

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

**ANNUAL REPORT
&
ACCOUNTS**

2016/2017

CONTENTS

| | |
|--|----|
| Executive Summary | 2 |
| Foreword | 3 |
| Management and Administration Report | 4 |
| Fund Administration | 6 |
| Investment Policy and Performance Report | 8 |
| Investment Performance | 10 |
| Auditor's Statement | 12 |
| Actuarial Statement | 13 |
| Statement of Accounts | 15 |
| Notes to Accounts | 17 |
| Appendix 1: Investment Data | 36 |
| Glossary | 38 |
| Further Information | 40 |

EXECUTIVE SUMMARY

- The total value of the Fund rose by 21.1% over the year and has reached £2.00 billion as at 31 March 2017, compared to the previous year end valuation of £1.65 billion.
- Despite short periods of volatility during the year, equity markets made significant gains and the Fund achieved a return on investments for 2016/17 of 21.2% (net of fees), 0.1% below the benchmark return of 21.3%.
- The Fund remains in a positive cashflow position in terms of contributions received and benefits paid, with a net addition of £2.9 million.
- The number of active members in the fund remained steady at just over 15,000 whilst the number of pensioners rose by 2.1%.
- At the most recent actuarial valuation, as at 31 March 2016, the funding level was 85%, an increase on the previous 2013 funding level of 82%.
- Summary statistics for the Fund are shown in the Appendix 1.

FOREWORD

The City of Cardiff Council is the Administering Authority for the Cardiff & Vale of Glamorgan Pension Fund which is itself part of the national Local Government Pension Scheme (LGPS) for England & Wales. The regulations for the Scheme are determined by the UK Government.

The Pension Fund's assets rose by 21.1% during 2016/17, from £1.653 billion to £2.002 billion. The Fund's overseas investments saw returns of over 30% in sterling terms as a consequence of the fall in the value of the pound following the Referendum on the UK's membership of the EU. Over the longer term returns on the Fund's investments have averaged over 10% per annum.

The triennial actuarial valuation of the Fund as at 31 March 2016 was completed in March 2017. The funding ratio improved from 82% to 85%, largely due to the growth in Fund assets over the three years. An increase in liabilities due to changes in financial assumptions was offset by a reduction due to revised demographic assumptions. The overall funding deficit was £299m and employer contributions have been set for the next three years with the aim of recovering deficits within 19-20 years.

The eight LGPS funds in Wales continued to develop their proposals for a Wales Investment Pool during the year following the positive response from the DCLG in March 2016 to the outline proposal submitted in February. Detailed proposals were submitted in July and approval to proceed was received in November. The Welsh funds are establishing a Joint Governance Committee to oversee the Pool and City of Cardiff Council approved the governance proposals at its Full Council meeting in February 2017. The assets of the Pool will be managed by a regulated Pool Operator. The Pool will be established during 2017/18 so that the funds can begin transferring assets by the DCLG deadline of 1 April 2018. Individual funds will continue to set their own investment strategies and asset allocations in accordance with their funding positions and liability profiles.

In order to participate fully in the pooling arrangements, City of Cardiff Council established its Pensions Committee in June 2016 and the Committee met four times during the year. The Committee has strategic oversight of the Fund and is responsible for reviewing the Fund's policy statements. Operational management of the Fund continues to be delegated to the Corporate Director Resources. The Chair of the Committee will be the Council's representative on the Joint Governance Committee for the Wales Pool.

The Fund's key objectives continue to be to deliver an effective and efficient service to the 39,000 contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

Christine Salter
Corporate Director Resources
June 2017

MANAGEMENT AND ADMINISTRATION REPORT

SCHEME MANAGEMENT AND ADVISERS

The County Council of the City and County of Cardiff is named in the LGPS Regulations as the Scheme Manager and Administering Authority for the Cardiff & Vale of Glamorgan Pension Fund, the LGPS fund covering the geographical areas of the City of Cardiff and the Vale of Glamorgan.

Pensions Committee

The Pensions Committee was established by the Council on 30 June 2016 to discharge the Council's functions as Administering Authority. The Committee's role is to provide strategic oversight of the Fund including reviewing its statutory policy statements.

Members in the year to 31 March 2017 were:

| | |
|------------------|-----------------------|
| Cllr. G. Hinchey | (Chair) |
| Cllr. J. Evans | |
| Cllr. S. Elsmore | |
| Cllr. G. Thomas | |
| Cllr. M. Thomas | (to 31 December 2016) |
| Cllr. J. Woodman | (from 1 January 2017) |

Operational management of the Fund continues to be the responsibility of the Corporate Director Resources under the Council's scheme of delegations.

Investment Advisory Panel

The Committee and the Corporate Director Resources are advised on investment matters by the Investment Advisory Panel.

Members in the year to 31 March 2017 were:

| | |
|--------------------|--|
| Cllr G. Hinchey | (Chair) Cabinet Member for Corporate Services and Performance, City of Cardiff Council |
| Cllr J. Evans | Member, City of Cardiff Council |
| Cllr. R. McKerlich | Member, City of Cardiff Council |
| Cllr. F. Johnson | Member, Vale of Glamorgan Council (Observer) |
| Mr. S. Bates | Independent Adviser |
| Ms. C. Burton | Independent Adviser |
| Mrs. C. Salter | Corporate Director Resources, City of Cardiff Council |

Local Pension Board

The Local Pension Board was established on 29 January 2015 in compliance with the Public Service Pensions Act 2013. Members from 1 April 2016 to 31 March 2017 were:

| | |
|-------------------|-------------------|
| Mr. Michael Prior | Independent Chair |
|-------------------|-------------------|

Employer Representatives:

| | |
|----------------------|--|
| Mr. David Llewellyn | Director of Finance, Cardiff Metropolitan University |
| Cllr. Anthony Ernest | Member, Penarth Town Council |
| Cllr. Nic Hodges | Member, Barry Town Council |

Scheme Member Representatives:

| | |
|----------------------|----------------|
| Mr. Kenneth Daniels | GMB nominee |
| Mr. Peter King | Unison nominee |
| Mrs. Hilary Williams | Unison nominee |

MANAGEMENT AND ADMINISTRATION REPORT

Investment Managers

| | |
|---------------------------------|--|
| Aberdeen Asset Management | Global Bonds |
| | Emerging Market Equities |
| BlackRock Investment Management | UK Equities (indexed) |
| | US Equities (indexed) from 1 December 2016 |
| | UK Property |
| State Street Global Advisors | UK Equities (indexed) until 30 November 2016 |
| | North American Equities (indexed) until 30 November 2016 |
| | European Equities (active) |
| Invesco Perpetual | UK Equities (active) |
| JP Morgan Asset Management | UK Equities (active) |
| Majedie Asset Management | UK Equities (active) |
| Nikko Asset Management | Japanese Equities (active) |
| Schroders Investment Management | Asia-Pacific (ex Japan) Equities (active) |
| | UK Property |
| Standard Life | UK Property |
| UBS | UK Property |
| CB Richard Ellis | Global Property |
| Capital Dynamics | Private Equity |
| HarbourVest | Private Equity |
| Pantheon | Private Equity |
| Mesirow | Currency Management |

Professional Advisers

The Fund's professional advisers during the year were:

| | |
|-----------------------|---|
| Actuaries | AON Hewitt Limited |
| Auditor | Auditor General for Wales |
| Bankers | Lloyds Bank plc |
| Custodian | Northern Trust |
| Legal Advisers | Chief Legal Services Officer, City of Cardiff Council |
| | Sacker and Partners |
| Investment Advisers | Mr. S. Bates and Ms. C. Burton |
| Scheme Administration | Corporate Director Resources, City of Cardiff Council |
| AVC Provider | Prudential Assurance |

FUND ADMINISTRATION

The LGPS is a Defined Benefit Scheme governed by the Superannuation Act 1972 and the various regulations issued by the DCLG. The Scheme is open to all employees of local authorities except teachers and the Regulations specify that employees of certain other bodies have the same rights of membership as local authority employees. The Regulations also give administering authorities the power to enter into admission agreements with other bodies which provide public services.

The table below summarises the number of active and ceased employers in the Fund as at 31 March 2017:

| | Active | Ceased | Total |
|----------------|--------|--------|-------|
| Scheduled Body | 18 | 11 | 29 |
| Admitted Body | 19 | 25 | 44 |
| Total | 37 | 36 | 73 |

A full list of contributing employers and the amount of contributions received from each during the year is given in Note 5 to the accounts.

