delegated by the Council.

Fund management is structured on a specialist basis, with individual managers allocated particular sectors or geographical areas (see above for a list of managers and their mandates). Where possible, each manager is given a clear performance target, but generally is also given considerable freedom in how this is achieved. The Fund employs a global custodian to ensure the safekeeping of all publicly traded securities, and to manage

INVESTMENT MANAGEMENT

the settlement of trades. Custody of private equity, property unit trusts and cash is managed in-house as these assets are not publicly traded.

Management fees are the main form of investment expenditure and comprise a combination of ad valorem (varying with the value of funds managed) and performance fees. Custody fees vary with the number of investment transactions made by the fund managers. Fees for the Panel's advisers rise in line with Chief Officers' pay. All fees are charged to the Fund, and are paid from investment returns. Management fees for 2011/2012 were £3.40m (2010/2011 £3.46m). Custodian fees for the year amounted to £109,000 (£111,000 2010/2011).

The Fund employs the WM Company to measure the performance of the investment managers and the Fund as a whole. The results are reported to the Investment Advisory Panel on an annual basis and are discussed below in the section on Investment Performance. The effectiveness of panel decisions can be seen by any out performance through asset allocation and manager selection, whereas the managers also influence performance through stock selection. The Investment Advisory Panel assesses the performance of the investment managers and decides whether any action is required.

STATEMENT OF INVESTMENT PRINCIPLES

A copy of the current Statement of Investment Principles (SIP) is available on Cardiff Council's website or on request from the Chief Corporate Services and S151 Officer. All LGPS funds are required to produce a SIP under the LGPS (Management and Investment of Funds) Regulations 2009. The SIP summarises the Fund's investment objectives and the policies it uses to manage investments. The regulations also require that the SIP is prepared in a format which complies with guidance issued by CLG. This guidance currently comes from the CIPFA pension panel, which itself incorporates the six Myners' principles. The SIP complies with these requirements and the Fund is compliant with each of the Myners' principles.

The Fund's investment philosophy is also summarised in the 'Core Investment Beliefs' document which is available on the website.

INVESTMENT PERFORMANCE

INTRODUCTION

The Pension Fund's performance is very much governed by world equity markets. Although continued concern over the state of the global economy combined with the European debt crisis dominated investment markets over the last year, the Fund recorded a return on investments of 2.4% rising from £1.096 billion to £1.130 billion. However, short-term variations in values should not be given undue weight as the history of most types of investment show that there are long periods of good and poor returns. The long term-financial health of the Fund depends more on its investment returns over 20 years and factors such as mortality rates, gilt yields and contribution levels.

Distribution of investments

A breakdown of the investment portfolio over the last five years is set out in Appendix 1. Changes in market values reflect both changes in investment policy and the relative performance of different markets.

Scheme benchmark

The Fund has agreed its own customised benchmark and Fund Objective, based around a 75/25 Equities/Bonds asset allocation split. This was set to ensure that the Fund's asset allocation policy reflected its own liability characteristics and not the average of a peer group, as before. It was also designed to minimise, or at least stabilise, future employer contributions and to aim to avoid large variations. The Fund's actual asset allocation is therefore maintained close to this benchmark allocation.

2011/12 FUND PERFORMANCE

During 2011/12 the overall Fund return was 2.4%, slightly ahead of the Fund's benchmark return of 2.3%. The fund performance can be attributed to the effects of both stock selection and asset allocation. The former is the responsibility of individual managers. Ultimate responsibility for the latter lies with the Chief Corporate Services Officer under the Council's scheme of delegations. Asset allocation decisions generally have a more significant impact on the absolute returns achieved by the Fund than the value added by individual managers from stock selection.

i) Asset Allocation

The Investment Advisory Panel recommends target allocations and ranges for each asset class, within the overall objective of a 75/25 Equities/Bonds allocation. Following the 2003/04 asset/liability study, it was agreed that there should be a 60/40 split between UK and Overseas Equities, and that the latter should be split equally between Europe, Far East and USA, within an agreed tolerance. This allocation has been maintained as closely as possible during 2011/12. The only significant change to asset allocation was the removal of active currency after the financial year-end. The Fund will also gradually move towards a 50/50 weighting between UK and Overseas equities.

ii) Stock Selection

Active segregated portfolio managers are given the freedom to make investment decisions but are also set clear performance targets. The performance of each portfolio is reviewed quarterly in-house and at least annually by the Panel. Managers are required to attend Panel meetings at least annually to ensure a thorough examination of actions taken and so that each gives an account of their stewardship.

The performance of the larger active portfolios during 2011/2012 compared with their benchmarks and targets are as follows:

INVESTMENT PERFORMANCE

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Manager	Mandate (target against benchmark)	Portfolio Target	Benchmark return	Portfolio return
Aberdeen	Global bonds (+1%)	12.3%	11.3	7.8
State Street	European equities (+2%)	-9.4%	-11.4	-15.4
Nikko	Japanese equities (+3%)	4.4%	1.4	1.3
Schroders	Asia-Pacific equities (+3%)	-3.3%	-6.3	-5.5
Goldman Sachs	Active Currency (+5%)	5.6%	0.6	3.1
Mesirow	Active Currency (+5%)	5.7%	0.7	-7.1
Aberdeen	Emerging markets equities (+3%)	-5.2%	-8.2	3.4
Invesco	UK equities (unconstrained)	N/A	1.4	12.0
JP Morgan	UK equities (unconstrained)	N/A	1.4	2.1
Majedie	UK equities (+2%)	3.4%	1.4	6.2
Property funds	UK commercial property	Various	7.4	6.1

Whereas the economic fundamentals of countries such as US, UK and Germany look weak the prices of their government bonds have grown as investors seek 'safe-havens' for capital. The Global Bonds manager has focussed on the long-term prospects for these bonds, and therefore holds fewer of these bonds which has led to short-term underperformance. Similarly, the European equities mandate uses quantitative analysis of company data to identify good investments. However, as markets have been focussed less on this underlying strength and more on wider economic issues the portfolio has underperformed this year. The portfolio's longer-term performance remains strong.