Fund income arises from investment earnings and contributions by employers and employees. Employee rates are set nationally and depend on a member's pensionable pay. During 2016/17 the contribution bands were:

| Band | Pensionable Pay Range | Contribution Rate |
|------|-----------------------|-------------------|
| 1 | Up to £13,600 | 5.5% |
| 2 | £13,601 to £21,200 | 5.8% |
| 3 | £21,201 to £34,400 | 6.5% |
| 4 | £34,401 to £43,500 | 6.8% |
| 5 | £43,501 to £60,700 | 8.5% |
| 6 | £60,701 to £86,000 | 9.9% |
| 7 | £86,001 to £101,200 | 10.5% |
| 8 | £101,201 to £151,800 | 11.4% |
| 9 | £151,801 or more | 12.5% |

The contribution bands for 2017/18 are:

| Band | Pensionable Pay Range | Contribution Rate |
|------|-----------------------|-------------------|
| 1 | Up to £13,700 | 5.5% |
| 2 | £13,701 to £21,400 | 5.8% |
| 3 | £21,401 to £34,700 | 6.5% |
| 4 | £34,701 to £43,900 | 6.8% |
| 5 | £43,901 to £61,300 | 8.5% |
| 6 | £61,301 to £86,800 | 9.9% |
| 7 | £86,801 to £102,200 | 10.5% |
| 8 | £102,201 to £153,300 | 11.4% |
| 9 | £153,301 or more | 12.5% |

Employers' rates are calculated by the scheme actuary at each triennial valuation. In addition to contributions calculated as a percentage of pensionable pay, for some employers the actuary has also specified cash amounts to be paid during each financial year.

Pension Increases

Pensions in payment are subject to annual mandatory increases determined by the increase in the Consumer Price Index (CPI) in the twelve months to the previous September. The

FUND ADMINISTRATION

increases are payable by the Fund and future increases are estimated at each triennial valuation. Any variations are adjusted for at subsequent valuations through the employer's contribution rate of the member's last employer before leaving employment. Increases take effect in the first full week of each financial year. There was no increase in 2016/17 as CPI in September 2015 was negative at -0.1%. The increase for 2017/18 was 1%.

CARE benefits accrued by active Fund members since 1 April 2014 are also subject to annual CPI linked adjustments. Unlike pensions already being paid, active CARE account balances can be reduced when inflation is negative and pension accounts brought forward from 2015/16 were revalued by -0.1% on 1 April 2016. Accounts carried forward into 2017/18 were revalued by 1% on 1 April 2017.

Additional Voluntary Contributions (AVCs)

Prudential Assurance continues as the AVC provider for the Fund. Prudential offer information through their web site www.pru.co.uk/content/schemes/localgovavc and from time to time offer retirement planning workshops free of charge to Fund members.

Administration

The administration of the Fund is carried out by the Pensions Section of City of Cardiff Council, based in County Hall, Cardiff.

Member records are held on the Altair system provided and hosted by Aquila Heywood. Monthly pensions are paid through the Council's SAP payroll system.

INVESTMENT POWERS

The principal investment powers of the Fund are found in the Local Government Pension Scheme (Management & Investment of Funds) Regulations. During the year the 2009 Investment Regulations were replaced by the amended 2016 Regulations. 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.

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 every three years by the actuary following a review of the adequacy of the Fund's assets to meet its liabilities. The Pensions Committee takes the actuarial position and funding level into account in reviewing the Fund's investment strategy.

The 2016 actuarial valuation was completed in March 2017. The Valuation Report and Funding Strategy Statement are available on City of Cardiff Council's website www.cardiff.gov.uk/pensions.

The funding ratio of assets against liabilities was calculated as 85%, an increase on the 2013 ratio of 82%. An increase in the Fund's liabilities due to financial factors was offset by a reduction due to revised demographic factors and higher than projected returns on investments. Assets were also boosted by deficit contributions from Fund employers. The Fund Actuary has advised on suitable employer contribution rates, effective from 1 April 2017, with the aim of recovering the deficit over appropriate contribution periods not exceeding 20 years.

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 Pensions Committee reviews and approves the Fund's strategic investment documents and the formal responsibility for operational investment decisions lies with Christine Salter, Corporate Director Resources.

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 the settlement of trades and recovery of taxation. 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. Revised accounting guidelines from 2015/16 onwards require all management fees to be accounted for as investment expenses regardless of whether they are charged directly or offset against investment returns. Management and Custodian fees for 2016/17 were £12.3m (£11.5m in 2015/16).

STATEMENT OF INVESTMENT PRINCIPLES AND INVESTMENT STRATEGY STATEMENT

The LGPS (Management and Investment of Funds) Regulations 2009 required all LGPS funds to prepare and publish a Statement of Investment Principles (SIP). The SIP summarised the Fund's investment objectives and the policies it uses to manage investments. Under the revised Regulations issued during 2016/17 the SIP has been replaced by an Investment Strategy Statement (ISS). The Fund's ISS was approved by the Pensions Committee on 15 March 2017 and published on 31 March.

Copies of the Statement of Investment Principles in force during 2016/17 and the Investment Strategy Statement effective from 1 April 2017 are available on Cardiff Council's website via the following link: www.cardiff.gov.uk/pensions.

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

FUND BENCHMARK AND STRATEGIC ASSET ALLOCATION

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. It is also designed to minimise, or at least stabilise, future employer contributions and to avoid large variations. The Fund's actual asset allocation is therefore maintained close to this benchmark allocation.

Within Equities, the Investment Advisory Panel decided in 2011 to gradually shift the ratio of UK to overseas holdings from a 60/40 split to a more equally weighted position. In 2015 the Panel also agreed to equalise the passive and active equity target allocations, reflecting the expected long term outperformance from the active managers.

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.

INVESTMENT PERFORMANCE

During 2016/17 the overall Fund return (net of fees) was 21.2%, 0.1% below the Fund's benchmark return of 21.3%. 2016/17 was notable for the impact of political events on investment and currency markets, in particular the result of the referendum on the UK's membership of the EU in June 2016 and the election of Donald Trump as US president in November. Within the UK markets, shares in multinational companies saw significant increases in value over the year whilst the values of shares of smaller domestic facing companies have been more variable. The fall in the value of sterling relative to other major currencies increased the value of the Fund's overseas investments.

The performance of the manager portfolios during 2016/17 compared with their benchmarks and targets was as follows:

| Manager | Mandate (target against benchmark) | Benchmark return (%) | Portfolio Target (%) | Portfolio Return (%) |
|---------------------------|---------------------------------------|----------------------|----------------------|----------------------|
| Aberdeen | Global bonds (+1%) | 5.1 | 6.1 | 6.8 |
| BlackRock | UK Equities (passive) | 22.0 | 22.0 | 22.1 |
| BlackRock | US Equities (passive) | 35.2 | 35.2 | 35.1 |
| State Street | European equities (+2%) | 28.0 | 30.0 | 31.3 |
| Nikko | Japanese equities (+3%) | 33.0 | 36.0 | 40.2 |
| Schroders | Asia-Pacific equities (+3%) | 36.8 | 39.8 | 37.2 |
| Aberdeen | Emerging markets equities (+3%) | 35.2 | 38.2 | 33.9 |
| Invesco | UK equities (unconstrained) | 22.0 | N/A | 11.5 |
| JP Morgan | UK equities (unconstrained) | 22.0 | N/A | 20.7 |
| Majedie | UK equities (+2%) | 22.0 | 24.0 | 25.7 |
| Private Equity Funds (28) | Global Private Equity | 22.0 | 22.0 | 25.1 |
| UK Property Funds (4) | UK property | 3.7 | 3.7 | 1.0 |
| CBRE | Global property (10% absolute return) | N/A | 10.0 | 20.8 |

The Fund's passive investments were consolidated under a single manager, BlackRock, from December 2016 following the procurement exercise carried out jointly with the other LGPS funds in Wales. The passive investments delivered significant gains in value over the year in line with the market movements for UK and US listed equities.

As in previous years, differences in style amongst the Fund's active equity managers resulted in varying returns relative to benchmarks. Only one manager, Invesco, underperformed significantly against its benchmark due to its weighting towards UK stocks which do not have multinational earnings.

The Fund's Private Equity holdings continued to deliver significant returns but the year was disappointing for UK Property funds after their outperformance against other asset classes in 2015/16.

Although it is useful to compare the performance of managers over the past year, the Investment Advisory Panel's reviews focus on the average performance of active managers over three to five years to ensure that market fluctuations are taken into account.

INVESTMENT PERFORMANCE

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 7.2% compared with rises of 2.3 % in the Consumer Price Index (CPI) and 1.9% in the Index of Average Weekly Earnings (AWE). Using 2016/17 as the base year, comparative returns over different periods are as follows:

| | Fund % p.a. | CPI % p.a. | AWE % p.a. |
|---------------------------|--------------------|-------------------|-------------------|
| 1 Year (2016/17) | 21.2 | 2.3 | 2.4 |
| 3 Year average (2014/17) | 10.3 | 0.9 | 2.9 |
| 5 Year average (2012/17) | 10.9 | 1.4 | 1.9 |
| 10 Year average (2007/17) | 7.2 | 2.3 | 1.9 |

AUDITOR'S STATEMENT

1.1. Auditor General for Wales' statement to the Members of Cardiff and Vale of Glamorgan Pension Fund

I have examined the pension fund accounts and related notes contained in the 2016-17 Annual Report of Cardiff and Vale of Glamorgan Pension Fund to establish whether they are consistent with the pension fund accounts and related notes included in the Statement of Accounts produced by the County Council of the City and County of Cardiff for the year ended 31 March 2017 which were authorised for issue on 29 September 2017. The pension fund accounts comprise the Fund Account and the Net Assets Statement.

1.2. Respective responsibilities of the Administering Authority and the Auditor General for Wales

The Administering Authority, the County Council of the City and County of Cardiff, is responsible for preparing the Annual Report. My responsibility is to report my opinion on the consistency of the pension fund accounts and related notes contained in the Annual Report with the pension fund accounts and related notes included in the Statement of Accounts of the Administering Authority. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the pension fund accounts. This other information comprises the Executive Summary, Foreword, Management and Administration Report, Fund Administration, Investment Policy and Performance Report, Investment Performance, Actuarial Statement and Investment Data.

1.3. Opinion

In my opinion the pension fund accounts and related notes included in the Annual Report of Cardiff and Vale of Glamorgan Pension Fund are consistent with the pension fund accounts and related notes included in the Statement of Accounts produced by the County Council of the City and County of Cardiff for the year ended 31 March 2017 which were authorised for issue on 29 September 2017 on which I issued an unqualified opinion. I have not considered the effects of any events between the date on which I issued my opinion on the pension fund accounts included in the administering authority's Statement of Accounts, 29 September 2017, and the date of this statement.

Anthony Barrett

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
21 November 2017

24 Cathedral Road
Cardiff
CF11 9LJ

ACTUARIAL STATEMENT

Cardiff and Vale of Glamorgan Pension Fund

Introduction

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

Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation, with the market value of the Fund's assets as at 31 March 2016 (of £1,653.0M) covering 85% of the liabilities allowing, in the case of pre-1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions to be paid to the Fund by participating employers with effect from 1 April 2017 was:
 - 16.6% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate)

Plus

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

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

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

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

ACTUARIAL STATEMENT

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

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

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

The assets were valued at market value.

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

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of City and County of Cardiff. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.
This statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation. Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, City and County of Cardiff, in respect of this statement.
9. The report on the actuarial valuation as at 31 March 2016 is available on the Fund's website at the following address:
<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Pensions/Documents/Actuarial%20valuation%20as%20at%2031%20March%202016%20%28Final%29.pdf>

Aon Hewitt Limited
May 2017

STATEMENT OF ACCOUNTS

FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2017

| 2015/16 Restated £000 | | 2016/17 £000 |
|-----------------------------|---|------------------|
| | CONTRIBUTIONS AND BENEFITS | |
| | Contributions receivable | |
| 60,370 | from employers (note 5) | 61,674 |
| 16,360 | from employees (note 5) | 16,862 |
| 5,034 | Transfers in | 3,241 |
| 2,134 | Other Income (Capitalised Payments and interest on deficit funding) | 1,460 |
| 83,898 | | 83,237 |
| | Benefits Payable | |
| (59,118) | Pensions (note 6) | (60,659) |
| (16,910) | Lump Sums (note 6) | (13,468) |
| | Payments to and on account of leavers | |
| (136) | Refunds of contributions | (117) |
| (8,220) | Transfers out | (4,807) |
| (84,384) | | (79,051) |
| | Net Additions/(Withdrawals) from dealings with Members of the Fund | |
| (486) | | 4,186 |
| | RETURNS ON INVESTMENT | |
| | | |
| 18,176 | Investment Income (note 9) | 19,115 |
| (31,716) | Change in market value of investments (note 10) | 338,888 |
| (12,520) | Management expenses (note 8) | (13,370) |
| (26,060) | Net Returns on Investments | 344,633 |
| | | |
| (26,546) | Net Increase/(Decrease) in the Fund During Year | 348,819 |
| | | |
| 1,679,405 | Opening Net Assets of the Scheme | 1,652,859 |
| 1,652,859 | Closing Net Assets of the Scheme | 2,001,678 |

STATEMENT OF ACCOUNTS

NET ASSET STATEMENT AS AT 31 MARCH 2017

| 2015/16 Restated £000 | | 2016/17 £000 |
|-----------------------------|--|------------------|
| | | |
| 1,599,878 | Investments at market value (note 10) | 1,937,128 |
| 29,002 | Cash & investment proceeds due (note 10) | 44,861 |
| 1,628,880 | | 1,981,989 |
| | | |
| | Current assets | |
| 128 | UK & Overseas Tax | 147 |
| 4,533 | Contributions due from Employers and deficit funding | 4,588 |
| 602 | Sundry Debtors (note 14) | 986 |
| 2,886 | Pension Strain costs due within one year | 1,806 |
| 8,149 | | 7,527 |
| | | |
| | Non-current assets | |
| 13,386 | Deficit funding (former employers) | 11,154 |
| 4,891 | Pension strain costs due after one year | 3,222 |
| 18,277 | | 14,376 |
| | | |
| | Current liabilities | |
| (1,536) | Unpaid Benefits | (1,053) |
| (911) | Sundry Creditors (note 14) | (1,161) |
| (2,447) | | (2,214) |
| | | |
| 1,652,859 | Net Assets of the Scheme | 2,001,678 |

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

1. The Statement of Accounts summarises the transactions and net assets of the Pension Fund for the financial year 2016/17. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2016/17 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the administering Authority. They do not take account of obligations to pay pensions and benefits which fall due after the year end. Under IAS26 the Fund is required to disclose the "actuarial present value of the promised retirement benefits". This figure has been calculated by the Actuary as at 31 March 2016 as £2,273.6 million, with a comparator value as at the 31 March 2013 valuation of £2,028.8 million.

The actuarial position is summarised in the Actuarial Statement which is included on pages 104 and 105. This shows that the overall funding level as at 31 March 2016 is 85%.

2. Accounting Policies

(a) Basis of Preparation

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

(b) Valuation of Investments

Quoted bond and equity investments are valued at bid market value at close of business on the last working day in March 2017 (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

NOTES TO THE ACCOUNTS

Guidelines (IPEVCG) outside the US. The value of unquoted private equities at 31 March 2017 was £88 million (£83 million at 31 March 2016).

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 104 and 105. 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 Valuations | Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | The total private equity investments in the financial statements are £88 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 2017 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