The two active currency mandates have failed to perform as the values of currencies have not been linked to the economic fundamentals of countries in recent years. The two mandates have been closed after the year-end. The Fund's remaining equity managers have performed well over the past year, despite the market volatility.

Although it is useful to compare the performance of managers over the past year, the investment panel focus on the average performance of active managers over three to five years to ensure that market fluctuations are taken into account. For the Fund's private equity portfolio it is only possible to make an assessment of performance over an even longer period at the end of the life of the private equity fund.

Longer Term Fund Performance

The Pension Fund's overall return is best measured over the long term. Over the last ten years the Fund's total return has returned an annualised 5.6% compared with rises of 3.3% in the Retail Prices Index and, more importantly (since the pensions of active members are related to final pay), 3.8% in the Index of Average Earnings. Using 2011/2012 as the base year, comparative long term returns are as follows:

	Fund % p.a.	RPI % p.a.	Average earnings % p.a.
1 Year (2011/2012)	2.4	3.6	0.8
3 Years (2009/2012)	14.0	4.5	3.2
5 Years (2007/2012)	3.5	3.3	2.6
10 Years (2002/2012)	5.6	3.3	3.8

ACTUARIAL STATEMENT

City and County of Cardiff

Statement of the Actuary for the year ended 31 March 2012

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 2010 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. The valuation as at 31 March 2010 showed that the funding ratio of the Fund was unchanged since the previous valuation, with the market value of the Fund's assets at that date (of £1,031.2M) covering 71% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.
2. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2011 was as set out below:
 - 14.9% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

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 25 years from 1 April 2011, amounting to £22.9M in 2011/12, and increasing by 4.8% p.a. thereafter, before any phasing in or 'stepping' of contribution increases.

This would imply an average employer contribution rate of about 23.2% of pensionable pay in total, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 4.8% p.a.

3. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority. In addition the Administering Authority agreed that the significant increases in contribution requirements could be phased in for some employers over periods of up to 6 years. The resulting aggregate deficiency contributions in 2012/13 are £22.7M. The aggregate deficiency contributions payable are anticipated to remain lower than indicated by point 2 above until 2014/15.
4. The rates of contributions payable by each participating Employer over the period 1 April 2011 to 31 March 2014 are set out in a certificate dated 28 March 2011 which is appended to Aon Hewitt's report of the same date on the actuarial valuation.
5. The contribution rates were calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of Employers using the projected unit actuarial method.

ACTUARIAL STATEMENT

6. The main actuarial assumptions were as follows:

Discount rate	
Scheduled Bodies	6.9% p.a.
Admission Bodies	
In service:	6.25% p.a.
Left service:	4.75% p.a.
Rate of general pay increases	4.8% p.a.
Rate of increases to pensions in payment	3.3% p.a.
Valuation of assets	market value

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

7. Contribution rates for all employers will be reviewed at the next actuarial valuation of the Fund as at 31 March 2013.
8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of City and County of Cardiff. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2010. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

Aon Hewitt Limited

May 2012

STATEMENT OF ACCOUNTS

FUND ACCOUNT FOR YEAR ENDED 31st MARCH

2011 £000		2012 £000	2012 £000
CONTRIBUTIONS AND BENEFITS			
Contributions receivable			
51,308	from employers (Note 5)	54,530	
15,923	from employees (Note 5)	15,534	
4,167	Transfers in	2,366	
1,790	Deficit Funding (Note 5)	5,362	
3,692	Other Income (Capitalised Payments)	3,496	
76,880			81,288
Benefits Payable			
(42,464)	Pensions (Note 6)	(46,179)	
(16,530)	Lump Sums (Note 6)	(13,915)	
	Payments to and on account of leavers		
(4)	Refunds of contributions	(5)	
(4,540)	Transfers out	(2,157)	
(0)	Group Transfer Out	(1,688)	
(854)	Admin & Other expenses (Note 8)	(823)	
(64,392)			(64,767)
12,488	Net Additions/(Withdrawals) from dealings with Members of the Fund		16,521
RETURNS ON INVESTMENT			
14,062	Investment Income (Note 9)	14,670	
66,813	Change in market value of investments (Note 10)	16,154	
(3,568)	Investment management expenses (Note 8)	(3,513)	
77,307	Net Returns on Investments		27,311
89,795	Net Increase/(Decrease) in the Fund During		43,832
1,032,716	Opening Net Assets of the Scheme		1,122,511
1,122,511,	Closing Net Assets of the Scheme		1,166,343

STATEMENT OF ACCOUNTS

NET ASSETS STATEMENT AS AT 31ST MARCH

2011 £000		2012 £000	£000
1,096,135	Investments at market value (Note 10)	1,131,865	
15,066	Cash & investment proceeds due (Note 10)	20,448	
1,111,201			1,152,313
	Current assets		
257	UK & Overseas Tax	309	
5,489	Contributions due from Employers	6,154	
1,152	Investment Income accrued	1,152	
346	Sundry Debtors (Note 14)	167	
2,651	Pension Strain costs due within one year	2,354	
9,895			10,136
	Non current assets		
-	Contributions due from Employers	445	
4,523	Pension strain costs due after one year	5,227	
			5,672
	Current liabilities		
(1,947)	Unpaid Benefits	(1,016)	
(1,161)	Sundry Creditors (Note 14)	(762)	
(3,108)			(1,778)
1,122,511	Net Assets of the Scheme	1,166,343	

The Statement of Accounts of the Pension Fund on pages 11 to 21 is included in the Published Accounts of the administering authority, the City & County of Cardiff. The Audit Report therein includes the Opinion of the Appointed Auditor on the Fund.