NOTES TO THE ACCOUNTS

5. Employing Bodies – Contributions

| 2016/17 | No. of contributors at 31.03.17 | Contribution rates (% of pensionable pay) | Employers £000 | Employees £000 | Total £000 | Additional lump sum (memo) £000 |
|---|------------------------------------|---|-------------------|-------------------|---------------|---------------------------------------|
| SCHEDULED BODIES: | | | | | | |
| Barry Town Council | 18 | 27.0% | 84 | 20 | 104 | 0 |
| Cardiff and Vale College | 415 | 13.6% | 1,343 | 519 | 1,862 | 238 |
| Cardiff City Transport | 21 | 25.4% | 661 | 48 | 709 | 480 |
| City of Cardiff Council | 9,271 | 22.9% | 36,470 | 9,950 | 46,420 | 0 |
| Cardiff Metropolitan University | 756 | 13.6% | 3,437 | 1,454 | 4,891 | 527 |
| Cowbridge Town Council | 4 | 27.0% | 160 | 43 | 203 | 0 |
| Dinas Powys Community Council | 1 | 27.0% | 7 | 2 | 9 | 0 |
| Lisvane Community Council | 1 | 27.0% | 3 | 1 | 4 | 0 |
| Llantwit Major Town Council | 5 | 27.0% | 20 | 5 | 25 | 0 |
| Penarth Town Council | 14 | 27.0% | 101 | 21 | 122 | 0 |
| Penllyn Community Council | 1 | 27.0% | 1 | 0 | 1 | 0 |
| Pentyrch Community Council | 3 | 27.0% | 3 | 1 | 4 | 0 |
| Public Services Ombudsman for Wales | 1 | 32.3% | 294 | 4 | 298 | 279 |
| Radyr & Morganstown Community Council | 0 | 27.0% | 4 | 1 | 5 | 0 |
| St Davids Sixth Form College | 37 | 13.6% | 125 | 52 | 177 | 14 |
| Stanwell School | 79 | 16.4% | 178 | 59 | 237 | 13 |
| Vale Of Glamorgan Council | 3,702 | 22.7% | 13,211 | 3,672 | 16,883 | 0 |
| Wenvoe Community Council | 1 | 27.0% | 3 | 1 | 4 | 0 |
| Sub-total | 14,330 | | 56,105 | 15,853 | 71,958 | |
| ADMITTED BODIES: | | | | | | |
| Adult Learning Wales (formerly Workers Education Association) | 50 | 22.3% | 268 | 77 | 345 | 6 |
| APP Clean UK | 3 | 21.5% | 5 | 1 | 6 | 0 |
| Cardiff Business Technology Centre | 6 | 28.7% | 32 | 7 | 39 | 0 |
| Cardiff University | 47 | 27.3% | 1,637 | 78 | 1,715 | 1,300 |
| Careers Wales (Cardiff & Vale) | 75 | 18.1% | 378 | 136 | 514 | 0 |
| Children In Wales | 33 | 27.3% | 219 | 48 | 267 | 0 |
| Colleges Wales | 6 | 19.8% | 56 | 23 | 79 | 0 |
| Design Commission for Wales | 4 | 20.3% | 36 | 14 | 50 | 0 |
| Glen Cleaning | 3 | 27.0% | 8 | 1 | 9 | 0 |
| GLL | 288 | 18.0% | 221 | 75 | 296 | 0 |
| Mirus Wales | 6 | 23.4% | 289 | 23 | 312 | 231 |
| National Trust | 8 | 20.7% | 27 | 8 | 35 | 0 |
| One Voice | 2 | 19.4% | 26 | 8 | 34 | 9 |

NOTES TO THE ACCOUNTS

| 2016/17 | No. of contributors at 31.03.17 | Contribution rates (% of pensionable pay) | Employers | Employees | Total | Additional lump sum (memo) |
|---------------------------------------|------------------------------------|---|---------------|---------------|---------------|-------------------------------|
| Play Wales | 5 | 24.0% | 60 | 14 | 74 | 13 |
| Royal National Eisteddfod | 16 | 25.5% | 160 | 38 | 198 | 32 |
| Sport Wales | 137 | 20.2% | 1,546 | 307 | 1,853 | 670 |
| Supacleen | 1 | 22.9% | 1 | 0 | 1 | 0 |
| Wales & West Housing | 1 | 20.6% | 137 | 16 | 153 | 109 |
| Welsh Council For Voluntary Action | 69 | 21.4% | 463 | 135 | 598 | 42 |
| Sub-total | 760 | | 5,569 | 1,009 | 6,578 | |
| Total | 15,090 | | 61,674 | 16,862 | 78,536 | |

Additional deficit funding

There was no additional deficit funding in 2016/17.

Comparative note for 2015/16

| 2015/16 | No. of contributors at 31.03.16 | Contribution rates (% of pensionable pay) | Employers £000 | Employees £000 | Total £000 | Additional lump sum (memo) £000 |
|--|---------------------------------------|--|-------------------|-------------------|---------------|--|
| SCHEDULED BODIES: | | | | | | |
| Barry Town Council | 13 | 27.0% | 75 | 18 | 93 | 0 |
| Cardiff and Vale College | 374 | 13.6% | 1,293 | 484 | 1,777 | 260 |
| Cardiff City Transport | 27 | 25.4% | 689 | 55 | 744 | 480 |
| City of Cardiff Council | 9,987 | 22.9% | 35,625 | 9,714 | 45,339 | 0 |
| Cardiff Metropolitan University | 743 | 13.6% | 3,299 | 1,390 | 4,689 | 527 |
| Cowbridge Town Council | 4 | 27.0% | 18 | 4 | 22 | 0 |
| Dinas Powys Community Council | 1 | 27.0% | 7 | 2 | 9 | 0 |
| Lisvane Community Council | 1 | 27.0% | 3 | 1 | 4 | 0 |
| Llantwit Major Town Council | 4 | 27.0% | 18 | 4 | 22 | 0 |
| Penarth Town Council | 14 | 27.0% | 78 | 18 | 96 | 0 |
| Penllyn Community Council | 1 | 27.0% | 1 | 0 | 1 | 0 |
| Public Services Ombudsman for Wales | 1 | 32.3% | 290 | 6 | 296 | 266 |
| Radyr & Morganstown Community Council | 1 | 27.0% | 7 | 1 | 8 | 0 |
| St Davids Sixth Form College | 39 | 13.6% | 126 | 51 | 177 | 14 |
| Stanwell School | 78 | 16.4% | 171 | 56 | 227 | 13 |
| Vale Of Glamorgan Council | 3,317 | 22.7% | 13,258 | 3,672 | 16,930 | 0 |
| Wenvoe Community Council | 1 | 27.0% | 2 | 0 | 2 | 0 |
| Sub-total | 14,606 | | 54,960 | 15,476 | 70,436 | |

NOTES TO THE ACCOUNTS

| 2015/16 | No. of contributors at 31.03.16 | Contribution rates (% of pensionable pay) | Employers | Employees | Total | Additional lump sum (memo) |
|------------------------------------|---------------------------------|---|---------------|---------------|---------------|----------------------------|
| ADMITTED BODIES: | | | | | | |
| APP Clean UK | 5 | 21.5% | 6 | 2 | 8 | 0 |
| Cardiff Business Technology Centre | 4 | 28.7% | 22 | 5 | 27 | 0 |
| Cardiff Gypsy & Traveller Project | 0 | 23.4% | 1 | 0 | 1 | 0 |
| Cardiff Institute For The Blind | 2 | 20.6% | 68 | 3 | 71 | 59 |
| Cardiff University | 54 | 27.3% | 1,654 | 82 | 1,736 | 1,300 |
| Careers Wales (Cardiff & Vale) | 78 | 18.1% | 389 | 138 | 527 | 0 |
| Children In Wales | 25 | 27.3% | 153 | 36 | 189 | 0 |
| Civic Trust For Wales | 0 | 23.4% | 8 | 0 | 8 | 8 |
| Colleges Wales | 6 | 19.8% | 57 | 19 | 76 | 9 |
| Design Commission for Wales | 4 | 20.3% | 34 | 13 | 47 | 0 |
| Mirus Wales | 6 | 23.4% | 58 | 22 | 80 | 0 |
| National Trust | 9 | 20.7% | 34 | 10 | 44 | 0 |
| One Voice | 2 | 19.4% | 23 | 7 | 30 | 6 |
| Play Wales | 6 | 24.0% | 54 | 14 | 68 | 8 |
| Royal National Eisteddfod | 13 | 25.5% | 150 | 36 | 186 | 32 |
| Sport Wales | 129 | 20.2% | 1,866 | 281 | 2,147 | 1,050 |
| Wales & West Housing | 1 | 20.6% | 133 | 15 | 148 | 105 |
| Welsh Council For Voluntary Action | 59 | 21.4% | 455 | 131 | 586 | 36 |
| Workers Education Association | 52 | 22.3% | 245 | 70 | 315 | 6 |
| Sub-total | 455 | | 5,410 | 884 | 6,294 | |
| Total | 15,061 | | 60,370 | 16,360 | 76,730 | |

Additional deficit funding

There was no additional deficit funding in 2015/16.

NOTES TO THE ACCOUNTS

6. Employing Bodies - Benefits Paid

| 2016/17 | Retirement Pensions £000 | Lump Sums on Retirement £000 | Death Grants £000 | Commutation Payments £000 |
|---|-----------------------------|---------------------------------|----------------------|------------------------------|
| SCHEDULED BODIES: | | | | |
| Barry Town Council | 102 | 0 | 0 | 0 |
| Cardiff City Transport | 2,284 | 438 | 45 | 0 |
| City of Cardiff Council | 38,977 | 6,037 | 1,209 | 314 |
| Cardiff and Vale College | 622 | 227 | 0 | 22 |
| Cardiff Metropolitan University | 1,718 | 161 | 412 | 0 |
| Cowbridge Town Council | 15 | 0 | 0 | 0 |
| Dinas Powys Town Council | 8 | 0 | 0 | 0 |
| Llantwit Major Town Council | 18 | 0 | 0 | 0 |
| Mary Immaculate High School | 8 | 0 | 0 | 0 |
| Penarth Town Council | 61 | 16 | 0 | 0 |
| Public Services Ombudsman for Wales | 18 | 0 | 0 | 0 |
| Royal Welsh College of Music & Drama | 77 | 0 | 0 | 0 |
| S Wales Magistrates Courts | 486 | 398 | 0 | 0 |
| St Cyres School | 55 | 10 | 0 | 0 |
| St Davids Sixth Form Coll | 70 | 19 | 0 | 0 |
| Stanwell School | 65 | 40 | 0 | 0 |
| Vale of Glamorgan Council | 11,559 | 2,625 | 607 | 85 |
| Sub-total | 56,143 | 9,971 | 2,273 | 421 |
| ADMITTED BODIES: | | | | |
| Adult Learning Wales (formerly Workers Education Association) | 38 | 36 | 0 | 0 |
| Barry College | 3 | 3 | 0 | 0 |
| Cardiff Bay Arts Trust | 12 | 0 | 0 | 0 |
| Cardiff Bay Devt Corp | 499 | 5 | 106 | 0 |
| Cardiff Business Technology Centre | 13 | 0 | 0 | 0 |
| Cardiff & Co | 15 | 0 | 0 | 0 |
| Cardiff Gypsy & Traveller Project | 13 | 0 | 0 | 0 |
| Cardiff Institute for Blind | 67 | 0 | 2 | 0 |
| Cardiff University | 1,036 | 158 | 0 | 0 |
| Careers Wales (Cardiff & Vale) | 351 | 2 | 0 | 0 |
| Catholic Children's Society | 2 | 0 | 0 | 0 |
| Channel View Centre | 5 | 0 | 0 | 0 |
| Children in Wales | 28 | 43 | 0 | 0 |
| Citizens Advice Bureau (Cardiff) | 13 | 0 | 0 | 0 |
| Citizens Advice Bureau (Vale) | 12 | 0 | 0 | 0 |
| Civic Trust for Wales | 18 | 0 | 0 | 0 |
| Colleges Wales | 0 | 0 | 0 | 0 |
| Community Relations | 1 | 0 | 0 | 0 |
| Council For Admin In Wales | 212 | 0 | 0 | 0 |
| Design Commission for Wales | 3 | 0 | 0 | 0 |
| Dimensions | 8 | 0 | 0 | 0 |

NOTES TO THE ACCOUNTS

| 2016/17 | Retirement Pensions £000 | Lump Sums on Retirement £000 | Death Grants £000 | Commutation Payments £000 |
|---|-----------------------------|---------------------------------|----------------------|------------------------------|
| Fforwm | 75 | 0 | 0 | 0 |
| Glam & Gwent Hsg Assoc | 59 | 45 | 0 | 0 |
| Higher Ed Development Wales | 3 | 0 | 0 | 0 |
| Housing for Wales | 216 | 46 | 0 | 0 |
| Intervol | 22 | 0 | 0 | 0 |
| Land Authority for Wales | 332 | 22 | 0 | 0 |
| Memorial Hall | 12 | 0 | 0 | 0 |
| Mirus Wales (Opportunity Housing Trust) | 20 | 0 | 0 | 0 |
| National Eisteddfod | 63 | 0 | 13 | 0 |
| National Trust | 19 | 0 | 0 | 0 |
| New Theatre | 5 | 0 | 0 | 0 |
| Play Wales | 20 | 0 | 0 | 0 |
| Porthcawl Holiday Home | 62 | 0 | 0 | 0 |
| S E Wales Com Trust | 7 | 0 | 0 | 0 |
| Sport Wales | 862 | 103 | 104 | 0 |
| STAR | 7 | 0 | 0 | 0 |
| Wales & West Housing | 126 | 50 | 0 | 0 |
| Wales Youth Agency | 56 | 0 | 0 | 0 |
| Welsh Council for Voluntary Action | 201 | 26 | 39 | 0 |
| Sub-total | 4,516 | 539 | 264 | 0 |
| TOTAL | 60,659 | 10,510 | 2,537 | 421 |

Comparative note for 2015/16

| 2015/16 | Retirement Pensions £000 | Lump Sums on Retirement £000 | Death Grants £000 | Commutation Payments £000 |
|--------------------------------------|-----------------------------|---------------------------------|----------------------|------------------------------|
| SCHEDULED BODIES: | | | | |
| Barry Town Council | 84 | 160 | 0 | 0 |
| Cardiff City Transport | 2,307 | 224 | 0 | 11 |
| City of Cardiff Council | 38,348 | 7,735 | 1,220 | 395 |
| Cardiff and Vale College | 640 | 213 | 55 | 2 |
| Cardiff Metropolitan University | 1,549 | 1,124 | 85 | 18 |
| Cowbridge Town Council | 11 | 10 | 0 | 0 |
| Dinas Powys Town Council | 9 | 0 | 0 | 0 |
| Llantwit Major Town Council | 18 | 0 | 0 | 0 |
| Mary Immaculate High School | 8 | 0 | 0 | 0 |
| Penarth Town Council | 43 | 114 | 0 | 0 |
| Probation Service | 39 | 0 | 0 | 0 |
| Public Services Ombudsman for Wales | 227 | 35 | 0 | 0 |
| Royal Welsh College of Music & Drama | 77 | 0 | 0 | 0 |
| S Wales Magistrates Courts | 373 | 173 | 1 | 23 |
| St Cyres School | 48 | 16 | 56 | 0 |

NOTES TO THE ACCOUNTS

| 2015/16 | Retirement Pensions £000 | Lump Sums on Retirement £000 | Death Grants £000 | Commutation Payments £000 |
|---|-----------------------------|---------------------------------|----------------------|------------------------------|
| St Davids Sixth Form Coll | 69 | 23 | 0 | 0 |
| Stanwell School | 57 | 37 | 0 | 0 |
| Vale of Glamorgan Council | 10,979 | 4,028 | 37 | 99 |
| Sub-total | 54,886 | 13,892 | 1,454 | 548 |
| ADMITTED BODIES: | | | | |
| Cardiff Bay Arts Trust | 11 | 3 | 0 | 0 |
| Cardiff Bay Devt Corp | 502 | 46 | 0 | 0 |
| Cardiff Business Technology Centre | 13 | 0 | 0 | 0 |
| Cardiff Gypsy & Traveller Project | 11 | 0 | 0 | 0 |
| Cardiff Institute for Blind | 71 | 0 | 0 | 0 |
| Cardiff University | 1,076 | 211 | 0 | (9) |
| Careers Wales (Cardiff & Vale) | 348 | 136 | 65 | 0 |
| Catholic Children's Society | 2 | 0 | 0 | 0 |
| Channel View Centre | 5 | 0 | 0 | 0 |
| Children in Wales | 14 | 0 | 0 | 0 |
| Citizens Advice Bureau (Cardiff) | 13 | 0 | 0 | 0 |
| Citizens Advice Bureau (Vale) | 12 | 0 | 0 | 0 |
| Civic Trust for Wales | 18 | 0 | 0 | 0 |
| Colleges Wales | 74 | 0 | 0 | 0 |
| Community Relations | 2 | 2 | 0 | 0 |
| Design Commission for Wales | 3 | 0 | 0 | 0 |
| Dimensions | 10 | 0 | 0 | 0 |
| Glam & Gwent Hsg Assoc | 58 | 0 | 0 | 0 |
| Glamorgan Holiday Hotel | 60 | 47 | 0 | 0 |
| Higher Ed Development Wales | 3 | 0 | 0 | 0 |
| Housing for Wales | 202 | 30 | 0 | 0 |
| Intervol | 22 | 0 | 0 | 0 |
| Land Authority for Wales | 304 | 0 | 0 | 0 |
| National Eisteddfod | 71 | 0 | 0 | 0 |
| National Trust | 10 | 91 | 0 | 0 |
| Memorial Hall | 12 | 0 | 0 | 0 |
| Mirus Wales (Opportunity Housing Trust) | 20 | 0 | 0 | 0 |
| Play Wales | 20 | 0 | 0 | 0 |
| S E Wales Com Trust | 7 | 0 | 0 | 0 |
| Sport Wales | 839 | 64 | 0 | 23 |
| STAR | 7 | 0 | 0 | 0 |
| Wales & West Housing | 139 | (7) | 0 | 0 |
| Wales Youth Agency | 56 | 0 | 0 | 0 |
| Welsh Council for Voluntary Action | 189 | 173 | 0 | 0 |
| Workers Education Association | 28 | 141 | 0 | 0 |
| Sub-total | 4,232 | 937 | 65 | 14 |
| TOTAL | 59,118 | 14,829 | 1,519 | 562 |