NOTES TO THE ACCOUNTS

1. The Statement of Accounts summarises the transactions and net assets of the Pension Fund for the financial year 2011/2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2011/2012 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the administering Authority. They do not take account of obligations to pay pensions and benefits which fall due after the year end. Under IAS26 the Fund is required to disclose the "actuarial present value of the promised retirement benefits". This figure has been calculated by the Actuary as at 31 March 2010 as £1,950.4m, with a comparator value as at the 31 March 2007 valuation of £1,499.8m.

The actuarial position is summarised in the Actuarial Statement which is included on pages 9 and 10 in the annual report. This shows that the overall funding level as at 31 March 2010 is 71%.

2. Accounting Policies

(a) Basis of Preparation

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

(b) Valuation of Investments

Quoted bond and equity investments are valued at bid market value at close of business on the last working day in March 2012 (bid market value is the price at which an investment can be sold at a given date). Private Equity Fund investments are valued at fair value, as determined by the administrators of the Fund, based on valuations provided by the general partners of the underlying investments. Where this is a publicly traded investment the valuation is based upon the closing market prices at the balance sheet date of the Fund. If the investment is not publicly traded, the general partner will consider the operational results of the company or any recent transactions in the company. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end. Pooled vehicles are normally valued at bid prices where available. Overseas investments have been converted at WM/Reuters closing spot rates of exchange. Official SETS prices have been used for FTSE100 securities (plus the reserve list). Derivatives are stated at market value. The value of futures contracts is determined using exchange prices at the reporting date. The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

(c) Critical judgements in applying accounting policies

Unquoted private equity investments . These are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Valuation Guidelines(IPEVCG) outside the US. The value of unquoted private equities at 31.03.2012 was £82.4m (73.6m at 31.03.2011).

NOTES TO THE ACCOUNTS

Pension fund liability. This is calculated by the actuary every three years with an annual statement in the intervening years. This is calculated in accordance with IAS19 and the main assumptions used in the calculation are summarised in the actuary's statement on page 8. This estimate is based on significant variances based on changes to the underlying assumptions.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
Private Equity	Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £82.4 million. There is a risk that this investment may be under, or overstated in the accounts.

(e) Acquisition costs of Investments

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

3. Taxation

(a) UK Income, Capital Gains Taxes.

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

(b) Value Added Tax.

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

(c) Overseas Withholding Tax.

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

NOTES TO THE ACCOUNTS

4. Titles of Ownership

Evidences of ownership for the property unit trusts and private equity holdings are held at County Hall. All other evidences of ownership were held at 31 March 2012 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

5. Employing Bodies – Contributions

	No. of contributors at 31.03.12	Contribution rates (% of pensionable pay)	Additional lump sum (memo) £000	Employers £000	Employees £000	Total £000
SCHEME EMPLOYERS:						
Barry Town Council	13	26.6	0	71	17	88
Cardiff City Transport	61	22.3	521	904	112	1,016
Cardiff Council	8,745	22.0	0	33,828	9,816	43,644
Cardiff and Vale College	393	13.0	311	1,160	413	1,573
Cowbridge Town Council	4	26.6	0	17	4	21
Dinas Powys Comm Council	1	18.2	1	6	2	8
Llantwit Major Town Council	1	26.6	0	8	2	10
Penarth Town Council	12	26.6	0	61	15	76
Public Services Ombudsman for Wales	3	30.3	0	40	9	49
Radyr & Morganstown Community Council	1	18.2	1	4	1	5
St Cyres Comp GM	32	15.8	22	99	30	129
St Davids Sixth Form Coll	19	15.8	16	77	25	102
Stanwell Comp GM	69	15.8	28	156	48	204
Cardiff Metropolitan University (UWIC)	597	13.0	867	2,743	959	3,702
Vale of Glamorgan Council	2,855	21.5	0	10,386	3,071	13,457
Sub-total	12,806			49,460	14,524	64,084
NON-SCHEME EMPLOYERS						
Cardiff & Co	8	16.0	0	37	16	53
Cardiff Business Technology	3	29.2	8	33	6	39
Cardiff Gypsy & Traveller Project	1	24.0	0	8	2	10
Cardiff Institute for Blind	3	22.7	57	71	4	75
Cardiff University	72	25.7	1,266	1,709	112	1,821
Career Wales (Cardiff & Vale)	124	16.1	0	526	190	716
Children in Wales	19	22.2	0	112	33	145
Citizens Advice Bureau	0	26.0	7	18	6	24
Civic Trust For Wales	1	24.0	0	9	2	11
Design Commission for Wales	4	22.2	0	37	14	51
Dimensions (UK)	*	24.4	88	1	1	2
Colleges Wales (Fforwm)	7	25.9	16	94	21	115
Glamorgan Holiday Hotel	*	22.6	0	25	1	26

NOTES TO THE ACCOUNTS

Housing for Wales	*	22.5	0	1	0	1
Memorial Hall	6	20.5	0	26	8	34
One Voice Wales	3	20.0	0	19	6	25
Opportunity Housing Trust	6	24.0	0	53	15	68
Play Wales	8	23.5	0	62	18	80
Royal National Eisteddfod	12	25.3	30	144	31	175
Sport Wales	121	21.5	75	977	286	1,263
Wales & West Housing Assoc	1	22.7	76	101	8	109
Welsh Council for Voluntary Action	108	22.6	125	747	183	930
Workers Education Assoc	30	22.6	0	160	47	207
Sub-total	537			4,970	1,010	5,980
Total	13,343			54,530	15,534	70,064

From 1st April 2011, the deficiency contribution applicable to individual employers has been calculated as an additional monetary amount. The total employer contribution payable is the sum of the employer contribution rate plus the deficiency contribution.