NOTES TO THE ACCOUNTS

7. Membership of the Fund

Fund membership at 31 March 2017 is as follows:

| | 2015/16 | 2016/17 |
|-------------------------|---------------|---------------|
| Contributing Employers | 36 | 37 |
| Contributors | 15,061 | 15,090 |
| Pensioners | 10,626 | 10,846 |
| Deferred pensioners | 12,308 | 12,697 |
| TOTAL MEMBERSHIP | 37,995 | 38,633 |

8. Management Expenses

Management Expenses fully charged to the Fund are:

| | 2015/16 £000 | 2016/17 £000 |
|--------------------------------|-----------------|-----------------|
| Administration Costs | 912 | 945 |
| Investment Management Expenses | 11,484 | 12,297 |
| Oversight & Governance Costs | 124 | 128 |
| TOTAL | 12,520 | 13,370 |

9. Investment Income

| | 2015/16 £000 | 2016/17 £000 |
|--|-----------------|-----------------|
| UK Fixed Interest Securities | 5,098 | 5,325 |
| Overseas Fixed Interest Securities | 2,663 | 1,546 |
| UK Equities & Private Equity Funds | 3,209 | 3,808 |
| Pooled investments | 1,432 | 1,588 |
| Overseas Equities (net of irrecoverable tax) | 3,817 | 4,567 |
| Property Unit Trust Income | 1,700 | 2,113 |
| Interest on UK cash | 132 | 76 |
| Securities Lending | 125 | 92 |
| TOTAL | 18,176 | 19,115 |

NOTES TO THE ACCOUNTS

10. Investments at Market Value

| 2015/16 £000 | | 2016/17 £000 |
|------------------|---|------------------|
| | UK Fixed Interest: | |
| 66,966 | Public Sector | 41,541 |
| 93,423 | Other (Pooled) | 140,330 |
| 160,389 | | 181,871 |
| | Overseas Fixed Interest: | |
| 86,645 | Public Sector (Pooled) | 96,843 |
| 86,645 | | 96,843 |
| | | |
| 95,636 | UK quoted Equities & Convertibles | 116,358 |
| 161,746 | Foreign quoted Equities | 212,725 |
| 257,382 | | 329,083 |
| | | |
| 118,632 | UK & Global Property (Pooled) | 126,298 |
| | | |
| 83,101 | Private Equity | 88,328 |
| | | |
| | Pooled Funds | |
| 470,172 | UK | 562,509 |
| 423,557 | Overseas | 552,195 |
| 893,729 | | 1,114,704 |
| | | |
| (2,273) | Derivatives: Forward Currency contracts | 933 |
| (2,273) | | 933 |
| | | |
| | Cash: | |
| 24,267 | UK | 22,863 |
| 5,059 | Overseas | 19,073 |
| 1,949 | Net investment proceeds due | 1,993 |
| 31,275 | | 43,929 |
| 1,628,880 | TOTAL | 1,981,989 |

NOTES TO THE ACCOUNTS

| 2016/17 | Value at 31/03/16 | Purchase at cost | Sale Proceeds | Change in Market Value | Value at 31/03/17 |
|---|------------------------------|-----------------------------|--------------------------|---------------------------------------|------------------------------|
| | £000's | £000's | £000's | £000's | £000's |
| Fixed Interest Securities | 247,034 | 224,136 | (210,599) | 18,143 | 278,714 |
| Equities | 257,382 | 73,299 | (81,827) | 80,229 | 329,083 |
| Pooled Funds | 893,729 | 144,934 | (243,495) | 319,537 | 1,114,705 |
| Property unit trusts | 118,632 | 763 | 0 | 6,903 | 126,298 |
| Private equity | 83,101 | 2,735 | (24,619) | 27,111 | 88,328 |
| Sub total | 1,599,878 | 445,867 | (560,540) | 451,923 | 1,937,128 |
| Forward Currency | (2,273) | 2,573,915 | (2,546,860) | (23,849) | 933 |
| Futures | 0 | 0 | 0 | 0 | 0 |
| Total Derivatives | (2,273) | 2,573,915 | (2,546,860) | (23,849) | 933 |
| Debtors | 1,949 | | | | 1,993 |
| Creditors | 0 | | | | 0 |
| Managers' Cash | 5,004 | | | | 11,698 |
| Internal Cash | 24,267 | | | | 22,863 |
| Currency Overlay | 55 | | | | 7,374 |
| Total Cash | 31,275 | | | (89,186) | 43,928 |
| Total Cash and Investment Proceeds Due | 29,002 | | | (113,035) | 44,861 |
| Total | 1,628,880 | | | (338,888) | 1,981,989 |

Comparative data for 2015/16:

| 2015/16 | Value at 31/03/15 | Purchase at cost | Sale Proceeds | Change in Market Value | Value at 31/03/16 |
|---|------------------------------|-----------------------------|--------------------------|---------------------------------------|------------------------------|
| | £000's | £000's | £000's | £000's | £000's |
| Fixed Interest Securities | 245,090 | 101,156 | (98,590) | (622) | 247,034 |
| Equities | 276,564 | 63,341 | (55,312) | (27,211) | 257,382 |
| Pooled Funds | 907,792 | 878 | 0 | (14,941) | 893,729 |
| Property unit trusts | 99,211 | 10,305 | 0 | 9,116 | 118,632 |
| Private equity | 87,433 | 3,269 | (24,085) | 16,484 | 83,101 |
| Sub total | 1,616,090 | 178,949 | (177,987) | (17,174) | 1,599,878 |
| Forward Currency | (2,209) | 2,709,754 | (2,695,045) | (14,773) | (2,273) |
| Futures | 0 | 0 | 0 | 0 | 0 |
| Total Derivatives | (2,209) | 2,709,754 | (2,695,045) | (14,773) | (2,273) |
| Debtors | 1,742 | | | | 1,949 |
| Creditors | (141) | | | | 0 |
| Managers' Cash | 7,700 | | | | 5,004 |
| Internal Cash | 24,110 | | | | 24,267 |
| Currency Overlay | 5,859 | | | | 55 |
| Total Cash | 39,270 | | | (231) | 31,275 |
| Total Cash and Investment Proceeds Due | 37,061 | | | (14,542) | 29,002 |
| Total | 1,653,151 | | | (31,716) | 1,628,880 |

NOTES TO THE ACCOUNTS

Analysis of derivatives

Objectives and policies for holding derivatives

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

Forward foreign currency

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

11. Summary of Manager's Portfolio Values at 31 March 2017

| | £000 | % of Fund |
|--|------------------|------------|
| Aberdeen Asset Management | 279,696 | 14.1 |
| Aberdeen Emerging Markets | 74,215 | 3.7 |
| Blackrock Investment Management | 626,980 | 31.6 |
| Invesco Perpetual | 101,741 | 5.1 |
| J P Morgan | 81,838 | 4.1 |
| Majedie | 123,283 | 6.2 |
| Nikko | 113,335 | 5.7 |
| Schroder Investment Managers | 105,524 | 5.3 |
| State Street Global Advisers | 229,929 | 11.6 |
| Property | 126,298 | 6.4 |
| Private Equity Managers | 88,328 | 4.5 |
| Mesirow currency overlay & cash with custodian | 7,960 | 0.4 |
| Internally managed (Cash) | 22,862 | 1.2 |
| Total | 1,981,989 | 100 |

NOTES TO THE ACCOUNTS

12. Financial Instruments

a) Classification of financial instruments

| 31/03/2016 | | | | 31/03/2017 | | |
|--|-------------------------------|--|------------------------------|--|-------------------------------|--|
| Fair Value through profit and loss £000 | Loans and Receivables £000 | Financial Liabilities at Amortised Costs £000 | | Fair Value through profit and loss £000 | Loans and Receivables £000 | Financial Liabilities at Amortised Costs £000 |
| | | | Financial assets | | | |
| 247,034 | 0 | 0 | Fixed Interest Securities | 278,714 | 0 | 0 |
| 257,382 | 0 | 0 | Equities | 329,083 | 0 | 0 |
| 893,729 | 0 | 0 | Pooled Funds | 1,114,705 | 0 | 0 |
| 118,632 | 0 | 0 | Property Unit Trusts | 126,298 | 0 | 0 |
| 83,101 | 0 | 0 | Private Equity | 88,328 | 0 | 0 |
| 168,982 | 0 | 0 | Derivatives | 158,033 | 0 | 0 |
| 0 | 29,326 | 0 | Cash | 0 | 41,935 | 0 |
| 1,949 | 0 | 0 | Other Investments | 1,993 | 0 | 0 |
| 0 | 26,426 | 0 | Debtors | 0 | 21,903 | 0 |
| 1,770,809 | 55,752 | 0 | | 2,097,154 | 63,838 | 0 |
| | | | Financial liabilities | | | |
| (171,255) | 0 | 0 | Derivatives | (158,033) | 0 | 0 |
| 0 | 0 | 0 | Other Investments | 0 | 0 | 0 |
| 0 | 0 | (1,812) | Creditors | 0 | 0 | (2,214) |
| 0 | 0 | 0 | Borrowings | 0 | 0 | 0 |
| (171,255) | 0 | (1,812) | | (158,033) | 0 | (2,214) |
| | | | | | | |
| 1,599,554 | 55,752 | (1,812) | | 1,939,121 | 63,838 | (2,214) |

b) Net gains and losses on financial instruments

| 31/03/2016 £000 | | 31/03/2017 £000 |
|--------------------|------------------------------------|--------------------|
| | Financial Assets | |
| (21,259) | Fair value through profit and loss | 350,452 |
| 0 | Loans and receivables | 0 |
| | | |
| | Financial liabilities | |
| (12,630) | Fair value through profit and loss | (13,222) |
| 2,173 | Loans and receivables | (402) |
| (31,716) | Total | 338,888 |

c) Valuation of financial instruments carried at fair value

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

NOTES TO THE ACCOUNTS

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.