Barry College and Coleg Glan Hafren amalgamated from August 2011 to become the Cardiff and Vale College and UWIC changed its name to Cardiff Metropolitan University.

The last remaining members of Housing for Wales, Glamorgan Holiday Hotel and Dimensions left during the year. Housing for Wales and Dimensions have paid the full amount of the cessation payment. Glamorgan Holiday Home is paying via instalments over five years.

In October 2011, The Citizen's Advice Bureau was liquidated and ceased to be a member of the Fund.

Additional deficit funding

Scheme Employer	£000
Housing for Wales	4,233
Careers Wales (Voluntary)	249
Dimensions	66
Public Services Ombudsman (Voluntary)	129
Glamorgan Holiday Home	685
Total	<u><u>5,362</u></u>

6. Employing Bodies - Benefits Paid

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
SCHEME EMPLOYERS:				
Barry College	228	35	0	0
Barry Town Council	58	0	0	0
Cardiff City Transport	1,877	756	5	0
Cardiff Council	29,921	8,449	969	99
Coleg Glan Hafren	176	18	0	0
Cowbridge Town Council	5	0	0	0

NOTES TO THE ACCOUNTS

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Dinas Powys Town Council	8	0	70	0
Llantwit Major Town Council	16	15	0	0
Mary Immaculate High School	13	0	0	0
Penarth Town Council	34	40	0	0
Probation Service	230	0	0	0
Public Services Ombudsman for Wales	153	0	0	0
Royal Welsh College of Music & Drama	58	4	0	0
S Wales Magistrates Courts	210	17	0	0
St Cyres Comprehensive GM	30	4	0	0
St Davids Sixth Form Coll	50	108	0	0
Stanwell Comprehensive GM	22	0	0	0
Cardiff Metropolitan University (UWIC)	1,081	335	44	0
Vale of Glamorgan Council	8,919	1,737	164	19
Sub-total	43,089	11,517	1,252	118
NON-SCHEME EMPLOYERS:				
Cardiff Bay Arts Trust	10	0	0	0
Cardiff Bay Devt Corp	445	65	0	0
Cardiff Business Technology	11	0	0	0
Citizens Advice Bureau (Cardiff)	5	68	0	0
Cardiff Gypsy Sites	4	0	0	0
Cardiff Institute for Blind	70	10	4	0
Cardiff University	886	125	0	0
Careers Service	137	272	0	0
Catholic Children's Society	2	0	0	0
Channel View Centre	4	0	0	0
Children in Wales	12	0	0	0
Citizens Advice Bureau (Vale)	9	0	0	0
Civic Trust for Wales	3	0	0	0
Community Relations (Race Equality)	0	0	6	0
Fforwm	3	0	0	0
Glam & Gwent Hsg Assoc	53	0	0	0
Higher Ed Development Wales	2	9	0	0
Housing for Wales	131	0	0	0
Intervol	17	0	0	0
Land Authority for Wales	277	0	0	0
National Eisteddfod	25	0	0	0
Opportunity Housing Trust	20	0	0	0
Play Wales	13	0	95	0
Glamorgan Holiday Hotel	50	0	0	0
S E Wales Com Trust	6	0	0	0
Sport Wales	630	205	3	15
STAR	6	0	0	0
Wales & West Housing Ass	133	8	0	0
Wales Youth Agency	51	0	0	0
Welsh Council for Voluntary Action	68	143	0	0
Workers Education Authority	7	0	0	0

NOTES TO THE ACCOUNTS

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Sub-total	3,090	905	108	15
TOTAL	46,179	12,422	1,360	133

7. Membership of the Fund

Fund membership at 31 March 2012 is as follows:	2010/11	2011/12
Contributing Employers	41	38
Contributors	13,507	13,343
Pensioners	8,981	9,293
Deferred pensioners	9,430	10,040
Total membership	31,918	32,676

8. Investment and Administration Expenses

Investment Management and Administration Expenses fully charged to the Fund are:

	2010/11 £000	2011/12 £000
Management fees	3,457	3,404
Custody fees	111	109
Sub-total	3,568	3,513
Support Service Charges	171	125
Other Administration Expenses	683	698
Sub-total	854	823
TOTAL	4,422	4,336

Investment fees have increased in line with the rise in investment values.

9. Investment Income

	2010/11 £000	2011/12 £000
UK Fixed Interest Securities	5,944	5,612
Overseas Fixed Interest Securities	1,917	1,759
UK Equities & Private Equity Funds	2,042	2,525
Pooled investments	736	827
Overseas Equities (net of irrecoverable tax)	1,943	2,455
Property Unit Trust Income	1,359	1,353
Interest on UK cash	90	107
Securities Lending	31	32
	14,062	14,670

10. Investments at Market Value

NOTES TO THE ACCOUNTS

	31 March 2011		31 March 2012	
	£000	£000	£000	£000
UK Fixed Interest:				
Public Sector	55,064		35,246	
Other (Pooled)	71,799		75,527	
		126,863		110,773
Overseas Fixed Interest:				
Public Sector (Pooled)	0		4,903	0
Other	53,895		75,785	
		53,895		80,688
UK quoted Equities & Convertibles		59,124		62,746
Foreign quoted Equities		92,030		94,833
UK Property Unit Trusts		45,914		73,094
Private Equity		73,614		84,150
Pooled Funds				
UK	393,421		377,985	
Overseas	251,274		247,596	
		644,695		625,581
		1,096,135		1,131,865
Derivatives:				
Forward Currency contracts		(1,137)		1,941
Futures		0		0
Cash:				
UK	9,194		3,863	
Overseas	6,908		14,641	
Net investment proceeds due	101		3	
		16,203		18,507
		1,111,201		1,152,313

Gross purchases in the year (excluding cash) were £183.191m, whilst sales were £166.338m. From these a net realised profit was accrued to the Fund of £8.4m. Profits and losses are calculated on historical costs. When only part of a holding is sold, the average cost method is used.