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

13. Nature and extent of risks arising from financial instruments

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

The Fund's primary long-term risk is that the fund's assets will fall short of its liabilities and will be unable to pay the promised benefits to members. The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

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.

NOTES TO THE ACCOUNTS

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 31.03.2017 | Change in year in the net assets available to pay benefits | |
|---------------------------|----------------------------------|--|----------------|
| | | + 100bps | - 100bps |
| | £000 | £000 | £000 |
| Cash | 44,861 | 449 | (449) |
| Fixed interest securities | 278,714 | 2,787 | (2,787) |
| Total | 323,575 | 3,236 | (3,236) |

2015/16 Comparative:

| Asset Type | Carrying amount as at 31.03.2016 | Change in year in the net assets available to pay benefits | |
|---------------------------|----------------------------------|--|----------------|
| | | + 100bps | - 100bps |
| | £000 | £000 | £000 |
| Cash | 29,002 | 290 | (290) |
| Fixed interest securities | 247,034 | 2,470 | (2,470) |
| Total | 276,036 | 2,760 | (2,760) |

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

The Fund's Global Bonds and North American, European and Japanese Equities portfolios are covered by currency hedging arrangements. Fund managers will also take account of currency risk in their investment decisions.

Currency risk – sensitivity analysis

Following analysis of historical data, the fund's aggregate currency change has been calculated as 6.36%. A 6.36% 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:

NOTES TO THE ACCOUNTS

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

| Currency exposure – asset type | Asset value as at 31.03.2016 | Change to net assets available to pay benefits | |
|---|------------------------------------|---|----------------|
| | | 6.35% | 6.35% |
| | £000 | £000 | £000 |
| Overseas quoted securities | 602,722 | 640,995 | 564,449 |
| Total change in assets available | 602,722 | 640,995 | 564,449 |

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

Price risk sensitivity analysis

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

| Asset type | Value as at 31.03.2017 £000 | Percentage change % | Value on increase £000 | Value on Decrease £000 |
|---------------------|-----------------------------------|---------------------------|------------------------------|------------------------------|
| Total Assets | 1,981,989 | 7.34% | 2,127,467 | 1,836,511 |
| UK Equities | 685,792 | 9.99% | 754,303 | 617,281 |
| Overseas Equities | 771,053 | 10.05% | 848,544 | 693,562 |
| Total Bonds | 279,696 | 4.74% | 292,954 | 266,438 |
| Cash | 30,822 | 0.01% | 30,825 | 30,819 |
| Alternatives | 88,328 | 2.12% | 90,201 | 86,455 |
| Property | 126,298 | 3.18% | 130,314 | 122,282 |

| Asset type | Value as at 31.03.2016 £000 | Percentage change % | Value on increase £000 | Value on Decrease £000 |
|---------------------|-----------------------------------|---------------------------|------------------------------|------------------------------|
| Total Assets | 1,628,880 | 7.34% | 1,748,440 | 1,509,320 |
| UK Equities | 565,808 | 9.99% | 622,332 | 509,284 |
| Overseas Equities | 585,303 | 10.05% | 644,126 | 526,480 |

NOTES TO THE ACCOUNTS

| | | | | |
|--------------|---------|-------|---------|---------|
| Total Bonds | 247,034 | 4.74% | 258,743 | 235,325 |
| Cash | 29,002 | 0.01% | 29,005 | 28,999 |
| Alternatives | 83,101 | 3.18% | 85,744 | 80,458 |
| Property | 118,632 | 2.12% | 121,147 | 116,117 |

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 manages and monitors the counterparty risk, collateral risk and the overall lending programme.

The Pension Fund's bank account is held with the Lloyds bank. Surplus cash is not invested with Lloyds but is placed with a selection of AAA Money Market institutions. The Fund's cash holding under its treasury management arrangements as at 31.03.2017 was £22.2 million (£24.8 million at 31.03.2016). This was held with the following institutions:

| | Rating | Balance at 31.03.2016 £000 | Balance at 31.03.2017 £000 |
|-----------------------------|--------|----------------------------------|----------------------------------|
| Money market funds | | | |
| Ignis | AAA | 12,000 | 12,000 |
| Deutsche | AAA | 920 | 0 |
| Blackrock | AAA | 11,950 | 10,170 |
| | | | |
| Bank current account | | | |
| Lloyds Bank | A | (80) | 74 |
| Total | | 24,790 | 22,244 |

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 exceed 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.

14. Sundry Debtors & Creditors

| | 2015/16 £000 | 2016/17 £000 |
|-------------------------|-----------------|-----------------|
| Debtors | | |
| Pensions Administration | 0 | 0 |
| Miscellaneous | 602 | 986 |
| | 602 | 986 |

NOTES TO THE ACCOUNTS

| Creditors | | |
|---------------------------|--------------|--------------|
| Management & Custody Fees | (911) | (1,161) |
| Miscellaneous | 0 | 0 |
| | (911) | (1,161) |
| Total | (309) | (175) |

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 £508,000 and the market value of separately invested AVC's as at 31 March 2017 was £3.620 million.

16. Commitments

As at 31 March 2017 the Fund had outstanding private equity commitments of a maximum of £43.62 million (£38.64 million at 31 March 2016).

As at 31 March 2017 the Fund had forward currency contracts amounting to £158.968 million of purchases and £158.033 million of sales, showing an unrealised gain of £935,000.

17. Securities Lending

At the year end the value of quoted equities on loan was £44.66 million (£40.42 million at March 2016) in exchange for which the custodian held collateral of £48.26 million (£42.54 million at March 2016). For the year ending 31 March 2017, the Fund received income of £93,000 from the lending of stock.

18. Contingent Liabilities

The Fund has no contingent liabilities.

19. Related Party Transactions

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

Other related party transactions with the Council are:

- Cash invested internally by the Council (for working capital purposes) - see note 9;
- Administration expenses charged to the Fund by the Council are shown in note 8.
- Paragraph 3.9.4.3 of the Code of Practice exempts local Authorities from the key management personnel disclosure requirements of IAS24 on the basis that requirements for officer remuneration and members' allowances is detailed in section 3.4 of the Code and can be found in the main accounts of The County Council of the City and County of Cardiff.

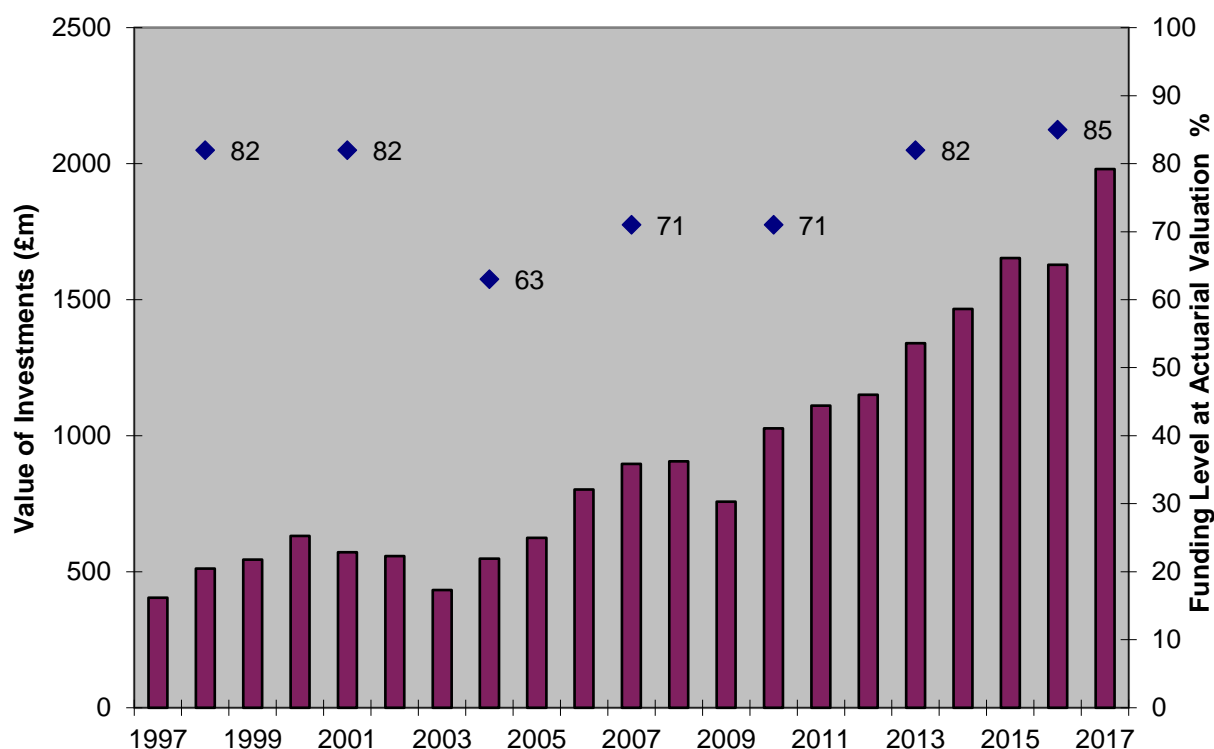
20. Post Balance Sheet Events

There are no post balance sheet events to report.

APPENDIX 1: INVESTMENT DATA

| Year End 31 March | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------|---------|---------|---------|---------|
| MEMBERSHIP | | | | | |
| Contributors | 13,402 | 13,922 | 14,616 | 15,061 | 15,090 |
| Pensioners | 9,552 | 9,866 | 10,281 | 10,626 | 10,846 |
| Deferred Members | 10,658 | 11,335 | 12,073 | 12,308 | 12,697 |
| FINANCIAL DATA | | | | | |
| | £m | £m | £m | £m | £m |
| Gross Income (excl Profits on Sales) | 92.9 | 119.2 | 100 | 102.1 | 102.4 |
| Gross Expenditure | 70.4 | 78.8 | 84.5 | 96.9 | 92.4 |
| Net New Money | 22.5 | 40.4 | 15.5 | 5.2 | 10 |
| Market Value of Investments | 1,339.9 | 1,466.1 | 1,653.2 | 1,628.9 | 1,982.0 |
| INVESTMENT PERFORMANCE | | | | | |
| | % | % | % | % | % |
| Returns on investments | | | | | |
| 1 Year | 14.9 | 8.9 | 12.6 | -1.7 | 21.2 |
| 3 Year Average | 8.4 | 8.7 | 12.1 | 6.4 | 10.3 |
| 5 Year Average | 7.1 | 13.2 | 9.3 | 7.3 | 10.9 |
| 10 Year Average | 10 | 8.6 | 8.7 | 6.1 | 7.2 |
| Annual Pension Increase (applied the following April) | | | | | |
| | 2.2 | 2.7 | 1.2 | 0.0 | 1.0 |

20 YEAR INVESTMENT MARKET VALUES



APPENDIX 1: INVESTMENT DATA

INVESTMENT ASSET ALLOCATION (BY ASSET CLASS)

| Year Ended 31 March | | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------|----|----------------|----------------|----------------|----------------|----------------|
| UK Equities | £m | 468.7 | 539.4 | 588.4 | 568.5 | 685.8 |
| | % | 35.0 | 36.8 | 35.6 | 34.9 | 34.6 |
| Overseas Equities | £m | 450.4 | 510.0 | 602.9 | 588.8 | 771.1 |
| | % | 33.6 | 34.8 | 36.5 | 36.2 | 38.9 |
| Global Bonds | £m | 220.0 | 220.1 | 244.1 | 247.9 | 279.7 |
| | % | 16.4 | 15.0 | 14.8 | 15.2 | 14.1 |
| Private Equity | £m | 93.0 | 92.9 | 87.4 | 83.1 | 88.3 |
| | % | 6.9 | 6.3 | 5.3 | 5.1 | 4.5 |
| Property | £m | 75.2 | 79.9 | 99.2 | 116.2 | 126.1 |
| | % | 5.6 | 5.5 | 6.0 | 7.1 | 6.4 |
| Cash | £m | 33.2 | 23.8 | 31.2 | 22.9 | 30.8 |
| | % | 2.5 | 1.6 | 1.9 | 1.4 | 1.6 |
| Total Value | £m | 1,340.5 | 1,466.1 | 1,653.2 | 1,627.4 | 1,981.8 |
| | % | 100 | 100 | 100 | 100 | 100 |

TEN LARGEST HOLDINGS BY MARKET VALUE AS AT 31 MARCH 2017

| | Country | Value £m | % of the Fund |
|---|------------------|-------------|------------------|
| EQUITIES (DIRECTLY OWNED) | | | |
| Royal Dutch Shell | UK | 8.7 | 0.4 |
| HSBC Holdings | UK & Hong Kong | 8.4 | 0.4 |
| BP | UK | 7.3 | 0.4 |
| Taiwan Semiconductor Manufacturing Co | Taiwan | 5.4 | 0.3 |
| Tencent Holdings | China | 5.2 | 0.3 |
| Samsung Electronics | South Korea | 5.2 | 0.3 |
| Tesco | UK | 4.5 | 0.2 |
| GlaxoSmithKline | UK | 4.2 | 0.2 |
| Sony Corporation | Japan | 4.1 | 0.2 |
| Vodafone Group | UK | 4.0 | 0.2 |
| POOLED FUNDS | | | |
| BlackRock Aquila Life UK Equities Indexed | UK | 378.9 | 18.9 |
| BlackRock Aquila Life US Equities Indexed | USA | 248.0 | 12.4 |
| SSGA MPF Europe ex UK Equities Active | Europe ex UK | 229.9 | 11.5 |
| Invesco Perpetual Income Fund | UK | 101.7 | 5.1 |
| Aberdeen Corporate Bond Fund | UK | 84.3 | 4.2 |
| JP Morgan UK Dynamic Fund | UK | 81.8 | 4.1 |
| Aberdeen Global Emerging Markets Equities | Emerging Markets | 74.2 | 3.7 |
| Aberdeen Absolute Return Bond Fund | Global | 56.0 | 2.8 |
| Aberdeen Global Government Bond Fund | Global | 55.4 | 2.8 |
| CB Richard Ellis Global Alpha Fund | Global | 44.7 | 2.2 |

GLOSSARY

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.

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.

CIPFA

The Chartered Institute of Public Finance and Accountancy, the professional accountancy body for public services in the UK.

Custodian

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

DCLG

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

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.

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.

Fixed Interest Securities/Bonds

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

Fund of Funds

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

ISS

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

LGPS

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

Myners Principles

The six principles which a LGPS Fund must comply with:

1. Effective decision making
2. Clear objectives
3. Risk and liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and reporting

Pooled Funds

Pooled investment vehicles issue units to a range of investors. Units prices moves 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.

Private Equity

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

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.

FURTHER INFORMATION

Details of membership of the LGPS are provided by individual employers to all relevant employees on appointment. Further information regarding the scheme can also be found on the LGPS website (<https://lgpsmember.org/>). Any significant changes to the scheme are communicated to members by newsletter.

A statement of each individual's benefits is currently provided automatically on retirement. 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, Investment Strategy Statement, Funding Strategy Statement and Communication and Governance Statement are published on Cardiff Council's website www.cardiff.gov.uk/pensions. Paper copies are available on request.

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

Corporate Director Resources
Cardiff Council
County Hall
Atlantic Wharf
Cardiff
CF10 4UW

E-mail enquiries should be sent to: Pensions@cardiff.gov.uk

Telephone enquiries should be directed as follows:

| | | | |
|---------------------------------|-----------------|-------------------------|------------------------------|
| Scheme Management & Investments | (029) 2087 2975 | Gareth Henson | (Pensions Manager) |
| Pensions Administration | (029) 2087 2330 | Karen O'Donoghue-Harris | (Principal Pensions Officer) |
| | (029) 2087 2343 | Nicola Cumper | (Senior Pensions Officer) |
| | (029) 2087 2338 | Wendy Herbert | (Senior Pensions Officer) |
| Fund Accounting | (029) 2087 2290 | Nicola Greenwood | (Group Accountant) |

Mae'r ddogfen hon ar gael yn Gymraeg / This document is available in Welsh