The managing companies of all the pooled managed Funds are UK registered. Private Equity Funds are not quoted on recognised stock exchanges and may not be realisable as readily as quoted investments. Other than pooled funds, no single investment accounted for more than 5% of the Fund's assets.

Value at 31/03/11	Purchase at Cost	Sale Proceeds	Change in market value	Value at 31/03/12
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NOTES TO THE ACCOUNTS

	£000's	£000's	£000's	£000's	£000's
Fixed Interest Securities	180,758	76,601	(76,216)	10,318	191,461
Equities	151,154	61,586	(52,184)	(2,977)	157,579
Pooled Funds	644,695	6,957	(23,450)	(2,621)	625,581
Property unit trusts	45,914	25,427	0	1,753	73,094
Private equity	73,614	12,620	(11,488)	9,404	84,150
Sub total	1,096,135	183,191	(163,338)	15,877	1,131,865
Forward Currency	(1,137)	283,519	(279,456)	(985)	1,941
Futures	0	322,629	(322,629)	0	0
Total Derivatives	(1,137)	606,148	(602,085)	(985)	1,941
Debtors	523				1,202
Creditors	(422)				(1,199)
Managers' Cash	8,328			1,262	14,738
Internal Cash	6,341				732
Currency Overlay	1,433				3,034
Total Cash	16,203			1262	18,507
Total Cash and Investment Proceeds due	15,066			277	20,448
Total	1,111,201			16,154	1,152,313

	Value at 31/03/10	Purchase at Cost	Sale Proceeds	Change in market value	Value at 31/03/11
	£000's	£000's	£000's	£000's	£000's
Fixed Interest Securities	170,295	36,593	(26,197)	67	180,758
Equities	140,726	54,819	(52,825)	8,434	151,154
Pooled Funds	590,601	1,111	(660)	53,643	644,695
Property unit trusts	40,950	3,000	0	1,964	45,914
Private equity	64,744	14,576	(8,727)	3,021	73,614
Sub total	1,007,316	110,099	(88,409)	67,129	1,096,135
Forward Currency	(1,169)	275,396	(280,752)	5,388	(1,137)
Futures	0	253,514	(253,514)	0	0
Total Derivatives	(1,169)	528,910	(534,266)	5,388	(1,137)
Debtors	0				523
Creditors	(242)				(422)
Managers' Cash	9,927			(5,704)	8,328
Internal Cash	4,597				6,341
Currency Overlay	2,008				1,433
Total Cash	16,290			(5,704)	16,203
Total Cash and Investment Proceeds due	15,121			(316)	15,066
Total	1,022,437			66,813	1,111,201

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year amounted to £648k. In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect

NOTES TO THE ACCOUNTS

costs is not separately provided to the scheme.

Analysis of derivatives

Objectives and policies for holding derivatives

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

Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a proportion of the fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the fund has a passive currency overlay in place managed by the fund's custodian. The fund hedges 50% of the Euro and Yen exposure within the portfolios managed by State Street and Nikko Asset Management

11. Summary of Manager's Portfolio Values at 31 March 2012

	£000	% of Fund
Aberdeen Asset Management	200,297	17.4
Aberdeen Emerging Markets	41,466	3.6
Blackrock Investment Management	138,793	12.0
Invesco Perpetual	59,418	5.2
J P Morgan	41,398	3.6
Majedie	66,007	5.7
Nikko	43,177	3.8
Schroder Investment Managers	54,219	4.7
State Street Global Advisers	305,202	26.5
Mesirow	18,587	1.6
Goldman Sachs	20,798	1.8
Property Unit Trusts	73,094	6.4
Private Equity Managers	84,150	7.3
Passive currency overlay	4,975	0.4
Internally managed (Cash)	732	0
	1,152,313	100.0

12. Financial Instruments

a) Classification of financial instruments

31/03/2011				31/03/2012		
Fair Value through profit and loss	Loans and receivables	Fianancial liabilities at amortised cost		Fair Value through profit and loss	Loans And receivables	Financial liabilities at amortised cost
£000	£000	£000	Financial assets	£000	£000	£000
180,758			Fixed Interest Securities	191,461		

NOTES TO THE ACCOUNTS

151,154			Equities	157,579		
644,695			Pooled Funds	625,581		
45,914			Property Unit Trusts	73,094		
73,614			Private Equity	84,150		
74,220			Derivatives	64,513		
	16,102		Cash		18,504	
1,675			Other investment balances	2,354		
	13,266		Debtors		14,074	
1,172,030	29,368			1,198,732	32,578	
			Financial liabilities			
(75,357)			Derivatives	(62,572)		
(422)			Other investment balances	(1,199)		
		(3,108)	Creditors			(1,778)
			Borrowings			
(75,779)		(3,108)		(63,771)		(1,778)
1,096,251	29,368	(3,108)		1,134,961	32,578	(1,778)

b) Net gains and losses on financial instruments

31/03/2011		31/03/2012
£000	Financial Assets	£000
67,129	Fair value through profit and loss	15,877
0	Loans and receivables	0
	Financial liabilities	
0	Fair value through profit and loss	1,262
(316)	Loans and receivables	(985)
66,813	Total	16,154

c) Fair value of financial instruments and liabilities

Carrying value	Fair value		Carrying value	Fair value
£000	£000		£000	£000
		Financial		

NOTES TO THE ACCOUNTS

		assets		
886,214	1,172,030	Fair value	906,170	1,198,732
29,368	29,368	Loans and receivables	32,578	32,578
915,582	1,201,398	Total financial assets	938,748	1,231,310
		Financial liabilities		
	(75,779)	Fair value		(63,771)
(3,108)	(3,108)	Financial liabilities	(1,778)	(1,778)
(3,108)	(78,887)	Total financial liabilities	(1,778)	(65,549)

d) Valuation of financial instruments carried at fair value

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

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values as at 31 st March 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value	449,293	527,682	195,554	1,174,319
Loans and receivables	32,578			32,578
Total financial assets	481,871	527,682	195,554	1,206,897
Financial liabilities				
Financial liabilities at fair value	(1,199)		(38,159)	(39,358)
Financial liabilities at amortised cost	(1,778)			(1,778)
Total financial liabilities	(2,977)		(38,159)	(41,136)
Net financial assets	478,894	527,682	157,395	1,165,761

13. Nature and extent of risks rising from financial instruments

NOTES TO THE ACCOUNTS

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

Market risk is the risk that the fair value or future cashflows 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, 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 31.03.2012	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	18,504	185	(185)
Fixed interest securities	191,461	1,915	(1,915)
Total	209,965	2,100	(2,100)

Asset Type	Carrying amount as at 31.03.2011	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	16,102	161	(161)
Fixed interest securities	180,758	1,808	(1,808)
Total	196,860	1,969	(1,969)

NOTES TO THE ACCOUNTS

Currency risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates.

The Fund has appointed two active currency managers who manage the currency risk in several countries and the fund's Japanese and European portfolios have a 50% passive currency overlay in place. Fund managers will also take account of currency risk in their investment decisions.

Currency risk – sensitivity analysis

Following analysis of historical data, the fund's aggregate currency change has been calculated as 9.6%. A 9.6% 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 31.03.2012	Change to net assets available to pay benefits	
		+ 9.6%	- 9.6%
	£000	£000	£000
Overseas quoted securities	504	552	456
Overseas corporate bonds (quoted)	161	176	146
Total change in assets available	665	728	602

Currency exposure – asset type	Asset value as at 31.03.2011	Change to net assets available to pay benefits	
		+ 9.6%	-9.6%
	£000	£000	£000
Overseas quoted securities	1,030	1,129	931
Overseas corporate bonds (quoted)	32	35	29
Total change in assets available	1,062	1,164	960

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

Price risk sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of assets over the last three years, applied to the period end asset mix.

Asset type	Value as at 31.03.2012	Percentage change	Value on increase	Value on Decrease
	£000	%	£000	£000
UK Equities	440,731	14.1%	502,830	378,632
Overseas Equities	342,429	15.7%	396,122	288,736
Total Bonds	191,461	4.6%	200,192	182,730
Cash	20,448	0.0%	20,452	20,444

NOTES TO THE ACCOUNTS

Alternatives	84,150	9.3%	91,976	76,324
Property	73,094	8.8%	79,451	66,647
Total Assets	1,152,313		1,291,023	1,013,513

Asset type	Value as at 31.03.2011	Percentage change	Value on increase	Value on Decrease
	£000	%	£000	£000
UK Equities	452,545	14.1%	516,309	388,781
Overseas Equities	343,304	15.7%	397,134	289,474
Total Bonds	180,758	4.6%	189,001	172,515
Cash	15,066	0.0%	15,069	15,063
Alternatives	73,614	9.3%	80,445	66,783
Property	45,914	8.8%	49,964	41,864
Total Assets	1,111,201		1,247,921	974,481

Credit Risk

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

The Pension Fund's bank account is held with the Co-operative bank. Surplus cash is not invested with the Co-op but is placed with a selection of AAA Money Market institutions. The fund's cash holding under its treasury management arrangements as at 31.03.2012 was 732k (6.4m at 31.03.2011). This was held with the following institutions:

	Rating	Balance at 31.03.2012	Balance at 31.03.2011
Money market funds		£000	£000
Insight	AAA	0	2,372
Deutsche	AAA	0	4,080
Bank current account			(110)
Co-operative	A-	732	
Total		732	6,342

Liquidity Risk

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 exceeds benefits being paid out. The Pension fund's cash is kept in a separate bank account and the cash position is monitored on a daily basis. Surplus funds are deposited in money market funds on a short term basis. At an investment level, the Funds investments are substantially made up of listed securities which are considered readily realisable.

NOTES TO THE ACCOUNTS

14. Sundry Debtors & Creditors

	2010/11 £000	2011/12 £000
Debtors		
Pensions Administration	295	106
Miscellaneous	<u>51</u>	<u>61</u>
	346	167
Creditors		
Management & Custody Fees	(659)	(662)
Miscellaneous	<u>(502)</u>	<u>(100)</u>
	(1,161)	762
Total	<u>(815)</u>	<u>(595)</u>

15. Additional Voluntary Contributions

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

The amount of AVC contributions paid during the year amounted to £0.523m and the market value of separately invested AVC's as at 31/03/2012 was £3.198m.

16. Commitments

As at 31 March 2012 the Fund had outstanding private equity commitments of a maximum of £65.92m (£58.35m at 31 March 2011).

As at 31st March 2012 the Fund had forward currency contracts amounting to £64.513m of purchases and £62.572m of sales, showing an unrealised loss of £1.941m.

17. Securities Lending

At the year end the value of quoted equities on loan was £30.019m (£20.688m at March 2011) in exchange for which the custodian held collateral of £31,942m (£22.444m at March 2011). For the year ending 31st March 2012, the Fund received income of £31k from the lending of stock.

18. Contingent Liabilities

The Fund has no contingent liabilities.

19. Related Party Transactions

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

Other related party transactions with Cardiff Council are:

- Cash invested internally by Cardiff Council (for working capital purposes) - see note 10;
- Administration expenses charged to the Fund by the Council are shown in note 8.

NOTES TO THE ACCOUNTS

Responsibility for Fund has been delegated to the Chief Corporate Services and Section 151 Officer. Her financial relationship with the fund (expressed as a cash-equivalent transfer value is set out below.

	Accrued pension as at 31st March 2012	Accrued pension as at 31st March 2011
	£	£
C. Salter, Chief Corporate Services and Section 151 Officer	985,077	902,355

20. Post Balance Sheet Events

There are no post balance sheet events to report.

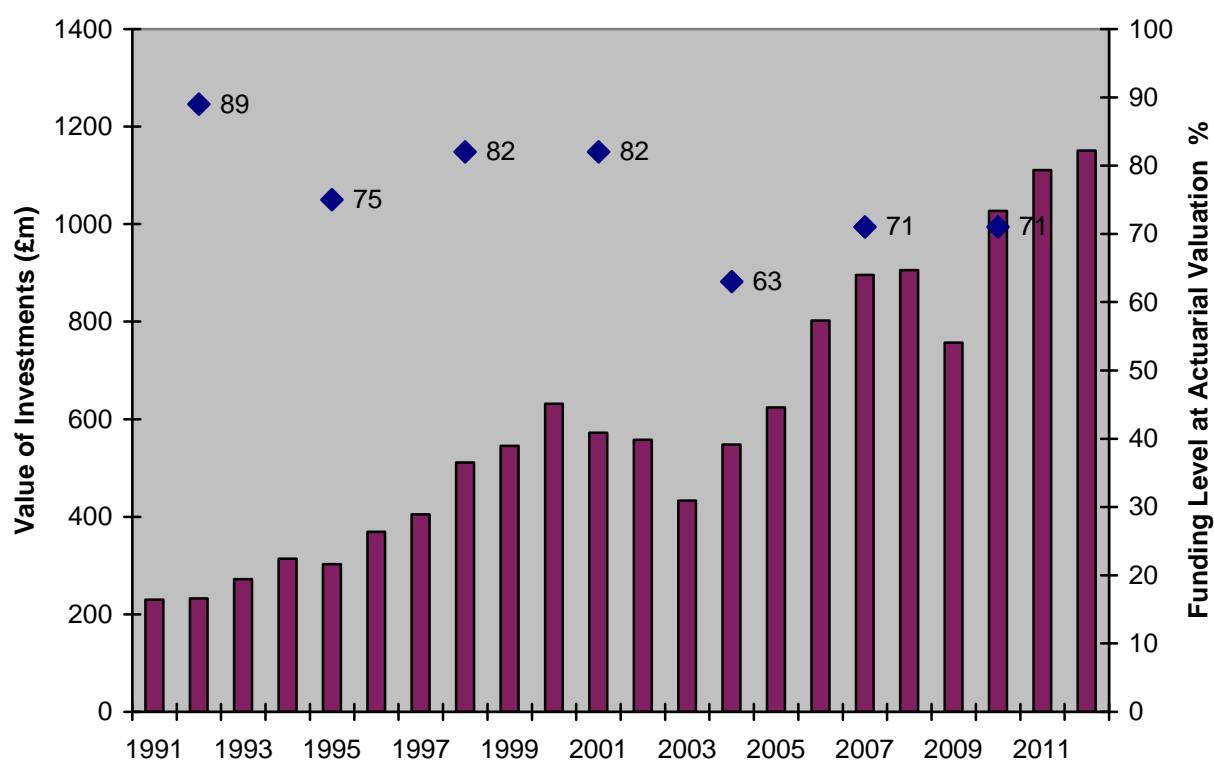
APPENDIX 1: INVESTMENT DATA

SUMMARY STATISTICS FOR PAST FIVE YEARS

Year End 31st March	2008	2009	2010	2011	2012
MEMBERSHIP					
Contributors	13,221	13,699	13,633	13,507	13,343
Pensioners	8,189	8,387	8,534	8,981	9,293
Deferred Pensioners	7,450	8,231	8,851	9,430	10,040
FINANCIAL DATA					
	£m	£m	£m	£m	
Gross Income (excl Profits on Sales)	84.2	87.9	93.3	90.9	95.4
Gross Expenditure	51.0	53.9	77.5	67.9	68.3
Net New Money	33.2	34.0	15.8	22.4	27.1
Market Value of Investments	905.7	757.0	1,027.0	1,111.2	1,150.5
PERFORMANCE					
	%	%	%	%	%
Return on Investments	-2.6	-17.6	34.3	7.7	2.4
Increase in Average Earnings	4.5	1.1	5.5	1.9	0.8
Annual Pension Increase	3.6	3.9	0.0	3.1	5.2

APPENDIX 1: INVESTMENT DATA

20 YEAR INVESTMENT MARKET VALUES



Note that between 1989 and 1993 regulations issued by central government required local authority pension funds to reduce their target level of funding from 100% to 75% of liabilities.

ASSET ALLOCATION DURING PAST FIVE YEARS

Year Ended 31 March		2008	2009	2010	2011	2012
UK Equities	£m	367.0	274.9	387.9	412.4	401.3
	%	40.5	36.3	37.9	37.1	34.9
Overseas Equities	£m	227.5	175.7	301.4	343.3	342.4
	%	25.1	23.2	29.5	30.9	29.7
Global Bonds	£m	164.8	154.1	170.3	180.8	191.5
	%	18.2	20.4	16.7	16.3	16.6
Private Equity	£m	48.3	59.9	64.7	73.6	82.4
	%	5.3	7.9	6.3	6.6	7.2
Property Unit Trusts	£m	50.8	34.7	41.0	45.9	73.1
	%	5.6	4.6	4.0	4.1	6.4
Cash	£m	47.3	18.0	15.0	15.0	20.4
	%	5.3	2.4	1.5	1.4	1.8
Active Currency	£m	N/A	39.7	42.1	40.2	39.4
	%	N/A	5.2	4.1	3.6	3.4
Total Value	£m	905.7	757.0	1022.4	1111.2	1150.5
	%	100	100	100	100	100

APPENDIX 1: INVESTMENT DATA

TEN LARGEST HOLDINGS BY MARKET VALUE AS AT 31 MARCH 2012			
	Country	Value £m	% of the Fund
EQUITIES			
BP	UK	4.5	0.6
Vodafone	UK	4.3	0.6
Glaxosmithkline	UK	4.2	0.5
Royal Dutch Shell	UK	3.7	0.5
Samsung Electronic	Korea	3.2	0.4
BAE Systems	UK	2.3	0.3
AstraZeneca	UK	2.3	0.3
HSBC Holdings	UK	2.3	0.3
BT Group	UK	2.3	0.3
Barclays	UK	2.2	0.3
POOLED FUNDS			
Blackrock Investment Indexed (formerly BGI)		138.8	12.1%
SsgA Europe Active		97.9	8.5%
SSgA UK Indexed		99.1	8.6%
SSgA USA Indexed		108.2	9.4%
Aberdeen UK Credit		75.5	6.6%
Invesco Perpetual Income Fund		59.4	5.2%
JPMorgan UK Dynamic Fund		41.4	3.6%
Aberdeen World Bonds		75.8	6.6%
Aberdeen Global Emerging Markets		41.5	3.6%
Goldman Sachs currency		20.8	1.8%
Mesirow currency		18.6	1.6%

APPENDIX 2: SUMMARY OF SCHEME BENEFITS

The benefits of the scheme are subject to change through legislation issued by the Department for Communities and Local Government. A new scheme with a different benefits structure was introduced from 1 April 2008, with all service accrued up to 31 March 2008 preserved (including the right to an automatic lump sum). The following benefits are currently provided by the post 1 April 2008 Scheme (individual employers also have discretion in certain marginal areas):

Upon Retirement

An annual pension and lump sum usually based on service and final year's earnings. The annual pension is based on the formula:

$$\text{Final Pay} \times \text{Length of membership} \times 1/60$$

There is no automatic lump sum, although a lump sum can be drawn by commuting annual pension at the rate of £12 of lump sum for every £1 of pension given up. Under current tax legislation, lump sums are not subject to tax.

The normal retirement age is 65. Benefits are reduced for retirements before age 65 which do not satisfy the necessary qualifying conditions. If retirement is on ill-health grounds, payment of benefits is made immediately with any enhancement being related to the category of ill-health awarded.

Employees aged 55 or above who terminate employment on the grounds of redundancy or under a voluntary early retirement scheme are also entitled to an immediate payment of benefits.

Upon Death

In Service: A non-taxable death grant is payable to a nominated person or the member's personal representative (the choice being at the discretion of the Council). This is equivalent to three times final pay.

After Retirement: A lump sum death grant is payable if death occurs within ten years of normal retirement age.

In both circumstances pension benefits are also payable to a widow or widower, and dependent children, if appropriate.

Other Leavers

Employees with 3 months or more of pensionable membership, or who have brought a transfer into the pension scheme have the right to deferred retirement benefits or to a transfer of pension rights.

Employees with less than 3 months pensionable membership, who have not transferred another pension into the scheme, may take a refund of contributions or transfer membership to another pension scheme.

FURTHER INFORMATION

Details of membership of the Pension Scheme are provided by individual employers to all relevant employees on appointment. Further information regarding the scheme can also be found on the LGPS website (www.lgps.org.uk) and the Council Finance pages of Cardiff Council's website (www.cardiff.gov.uk; or search for 'Cardiff Pension Fund'). Any significant changes to the scheme are reported to members by newsletter.

A statement of each individual's benefits is currently provided automatically on retirement, or earlier on request. Annual benefit statements are sent to all active and deferred Fund members based on the benefits accrued to 31 March each year.

Copies of this report are sent to all employers and recognised Trade Unions, and are available to all interested parties on request. Copies of the rules currently governing local government pension funds may also be inspected on request.

The Fund's Annual Report, Statement of Investment Principles, Funding Strategy Statement and Communication and Governance statement are published on Cardiff Council's website (www.cardiff.gov.uk). Paper copies are available on request.

Further information on the Pension Fund or any pension matters may be obtained from:

Chief Corporate Services and Section 151 Officer
Cardiff Council
County Hall
Atlantic Wharf
Cardiff
CF10 4UW

Telephone enquiries should be directed to Financial Services as follows:

Scheme management and investments:	(029) 20 872975 - Richard Bettley	(Pensions Manager)
Pensions and Benefits:	(029) 20 872330 - Gerry Kiddie	(Principal Pensions Officer)
Fund accounting	(029) 20 872339 - Sue Jones	(Pensions Accountant)
E-mail enquiries to:	Pensions@cardiff.gov.uk	